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AGENDA REPORT

TO: OAKLAND CITY COUNCIL

FROM: John A. Flores
Interim City Administrator

SUBJECT: Supplemental OPIC Grant Report

DATE: May 28, 2015

COUNCIL DISTRICT: Citywide

PURPOSE OF SUPPLEMENTAL REPORT

This Supplemental Report provides additional information in response to a memorandum dated May 19, 2015, from the Oakland Private Industry Council (“OPIC”) to the City Council regarding the Council agenda item and a proposed \$250,000 administrative support grant to OPIC (**Attachment A**).

COUNCIL DIRECTION TO CONSIDER PROPOSED GRANT

During discussions at the Community and Economic Development (“CED”) Committee meeting on February 24, 2015, regarding the Oakland Workforce Investment Board (“WIB”) budget, as well as in subsequent meetings with City leadership, OPIC staff indicated that it was at risk of having to cease operations of its Comprehensive One Stop Career Center (“COSCC”) due to lack of funding. The CED Committee directed the City Administrator to meet with OPIC regarding their funding needs and return to the City Council with a request for a \$250,000 grant.

RECENT HISTORY/BACKGROUND

OPIC is currently under contract in Fiscal Year 2014-15 to perform Workforce Investment Act (“WIA”) program scope of services to operate its COSCC for a budget amount of \$2,013,000, as allocated by the WIB.

The following table from a report presented to the CED Committee on October 28, 2014 illustrates funding and enrollment levels for the OPIC COSCC over the past three years:

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Fiscal Year	Program & Admin. Funding	Training & Support Services Funding	Total Funding	Negotiated Enrollment Goals	Actual Enrollments	Placements: Goal/Actual
12-13	\$1,261,541	\$365,789	\$1,627,330	1,000	905	680/323
13-14	\$1,500,000	\$445,000	\$1,945,000	975	638	798/328
14-15	\$1,508,000	\$505,000	\$2,013,000	788	542 ¹	535/523 ²

Contracts and scopes of work are not forced on service providers, but rather are awarded following competitive bidding processes and negotiations. Given the absence of competition for the COSCC contract in 2013, staff was hampered in performing an informed cost/price comparison and analysis. The cost analysis staff did perform concluded the need for more detailed information from OPIC regarding its operating costs and service levels.

City staff analysis of OPIC expenditures against its FY14-15 budget, as of May 7th, concluded that, at its then current expenditure rate, the OPIC would have expended all of its allotted program funds by mid-May and could ultimately be short \$191,000. Regardless of staff's analysis and OPIC's statements predicting a potential funding shortfall, the OPIC has also assured City leadership that there would be no disruption of COSCC services this fiscal year.

During a budget meeting with OPIC leadership on March 17, 2015, City staff requested a "Sustainability Plan", in anticipation of a potential request for additional funds from the City. In its draft Plan submitted May 15, 2015, OPIC asserted that it can withstand a 19% reduction in funding next fiscal year, as long as it is able to reduce service levels by 36%. To do so they would require reductions in force and operations and maintenance costs. City staff has not yet had an opportunity to verify OPIC's Sustainability Plan to date.

WORKFORCE INVESTMENT BOARD LEGAL MANDATE

By law, the Oakland WIB is required, along with the Mayor, as the Chief Elected Official, to determine how funds identified to support the federally funded Workforce Development system in the City are allocated. The City Charter mandates that the City Council must also approve Workforce funding allocations by resolution. If the Mayor, the WIB or the City Council are unable to agree, the funds cannot be allocated in support of the WIA system, regardless of the origin of the funds (i.e. Federal, State, City General Purpose Funds, etc.).

The OPIC memorandum states that the agency is not asking for a grant award, but rather is requesting that the City appropriately fund the agency for work it contractually agreed to

¹ Actual enrollments as of May 27, 2015.

² 523 job placements are projected in the Oakland PIC's current FY 14-15 contract. The figures for FY 12-13 and FY 13-14 are actual figures as reported to the Oakland WIB System Leadership Committee on August 19, 2014.

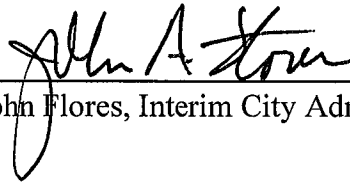
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perform. OPIC has been paid for all services rendered to date for which it agreed to perform within the scope of its existing contract. Any new funds the OPIC may receive for WIA-related services would exceed the funding cap advertised in the 2013 WIB Request for Proposals.

CONCLUSION

If the City Council direction is to direct an additional \$250,000 in General Purpose Funds to enhance the WIA-related services being performed by Oakland service providers, then the WIB would need to determine a fair and reasonable allocation of those new resources. However, if it is Council's direction to provide an administrative support grant intended to sustain the OPIC organization, without any attachment to work related to the WIA-funded system, then it can do so without the WIB's approval.

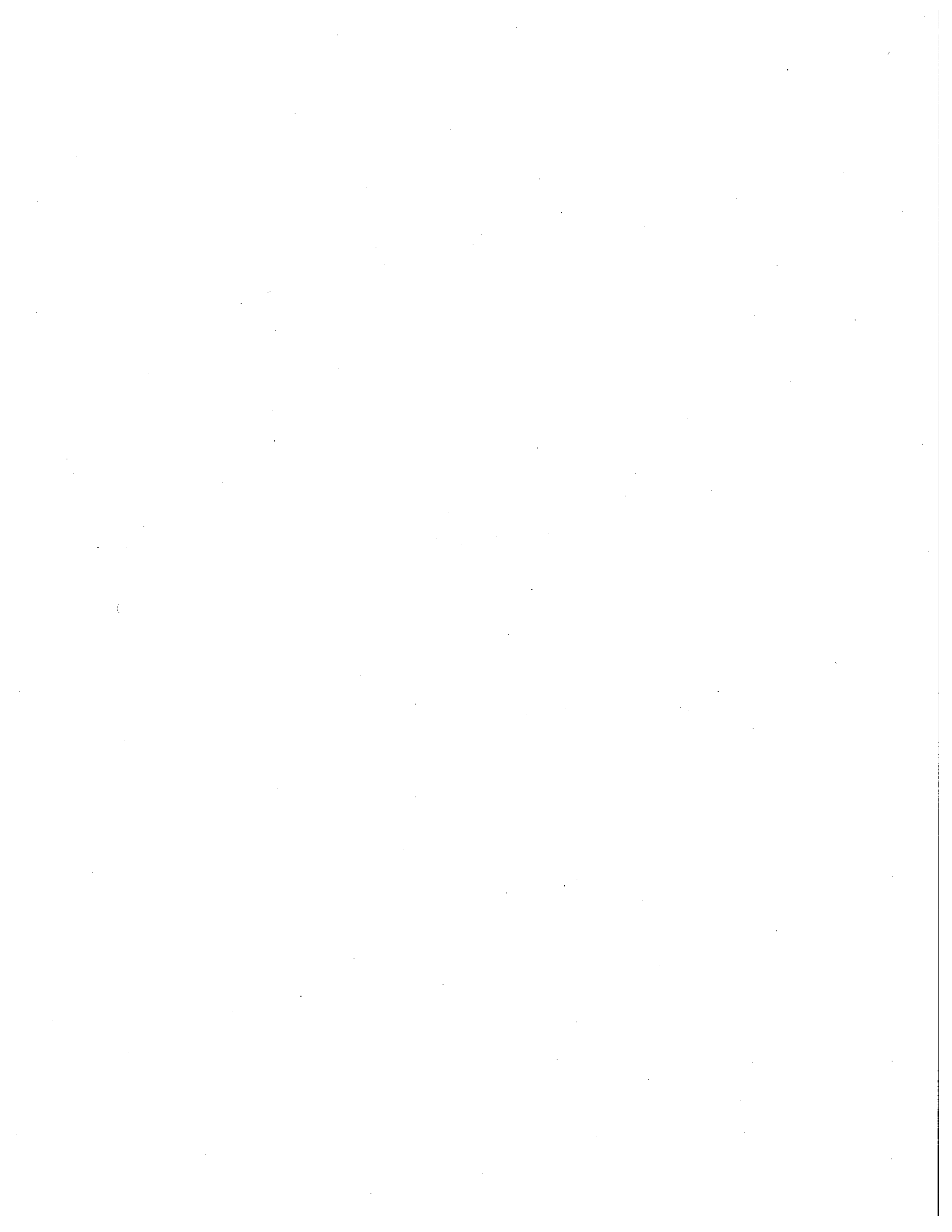
Respectfully submitted,



John Flores, Interim City Administrator

Attachment A: Memorandum dated May 19, 2015, from OPIC to City Council

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MEMORANDUM

Date: May 19, 2015

To: Members of the Oakland City Council

Copies: Mayor Libby Schaaf
Interim City Administrator Cynthia Cappio

From: Board and Staff of the Oakland Private Industry Council, Inc.

Subject: City Council Agenda Item #12, "Oakland Private Industry Council Grant"

SUMMARY OF RELEVANT ISSUES

The staff report submitted to you and the public in conjunction with Agenda Item #12 is gravely disappointing in its lack of depth, analysis and historical accuracy. Thus we submit this report for your consideration. Most of the following observations have been presented to the City Council, the Workforce Investment Board, the City Administrator, in full or in part, over the past 3 years.

Initially, the PIC respectfully points out that we are not asking for an additional "grant award" from the City. Rather, we are requesting that the City appropriately fund the work it has requested that we perform. Our request has been the same for more than a year and it is fitting that the City, by working with us on our request will not only keep services at the high level which they are currently, but will also get some "skin in the game" as has been directed by the City Council on more than one occasion. Note that this request was approved by consensus at the Community and Economic Development Committee meeting of 3/24/15.

The reasons for this request are as follows:

1. **City's Obligation to Determine Appropriate Pricing for Contracted Services:** The City has not conducted a competent "cost analysis" which is required by federal regulations applicable to Workforce Investment Act and other federal funding. This would determine the appropriate funding levels for services being performed by the Comprehensive One Stop Career Center pursuant to the City's requests under its competitive procurement (RFP) process. The Comprehensive Center is the only federally mandated service for Oakland's adult population.
2. **Impact of Failure to Analyze the Cost of Requested/Mandated Services:** As a result, the funding available under various RFPs has been arbitrary and without foundation either legally or by simple acknowledgement and analysis of the real costs of providing workforce services in the City of Oakland. The WIB staff's budgeting methodology has been to determine what the City needs to support its administrative infrastructure, take that amount "off the top," and divvy up the balance for the actual provision of services to job seekers and employers. (The City provides no direct services to job seekers.)
3. **Services to the Public:** The PIC's Comprehensive Career Center currently hosts between 40,000 and 44,000 visits each year in varying levels of service, from "self-directed" services (40,000 to 45,000 visits), to "staff-assisted" workshops and classes (4,000 to 4,500 per year), and "intensive," one-on-one case management services (788 per year.) These service levels are 10 times higher than any other WIA-funded one stop center serving adult job seekers. Additionally, in the past year, more than 10 employers and more than 300 Oakland residents who were laid off or facing layoff have been served with Rapid Response activities provided by PIC's One Stop Comprehensive Career Center. A significant percentage of those Oakland residents served were non-English speaking so that these Rapid Response services were often major, multi-level undertakings. Companies receiving Rapid Response services included Jamba Juice, Raybern Foods, Bimbo Bakery, Do-Bake Bakery, Just Desserts, Sears, Men's Wearhouse, etc. We also host an average of 3 on-site recruitments per month for local employers. This is an important business service connecting job seekers with immediate employer needs.
4. **Resulting Impact on the One Stop Comprehensive Career Center:** The result of the City's failure to conduct a cost analysis and its questionable budgeting practices is that funding levels for the Comprehensive One Stop Career Center simply do not cover the contracted service levels, causing a financial shortfall which the PIC has covered for years. We are on record in detailing concerns about the City's practices over the past four years. Our concerns have been ignored.

5. **How We Have Coped:** Until now, the PIC has been able to withstand these funding shortfalls by utilizing other hard-to-come-by revenues to support the services required under WIA and, at this point, by the depletion of its own reserve fund which has been used for activities and events in support of our mission. Additionally, PIC has been required to utilize staff furloughs, leave vacancies unfilled, and forgo any cost of living adjustments for more than 5 years. Other valuable service provider organizations also have been negatively impacted, and are unwilling to provide WIA service, or are unable to do so as they are now out of business. Two of the latter provided much-needed, neighborhood-based services to low-income Latino and African-American youth.
6. **No City Investment:** Unlike other cities (e.g., Richmond), Oakland makes no financial investment or contribution to support the extraordinary costs of its WIA administrative operation, which currently consumes over 30% of Oakland's WIA allocation from the State. Note that the federal regulatory limit on "administration" is 10% (20 CFR 667.210.) The City Council and the public have repeatedly asked that the City budget reflect "skin in the game," particularly as federal resources have diminished by 26% over the past five years, while the City's administrative costs have increased dramatically over the same period of time. (Please refer to the proceedings of the 3/26/14 "Special Hearing," conducted by the CED Committee.) Also note that when the "WIB office" was established over 10 years ago, the City committed to a level of financial support -- at that time \$225,000. The financial support was eliminated several years ago, without consultation with the WIB, its service providers and without analysis of impact on services to the public. This pattern of arbitrary funding decisions, without regard to the intent of the legislation and the impact on those needing services (both job seekers and employers) is harmful to Oakland and its residents.
7. **More Analysis Needed:** From our review of expenditure data, obtained through Public Records Act requests, it appears that the City has utilized WIA resources to plug holes in its budget --- without a corresponding benefit to those needing services from this diminishing funding source. It is not clear whether the City's decision to utilize its Oracle accounting system to account for WIA funds has negatively impacted the funds available for direct services. (WIA accounting was previously handled through the State's Job Training Automation [JTA] system.) We ask for a City review of this situation as well as a determination of whether the WIB office has operated within the WIB/City Council adopted budget for Fiscal Year 14-15.
8. **Disparate Treatment:** As noted, federal WIA revenues have diminished over the last five years. However, the PIC has borne a disproportionate share of the funding cuts --- actually, all of them (unlike other service providers or the City

itself). This is ironic in light of the PIC's unique role in keeping Oakland compliant with federal requirements. The only legislative mandate for adult services is that they be provided through a "One Stop Comprehensive Career Center." A full explanation of the inequities in funding cuts has been presented to the City Administrator's office.

9. The reference to a previous \$50,000 "administrative support grant" to the PIC is a seriously inaccurate rendering of the factual situation, in which the WIB Executive Director refused to honor an invoice for the costly and last-minute work which he requested that the PIC perform and which he had agreed, in writing, to fund. Without this work the City would have been required, according to applicable EDD guidelines, to return \$200,000 in Dislocated Worker training funds and approximately \$450,000 in youth funding back to the State. (These amounts would have been addition to the more than \$600,000 already returned to the State because of the City's failure to properly expend a previous grant designed to serve unemployed Oakland workers.) Eventually, the City Administrator's office determined that the PIC's unpaid claim was valid and it was paid 8 months after its initial submission. Complete documentation of this situation is available should the Council wish to review it.

10. **Involvement of the City Auditor:** We find the City Administrator's recommendation regarding involvement of the City Auditor in this matter to be, perhaps, well-intentioned, but certainly misguided. The PIC has a 30 year history of successful management of public and private resources, as evidenced by the City's own fiscal monitoring, monitoring by numerous other funding agencies, our annual outside audits, etc. We believe that the Auditor's time and the public's resources would be better spent looking at the City's administration of these federal funds and the conditions which have led to the observations contained in this memorandum.

The intent of the Workforce Investment Act is to provide timely and quality services to those who need and can benefit from those services. The public has a right to demand that City government adhere to legislative intent and require accountability for government's administrative missteps. To summarize, these have included:

- o Non-compliance with federal standards for competitive procurement of WIA funds, resulting in significant underfunding of services to Oakland's neediest populations;
- o Brown Act Violations with respect to conduct of WIB meetings;
- o Contracts for job services delayed for months with (no authorization to proceed) while waiting for the City's administrative processes to conclude. During these delays, services to the public are impacted because most non-profits are unable to advance funds on behalf of the City;

- Late payments/reimbursements to service providers --- creating very serious cash flow crises which have also impacted services to the public, both jobseekers and employers. The State monitor noted this problem as a finding in his fiscal review of City WIA operations. (Thank you City Council for clarifying the applicability of Councilmember Brooks' Prompt Payment Ordinance to non-profit organizations!);
- Failure to provide opportunities for public input into WIB decision-making at times when it would be convenient for the public to participate;
- Return of much-needed job training funding to the State (see previous discussion);
- Failed performance against WIA state standards for youth programs --- endangering future youth funding to Oakland;
- Budget processes which prioritize the City's budget needs rather than the needs of jobseekers and employers, resulting in the current 32% of total funds encumbered by the City, largely for administration. As noted, this exceeds the federal standard for such expenses.

We acknowledge that the frequently changing leadership in the City Administrator's office has led to many stops and starts in resolving these serious issues. However, now is the time to move forward with system reform as well as to assure uninterrupted and much-needed services to the public.

As former Interim City Administrator Henry Gardner wrote in January 2015, "The case has been made. We are convinced the PIC needs more money." Please see plan for utilization of funding, attached .

Plan for Utilization of Additional Funds

Program Cost	PIC Match/Leverage		Total Cost
Personnel	\$145,000	\$120,000	\$265,000
Operating Cost	\$75,000	\$51,000	\$126,000*
Indirect	\$30,000	\$22,000	\$52,000
Totals	\$250,000	\$193,000	\$443,000

*Note that Operating Costs under "Program Cost" include approximately \$10,000 needed to upgrade outdated computer equipment used by job seeking customers of the Comprehensive Center.

All funds will be expended for actual costs of the operation of the Comprehensive One Stop Career Center in order to avoid any diminishment of services to our job seeker constituents in this fiscal year. We are prepared to submit further and more detailed responses to the City staff's report should that be warranted.