

**Council Meeting: June 2, 2009****SUBJECT: FY 2008/2009 Department of Employment Development
Approval of Budget Modification No. 38 to Incorporate
Recovery Act Funding****REPORT IN BRIEF**

Budget Modification No. 38 reflects an increase of \$1,449,140 in the amount of funds available to the Department of Employment Development and will increase the budgeted expenditures accordingly. This modification is a result of the recent allocation of American Recovery and Reinvestment Act (ARRA) funds that were not in the original FY 2008/09 budget. Staff recommends that the Sunnyvale City Council approve Budget Modification No. 38.

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, and 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. Since its inception in 1983, NOVA has been successful in attracting sufficient outside resources to manage all obligations.

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, through the nation's approximately 650 workforce investment boards, provides 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 grant solicitations, including WIA discretionary funds from the Governor of California, as well as other grant funding sources.

The FY 2008/2009 adopted budget for DED was developed 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 \$6,939,588. Budget Modification No. 37 (RTC No. 09-xxx) brought the budget up to \$8,002,474, reflecting the receipt of increased WIA allocations and other grant funds.

EXISTING POLICY

The proposed activities are consistent with the City of Sunnyvale's Socio-Economic Goal 5.1F: Provide job training and employment services within constraints of operative, federal regulations and available federal funding, to address the locally-determined employment and training needs of economically disadvantaged residents and others with special needs.

DISCUSSION

The American Recovery and Reinvestment Act of 2009 (ARRA) allocated \$2.95 billion for the nation's workforce investment system, with an additional \$785 million to be made available for competitive grants in the healthcare and green jobs areas. Workforce development funding is being channeled through the U.S. Department of Labor (DOL) using the existing Workforce Investment Act (WIA) system. DOL allocated ARRA funds to the State of California, which in turn allocated them to its 49 workforce investment areas.

NOVA received \$1,020,107 in youth funding, \$467,043 for adults and \$1,419,743 for dislocated workers, for a total of \$2,906,893 in allocated ARRA funding. NOVA was also awarded \$1,795,083 for rapid response activities in order to provide immediate assistance to companies and individuals affected by layoffs. To put this funding into perspective, NOVA's FY 2008/2009 regular WIA allocated funding is approximately \$2.7 million, and its rapid response allocation is about \$1 million. Thus, the funding provided under ARRA is an increase of approximately 27% over its regular WIA allocated funding for these purposes.

DOL has issued guidelines for the use of the ARRA funds. They may only be used for authorized WIA activities, and there must be timely spending and implementation of activities. The funds are to be used to increase workforce system capacity and service levels and are to be spent concurrently with regular WIA funding. NOVA's plans for the ARRA funds include a substantial summer youth program including the award of contracts for youth training and

career development (RTC 09-108) and, for adults and dislocated workers, the addition of \$1.3 million in funds for skills training. The infusion of ARRA funds comes at a time when training is a necessity for many of NOVA's adult and dislocated worker clients in order to be competitive for new job opportunities.

Because the ARRA funds may be spent through June 30, 2011, the requested budget modification only considers the ARRA funding that is necessary in FY 2008/2009. The remaining funding has been incorporated into DED's FY 2009/2010 budget.

FISCAL IMPACT

As a result of the changes in planned versus actual revenues, the operating budgets for DED needs to be revised. All DED operating programs are funded in the Employment Development Fund, which has a current budget of \$8,002,474. Budget Modification No. 38 has been prepared to increase the Employment Development Fund expenditure budget by \$1,449,140 with a corresponding increase in revenues. This modification will bring the total FY 2008/2009 budget for DED to \$9,451,614. This action has an impact on contributions to the General Fund. DED transfers a percentage of its expenditures to the General Fund to cover indirect costs incurred by the City. Staff estimates this transfer will be increased by \$49,140 as a result of this action.

BUDGET MODIFICATION NO. 38
FISCAL YEAR 2008/2009

	Current	Increase (Decrease)	Revised
Employment Development Fund			
<u>Revenues:</u>			
DED Grants and Contributions	\$8,002,474	\$1,449,140	\$9,451,614
<u>Expenditures:</u>			
Program 535 Employment Services Provided to the General Public	7,731,111	1,400,000	9,131,111
<u>Transfers Out:</u>			
Transfer to General Fund	271,363	49,140	320,503
General Fund			
<u>Transfers In:</u>			
Transfer from DED	\$271,363	\$49,140	\$320,503
<u>Reserves:</u>			
Budget Stabilization Fund	\$35,825,035	\$49,140	\$35,874,175

PUBLIC CONTACT

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

ALTERNATIVES

1. Council approves Budget Modification No. 38. This modification increases the DED Expenditure and Revenue Budget for FY 2008/2009 by \$1,449,140 from \$8,002,474 to \$9,451,614 to incorporate ARRA funding.
2. Council rejects Budget Modification No. 38.
3. Other action as determined by Council.

RECOMMENDATION

It is recommended by staff that the Sunnyvale City Council adopt Alternative No. 1: Council approves Budget Modification No. 38. This action would bring the anticipated expenditures for the Department of Employment Development into alignment with funding resources for FY 2008/2009, to incorporate ARRA funding.

Reviewed by:

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Prepared by: Stephen E. Quick, Manager of Business Operations

Reviewed by:

Mary Bradley, Director
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Approved by:

Gary M. Luebbers
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