



## MEMORANDUM

To: PacMtn Board Members  
From: Bridget Lockling, Director of Finance & Administrative Services  
Date: May 24, 2018  
Subject: Budget Workshop

### Background

Each year, before June 30, the PacMtn Board of Directors adopts a Preliminary Operating Budget. A revised Final Budget is adopted in November once final state allocations and contract carry-forward dollars are confirmed. In preparation of that budget adoption, the CEO prepares a look at the upcoming year, identifies programming options, recommends efficiencies and offers new administrative directions. Equally important is the opportunity to solicit new Board directions and assure the Board's strategic investments and intentions are captured. **Focus areas during budget workshop:**

- **Understanding the basic flow of dollars through the organization and the responsibilities to meet grant requirements;**
- **Previewing potential WIOA formula funding amounts and the general impact of anticipated levels;**
- **Understanding the mechanisms involved with fund allocations from the State to each WDA;**
- **Identifying special initiatives and project focus that aligns with strategic plan and leverages resources;**
- **Financial priorities within our budget categories; and**
- **Consideration of long-term projects and goals to meet needs on the horizon**

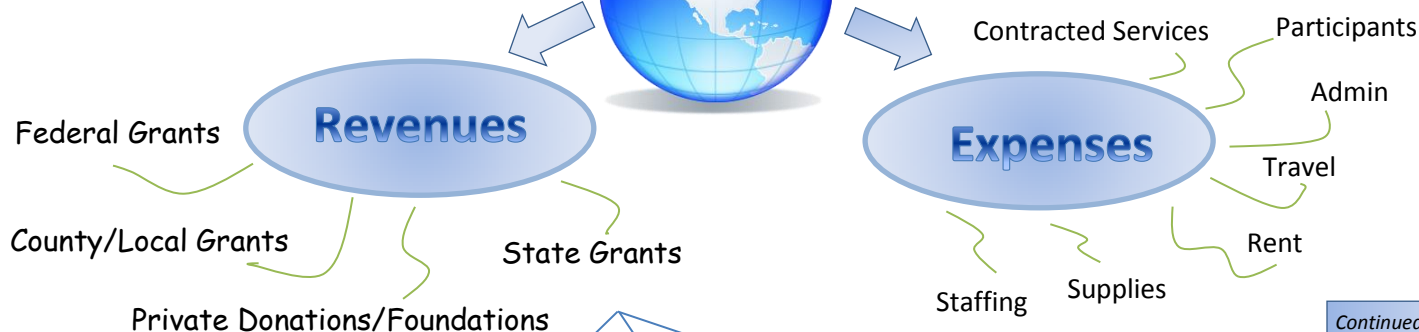
In the document to follow we prepared a question/answer sheet that should help frame the high level conversation we want to have with the Executive Committee and full Board. It provides a way to understand the operations of the budget and tries to solicit "bigger picture" discussion from Members. At the heart of this effort is the answer to the question, "**Does PacMtn's annual budget and investments help achieve the Board's vision, mission and desired outcomes?**" We want to prepare a budget that answers this question and ask your feedback, suggestions and ideas in order to do so.

Last year our discussion with the Board generated many areas of focus that we were able to address:

- Support for the childcare industry to upskill incumbent workers to advance in their field.
- Focusing on rural healthcare needs by designing upskill/backfill opportunities in connection with local training programs.
- Support of hospitality/tourism industry-we responded by applying for and were awarded a grant to engage employers and setup training opportunities with school districts and identify upskill/backfill projects

# PacMtn Budget 101

## BUDGET WORLD



Continued on back

### Workforce Innovation and Opportunity Act "Opportunity Act" - "WIOA" 'W-I-O-A' or 'WEE-OH-UH'



#### 3 Programs "Formula Funds"

- Youth
- Adult
- Dislocated Worker (DW)

##### Youth Grant funds:

- Allocated once per year - "PY"
- PY begins April 1 - entire grant portion
- Grant period runs through June 30, 2 year period

##### Adult & DW Grant funds:

- Allocated twice per year-PY & FY
- PY begins July 1<sup>st</sup> -small portion
- FY begins October 1<sup>st</sup> - big portion
- Grant period runs through June 30, 2 year period

\*Comes from Department of Labor (DOL)  
\*Pass through from Employment Security Department

### "Competitive" WIOA/DOL Grants

Examples:

- Rapid Response
- National Dislocated Worker Grants (NDWG)

Based on specific need by location, usually stems from large layoff events or focused on certain populations. Generally goes through competitive bid process. Grant periods vary. The compliment of these grants change every year.

We use the 'PY' term differently than our grants. Our 'PY', Program Year, reflects our budget year of July 1 - June 30

- All 3 programs must be 70% expended and 80% obligated by June 30<sup>th</sup> the first year.
- The State takes 10% off the top of each of these to create the Admin Cost Pool (ACP) grant.
- For our budget we show the entire grant amount at July 1st and show any funds not planned to be expended that year as 'carry in' for the next year.
- State determines amounts for each WDA by unemployment data by County.

### JRA/DVR

- MyJOB Program to help students at Juvenile institutions prepare for reentry
- Focuses on students with disabilities
- Summer Internship through DVR helps individuals with disabilities connect to Uplift! program and work based learning opportunities
- Payment Point program - we get paid based on deliverables.

### WorkFirst

- Program to help participants on TANF (Temporary Assistance for Needy Families)
- Also referred to as Community Jobs
- Payment Point program - we get paid based on deliverables. Can earn more than we spend, which creates a pot of unrestricted funds.
- Grant period of one year from July 1 - June 30

\*Comes from Department of Health & Human Services

\*Pass through from Department of Commerce

# Expenses Cont.

Our expense budget is broken down into 5 different categories representing our major types of activities. Four of these categories represent a 'program' focus.

## Program Services

### Direct Participant Services

- Delivery of services directly to participants.
- Provides career services (case management and assessment), funds for training, work experiences, on-the-job training, and support services.
- Tracks eligibility and performance according to grant regulations.
- Services are either delivered through contracts with other agencies or provided through PacMtn Staff (In-house)

Service providers are determined through an RFP process every 3 years.

### Business Services & Solutions

- Focuses services on the Employer- a required customer of WIOA
- Strategic development and support of the WorkSource system by responding to business needs
- Includes ongoing Business2Business contract
- Includes other contracts that have an employer focus of deliverables

Some of our current contractors:  
ResCare

Career Path Services

Thurston County Chamber

Morningside

### Special Impact Projects

- Responsive to regional workforce needs prioritized by Board driven input and direction
- Projects mainly funded by utilizing portion of Formula funds - must still maintain a level of grant compliance
- Nature of projects does not require full eligibility criteria so slightly different than a Direct Participant Service
- Projects impact individuals, businesses, events, and are regional in nature

### Misc Contracts & Projects

- Projects that support other initiatives that serve system customers
- Special short term contracts or projects that we want more focus on

## Admin Services

### Administrative Office



- Admin office budget is derived from a % of each Formula grant, the Admin Cost Pool (ACP) grant, a portion from the WorkFirst grant, and other small portions of grants if those grants have approved administration or program management funds included.
- Expenses include wages & benefits; staff & board travel; professional services like audit costs and IT support; supplies & communication; rent; equipment; insurance; professional memberships, and community outreach.
- The Admin budget is expected to have a portion of funds not utilized during the current program year that can be 'carry forward' to the next program year's budget. This helps cushion any overall funding reductions or first quarter shortfalls.

### Other Administrative Costs

- Projects and contracts that are administrative focused in nature but outside of normal admin office functions
- Projects may support WorkSource system development, resourcing and initiatives to drive integration and expansion

### Other Budget Considerations

- 'Unrestricted' funds are available to use for special initiatives. Those funds do not have the typical restraints as federal grant funds. Unrestricted funds are hard to generate so they should be used sparingly.
- We occasionally have funds to use that were generated due to fundraising donations. These funds are generally used for support services for clients unable to use other program funds.



# PY18 Preliminary Budget Discussions

## Understanding through Q&A

### Budget Overview

#### Q: What is the budget planning schedule?

**A:** An annual Budget Workshop is held to give Board members opportunity to discuss upcoming budget. This year the budget workshop is May 24<sup>th</sup>. We will not focus on budget numbers, but on critical considerations and financial priorities for the PacMtn budget. Preparation of the budget will require the Board to weigh in on and discuss potential funding impacts with the new political environment.

Conversations about the budget will help us develop the Preliminary Final budget which will be reviewed by the Executive-Finance Committee on June 8<sup>th</sup>. The Board will review and approve the preliminary budget on June 28<sup>th</sup>. The Elected Offiical Consortium will see it later in the summer.

A Final PY18 budget will be adopted in November once all revenues and final carry-in numbers are reconciled.

#### Q: How do our projected revenues compare to last year?

**A-1:** We anticipate our WIOA Formula dollars to slightly increase in our Youth and Adult WIOA formula program, and decrease in DW. We have not received confirmation of local allocations as the State must first receive the final Notice of Award from DOL. We are still unsure of the allocations in WorkFirst/TANF funds for next year but anticipate starting with a similar amount of funds.

**A-2:** We do not have final determinations for the formula allocations for each WDA. DOL has released numbers for State WIOA allocations. There is a very slight increase in Youth and Adult and a \$2.2 million decrease Dislocated Worker. The allocation for Washington State for each formula is:

	PY18	PY18 Estimate to PacMtn	PY17 PacMtn Amount
Youth	19,115,058	1,398,287	1,327,731
Adult	18,013,252	1,392,197	1,301,492
DW	26,777,856	1,507,156	1,626,549

With these statewide allocations PacMtn anticipates our Youth and Adult local portions to increase as well. DW will likely decrease by about \$100k.

**A-3:** There will only be three (3) of our WIOA competitive grants active at the beginning of the program year. Our major competitive C2C grant is set to expire mid year, and another by year end. These grants represent about \$2 million so their expiration has a major impact on the budget. C2C currently has 8 full time staff that will be impacted.

PY18 is the last year of our three year MyJOB project with Juvenile Rehabilitation. We are unsure at this time if the project will be refunded. This project represents 8 full time staff that

would be impacted. As with all grants with end dates we work closely with staff to help them make a good transition for themselves and the work we do for the customers.

*Feedback/Comments/Questions:*

**Q: How does the State allocate formula funds to each Workforce Development Area (WDA)?**

**A:** The State, like the Feds, prepares the allotments of formula funds based on unemployment and economic data provided by the Department of Labor. Three factors are used in the calculation:  
Adult & Youth calculations:

- Relative share of total unemployed in Areas of Substantial Unemployment (Youth & Adult)
- Relative share of excess unemployed (unemployment in excess of 4.5%)
- Relative share of economically disadvantaged (Youth and Adult only)

*Criteria weighted evenly for each factor*

Dislocated Worker calculations:

- Relative share of total unemployed
- Relative share of excess unemployed (unemployment in excess of 4.5%)
- Relative share of long term unemployed-unemployed 15 weeks or more

*Excess unemployed weighted more heavily than the other factors, 1.5 versus 1*

Hold Harmless-A local area may not receive less than 90% of the average allocation percentage for the 2 preceding fiscal years. Stop Gain-A local area may not receive more than 130% of the allotment given in the preceding 2 years as well.

PacMtn is accountable for regional service delivery. The new Opportunity Act legislation strongly encourages and emphasizes regional planning, braiding and leveraging partnership resources and a sector-based allocation of resources most likely to yield economic benefits for both individuals and the businesses that drive the local economy. Most grants PacMtn submits reflects activities and commitment to our 5-county *regional* economy vs. other geographic boundaries.

*Feedback/Comments/Questions:*

**Staff Recommended Special Initiatives**

**Q: Are there specific actions, activities, or projects that are necessary to more strongly carry out PacMtn’s Strategic Plan and or respond to current activities and conditions?**

**A-1: Update of Industry Clusters**

- Updating of Cluster Study - \$50k The last report was completed in Sept of 2012. These funds would provide resources to update the report based on current data, as aligned with our strategic plan. Additionally the updated data could also be incorporated into a possible region wide Comprehensive Economic Development Strategy, which would support the possible develop of a region wide Economic Development District.

	<i>Feedback/Comments/Questions:</i>
	<p><b>A-2: Sector Initiatives</b></p> <ul style="list-style-type: none"> <li>• Chumra License Continuation – We will continue our annual license with Chumra at an anticipated cost of \$17,000. This is valuable data that supports our cluster study project, informs decisions about programming, provides for grant applications, and ensures our EDC partners have access to useful data. This Subscription provides licenses for our EDC’s at a reduced cost of \$1,000.</li> <li>• Incumbent Worker Revolving Fund - \$50k: PY17 was the first year we dedicated funds for this WIOA permitted activity. We want to continue with this funding opportunity to help support local employers and their employees in our identified sectors. This allows more employers to apply for funding that could support employees training requirements that spur financial growth and/or avert layoffs.</li> <li>• Outside Facilitation of Business and Sector Engagement (BASE) Taskforce - \$10k: An outside facilitator would assist with the group’s ability to stay on track and focus on the goals developed by primary partners, like the EDC’s.</li> </ul>
	<i>Feedback/Comments/Questions:</i>
	<p><b>A-3: Youth and Special Populations</b></p> <ul style="list-style-type: none"> <li>• High Impact Community Grant Funding - \$50k: Continue with current model and structure funding. This would be the 3<sup>rd</sup> year of funds designated to help rural youth connect to work and will match \$50k provided through Career Connected Learning funds-for a total of \$100,000.</li> </ul>
	<i>Feedback/Comments/Questions:</i>
	<p><b>A-4: Brand Standards/Communication</b></p> <ul style="list-style-type: none"> <li>• Communications - \$15K With the newly created website now launched, these funds ensure ongoing maintenance keeps the site running and relevant, includes additional services for continuous improvement, collateral materials development, and document consistency/standardization.</li> </ul>
	<i>Feedback/Comments/Questions:</i>
<b>Regional Workforce System Development</b>	
<b>Q: How can we support the One-Stop system activities required by WIOA?</b>	
	<p><b>A-1. Support of the PacMtn One-Stop Operator/Workforce Systems Manager - \$100k.</b></p> <ul style="list-style-type: none"> <li>• PacMtn One Stop Operator is the WorkSource Operations Regional Collaborative (WORC) composed of Employment Security Department, Thurston County Chamber and PacMtn Workforce Development Council leaders.</li> </ul>

	<ul style="list-style-type: none"> <li>Funds are used for wages, benefits, and other required and support of the WorkSource Systems Manager to coordinate the goals and activities assigned by the Collaborative. These costs are eligible for the WorkSource Partnership to share in the Infrastructure Funding Agreement (IFA) but negotiations with system partners are ongoing and not likely to yield positive results in this PY.</li> </ul>
	<i>Feedback/Comments/Questions:</i>
	<p><b>A-2. Provide quality and process improvement activities of the system and stakeholders through professional development of system staff and system improvements - \$25k.</b> In PY17 access to technical services and training for WorkSource staff has occurred around communication, team building, and strategic planning and project management that will help system integration, customer focus, and efficiencies of services. That funding was afforded through a specialty grant. Continued support will help drive system improvements and goal achievements as well as support the expansion of the One-Stop system through connection sites and new partnerships.</p>
	<i>Feedback/Comments/Questions:</i>
<p><b>Programming and Partnerships</b></p>	
<p><b>Q: What is the impact of Camo2Commerce funding ending December 31, 2018?</b></p>	
	<p><b>A:</b> There are several impacts to consider upon completion of this grant. Establishing and funding WorkSource American Job Center at JBLM is a huge contribution in the continuance of services. However, direct service to thousands of transitioning military will change; 8 full time PacMtn employees will be laid-off, and the administrative budget will reduce by \$250k. In PY18 limited services for 6 months will continue through an allocation of - \$75k DW funds. This will help manage the transition in order to continue providing services to those transitioning, and to wrap up our National Emergency grant. This funding maintains 1 FTE at the installation for the entire program year. It also provides an opportunity to leverage possible funding from a special Boeing grant to further strengthen WorkSource services at JBLM.</p>
	<i>Feedback/Comments/Questions:</i>
<p><b>Q: How is the B2B contract changing to meet local workforce system needs?</b></p>	
	<p><b>A:</b> Continued evolution of Business Solutions - \$400,000 PacMtn has been working with our Business Solutions contractor to respond to the greatest needs in the system. This upcoming program year, the contractor will continue to move in a direction of more strategic development and support of the WorkSource system so that the region becomes better able to respond to business needs by educating and leveraging all partners to support the needs of business customers.</p>
	<i>Feedback/Comments/Questions:</i>

<b>Q: How do we support work-based learning activities?</b>	
	<p><b>A-1: Continued support of AmeriCorps - \$10k</b></p> <ul style="list-style-type: none"> <li>We are approved to receive 6 AmeriCorps starting September 2018-July 2019. AmeriCorps will continue providing assisting ResCare and the MyJOB program with youth work-based learning activities. These funds augment the grant provided PacMtn from DSHS for placement of these AmeriCorps Members. If these funds are not confirmed PacMtn will be required to dramatically reduce the number of slots available.</li> </ul>
	<i>Feedback/Comments/Questions:</i>
	<p><b>A-2: Continued support of Uplift! Coordination - \$115k</b></p> <p>The provision of these youth-focused career preparation services enhanced services for community organizations and other agencies. The focus on logistics planning and tracking student activities augmented the work of the AmeriCorps Members.</p>
	<i>Feedback/Comments/Questions:</i>
<b>Q:</b>	
	<b>A:</b>
	<i>Feedback/Comments/Questions:</i>
<b>General Operations</b>	
<b>Q: What changes are being proposed in the Administrative Operations budget?</b>	
	<p><b>A-1:</b> We have continued with our focus on employees to ensure we provide competitive wages, benefits, and opportunities.</p> <ul style="list-style-type: none"> <li>With a new employee performance review process, staff are eligible to earn up to an additional 5% increase depending on their years of service and their level of achievement based on review results. With this being the first year of implementation it is hard to anticipate what the total impact will be. For budgeting purposes we are estimating a 3% increase as an average. Approximate add of \$30k.</li> <li>Propose a cost of living at 1.5% to augment the work we have been doing to ensure salary and benefits are reasonable and adequate. Approximate add of \$15k.</li> <li>We are continuing with the Performance Excellence and Achievement Awards that could result in an additional \$5,000-\$6,000 impact.</li> <li>Staff training budget is being increased to make sure we are being responsive to keeping staff engaged in professional development opportunities and up to speed with the changes happening in the industry. Approximate add of \$2,500.</li> </ul>



	<i>Feedback/Comments/Questions:</i>
	<b>A-2:</b> The Professional Services budget will be increased to recognize the increased cost around informational technology support and maintenance. Approximate add of \$30k.
	<i>Feedback/Comments/Questions:</i>
	<b>A-3:</b> Accounting Services budget will increase in response to SAO anticipated costs for next year. Anticipated budget - \$20k
	<i>Feedback/Comments/Questions:</i>
	<b>A-4:</b> Minor equipment budget is being increased to catch up on replacing outdated computers. Add of \$5k.
	<i>Feedback/Comments/Questions:</i>
	<b>A-5:</b> We recommend continuing the budget for Community Outreach projects for Board members to utilize in support of community based projects that are mission aligned. These funds have been used to support local activities that profile PacMtn’s involvement in activities that positively impact our region. We recommend a \$20,000 budget.
	<i>Feedback/Comments/Questions:</i>
<b>Q: Are there any changes to the Unrestricted Funds budget?</b>	
	<b>A:</b> There are no major incentives or projects that require us to utilize unrestricted funds. We’ve spent about \$7,000 so far this year to pick up administrative costs not covered in our grant through Thurston County to support the pre-employment program and some participant support services that were expensed after the grant period. Our balance of unrestricted funds may increase or decrease based on earnings or losses we incur from our payment point contracts.
	<i>Feedback/Comments/Questions:</i>
<b>Q: What is the status of our CD investment that we started in November 2013?</b>	
	<b>A:</b> From inception of the CD through March 2018 we have earned \$5,930 in interest. In the winter of 2017 we moved \$225,000 of the expiring CD to a new 3 year CD for a greater interest rate. The remaining \$25,000 was moved back into general funds with approval to move up to \$75,000 into another 1 year CD. This additional CD is pending due to fluctuations in our grant reimbursement

	timing.
	<i>Feedback/Comments/Questions:</i>
<b>On the Horizon</b>	
	<i>Other Feedback/Comments/Questions:</i>
<b>Specific Board Query and Strategic Directions</b>	
	<i>Other Feedback/Comments/Questions:</i>