

Memorandum

**TO: HONORABLE MAYOR AND
CITY COUNCIL**

**FROM: Paul Krutko
Jennifer A. Maguire**

SUBJECT: SEE BELOW

DATE: September 13, 2010

Approved

Date

9/23/10

**COUNCIL DISTRICT: City-Wide
SNI AREA: N/A**

SUBJECT: ADOPTION OF AN APPROPRIATION ORDINANCE AND FUNDING SOURCES RESOLUTION AMENDMENTS IN THE WORKFORCE INVESTMENT ACT FUND IN 2010-2011 FOR THE ON-THE-JOB TRAINING (OJT) NATIONAL EMERGENCY GRANT (NEG) THROUGH THE AMERICAN RECOVERY & REINVESTMENT ACT (ARRA)

RECOMMENDATION

It is recommended that the City Council take the following actions regarding the On-the-Job Training (OJT) National Emergency (NEG) Program:

1. Adopt a resolution accepting the OJT NEG Grant award in the amount of \$725,462;
2. Adopt the following Appropriation Ordinance and Funding Sources Resolution amendments in the Workforce Investment Act Fund (290) for 2010-2011 for the initial grant awards received as follows:
 - a. Increase the estimate for Earned Revenue by \$478,000 and
 - b. Establish an appropriation to the Office of Economic Development for the OJT NEG grant award in the amount of \$478,000.

OUTCOME

The recommended appropriation actions will recognize and make available the grant award from the Department of Labor through the State Employment Development Department (EDD). The funding will provide Workforce Investment Act (WIA) allowable employment and training services to dislocated workers experiencing prolonged unemployment from layoffs occurring since the onset of the recent recession (January 1, 2008).

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BACKGROUND

In April 2010, the U.S. Department of Labor (DOL) announced the one-time availability of up to \$90 million in funding for On-the-Job Training (OJT) National Emergency Grants (NEGs) through the American Recovery and Reinvestment Act of 2009 (ARRA). The DOL distributed the NEG funding to 41 States, the District of Columbia and three recognized Native American tribes. These resources will be used to help Americans get back to work, especially in geographic areas disproportionately impacted by the recession.

In July 2010, work2future received notification from the State EDD that the State of California OJT NEG application has been approved and work2future's share was \$725,462. Out of the \$725,462 awarded, work2future will only be able to draw down up to 10% of the \$725,362 for the initial implementation of the program until the State of California's final plan is approved by the Department of Labor. It is anticipated that the remaining 90% of the grant will be released once the Employment and Training Administration (ETA) approve the implementation plan.

The OJT NEG grant will provide for on-the-job training for dislocated workers from June 30, 2010 until June 30, 2012. work2future anticipates expending \$478,000 in 2010-2011 and will request the appropriation of remaining funds (\$247,462) in 2011-2012.

ANALYSIS

Current economic conditions have contributed to an increased number of significant layoff events across the nation. Job creation has been slow, and many newly created jobs will require updated skill sets.

The grant funds will offer a method to quickly re-employ dislocated workers experiencing extended unemployment by enabling employers to create training and job opportunities for these individuals. Participants will be given a chance to "earn and learn," which means that they will develop applicable occupational skills while earning a paycheck. Employers participating in this program will earn partial reimbursement to offset the extraordinary cost of training workers. The grant has placed certain restrictions on the use of the funding as follows:

- OJT positions may not be created in the public sector;
- OJT jobs are prohibited at casinos or any gambling establishments, swimming pools, aquariums, zoos, and golf courses, per ARRA regulation;
- OJT is limited to 6 months; and
- The reimbursement amount will be a negotiated percentage of the wage being paid to the employer for the participant wages. The wage level on which the reimbursement is based cannot exceed the State of California's average hourly wage of \$23.82. The ceiling for the wage reimbursement is a percentage of the State's average wage rate based on the following conditions: 1) 50% for employers with more than 250 employees; 2) 75% for

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employers with 51-250 employees; and 3) 90% for employers with fewer than 50 employees. The State also has the flexibility to implement a sliding scale for employer reimbursement based on the participant's initial skill level and the skill level needed to perform the job, within a range established by State policy which incorporates the use of recognized skill assessment tools. Currently, there is no directive from the State to address this option.

- All grant funds expire June 30, 2012; any remaining funds will be forfeited at that time.

work2future spending plan was approved by the Executive Committee on July 29, 2010. This spending plan will be presented to work2future's Finance Committee and Board at their respective meetings of September 8, 2010 and September 23, 2010. Below is the spending plan for the OJT NEG program in the amount of \$725,462. This memorandum recognizes and appropriates the anticipated 2010-2011 expenditures, remaining funding of \$247,462 will be recognized and appropriated in 2011-2012.

Budget Category	Total Budget	Projected Expenditures FY 10-11 08/10-6/30/11	Projected Expenditures FY 11-12 7/1/11-3/31/12
Program Staff Salaries & Benefits *	\$ 305,551	\$168,055	\$137,551
Client Related Services:			
OJT Training Services	\$300,000	\$240,000	\$60,000
Supportive Services	\$23,500	\$15,000	\$8,500
Other (supplies, mileage, rent, printing, professional services, etc.)	\$23,865	\$15,000	\$8,865,
work2future Administration (includes city overhead)**	\$72,546	\$40,000	\$32,546
Total Spending Plan	\$725,462	\$478,000	\$247,462

* Program staff salaries include a percentage of existing program and administrative staff and 3 new positions

** Due to a 10% administrative cap, 17% of the total overhead costs of \$ 119,132 has been included in the above expenditure plan.

EVALUATION AND FOLLOW-UP

The OJT NEG grant in the amount of \$725,462 has been awarded and currently 10% has been approved for expenditures by the State's EDD. Ongoing progress reports will be submitted to EDD, the Department of Labor, work2future's Board of Directors, and to the City's Community and Economic Development Committee including an update when the remaining funds are released and made available. As part of the 2011-2012 budget process, actions to appropriate remaining grant funds are expected to be brought forward.

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PUBLIC OUTREACH

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

The recommended action does not meet the above criteria though this memorandum will be posted on the City's website for the October 5, 2010 Council agenda.

COORDINATION

This memo has been coordinated with the City Attorney's Office.

FISCAL POLICY ALIGNMENT

The OJT NEG grant awards support Initiative 7 of the City's Economic Development Strategy: "Prepare Residents to Participate in the Economy Through Training, Education, and Career Support."

COST SUMMARY/ IMPLICATIONS

This project is being funded by the State Employment Development Department on a cost reimbursement basis.

However, as a result of a 10% administrative cost cap, only an average of 17% of the total overhead costs will be recuperated from this grant. Discussions to explore ways to possibly mitigate this loss in overhead reimbursement to the General Fund are underway.

CEQA

Not a project; File No. PP10-067 (b): Appropriation Ordinance.

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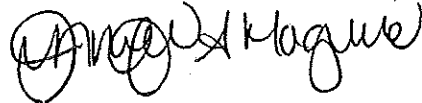
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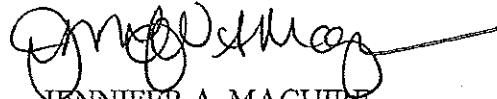
/s/

PAUL KRUTKO
Chief Development Officer



JENNIFER A MAGUIRE
Budget Director

I hereby certify that there will be available for appropriation in the Workforce Investment Act Fund in the Fiscal Year 2010-2011 moneys in excess of those heretofore appropriated therefrom at least \$478,000.



JENNIFER A. MAGUIRE
Budget Director

For questions, please contact Jeff Ruster, work2future's Executive Director, at 408-535-8183.

