



COUNCIL AGENDA: 8-10-10  
ITEM: 4.3

# Memorandum

**TO: HONORABLE MAYOR AND  
CITY COUNCIL**

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

**SUBJECT: SEE BELOW**

**DATE:** July 19, 2010

Approved

Date

7-26-10

**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 NUMMI RE-EMPLOYMENT NATIONAL EMERGENCY GRANT (NEG) AGREEMENTS**

## RECOMMENDATION

It is recommended that the City Council take the following actions regarding the NUMMI Re-Employment Project as follows:

1. Adopt a resolution accepting the NUMMI Re-Employment Grant award in the amount of \$6,274,772 and authorize the City Manager to execute Grant Agreement, any future amendments, and all related documents without further City Council action;
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 \$2,976,901;
  - b. Establish an appropriation to the Office of Economic Development for the 25% Additional Assistance Grant Bridge Funding – NUMMI Project in the amount of \$970,000; and
  - c. Establish an appropriation to the Office of Economic Development for a National Emergency Grant (NEG) Dislocated Workers – NUMMI Project in the amount of \$2,006,901.

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## **OUTCOME**

The recommended appropriation actions will recognize and make available grant awards from the Department of Labor through the State's Employment Development Department (EDD). The funding will provide Workforce Investment Act (WIA) allowable employment and training services to eligible dislocated workers laid off from the New United Motors Manufacturing Incorporated (NUMMI) automobile manufacturing plant. In addition, the funding will also be used to provide services to eligible dislocated workers (secondary workers) who are or were employed by secondarily-impacted suppliers to NUMMI.

## **BACKGROUND**

NUMMI ceased operations in April 2010, displacing over 4,700 as well as affecting over 30,000 secondary (supplier) employees. Of the total number of affected workers, approximately 800 NUMMI employees and 1,900 secondary employees of direct and indirect suppliers reside in work2future's service area.

In March 2010, work2future submitted a 25% Additional Assistance grant application for 776 affected workers. In June 2010, EDD released its notification of the award of \$28 million for NEG grant funds for a consortium of local Workforce Investment Boards (WIBs) affected by the NUMMI plant closure. work2future was awarded \$970,000 25% Additional Assistance grant to provide bridge funding and \$2,006,901 NEG – NUMMI Project award representing the first incremental allocation to work2future. Remaining funds upwards of \$3 million are anticipated to be released once the consortium of six local Workforce Investment Boards reach a combined 70% expenditure rate of the first increment of the total \$28 million NEG allocation.

As a condition of this grant, participating WIBS agrees to exert maximum efforts to promptly outreach to and enroll all potential participants so that 90% of all potential participants are enrolled within the first six months of this NEG-funded project. As of June 30, 2010, work2future has enrolled 298 participants out of the approximately 800 direct NUMMI employees. work2future expects to reach the 90% level by September 30, 2010.

The 25% Additional Assistance grant will provide for the provision of services to NUMMI dislocated workers from July 1, 2010 until September 30, 2010, with the possibility of extending the term up to 18 months. The first increment of \$2 million in NEG – NUMMI Project funding grant term is from April 1, 2010 to March 30, 2012. work2future will begin using these funds starting July 1, 2010. Alternative funding sources such as ARRA Dislocated Worker and ARRA-Rapid Response were utilized in 2009-2010 to fund NUMMI services from April 1, 2010 to June 30, 2010 due to the late notification of the grant award.

## **ANALYSIS**

Many of the dislocated workers were employed by NUMMI for several decades, specializing in automotive assembly and related activities. Many NUMMI suppliers' employees were hired at

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entry level and are low-skilled workers. Therefore, to be competitive in the new market, these dislocated workers will require extensive support including re-training and skills upgrades to transition into new careers.

work2future has used other funds such as ARRA Dislocated Worker and ARRA Rapid Response to provide core and intensive services through work2future’s NUMMI Career Transition One-Stop Center as soon as the NUMMI plant ceased operation in April 2010. Moreover, work2future is coordinating its efforts in partnership with other WIBs seeking opportunities to leverage activities to ensure that NUMMI dislocated worker participants are afforded all the resources and services which may be available to them through co-enrollment and co-case management to ensure seamless service delivery.

Specifically these grant funds will provide for outreach, recruitment, testing and assessments, skills analysis, labor market information workshops, basic and remedial education, Individual Employment Plans, career and peer counseling, occupational and/or vocational skills training, supportive services, job placement, and post job placement follow-up activities for displaced NUMMI workers.

The grant funds will also allow eligible participants to enroll in training until the Trade Adjustment Assistance (TAA) funds become available should there be a State budget delay.

work2future is scheduled to present an expenditure plan to work2future’s Executive Committee on July 15, 2010; work2future Finance Committee and Board at their respective meetings of September 8, 2010 and September 16, 2010. Below is the spending plan for the NEG – NUMMI Project and bridge funding in the amount of \$6.3 million. Of that amount, \$2.98 million has been awarded and is recommended to be appropriated in 2010-2011. The second installment is anticipated to be awarded in 2011-2012 and additional appropriation actions would be brought forward once those funds are available.

Budget Category	Total Budget	Projected Expenditures FY 10-11*	Projected Expenditures FY 11-12
Program Staff Salaries & Benefits (includes city overhead**)	\$2,975,630	\$ 1,487,815	\$1,487,815
Client Related Services:			
Training Services/OJT /workshops	\$1,540,000	\$700,000	\$840,000
Supportive Services	\$1,028,500	\$382,345	\$646,155
Others (supplies, mileage, rent, printing, professional services etc.)	\$414,195	\$248,517	\$165,678
work2futureAdministration	\$316,447	\$158,224	\$158,223
<b>Total Spending Plan</b>	<b>\$6,274,772</b>	<b>\$2,976,901</b>	<b>\$3,297,871</b>

\* Equals grant awards received

\*\* Due to a 10% administrative cap, only a portion of the overhead costs (an average of 44%) has been included in the above expenditure plan.

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### **EVALUATION AND FOLLOW-UP**

The NUMMI grants in the amount of \$2.98 million have been evaluated and approved for funding by the State's EDD. Ongoing progress reports will be submitted to EDD, work2future's Board of Directors, and to the City's Community and Economic Development Committee.

Once the second installment of funding is awarded and made available, additional appropriation actions will be brought forward to the City Council to recognize and appropriate the additional funding. It is anticipated that this would occur in 2011-2012.

### **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 meets the above criterion regarding the use of public funding equal to or greater than \$1 million. This memorandum will be posted on the City's website for the August 10, 2010 Council agenda.

### **COORDINATION**

This memo has been coordinated with the Office of the City Attorney.

### **FISCAL POLICY ALIGNMENT**

The NUMMI 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.

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However, as a result of a 10% administrative cost cap, an average of 44% 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.

/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 \$2,976,901.



JENNIFER A. MAGUIRE  
Budget Director

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