



Council Meeting: June 24, 2008

**SUBJECT: FY 2007/2008 Department of Employment
Development Expenditure and Revenue Update and
Approval of Budget Modification No. 60**

REPORT IN BRIEF

This report recommends Council approve Budget Modification No. 60. This modification will reflect an increase in the amount of grant funds available to the Department of Employment Development by \$365,000 and an increase in budgeted expenditures accordingly. This increase is due to changes in grant funding received by NOVA after its last budget modification was approved in April 2008. Staff recommends Council approve Budget Modification No. 60.

BACKGROUND

The City of Sunnyvale Department of Employment Development (DED) manages programs and services for the NOVA Job Training Consortium, a seven-city entity (Cupertino, Los Altos, Milpitas, Mountain View, Palo Alto, Santa Clara, Sunnyvale) formed through a Joint Powers Agreement. The City of Sunnyvale administers all of NOVA's programs on behalf of the consortium cities, and has done so under the condition that non-General Fund resources are available to cover all of the associated costs.

As the City, through NOVA, applies for these grants, contracts and contributions, it determines what services and service levels will be provided through the application process. The determinations are reviewed and approved by the NOVA Workforce Board through Reports to the Workforce Board at regular Board meetings. After Workforce Board approval, decisions to apply for funds must also then be approved by the Sunnyvale City Council, on behalf of the consortium cities. These decisions occur throughout the year through Reports to Council at regular City Council meetings. Periodically DED's city budget is modified to reflect the changes in actual versus planned funding levels.

NOVA's funds are primarily from two sources. First is the allocations received for NOVA's ongoing grants under the Workforce Investment Act (WIA). WIA is a federal program that provides the framework for a targeted national workforce preparation and employment system designed to meet the needs of a region's businesses, along with the needs of job seekers and those who want to further their careers. The second major source of funds is from competitive grants, including WIA discretionary funds made available through the U. S. Department of Labor and the State of California.

The FY 2007/2008 adopted budget for DED was modified per Budget Mod No. 45 submitted to Council on April 1, 2008 (RTC #08-093) based upon available information regarding the anticipated grants, contracts and contributions that were expected to be realized during the year, and was approved at the level of \$7,480,000.

EXISTING POLICY

The proposed budget modification is consistent with the City of Sunnyvale's Socio-Economic Goal 5.1F: The City of Sunnyvale will participate in the administration of the Workforce Investment Act as a service delivery area as long as adequate Federal/State funding for the program is available, legislation remains essentially intact and the program can be cost effectively administered.

DISCUSSION

Budget Modification No. 45, approved in April 2008, reduced NOVA's budget in response to declining dislocated worker grant funding and an anticipated rescission of WIA funds of \$300,000. Since that time, three changes have occurred resulting in additional revenue and increased expenditures for the remainder of the fiscal year.

In February, to prepare for the anticipated rescission, Council directed staff to implement a temporary, one day per week closure of NOVA in order to achieve savings to cover the estimated cost of the rescission of \$300,000 and any anticipated gap in funding awards by the end of the fiscal year.

The first change is that the final rescissions were recently announced, and NOVA was told its portion would be \$85,283. With the "savings" of \$214,717, NOVA was able to resume a full five day a week schedule in mid-May.

Second, NOVA was awarded funding through a competitive grant process with the U. S. Department of Labor for a Regional Innovation Grant in the amount of \$250,000 (RTC #07-267). This grant is to coordinate the development of a regional strategic plan for workforce development. The grant was not included in the last budget modification; it is estimated that \$50,000

will be expended in the current fiscal year. Most of the funding will be subcontracted, to Joint Venture: Silicon Valley Network (RTC #08-173) and to a research firm to be procured during the grant term.

Third, NOVA applied for and was awarded one of 12 grants statewide for funding to serve veterans in the region (RTC #07-406). The grant of \$500,000 was not included in the last budget modification. Approximately \$100,283 will be expended in this fiscal year, primarily through a subcontract with Vietnam Veterans of California.

By approving the April budget modification, Council also approved the elimination of 18 currently filled positions effective June 2. With the reduced rescission and other funding received, NOVA was able to delay the reduction in force until June 27.

In accordance with the above-mentioned funding changes, operating program budgets should be changed to correspond to actual allocations and awards. To enable this, the following programs require modifications to their original appropriations:

Program 537 – Business Services provides a wide variety of layoff assistance, training and support services to businesses.

Program 538 – Youth Services provides individualized assistance in exploring and developing educational and career goals to youth in our community.

Program 539 – Enterprise Support provides administrative and operational support to ensure high quality services to the NOVA organization, its policy makers, customers and investors.

Program 542 – Supplemental Grants - Staffed provides staffing to discrete projects in the area of workforce development.

Program 543 – Supplemental Grants - Managed provides management to projects in the area of workforce development.

FISCAL IMPACT

As a result of the changes in planned versus actual revenues, the operating budgets for DED's programs need to be revised. All DED operating programs are funded in the Employment Development Fund, which has a current budget of \$7,480,000. Staff recommends that operating program expenditure budgets be increased to accommodate the increase in available funds. Budget Modification No. 60 has been prepared to increase the Employment Development Fund expenditure budget by \$365,000 with a corresponding increase in revenues. This modification will bring the total FY 2007/2008

budget for DED to \$7,845,000. Additionally, this action has an impact on contributions to the General Fund. The Department of Employment Development transfers a percentage of expenditures to the General Fund to cover indirect costs incurred by the City in administering these grants. Staff estimates this transfer will be increased by approximately \$4,382 as a result of this action.

BUDGET MODIFICATION NO. 60
FISCAL YEAR 2007/2008

	<u>Current</u>	<u>Increase (Decrease)</u>	<u>Revised</u>
Employment Development Fund			
<u>Revenues</u>			
DED Grants and Contributions	7,480,000	365,000	7,845,000
<u>Expenditures</u>			
535 Employment Services Provided to the General Public	1,071,518	0	1,071,518
536 Employment Services Provided to Workforce Investment Act Enrolled Participants	2,243,769	0	2,243,769
537 Business Services	466,262	30,000	496,262
538 Youth Services	624,617	50,000	674,617
539 Enterprise Support	2,345,714	135,618	2,481,332
542 Supplemental Grants - Staffed	138,639	15,000	153,639
543 Supplemental Grants - Managed	499,690	130,000	629,690
<u>Transfers</u>			
Transfer to General Fund	89,791	4,382	94,173
Total Expenditures	7,480,000	365,000	7,845,000

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, in the Council Chambers lobby, in the Office of the City Clerk, at the Library, Senior Center, Community Center and Department of Public Safety; posting the agenda and report on the City's Web site; and making the report available at the Library and the Office of the City Clerk.

ALTERNATIVES

1. Council approves Budget Modification No. 60. This Modification increases the DED Expenditure and Revenue Budget for FY2007/2008 by \$365,000 from \$7,480,000 to \$7,845,000.
2. Council rejects Budget Modification No. 60.
3. Other action as determined by Council.

RECOMMENDATION

It is recommended by staff that the Sunnyvale City Council adopt Alternative No. 1: Approve Budget Modification No. 60. This action would bring the anticipated expenditures for the Department of Employment Development into alignment with anticipated funding resources for FY 2007/2008.

Reviewed by:

Michael J. Curran, Director
Department of Employment Development
Prepared by: Stephen E. Quick
Manager of Business Operations

Reviewed by:

Mary Bradley, Director
Department of Finance

Approved by:

Amy Chan
City Manager