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OFFICE OF THE CITY CLERK  
OAKLAND

2014 OCT 16 PM 2:20 **AGENDA REPORT**

**TO:** HENRY L. GARDNER  
INTERIM CITY ADMINISTRATOR

**FROM:** Rachel Flynn

**SUBJECT:** Workforce Investment Budget Issues

**DATE:** October 2, 2014

City Administrator  
Approval

Date

10-16-14

**COUNCIL DISTRICT:** All

### **RECOMMENDATION**

Staff recommends that the City Council receive:

**An Informational Report On Workforce Investment Funding Levels For One Stop Career Centers, City Support For Workforce Investment System Administration, Clarification On Application Of The Prompt Payment Ordinance To Workforce Grant Agreements, And Reporting By The City Council Representative On The Workforce Investment Board To Full Council**

### **EXECUTIVE SUMMARY**

This report is in response to concerns raised by City Councilmembers and members of the public during the adoption of the Oakland Workforce Investment Board's Fiscal Year 2014-2015 budget. On July 15, 2014, the City Council's motion to adopt the WIB budget included direction to staff to bring a follow-up report in October, 2014 regarding:

1. An analysis on whether funding levels for career centers are adequate to support contracted and mandated services;
2. Explain the City's financial buy in to defray system administration costs to better support direct services to the unemployed;
3. Clarify that the City Prompt Payment Ordinance shall apply to these (Workforce Investment Act) funds; and
4. Require Councilmembers who sit on the WIB to provide regular updates to the full Council.

The issues raised during the City Council meeting on July 15, 2014 which relate most to the WIB's FY 14-15 budget center around funding for the Oakland Private Industry Council (PIC). The City "buy in" concern will be addressed during the City's FY 16-18 budget development process. The Prompt Payment Ordinance as it relates to grant-funded programs

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has been agendized for discussion as a stand-alone item at the Finance Committee meeting of October 28, 2014, since it applies to many contracts managed by multiple City departments. If requested, staff can add City Council offices to the distribution list used for all WIB meeting notices, materials and action minutes.

### **BACKGROUND/LEGISLATIVE HISTORY**

The Oakland Workforce Investment Board (WIB) is a federally mandated policy body appointed by the Mayor charged with approving the use of U.S. Department of Labor Workforce Investment Act (WIA) funds allocated annually to Oakland through the State Employment Development Department. Per the Workforce Investment Act, the Chief Elected Official of an area receiving WIA funds—in Oakland's case, the Mayor—and the WIB must agree on the budget. Since WIA does not supersede local governance, the Oakland City Charter mandates that the Oakland City Council also approve the allocation of WIA funds.

On June 26, 2014, the WIB adopted its Fiscal Year 2014-2015 budget by a vote of 17 ayes, 0 noes, 2 abstentions and 4 recusals. On July 15, 2014, the Oakland City Council voted unanimously to adopt the Oakland WIB Fiscal Year 2014-2015 budget. Based on comments made at the City Council meeting, the motion to adopt the WIB budget also included direction for staff to prepare a report for the Community and Economic Development Committee (CED) on the items detailed below.

### **ANALYSIS**

#### **1.a. Comprehensive Career Center funding**

The following table illustrates funding and enrollment levels for the Oakland PIC Comprehensive One Stop Career Center over the past three years:

<b>Fiscal Year</b>	<b>Program &amp; Admin. Funding</b>	<b>Training &amp; Support Services Funding</b>	<b>Total Funding</b>	<b>Contracted Enrollment Goals</b>	<b>Actual Enrollments</b>	<b>Job Placements</b>
12-13	\$1,261,541	\$365,789	\$1,627,330	1,000	905	323
13-14	\$1,500,000	\$445,000	\$1,945,000	975	638	328
14-15	\$1,508,000	\$505,000	\$2,013,000	788	111	523 <sup>1</sup>

<sup>1</sup> 523 job placements is 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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Through its Request for Proposals (RFP) process last year, the WIB considered a range of funding scenarios for the Comprehensive One Stop Career Center, from a low of \$1,100,000 to \$1,500,000. This range did not include funding for training and support services. The rationale for the ranges included 1) uncertainty about WIA funding levels going forward; 2) historic costs; and 3) a desire to reap maximum outcomes for the WIB's investments through strong competition and leveraged resources. The RFPs also reflected the priorities articulated in the WIB's 2012-2014 Strategic Plan, which include a focus on sector-based service delivery; goal of moving as many job seekers as possible to self-sufficiency; nurturing of partnerships to maximize resources; capacity building for service providers; an emphasis on a geographic spread of services; and an optimization of training resources by attracting additional WIA and non-WIA funding.

**1.b. Neighborhood Career Center funding**

The range of funding for the Neighborhood Career Center considered by the WIB was \$200,000 to \$300,000, not including funding for training and support services. The following table summarizes the budget and service levels for the Neighborhood Career Centers for FY 2013-2014 and 2014-2015:

<b>FY 2013-2014</b>	<b>Total Budget</b>	<b>Actual Expenditures</b>	<b>Enrollment Goals</b>	<b>Actual Enrollments</b>
OPIC East	\$215,000	\$57,000	25	14
OPIC West	\$335,000	\$37,000	50	0
Unity Council	\$335,000	\$280,000 <sup>2</sup>	50	47

<b>FY 2014-2015</b>	<b>Total Budget</b>	<b>Enrollment Goals</b>
OPIC East	\$258,000	In negotiations
OPIC West	\$423,000	In negotiations
Unity Council	\$395,000 <sup>3</sup>	70

Services at the Oakland PIC Neighborhood Career Center East did not commence until March 2014, and expended roughly \$57,000 in FY 13-14. Staff therefore recommended that the remaining \$158,000 be carried forward into FY 14-15 and added a total of \$100,000 of funding for this year, giving the PIC \$258,000—which is \$43,000 more than it was budgeted in FY 13-14. The increase in funding was to ensure that the PIC had adequate resources to serve as many clients as possible. Delays in the execution of this contract were due to negotiations regarding the staffing levels at the East Oakland Center.

<sup>2</sup> Balance is for client training and support services for the 47 enrollees. All but \$9,000 of program funds were expended.

<sup>3</sup> This figure counts \$55,000 in carry-forward from FY 13-14 to serve 47 clients enrolled last year.

Services at the Oakland PIC Neighborhood Career Center West did not commence until July, 2014, and roughly \$37,000 were expended in FY 13-14 for start-up costs. Staff therefore recommended that the remaining \$298,000 be carried forward into FY 14-15 and added \$125,000 of funding this year, giving the PIC \$423,000—which is \$88,000 more than it was budgeted in FY 13-14. Delays in the execution of this contract were due primarily to a disagreement about whether the PIC should be responsible for the maintenance and security costs associated with the space in the West Oakland Library. The issue was ultimately settled by the City Administrator's Office in March 2014.

The Unity Council provided a full year's worth of services in FY 13-14, and expended all but \$9,000 of its program funds. Therefore, staff recommended roughly the same amount of funding for their FY 14-15 contract -- \$340,000 versus \$335,000 for FY 13-14.

Staff believes that funding is more than adequate for both of the PIC's Neighborhood Career Centers given the increase in funding for this fiscal year and the negotiated decrease in service level goals that are more than 80% less than the agency had originally proposed in its RFP submittal.

The WIB approved these budget allocations by the vote indicated above. Overall, the Oakland PIC is contracted to receive more than 65% of the total FY 14-15 WIB allocations for Adult, Dislocated Worker, Rapid Response and OJT grant funds.

Regarding a deeper analysis of Oakland's One Stop service delivery system, the Oakland WIB will conduct a series of discussions and have a retreat devoted to positioning the system for the upcoming new federal law, the Workforce Innovation and Opportunities Act (WIOA), which will be phased in starting July 1, 2015. The WIB will determine what Oakland as a workforce system is required to do and what that will cost, and will revisit program priorities articulated in the Local Plan in the context of WIOA. Those priorities and program requirements will be the foundation for the FY 16-19 WIB RFPs. Among the major changes that will go into effect under WIOA beginning in July 2015 include 1) open competition for all WIOA direct services; 2) strong emphasis on employer-based training and industry sector strategies; 3) performance based contracts for all service providers; 4) infrastructure cost-sharing by One Stop partners (which will require State funding); and 5) strengthening connections with education, particularly Adult Education and Community Colleges.

Based on the uncertainty of funding and the new program and System Administration requirements Oakland's system will face under WIOA, WIB staff will again recommend caps for service provider funding through the next RFP process, with the expectation that organizations that submit proposals do so knowing that what they propose for the amount of funds requested is sustainable.

## **2. City "buy in" to WIA System Administration**

There are no general funds budgeted for WIA System Administration in the City's FY 13-15 budget. Staff will request WIA System Administration support funding for consideration during the FY 15-17 City Policy Budget process.

## **3. Prompt Payment Ordinance**

The City Attorney's Office has opined that the Prompt Payment Ordinance as currently written does not apply to grant contracts. Should the City Council decide to amend the Ordinance so it applies to grant contracts, then it must also allocate General Purpose funds for penalty payments, given that most state and federal granting agencies prohibit penalty and interest payments.

It should be noted that in the case of Workforce Development, the average length of time from receipt of an invoice to payment is currently 17 working days. Staff uses an invoice tracking log that records the date invoices are received and the date the checks are delivered or picked up by providers. In the instances that invoices are paid beyond the 20 day target, it is typically because the invoice is in dispute, which staff also records in the tracking log.

## **4. WIB Councilmember representative updates to fellow Councilmembers**

Staff will provide the City Council representative on the WIB with any information she or he requires to keep colleagues informed about the Board's work.

## **PUBLIC OUTREACH/INTEREST**

The Oakland Workforce Investment Board is the City's largest volunteer policy body subject to the Brown Act and Sunshine Ordinance. All meetings are publicly noticed and there is a lot of public participation at nearly every committee and full WIB meeting.

## **COORDINATION**

Workforce Development staff works closely with the Office of Contracts and Compliance, the Finance and Management Agency, and the City Attorney's Office. This informational report has been reviewed by the Budget Office and the City Attorney's Office.

## **SUSTAINABLE OPPORTUNITIES**

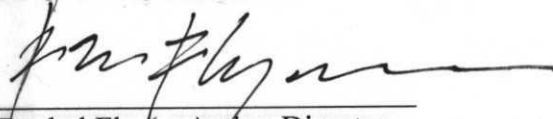
**Economic:** Oakland's Workforce Development System provides qualified workers for Oakland businesses, and prepares Oakland residents for gainful employment and career paths leading to family sustaining jobs.

**Environmental:** This report does not directly address environmental sustainability.

**Social Equity:** Participants who receive intensive services in Oakland's Workforce Development System have multiple barriers to employment, are unemployed or require support in gaining the pre-employment and vocational skills needed to become gainfully employed.

For questions regarding this report, please contact Al Auletta, Program Manager, at 238-3752.

Respectfully submitted,



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