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2013 FEB 27 PM 4:40

AGENDA REPORT

TO: DEANNA J. SANANA
CITY ADMINISTRATOR

FROM: Fred Blackwell

SUBJECT: National Emergency Grant for
On-The-Job Training

DATE: February 15, 2013

City Administrator
Approval

Date

2/25/13

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Staff recommends that the Council accept an informational report on the circumstances surrounding the ARRA National Emergency Grant to the City, with an explanation of why most of the grant money could not be used and had to be returned to the federal government.

EXECUTIVE SUMMARY

In spring 2010, staff in the office of then-Mayor Dellums submitted a grant application to the U.S. Department of Labor for an On-the-Job Training National Emergency Grant (NEG/OJT), which was funded by the American Recovery and Reinvestment Act (ARRA) to provide one-time, on-the-job training opportunities for long-term unemployed clients. The City was awarded an allocation of \$725,462 in July 2010. The designated direct service providers were Youth Employment Partnership (YEP) and Volunteers of America Bay Area (VOA). The Oakland Private Industry Council was responsible for verifying client eligibility and enrolling the dislocated workers.

The NEG/OJT grant funds were restricted, however, to a different purpose (on-the-job training) than what the grant submittal proposed (work experience for re-entry clients). In addition, the selection of the service providers did not follow a Request for Proposal process, as required in the grant. These issues were not uncovered until October 2011, more than halfway through the funding period. Working with the California Employment Development Department (EDD), every effort was made to correct the contract errors and obtain a three-month extension to the original grant, in an effort to effectively utilize as much of the grant as possible. When the grant funding period ended in September 2012, a total of \$125,462 had been spent, and for the two reasons cited above, the City did not draw down the remaining \$600,000.

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In January 2011, the role of System Administrator of workforce funds transitioned to the City of Oakland. Since that time, the City has staffed the workforce team with qualified professionals, and Mayor Quan has been personally involved in the selection and appointment of members to the Workforce Investment Board (WIB), to ensure that the Board includes high-caliber, actively engaged members. Through the transition period, staff have worked to build the necessary systems and infrastructure for the City to fulfill its appropriate role as the System Administrator for Oakland's Workforce Investment Area. The improvements in the effectiveness of the Oakland WIB and the City's System Administration functions are now being validated by EDD, in the form of an invitation to submit a proposal for up to \$900,000 in State Workforce Investment Act (WIA) Discretionary Funding to provide on-the-job training for long-term unemployed job seekers and dislocated workers.

The City Administrator has personally met with the regional representative of the Department of Labor to discuss issues involved with the NEG/OJT grant and the oversight structure of Oakland's Workforce Development system.

BACKGROUND/LEGISLATIVE HISTORY

The On-the-Job Training National Emergency Grant (NEG/OJT) was an American Recovery and Reinvestment (ARRA) funded program released by the Department of Labor in April 2010. The purpose of the grant was to provide one-time on-the-job training opportunities for dislocated workers.

The State Employment Development Department issued grant instructions in May 2010, which briefly outlined the purpose of the ARRA NEG/OJT funds and allowable activities, and requested a one-page description of proposed programs from Local Workforce Investment Areas. The City subsequently submitted an NEG/OJT Implementation Plan Narrative in July 2010, shortly after Department of Labor and Employment Development Department awarded Oakland an NEG/OJT allocation of \$725,462.

The Training and Employment Guidance Letter on the NEG/OJT program was released by the Department of Labor in August 2010. This technical advisory clearly articulated the purpose of the program, allowable activities, and eligible clients.

In December 2010, the City Council adopted Resolution No. 83676 C.M.S., which allocated \$725,462 to three agencies: The Oakland Private Industry Council (PIC), Volunteers of America Bay Area (VOA), and Youth Employment Partnership (YEP). The designated direct service providers were YEP and VOA, with the PIC's role as the One Stop Operator to verify client eligibility. The services of VOA and YEP were not competitively procured, and the focus of their scope of work was on serving re-entry clients through subsidized employment and other job-training related services.

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The State EDD issued a number of warnings to the City regarding the problems with the NEG/OJT program design and sole source contracting. The NEG program was intended to benefit dislocated workers by utilizing employers who are 1) willing to train participants who are in need of up-skilling; and 2) willing to permanently hire trainees at the end of the training period. The OJT contracts were intended to be with the employers who are actually employing participants and assuming the costs and benefits of the OJT, and not with third party entities such as VOA and YEP.

Through a series of discussions and meetings, EDD presented a number of corrective action measures which should be taken to align the program with the intent of the funding. The City was charged with developing a new plan for the NEG/OJT program, and had its grant allocation reduced by \$400,000 in November 2011.

The Oakland WIB System Leadership Committee discussed this grant problem in February 2012 in an open public meeting; the minutes from this meeting are included as *Attachment A* to this staff report. The status of the NEG/OJT and other special grants obtained by the Dellums administration has subsequently been a standing agenda item by the WIB System Leadership Committee, Executive Committee, and full Board.

Following a series of meetings and discussions with state officials and local partners, the City entered into a contract amendment with the Oakland PIC in June 2012 for \$200,000 of NEG/OJT funds. The City negotiated an extension of the grant agreement with the State from June 30, 2012 to September 30, 2012. Just over \$80,000 of the grant funds were spent during that three-month period. The remaining funds were de-obligated.

ANALYSIS

There were fundamental disconnects with the prior Administration's original intentions for the use of the NEG funds and the US Department of Labor/State EDD guidelines on the purpose of the grant. At the time that the NEG and other special grants were obtained by the City, it did not have an adequate workforce development office to administer and manage the funds effectively. The decision of the Dellums administration and the Oakland WIB's to have the City assume its rightful role as the WIA System Administrator in January 2011 had the unintended effect of exacerbating the problems with this grant, due to a significant lack of staff capacity. The Quan Administration inherited this problem.

EDD and the Department of Labor are well aware of Oakland's historic infighting and are very supportive of the direction the Mayor, WIB and City Council have taken over the past two years. The City should be the System Administrator of WIA funds and must have ample capacity to support the work of its service providers to ensure that the funds are managed effectively and

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produce optimal results. The NEG/OJT issue is a painful case study of what happens when there is a lack of staff capacity to design and manage programs properly.

At the Deputy Chief level, EDD is supportive of Oakland because it understands the problems the City faced during the transition of becoming the WIA System Administrator, and believes the City and the Oakland WIB are moving in a positive and functional direction. Lessons learned from the NEG/OJT experience include:

- The need to clearly understand goals and parameters of funding sources;
- Requirements to competitively procure the services of qualified providers;
- Providing strong program and technical support and guidance for the providers;
- Ensuring adequate cash flow through timely contract execution, cash advances, and quick reimbursement processes; and
- Developing and maintaining strong, real-time oversight and quality control measures to ensure optimal success.

With the City and WIB oversight, this on-the-job training program and other WIA-funded programs will receive the support and guidance they need to meet the employment needs of Oakland residents. The transition of System Administration to the City is nearly accomplished. The fact that EDD is so supportive of Oakland's Discretionary Fund application is an encouraging indication that the City is moving forward on the work at hand—enabling Oakland residents to obtain gainful employment.

PUBLIC OUTREACH/INTEREST

The Oakland Workforce Investment Board is by far the City's largest policy and oversight body. All of its full Board and standing committee meetings are open to the public. The WIB leadership is strongly committed to transparency and open to public comment. WIB leadership brought to light in open meetings the problems with the special grants obtained by the previous administration over a year ago.

COORDINATION

The Workforce Development staff works closely with the City Attorney's Office and Department of Finance and Administration. It also has very good working relationships with the US Department of Labor and State Employment Development Department.

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FUTURE IMPLICATIONS

Given Oakland's unemployment rate—which, though declining, is still higher than the state average—the City and Workforce staff recognize the critical need for workforce funds to ensure that Oakland's residents receive the employment training necessary for sustained employment.

City Workforce Development (WFD) staff is working diligently with the State of California's Employment Development Department (EDD) to design an on-the-job training program application for up to \$900,000, which will be submitted in early March. The City has FDD's support in this effort, as the State is under pressure to mitigate the profound problem of long-term unemployment through the release of federal Workforce Investment Act (WIA) discretionary funding.

Oakland Proposing a Strong Program Design

WFD staff plans to engage the expertise of an Employer Services Provider (ESP), which the WIB is in the process of selecting through its competitive Request for Proposal process. The ESP will be responsible for providing technical assistance to the Workforce Investment Board's adult service providers responsible for developing on-the-job training opportunities for dislocated workers, with an emphasis on people who are long-term unemployed (six months and longer).

The strength of this model, which EDD supports, is that the ESP has no conflict of interest in assisting the City in administering these on-the-job training funds, but rather will serve in a technical assistance and quality control capacity for those providers which will be developing the on-the-job training opportunities for their WIA-enrolled dislocated workers. The ESP will also identify and cultivate employers who are interested in and able to create on-the-job training positions, with the requirement that they will retain these clients beyond the term of the on-the-job training contract, which will be \$4,000.

In most instances, these employers will be in a position to claim State Enterprise Zone hiring Tax Credits, which over a period of five years can total more than \$37,000 in State income tax savings.

EDD has expressed strong interest in working with the Oakland WIB and WFD staff in developing this program model to ensure it has the flexible features and controls built in to succeed. From staff's point of view, this is an extraordinary vote of confidence from EDD in the heightened capacity of the City and the Oakland WIB to support such a program, procure third-party services appropriately, remove all perception of conflict of interest, and meet the goals of enabling as many as 180 dislocated workers to obtain gainful employment.

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Timeline

WFD staff plans to submit its Discretionary Grant application to EDD in early March. Staff has recommended to EDD that the new OJT program be aligned with the WIB's service provider procurement process. Once the WIB budget and contracts are approved by the Oakland City Council prior to on the 2013 summer recess, the WFD staff plans to have the new contracts developed and executed by October 2013.

Procurement of Services and Oversight

The adult service providers, including the Comprehensive One-Stop Career Center and Neighborhood Career Center operators, will be selected on the same timeline as the ESP. The process for allocating the on-the-job training funds among these adult service providers has not yet been developed. Agencies with the greatest capacity to generate quality on-the-job training opportunities will receive a high level of consideration. The WIB Employer Strategies Committee and System Leadership Committee will play integral roles in helping to shape, support and monitor this new on-the-job training program.

Staff recommends that the City and the Oakland Workforce Development System move forward with the lessons learned from the experiences described in this report, to better serve Oakland's dislocated workers and long-term unemployed job seekers in the future.

SUSTAINABLE OPPORTUNITIES

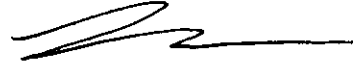
Economic: The city is positioned to receive another OJT grant, which will help put up to 180 long-term unemployed residents to work.

Environmental: This report does not directly address environmental sustainability.

Social Equity: WIA funds are targeted for low-income and unemployed residents.

For questions regarding this report, please contact John Bailey, Oakland WIB Executive Director, at 238-6440.

Respectfully submitted,



FRED BLACKWELL
Assistant City Administrator

Prepared by:
Al Auletta, Program Manager
Office of Economic and Workforce Development

Attachment A: Feb. 2012 Oakland WIB System Leadership Committee minutes

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ATTACHMENT A



Workforce Investment Board

Reaching Business

Quality Assurance Committee

of the
OAKLAND WORKFORCE INVESTMENT BOARD

MINUTES

Wednesday, February 8, 2012
City Hall Hearing Room #3

Call to Order: Chair Berit Eriksson called the meeting to order at 8:45 a.m.

Members in Attendance: Benjamin Bowser, John Casas, Berit Eriksson, Mary Bergan, Brian Salem,

Excused Members: Bryan Parker

Absent Members: Rickey T. Childs, Jose Corona

Staff in attendance: WIB Executive Director John R. Bailey, Pedro Toledo, Lorraine Giordano

Adoption of Agenda: Moved by Brian Salem, seconded by Benjamin Bowser. The agenda was adopted with unanimous vote.

Review & Adopt Meeting Minutes from November 9, 2011: Moved by Mary Bergan, seconded by Brian Salem. The minutes were adopted by unanimous vote.

Updates on Grants and Contracts

- o High Concentration of Youth Grant

The total grant received from the State was for \$100,000, of which \$90,000 would go to programs. The RFP was released January 20, 2012. Two proposals were received, one of which was funded to carry out the requirements of the grant: the Youth Employment Partnership. The end of the grant was extended through December 31, 2012.

- o OJT NEG

\$725,462 was received from the U.S. Department of Labor (DOL) in July 2010 to provide On-the-Job Training opportunities to Dislocated Workers. Due to various reasons, the grant was not implemented so DOL took back \$400,000 in December 2011. Staff recommended to award the administration of the remaining \$325,467 to the Oakland PIC, an entity that has been providing OJT reimbursement contracting services and has experience in providing services to Dislocated Workers. The grant is intended to reimburse employers for wages paid to new hires during the training period. The reimbursement of training expenses can be as high as 90% of the wages paid by employers to participants during the training period. The maximum wage to base the reimbursement on is the average hourly wage in California, which is currently \$23.80 per hour.

Public Comments:

Oakland Workforce Investment Board
250 Frank H. Ogawa Plaza, Suite 3315, Oakland, CA 94612
WWW.OAKLANDWIB.ORG

- Rashida Grinage from PUEBLO asked if there is an accounting of what happened to the OJT NEG funds. (No OJT NEG funds have been spent.) Ms. Grinage also asked if anyone was held accountable for losing such a large amount of funds.
- Richard de Jauregui from the Oakland PIC stated that there is work in progress to allow all providers to participate in the referral process as well as the case management functions required by the grant.

Dr. Bowser wanted to know whether the administration of the remaining funds should be procured through an RFP process. John Bailey replied that at this point the grantors gave tacit approval for not opening an RFP process.

○ Additional formula funds

When the WIB budget for 2011-12 was approved, the budget was based on the Formula allocations received on May 18, 2011. However, on November 17, 2011 an additional \$295,738 in Adult and Dislocated Worker funds were awarded to Oakland. The recommendation is to use these funds to increase the amount of funds available for On-the-Job Training opportunities, in this case to include adults as well as dislocated workers in the same sectors proposed in the OJT NEG grant.

○ New Start

New Start is a prison-to-employment program. Two grant amounts have been received in the last two years. The Oakland PIC is in charge of this grant, and clients have been served. However, the contract between the City of Oakland and the Oakland PIC is still not signed. The grant's end date appears to have been extended but communication with the Department of Rehabilitation and the State is still ongoing on this issue.

○ Green Projects

Not much information on these grants. Two different grants with different contractors involved. One of the grants is the Green Jobs Initiative (\$285,000), and the other is the East Bay Green Jobs Project (\$600,000). For the first grant Urban University was contracted to serve as the client tracking entity, and for the second grant the Oakland PIC will be doing the client tracking. Contracts are being negotiated for these grants.

Dr. Bowser wanted to know how the \$46,000 set-aside for program evaluation was being used. John Bailey replied that no decision was made. Dr. Bowser suggested using a third party evaluator.

○ Incentive Award

Due to the excellent performance attained in serving adults and dislocated workers during the program year 2009-10, Oakland was awarded \$15,880. The recommendation is to award this amount to the adult and dislocated workers service providers for special improvement projects at the One-Stop facilities.

Public Comments

- Mai Quach from Lao Family Community Development wanted to know if individual provider's performance was considered in the recommendation. Otherwise the funds should be divided equally.
- Bill Patterson expressed his concern about the amount of money not being spent, particularly in view of all the needs in the City.

Motion to extend the meeting past 10:00 am.

Moved by Brian Salem
Seconded by Mary Bergan

Motion passed.

Motion to have a full disclosure budget for WIB and all subcommittee meetings, outlining all the programs, activities, allocations, expenditures for all funding sources, with end dates for the grants.

Moved by Benjamin Bowser
Seconded by John Casas

Motion passed

Motion to forward to the Executive Committee that funds need to be provided for the evaluation of funded programs' effectiveness.

Moved by Benjamin Bowser
Seconded by John Casas

Motion passed

Motion to accept the staff recommendation with the proposed distribution to be used as guideline in allocating funding from the \$15,880 incentive award.

Moved by Mary Bergan
Seconded by Brian Salem

Motion passed

Motion to forward to the Executive Committee the staff recommendations as stated for the use of the OJT NEG funds as well as the additional formula funds.

Moved by Benjamin Bowser,
Seconded by John Casas

Motion passed

Second Quarter of FY 2011-12 Fiscal Report. Staff presented a table showing the cash disbursed to date for each funding stream. There is a total of \$2,453,069 unspent funds, \$1,042,997 from youth funds alone. These expenditures are for Fiscal Year 2010-11 only. Due to late contracts no funds have been spent from the 2011-12 allocations.

Motion to accept the fiscal report as presented by staff

Moved by Benjamin Bowser,
Seconded by Brian Salem

Motion passed

Performance Reports

- The number of users in the One-Stop system continues to be high, with 7,839 individuals served during the last quarter of 2011 for a total of 18,413 visits (or 2.3 visits per client). As for placements in relation to exits, Oakland is surpassing the state-mandated levels for adult and dislocated workers.

As for Youth, there is a concern on the number of youth participants from previous years who still appear active in the different programs. A detailed report will be provided at the next Youth Council.

- A Supplemental Report to City Council on WIA Performance was presented at the December 20, 2011 meeting. Council members used this supplemental report to approve the recommendation to extend the 2010-11 contracts.

Motion to accept the performance report as presented by staff

Moved by Mary Bergan
Seconded by John Casas

Motion passed.

Staff updated on the status of the California Workforce Services Network (CWSN), the system that will be implemented statewide as of July 2nd. One of the items that need to be discussed is that the concept of "hard exit" (when service providers exit individuals) will disappear. Instead, the system will "soft-exit" individuals based on lack of services for a period of ninety days. This will change the way that data is currently reported. There is an ongoing training of the trainers (one per local area), and subsequent training will be provided to all users of the system. Service providers will be doing their own data entry, which needs to be monitored. The system will integrate CalJobs, Trade Adjustment Act and Workforce Investment Act services.

Open Forum: No speakers

Adjourn: Meeting adjourned at 10:30 a.m.