



MEMORANDUM

To: PacMtn Board Members

From: Bridget Lockling, Director of Finance & Administrative Services

Date: May 8, 2019

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:**

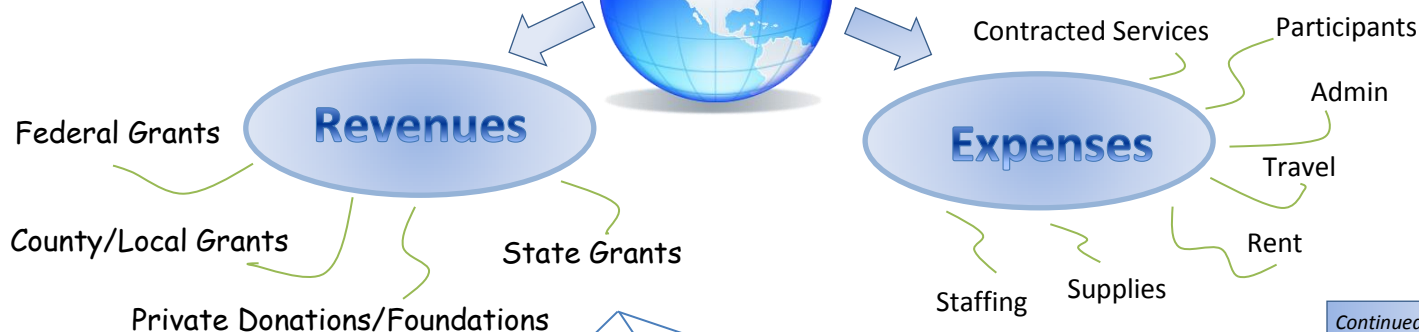
- **Understanding the basic flow of dollars through the organization and the responsibilities to meet grant requirements;**
- **Previewing potential WIOA formula funding amounts and the general impact of anticipated levels;**
- **Understanding the mechanisms involved with fund allocations from the State 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. 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.

This past year our discussion with the Board generated new or deepened areas of focus that we want to address in the PY19 budget:

- Continued commitment to helping business upskill current (incumbent) workers to advance in their career pathway and stabilize or grow the business.
- Connect workforce to the economy with the understanding of key industries.
- Increased attention to work-based learning and entrepreneurial skill development for youth.
- Identify stronger ways to help school districts make CTE learning connections in the community.

PacMtn Budget 101



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 1st -small portion
- FY begins October 1st - 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 30th 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.



PY19 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 10th. 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 priorities and desired outcomes for the region.

Conversations about the budget will help us develop the Preliminary Final budget which will be reviewed by the Executive-Finance Committee on June 14th. Many of these conversations will be the continuation of dialogue and planning that occurred during the Annual Retreat January 24 and the recommendations made over the course of the prior year. The Board will review and approve the Preliminary Budget on June 27th. The Elected Official Consortium will see it at their July meeting.

The Final PY19 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 \$2.0 million increase in Youth and Adult and a \$140K decrease in Dislocated Worker. The allocation for Washington State for each formula is:

	PY19 State Allocation	PY19 Estimate to PacMtn	PY18 PacMtn Amount
Youth	21,151,649	1,547,266	1,407,414
Adult	19,943,123	1,541,352	1,408,727
DW	26,634,849	1,499,107	1,542,636

With these statewide allocations PacMtn anticipates our Youth and Adult local portions to increase as well. DW will likely decrease by about \$10k.

A-3: Additionally, there will be four WIOA competitive grants active at the beginning of the program year, dealing with opioid use impacts in this region, Career Connected Learning and Rapid Response. PY19 begins a new three year cycle for the MyJOB partnership with Juvenile Rehabilitation and Division Vocab Rehab. Commerce Community Jobs Program serving TANF

customers will continue through PY19 with likelihood of new grant solicitation being issued after the first of the year, 2020.

Feedback/Comments/Questions:

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

BL **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.

Additionally, throughout the year ESD has the option to release additional Dislocated Worker funds called **Rapid Response Funds**. This funding comes from unused set aside for major business dislocations and/or PacMtn may receive additional funds due to a major business closure.

The Governor may issue additional dollars into the workforce system from the **Statewide WIOA Discretionary Fund**. Those are usually defined with specific population and partnership outcomes.

Feedback/Comments/Questions:

Staff Recommended New or 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?	
	<p>A-1: Support for Business, Industry and the Economy</p> <ul style="list-style-type: none"> • Updating of Cluster Study - \$50k: The last in-depth 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. This is a carry-forward of funds allocated in PY19, but due to staff vacancies we were unable to award the RFP. Work will begin immediately with completion in early fall. It is possible the updated data could be incorporated into a region wide Comprehensive Economic Development Strategy, which would support the possible develop of a region wide Economic Development District. The EDCs will lead any such effort of that kind. • Incumbent Worker Revolving Fund - \$100k: 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.
	<i>Feedback/Comments/Questions:</i>
	<p>A-2: Serving Youth and Special Populations</p> <ul style="list-style-type: none"> • Youth Entrepreneurship Training...While not a specific budget item it will affect the work of contractor as we set a high priority on students receiving additional information and opportunities for youth entrepreneurship. This will show itself with ResCare, UPLIFT! Programming, with High Impact Grants and any other places wherein students are receiving information about possible employment pathways. • Open Lab at WorkSource Thurston--\$20K: Provides additional hands-on learning for individuals who need greater assistance with adult basic education preparations, including GED, job search and employment preparations. • High Impact Community Grant Funding - \$50k: Continue with current model and structure funding. This would be the 3rd year of funds designated to help rural youth connect to work. In PY18, funds from the Career Connected Learning grants augmented these activities. This funds goes away in September 2019.
	<i>Feedback/Comments/Questions:</i>
Regional Workforce System Development	
Q: How can we support the One-Stop system activities required by WIOA?	
	<p>A-1. PacMtn One-Stop Operator - \$100k.</p> <ul style="list-style-type: none"> • PacMtn procured One Stop Operator is the WorkSource Operations Regional Collaborative (Collaborative) composed of Employment Security Department, Thurston County Chamber and PacMtn Workforce Development Council leaders.

	<i>Feedback/Comments/Questions:</i>
Unique Programming and Partnerships	
Q: How are we supporting work-based learning activities? All grants for which we apply and are awarded we heavily emphasize work-based learning, including defined work experiences (paid/unpaid), internships (paid/unpaid), and apprenticeship.	
	<p>A-1: Continued support of AmeriCorps - \$10k</p> <ul style="list-style-type: none"> We are approved to tentatively receive 6 AmeriCorps Members funded by DSHS starting September 2019-July 2020. The monetary value of these placements is even more significant since AmeriCorps can now receive wages at minimum wage vs. the previous stipend. It is uncertain how the grant will affect the allowable number of placements. This support by DSHS is the continuation of DSHS's support for vulnerable youth in our region. AmeriCorps Members provide valuable program and participant assistance for ResCare, OURR and the MyJOB program. These funds augment the grant provided PacMtn for placement of these AmeriCorps Members. Once the full costs are known DSHS will confirm the number available to us. PacMtn emphasizes work-based learning. Two positions are specifically designated for the use and growth of AmeriCorps Members and in career connected learning activities for High Impact and My JOB.
	<i>Feedback/Comments/Questions:</i>
	<p>A-2: Summer Internships for DVR</p> <p>This program is also work-based learning for youth with disabilities. PacMtn received funding for the last 3 years, with this being the last summer of funds. We are uncertain how DVR will manage their Pre-Employment Training Services (Pre-ETS) programs moving forward and whether or not we will receive additional funds.</p>
	<i>Feedback/Comments/Questions:</i>
	<p>A-3: Enhanced Career Tech Education Connections in the Community--\$15K</p> <p>In continued partnership with and alignment with ESD 113 and school district CTE directors we would identify ways to help promote CTE in communities, with students, teachers and parents.</p>
	<i>Feedback/Comments/Questions</i>

General Operations	
Q: What changes are being proposed in the Administrative Operations budget?	
	<p>A-1: Continued focus on employees to ensure we provide competitive wages, benefits, and opportunities.</p> <ul style="list-style-type: none"> • 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. For budgeting purposes we are estimating a 3% increase as an average. Approximate add of \$30k. • Propose a cost of living at 2% to augment the work we have been doing to ensure salary and benefits are reasonable and adequate. Approximate add of \$20k. • We are continuing with the Performance Excellence and Achievement Awards that could result in an additional NTE \$7500 impact. • 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 \$10,000.
	<i>Feedback/Comments/Questions:</i>
	<p>A-2: Proposing three new positions to improve support for programs:</p> <ul style="list-style-type: none"> • Fiscal Services Technician will respond to the workload volume in the number of contracts, invoices and fiscal inquiries • Full time IT position provides support for technology needs • Contracts Coordinator will support Workforce Services in oversight and support of the multiple contracts and contractor needs.
	<i>Feedback/Comments/Questions:</i>
	<p>A-3: Accounting Services budget will increase to accommodate:</p> <ul style="list-style-type: none"> • A contract for the fiscal monitoring work we perform for our contractors. \$20K • Additional software, system development and training. \$20 K
	<i>Feedback/Comments/Questions:</i>
	<p>A-4: 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.</p>
	<i>Feedback/Comments/Questions:</i>

Q: Are there any changes to the Unrestricted Funds budget?	
	PacMtn requests creation of a special Employee Team Productivity Fund for activities that promote a healthy, productive team environment, essential to achievement of outcomes. \$10,000 will leverage Wellness funds we receive from the Health benefits provider for activities.
	<i>Feedback/Comments/Questions:</i>
Specific Board Query and Strategic Directions	
<i>Other Feedback/Comments/Questions:</i>	