

CITY OF OAKLAND

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AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Mark Sawicki
Director, Economic &
Workforce Development

SUBJECT: FY 2015-16 WIB Budget Follow-up

DATE: November 19, 2015

City Administrator Approval

Date:

12/3/15

RECOMMENDATION

Staff Recommends That the City Council Accept An Informational Report To Further Explain, Clarify, And Examine Administrative And Program Support Costs In The Workforce Investment Board Budget And Evaluate Any Possible Reallocation of Funds in Fiscal Year 2015-16.

EXECUTIVE SUMMARY

On June 23, 2015, the Community and Economic Development Committee (CED) approved the Workforce Investment Board (WIB) Fiscal Year 2015-16 budget, which reflected a 31 percent reduction in funding sources and similar reductions in budgeted expenditures for service providers and City Workforce support. CED requested that staff return with a report to further explain, clarify, and examine administrative and program costs and evaluate any possible reallocation of funds that might increase the funds budgeted for service providers.

This informational report describes the City of Oakland's roles and responsibilities under the Federal Workforce Investment Opportunity Act (WIOA), provides clarification of administrative and program support costs and the regulations related to these costs, and examines the recent reductions and current allocation levels for these costs.

In terms of possible reallocation of funds in the current budget, staff recommends assisting Providers in spending the \$1.6 million available from last year's budget that must be spent by June 30, 2016. WIB staff has recommended to the WIB that a portion of the unspent FY 2014-15 Dislocated Worker training and support service funds are reallocated to support Adult worker programs.

BACKGROUND / LEGISLATIVE HISTORY

The WIB is a federally-mandated policy body appointed by the Mayor and charged with approving the use of U.S. Department of Labor (DOL) funds under the Workforce Investment Act (WIA), which was recently reauthorized as WIOA. The WIB oversees the delivery of workforce services to Oakland residents and businesses. In addition, the WIB acts as a catalyst

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to provide seamless services among various workforce programs, provides community leadership around workforce needs and develops and expands community partnerships.

The WIB, and the City staff that support the WIB, are responsible under WIOA Section 107(d) for a range of functions as listed below. In addition, for the first time under WIOA, WIBs are required to use funds for industry or sector partnerships (Sec. 134(c)(1)(A)(v)). Following are the WIB functions:

- Development of the local plan
- Workforce research and regional labor market analysis
- Convening, brokering, leveraging workforce system partners
- Employer engagement
- Career pathways development
- Identifying and promoting proven and promising best practices
- Technology
- Program oversight
- Negotiation of local performance
- Selection of one-stop operators, and providers
- Coordination with education partners
- Budget and administration
- Accessibility for individuals with disabilities

The WIB may not directly provide career services to Oakland residents, unless they receive a waiver from the Governor (CFR 680.160). Career services must be provided through the one-stop delivery system, operated by a "Service Provider" and approved by the WIB.

The WIB's regular budget consists of four separate core grants, usually announced around April/May, which include: Adult, Dislocated Worker, Youth, and Rapid Response. From time to time, the WIB may receive special grants for additional services.

Federal WIOA funds are allocated annually to the City of Oakland through the State Employment Development Department (EDD). Although the WIB is responsible for developing and approving its budget, the City Council must also approve the budget in accordance with Oakland's City Charter. Within the City's budget, WIOA funds are received and distributed through the City's Workforce Development Division (WIA Fund 2195) in the Economic & Workforce Development Department. In the current budget year, there are a total of 6.94 City of Oakland full time equivalent positions (FTE) that play a role in performing workforce functions and administration, of which 5.54 FTE are funded by WIOA and 1.4 FTE are funded by the City's General Purpose Fund.

On June 23, 2015, the CED approved the WIB's budget for FY 2015-16, which reflected a 31 percent reduction in funding sources and similar reductions in budgeted expenditures for service providers and City Workforce support. CED requested that staff return with a report to further explain, clarify, and examine administrative and program costs and evaluate any possible reallocation of funds that might increase the funds budgeted for service providers.

Definitions for Administrative versus Program Costs

For reporting purposes, the DOL has classified the WIB budget into only two cost categories: administrative functions and program activities. These costs are regulated by the Code of Federal Regulations (CFR).

Administrative costs are defined as the allocable portion of the costs associated with specific functions and not related to the “direct provision of workforce investment services, including services to participants and employers.” The administrative functions are specified to include the following (20 CFR 667.220(b)):

- Accounting, financial and cash management, procurement, property management, personnel management, and payroll
- Audit functions and coordinating the resolution of findings
- General legal services
- Oversight and monitoring for administrative functions
- Goods and services used for administrative functions
- Developing systems, including information systems, related to administrative functions

Under sections “WIOA Title I Section 3(1)” and proposed “20 CFR 683.205”, the administrative costs for both City Operations and One-Stop Operations (Adult Service Providers) are limited to no more than ten percent of the amount allocated to the local area.

Many cost objectives that would traditionally be considered administrative in nature are exempted from classification to the WIOA administrative cost category. Planning is not considered an administrative cost, nor are costs of performance tracking. The regulations further specify that the costs of information systems related to participant and performance information are to be charged to the program cost category. As such, the majority of the workforce support staff is allocated to the program category.

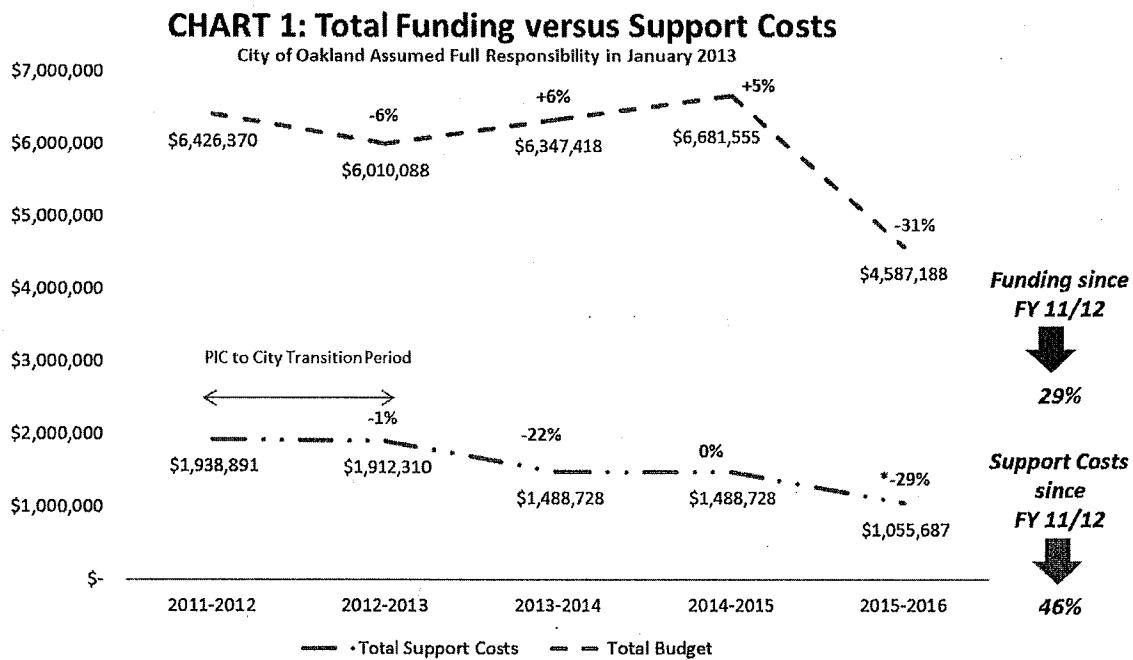
Program costs are defined as all costs incurred for functions and activities of subrecipients (i.e. the City of Oakland) and vendors (Service Provider partners and eligible training providers) (20 CFR 667.220(c)(4)). Costs include:

- Direct Services
- Performance and Accountability Reporting
- Managing and Administering Contracts to ensure services are provided as per contract, performance requirements are met, and contracts are in accordance with Federal, State, and local laws and regulations
- Monitoring Oversight of system performance established through common measures
- Management and Information Systems (MIS) Administration including maintaining local data, CalJOBS SM system performance and accessibility
- Regional and local planning to reflect the needs of business and industry
- Technical Assistance, Policy Guidance, and System Evaluation

ANALYSIS AND POLICY ALTERNATIVES

Analysis of WIOA Budget Reductions

When the WIOA oversight function began transitioning to the City in 2011, total system support costs were over \$1.9 million and 30 percent of the total WIB budget of \$6.4 million. The City Workforce staff recognized that, after the City assumed full oversight of workforce development, it could potentially reduce the support costs and thus provide more funding to the Service Providers. In FY 2013-14, system support costs were reduced to less than \$1.5 million and 24 percent of the total WIB budget. Again in FY 2015-16, in light of a dramatic drop in total WIB funding available, the City reduced its oversight support costs to less than \$1.1 million and 23 percent of the total WIB budget. In four years since FY 2011-12, while total WIB funding has been reduced by 29 percent, City Workforce operations and support costs have been reduced by 46 percent, as shown in Chart 1.



*The reduction in Support Costs are down 31 percent, if you exclude the \$20,000 Special OJT Grant administration dollars for FY 2014-15 that were included in FY 2015-16 budget.

In Table 1, from FY 2011-12 to FY 2014-15, WIB annual budgets included \$600,000 to \$1.5 million of estimated unobligated carry forward funds from the prior year. The WIB voted to eliminate this practice beginning with the FY 2015-16 budget. Part of the reason for eliminating the carry forward methodology is because the budget amount was a rough estimate, which meant actual available funding could fall short of budget. The new budgeting practice for addressing potential carry forward is to calculate the actual leftover funds during the course of FY 2015-16 when prior year accounting is completed. If and when additional funds are identified, staff will return back to the WIB and City Council for consideration. To ensure the funds are distributed expediently, City workforce personnel are taking a more active role in identifying potential carry forward amounts in the early part of the next fiscal year rather than budgeting based on an estimate for the coming year.

In FY 2014-15 the WIB budget was also larger because the City was awarded \$988,217 in additional funding to serve long-term unemployed workers with a discretionary two-year on-the-job training (OJT) grant. Table 1 below shows more detail on the WIB budget changes and what accounts for this year's budget decrease.

| TABLE 1: WIB Budget | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2011-2012 | 2012-2013 | 2013-2014 | 2014-2015 | 2015-2016 |
| WIOA Allocation | \$4,298,459 | \$5,258,398 | \$4,854,996 | \$4,628,338 | \$4,567,188 |
| WIOA Change +/- | - | 22% | -8% | -5% | -1% |
| Estimated Carry Forward for Providers | \$610,449 | \$751,690 | \$1,492,422 | \$1,065,000 | *\$0 |
| Special Grant | \$1,517,462 | \$0 | \$0 | \$988,217 | \$0 |
| FY 2014-15 Admin of Special Grant | \$0 | \$0 | \$0 | \$0 | \$20,000 |
| Total Funding | \$6,426,370 | \$6,010,088 | \$6,347,418 | \$6,681,555 | \$4,587,188 |
| Total Funding Change +/- | - | -6% | 6% | 5% | -31% |

*Methodology Change: WIB voted to change budget methodology to eliminate estimating a carry forward amount.

Analysis of Defined Administrative Costs

Because WIOA regulations limit the combined administrative costs to ten percent of the local area allocation, up to \$456,419 could be made available for administrative costs for both the Adult Service Providers of the One-Stop administration and the City workforce support staff administrative costs combined. Chart 2 is the FY 2015-16 combined overhead costs for both the City and One-Stops, which is \$261,125 or 5.7 percent of the local area allocation, far below the 10 percent Federal limit.

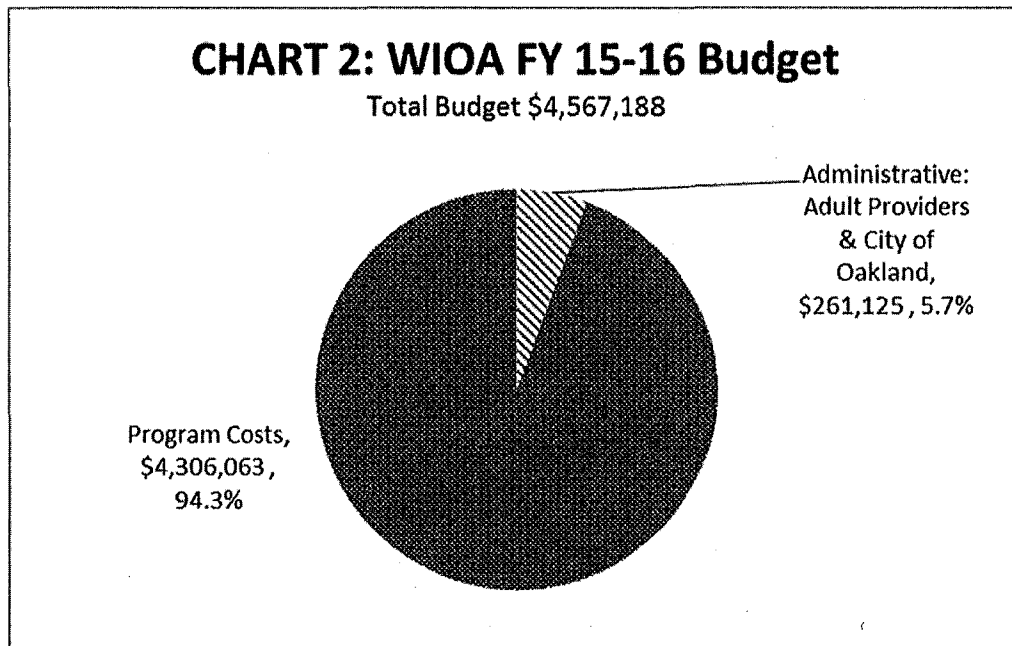


Chart 2 shows only WIOA funds granted by EDD in FY 15-16. An additional \$20,000 budgeted in FY 15-16 for City personnel is not included because the source because it is a FY 14-15 Special OJT Grant

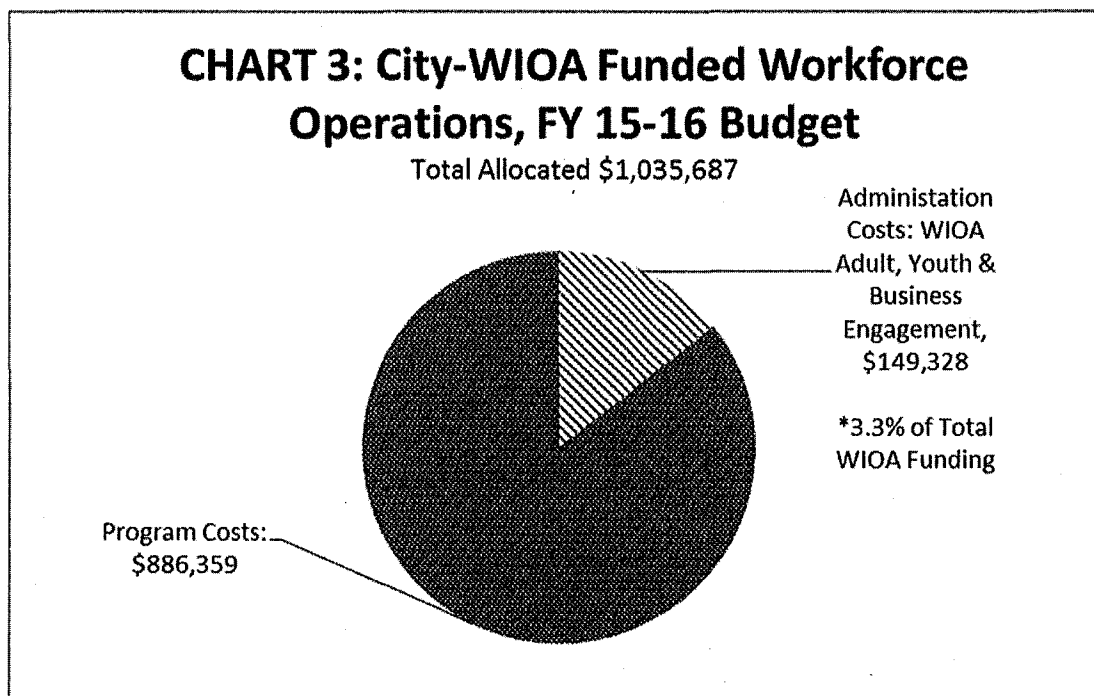
Administrative cost limitations are measured at the end of the grant period by comparing the total reported administrative expenditures to the amount available for administration. If administrative costs exceed the maximum limitation, the amount in excess of the 10 percent available for local administration becomes a disallowed cost and is subject to repayment (20 CFR 667.210(a)(3)).

Administrative Costs for WIOA-Funded City Operations

The City's defined administrative costs include support costs for all six WIOA programs, which total \$149,328, or 3.3 percent of total WIOA funds. Chart 3 below shows the proportion of defined administrative costs to all City operations costs under WIOA, and the percentage share this represents of total WIOA funding. The 10 percent CFR administrative cost limit is not based on the proportion of City administrative costs to total City operations budget, but as a percent of the total WIOA Funds.

City administrative costs represent:

- The administration of all WIOA funds and its six programs: adult, dislocated worker, rapid response, layoff aversion, business engagement and youth programs.
- City Administrative staff FTE of 0.98, including:
 - A portion of City Finance staff that pay workforce system invoices and a portion of City Administrative staff that assist in hiring and personnel matters.
 - A portion of the Executive Director, who also leads programs outside of WIOA and performs certain program functions on behalf of WIOA, which fall under the program cost category.



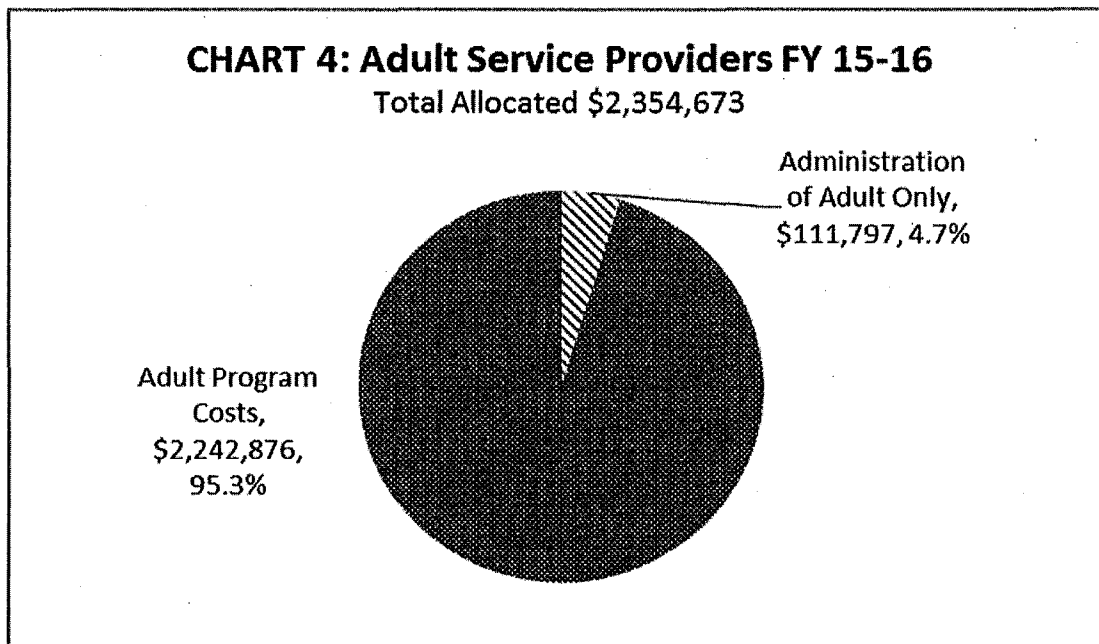
*Regulation requires that the OWIB not exceed ten percent of total WIOA funds and therefore should not be calculated as a percent of the City Operations budget because Administrative costs represent the administration of all WIOA funds and its six programs: adult, dislocated worker, rapid response, layoff aversion, business engagement and youth programs.

Administrative Costs for Adult Service Providers

Adult Service Providers have been allocated \$2,364,673 of WIOA funds to provide career services including administrative, program costs, and training services to qualified adults and dislocated workers. Workforce Personnel are required to report administrative costs of one-stop operations, which must be within 10 percent of their total budget. Chart 4 represents the total Adult Service Provider allocation including adult, dislocated worker and rapid response funding. Within that allocation, \$111,797 of costs are considered administrative costs and represent 4.7 percent of the allocation, and 2.5 percent of the total WIOA budget, which are both well below CFR limits.

Adult Service Provider administrative costs represent:

- Administrative FTE equal to 1.41 FTE for all one-stop locations (Comprehensive, East, West and Central) including:
 - CEO
 - Executive Assistant
 - HR
 - Finance and Accounting



Analysis of WIOA-Funded City Operations

Oakland Workforce program costs cover the following state-mandated functions which are performed by 4.56 FTE of City Workforce staff:

- Providing oversight to ensure Federal and State regulations are met under each program, which includes: adult, youth, dislocated worker, rapid response (assisting employers with layoff transitions) and layoff aversion (assisting employers with preventing layoffs). In addition, City Workforce staff are responsible for developing, creating, and implementing Business Engagement Services.
- Reporting performance management for each program on a quarterly basis. More comprehensive reporting will be required going forward with new WIOA metrics.
- Updating databases and ensuring timely and proper data entry, which must be populated with local client information, jobs and training opportunities.
- Assisting with training, technical assistance and policy guidance for all seven service providers.
- Supporting the work of the WIB and its committees including preparing agendas, staff reports and materials, meeting preparation, drafting minutes and other follow-up items, as requested, for approximately 22 meetings per year.

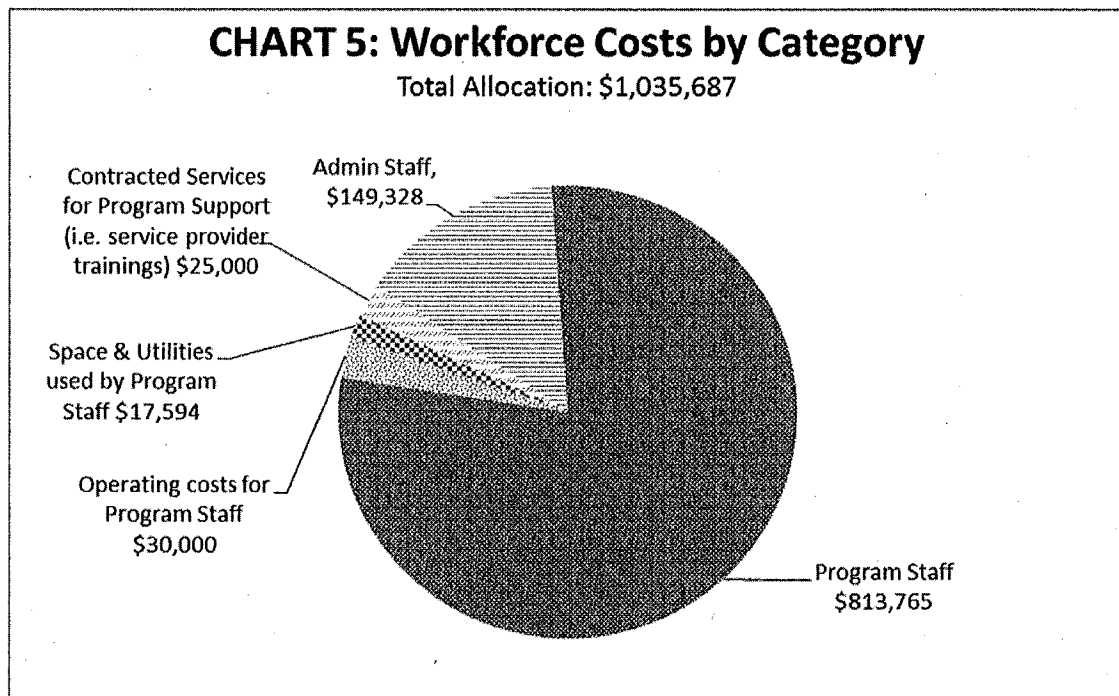
The WIOA structure is complex, however to promote the proper functioning of the WIB, the law and guiding regulations provides a clear separation between system support/oversight and the service delivery structure. Staff to the WIB, Fiscal and Program Oversight must be clearly separated from the One Stop Operator(s), Eligible Training Service Provider(s) and Youth Service Provider(s).

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In addition to the \$149,328 of administrative costs that are defined under the CFR and discussed further above, other costs that traditionally might be considered administrative in nature are also represented in Chart 5 below. These costs are defined as program costs and include operating costs for program staff, facility fees, and contracted services for program support.



The workforce support staff continues to reduce costs and look for opportunities to maximize WIOA funding. In the FY 2015-16 budget, 2.5 positions were eliminated from workforce support staff. The team has foregone an administrative analyst and program manager. The administrative duties have now been absorbed by analysts, and program manager duties have been absorbed by the Executive Director. Currently, the workforce division is in the lengthy process of filling two open positions. The following is a recap of roles and responsibilities of Workforce Personnel and City of Oakland administrative support.

The City of Oakland staff includes both workforce staff and administrative/finance staff, which equals 5.54 WIOA funded FTE:

| | | |
|-------------|---|--|
| .76 | Executive Director (Program & Admin) | <ul style="list-style-type: none">Creates and leads local 4-year planCreates and directs WIB's vision and goalsLeads implementation of WIOADirects a staff of five employees, which includes workforce programs outside of WIOA |
| 1 | Workforce Analyst III: System & Regional (Program & Admin) | <ul style="list-style-type: none">Maximizes funding opportunitiesCoordinates required WIOA partnershipsCreates and administers annual budgetPrepares, facilitates, and responds to State and DOL semi-annual monitoringsLeads Executive CommitteeFacilitates regional planning responsibilitiesDevelops and manages provider selection process |
| 1 | Workforce Analyst II: Adult (Program) | <ul style="list-style-type: none">Manages and convenes adult providersTracks, reports and monitors adult performanceProvides technical assistance to providersMonitors adult contracts for Federal, State, and local laws and regulations |
| .90 | Workforce Analyst II: Youth (Program) | <ul style="list-style-type: none">Manages and convenes youth providersTracks, reports and monitors youth performanceMonitors youth contracts for Federal, State, and local laws and regulationsLeads Youth Council |
| 1 | Workforce Analyst II: Business Engagement (Program) | <ul style="list-style-type: none">Leads Business Services CommitteeProject manages Business Engagement projectOversees Business performance outcomesManages development of strategies for meeting needs of employers through sector partnerships related to in-demand industry sectors |
| .58 | City of Oakland Finance Staff (Administration) | <ul style="list-style-type: none">Pays invoicesConducts fiscal monitoring of all service providersPrepares financial reports to EDD |
| .30 | City of Oakland Administrative Services (Administration) | <ul style="list-style-type: none">Hires staffFacilitates budget maintenancePrepares workforce financial reportsReviews all invoices |
| 5.54 | TOTAL WIOA FTE | |

The workforce support staff has less staff than when it was under the WIA program and more requirements under the WIOA program. The new Federal mandate will require that the smaller workforce support staff be charged with delivering more oversight, development and delivery of reporting, as well as more facilitation as staff helps system partners navigate the new complex regulations of WIOA.

This year is pivotal for all workforce systems. WIOA was signed into law by President Obama in 2014 and mandates significant changes to the publicly-funded workforce system. During the past year, staff has delivered a comprehensive review of upcoming changes required by WIOA. The new Requests for Proposals (RFPs) scheduled to be released this year, must include all new federal mandates. The level of complexity of implementing this new program has increased, and includes higher expectations of accountability reporting, regional coordination with three other WIBs and increased employer engagement, especially through a newly designed sector-specific strategy for Oakland and the region. In addition, WIOA requires a board recertification by March 31, 2016.

The workforce support staff also coordinates a number of other City employment-related programs: the Mayor's Classroom2Careers program, the Day Laborer program, the West Oakland Job Resource Center, coordinating major business services and hiring efforts with regional employers, and managing and administering a discretionary OJT grant.

Any additional reductions to current WIB staff would negatively impact the WIBs ability to implement and manage the new system.

Alternative Solutions to Maximize WIOA Funding:

Alternative 1: Request Further Reductions in City Workforce Staffing and Operating Costs to Shift Funding to Service Providers

Reduction of city staff for FY 2015-17 would be detrimental given that staff is in the process of adopting and implementing new WIOA requirements. Oakland's WIB designation is dependent upon the successful implementation of WIOA and strong service provider partnerships. In addition, the Workforce staff is fully devoted to the WIB's recertification process, which must be submitted to the state by end of March 2016. The WIB's strong leadership will further strengthen Oakland's regional role, which will optimize service opportunities for Oakland residents.

Alternative 2: Request that City Allocate More General Purpose Funds to Workforce Development

City Council could consider funding additional portions of Workforce Budget under the City's General Purpose Fund (GPF). This could allow more WIOA funds to be reallocated by the WIB for client services. However, it should be noted that the City has budgeted almost \$300,000 in GPF to support workforce activities in FY 2015-16 as follows:

| | |
|---|------------------|
| ▪ City of Oakland Facilities subsidy | \$61,150 |
| ▪ 0.15 FTE City of Oakland Administrative support for invoices and hiring | \$62,409 |
| ▪ 0.25 FTE City of Oakland Finance position | \$53,569 |
| ▪ 1.0 FTE Workforce Programs Analyst II | <u>\$116,478</u> |

Current Annual GPF Contribution \$293,606

In 2015, the City Council made two one-time contributions to support workforce activities as follows:

| | |
|---|------------------|
| ▪ Summer youth program contribution, FY 2015-16 | \$200,000 |
| ▪ PIC administrative support grant, FY 2014-15 | <u>\$250,000</u> |

Total One-Time GFP Contribution \$450,000

Alternative 3: Reallocate Unspent FY 2014-15 Program Funds [RECOMMENDED]

In considering any possible reallocation of FY 2015-16 funds to providers, it is important to note that although total provider funding sources are \$1.7 million below last year's budget, \$1.6 million is still available to spend from last year's budget and will expire in six months. Table 3 outlines the dollars that must be spent, or those unspent funds would be returned to the state.

Table 3: Last Year's Unspent Program Dollars, as of Oct. 2015

(Must be spent by June 30, 2016)

| Workforce Programs | Total | Spent | Unspent | % Unspent |
|--|---------------------|---------------------|---------------------|------------------|
| Operating Costs: Adult, Dislocated Worker and Rapid Response | \$ 2,178,000 | \$ 2,122,705 | \$ 55,295 | 3% |
| Direct Training Services for Adult | \$ 270,000 | \$ 138,398 | \$ 131,602 | 49% |
| Direct Training Services for Dislocated Worker | \$ 225,000 | \$ 16,959 | \$ 208,041 | 92% |
| Direct Supportive Services for Adult | \$ 70,000 | \$ 20,716 | \$ 49,284 | 70% |
| Direct Supportive Services for Dislocated Worker | \$ 30,000 | \$ 14,116 | \$ 15,884 | 53% |
| Adult OJT Grant (*Exp. 5/30/16) | \$ 898,580 | \$ 365,611 | \$ 532,969 | 59% |
| Youth Programs | \$ 1,521,247 | \$ 849,242 | \$ 672,005 | 44% |
| Total | \$ 5,192,827 | \$ 3,527,747 | \$ 1,665,080 | 32% |

Part of the reason that providers are struggling to spend last year's budgeted funds is due to the Federal restrictions placed on Dislocated Worker funding. Over the past year, recruiting dislocated workers have been increasingly difficult. Adult service providers have conducted various special outreach and recruitment efforts to attract dislocated workers. The goal for the Dislocated Worker enrollments in FY 2014-15 is 486. As of August 2015, only 280 participants had been enrolled; 57 percent of the goal. WIB staff is recommending to the WIB that a portion of the unspent FY 2014-15 Dislocated Worker training and support service funds is reallocated to the Adult worker programs.

This year, the WIB implemented a similar fix with help from EDD, in June 1, 2015 to allow for more spend down on the Adult Special OJT grant, which was too complex and restrictive under the Dislocated Worker program. The spend rate went from zero dollars spent February through May of 2015, to \$144,000 starting in June after the change in restrictions.

FISCAL IMPACT

The recommendation to reallocate funds between programs does not have a fiscal impact to the City of Oakland.

PUBLIC OUTREACH / INTEREST

The Oakland's WIB is presently the City's largest volunteer policy body subject to the Brown Act and Sunshine Ordinance. All meetings are publicly noticed and there is active public participation in its committees and full WIB meeting. This has been an exceptionally busy year for communicating to the public due to the implementation of WIOA. City Workforce Staff have been engaged in presentations to gain awareness of Oakland's workforce system at 13 community and business organizations, reaching 259 community stakeholders. Staff collected feedback from 230 employers, job seekers and workers, and conducted executive interviews with a dozen chief executive officers and human resource leads from Oakland employers and business organizations.

COORDINATION

Preparation of this report was coordinated with other Economic & Workforce Development staff, City Administration and the State's Employment Development Department.

SUSTAINABLE OPPORTUNITIES

Economic: WIB activities and programs are projected to place 583 participants in jobs by end of FY 2015-16.

Environmental: This report does not directly address environmental sustainability.

Social Equity: Participants who receive services in Oakland's Workforce Development system are unemployed, have multiple barriers to employment, or require support in gaining pre-employment and vocational skills to become gainfully employed and ultimately self-sufficient.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council accept an informational report to further explain, clarify, and examine administrative and program support costs in the Workforce Investment Board budget and evaluate any possible reallocation of funds in Fiscal Year 2015-16.

In terms of possible reallocation of funds in the current budget, staff recommends assisting Providers in spending the \$1.6 million available from last year's budget that must be spent by June 30, 2016. WIB staff is recommending to the WIB that a portion of the unspent FY 2014-15 Dislocated Worker training and support service funds be reallocated to support Adult worker programs.

For questions regarding this report, please contact John Bailey, Executive Director Oakland Workforce Development Board at (510) 238-6440.

Respectfully submitted,



Mark Sawicki
Director, Economic & Workforce Development

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