



# Memorandum

**TO:** EXECUTIVE COMMITTEE

**FROM:** Lynn Lee

**SUBJECT:** See Below

**DATE:** November 15, 2023

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**Approved**

**Date:**

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**SUBJECT:** FY 2023-24 Program Operating Budget Reconciliation for 2022-23 Carry-Over Savings and FY 2023-24 WIOA Formula and Rapid Response Funding Adjustment (Corrected)

## **RECOMMENDATION**

Approve staff's proposed adjustments to the Fiscal Year 2023–24 Program Operating Budget as follows:

- i) Adjust the Program Operating Budget to reflect a \$741,001 decrease in funding due to actual savings being less than the projected carry-over amount in the June 2023 Board-approved budget;
- ii) Adjust the Administrative Budget to reflect a \$11,547 decrease in funding due to actual savings being less than the projected carry-over amount in the June 2023 Board-approved budget;
- iii) Adjust the WIOA Rapid Response Budget to reflect a \$77,728 decrease in funding due to the actual FY2023-2024 formula allocation being less than the projected allocation in the June 2023 Board-approved budget;
- iv) Adjust the Summary of Discretionary funding sources to reflect a \$123,951 increase in funding due to additional discretionary grants.

At its meeting on November 6, 2023, the Executive Committee voted unanimously to recommend that the Board approve the proposed adjustments to the Fiscal Year 2023–24 Program Operating Budget.

## **BACKGROUND AND ANALYSIS**

On May 25, 2023, the State of California Employment Development Department (EDD) released its *planned* allocation for WIOA Adult, Dislocated Worker, and Youth Funding streams for FY23-24. These allocations are based on the allotments to States issued by the U.S. Department of Labor (DOL), as recognized in Training and Employment and Guidance Letter 09-21, dated May 6, 2023. EDD's allocation for work2future reflected approximately 9% overall decrease from FY22-23 funding.

On June 26, 2023, work2future staff submitted to the Executive Committee and, on June 16, 2022, to the full Board, the Proposed FY 2023-24 WIOA Program Operating Budget. This included the planned WIOA allocation from the State EDD, estimated Rapid Response funding, and projected WIOA Adult, Dislocated Worker, and Youth programs carry-over funding from FY 2022-23.

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On August 1, 2023, work2future received its *final* Rapid Response and Layoff Aversion funding allocation for FY 2023-24.

In addition, in the June 2023 Board-approved Program Operating Budget, work2future included \$5,271,160 in projected carry-over funds as of April 30, 2023. In the FY 2022-23 year-end close as of June 30, 2023, actual savings were determined to be \$4,530,159. The \$741,001 difference will be realigned accordingly in the table below.

Proposed reallocation of the carry-over difference is presented below.

<b>Budget Details</b>	<b>June 2023 Board-Approved Budget</b>	<b>Proposed Budget Adjustment</b>	<b>Adjusted Budget</b>
	A	B	C = (A+B)
Personnel Costs	\$2,659,773	(241,001)	\$2,418,772
Non-Personnel Costs	528,263	-	528,263
Adult Client Services	2,395,301	(145,000)	2,250,301
Youth Client Services	1,112,048	-	1,112,048
One Stop Operator	30,000	-	30,000
Contracted Services	2,538,013	145,000	2,683,013
Unallocated Contingency Reserve	846,835	(500,000)	346,834
<b>Total Operating Budget</b>	<b>\$10,110,233</b>	<b>\$(741,001)</b>	<b>9,369,232</b>

#### Personnel Costs

Staff proposed to deduct \$241,001 of the decrease in carry-over funding from the Personnel Costs allocation as noted above. This amount reflects vacancy savings for the current Program Year 2023-2024 due to multiple vacancies within the program.

#### Contingency Reserve

Staff proposed to deduct the remaining \$500,000 of the decrease in carry-over funding to the Unallocated Contingency Reserve account as noted above. This is the “balancing” figure in the budget which is used to augment the current program operating budget should an unanticipated need arise, or if unspent, bridge any potential funding gap in the program operating budget for the following fiscal year. None of actions proposed herein require utilizing the Board Mandated 15% Contingency Reserve.

*Please note that this reconciliation is still subject to change. Due to personnel changes in the fiscal unit, additional time is needed to complete due diligence in reconciling the funds. Please also note that if a*

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*change is to be found, this would be an increase to the budget. No other negative adjustments are anticipated at this time. Staff's intent, if additional funding were to be found, is to return to the Executive Committee to replenish the Unallocated Contingency Reserve. work2future Director Monique Melchor will send an update within the next three to four weeks. Moving forward, staff will continue to track monthly budget variance reports and financial statements, in addition to using thorough analysis and tools, to accurately estimate the savings from FY2023-2024 to FY2024-2025. Processes will be evaluated and improved upon and support from budget department staff will improve projections in the future.*

### **WIOA ADMINISTRATIVE FUNDING**

The work2future administrative budget decreased by \$11,547 from \$845,592 to \$834,045. The decrease represents carry-over administrative funding from FY 2022-23.

<b>Budget Details</b>	<b>June 2023 Board-Approved Budget</b>	<b>Proposed Budget Adjustment</b>	<b>Adjusted Budget</b>
	A	B	C = (A+B)
Personnel Costs	\$536,268	-	\$536,268
CAO	127,408	-	127,408
Non-Personnel Costs	37,227	-	37,227
City Overhead	74,454	(11,547)	62,907
Distribution to Service Providers	70,235	-	70,235
<b>Total Operating Budget</b>	<b>\$845,592</b>	<b>\$(11,547)</b>	<b>\$834,045</b>

### **WIOA RAPID RESPONSE FUNDING**

Rapid Response carries a one-year term and workforce development boards need to spend the money within the set timeframe. On June 23, 2023, the State of California EDD released the FY 2023-2024 Rapid Response final funding allocation to Local Workforce Development Boards. work2future has been allocated \$434,643, in both *base and lay-off* aversion funding, a total funding decrease of \$77,728 compared to the \$512,371 *estimated* funding submitted and approved by the Board in June 2023. Total Rapid Response funding will now \$434,643.

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The following are the proposed budget adjustments to the Rapid Response funding and the corresponding financial impact on the operational budget:

<b>Budget Details</b>	<b>June 2023 Board-Approved Rapid Response Budget</b>	<b>FY 2023-24 Allocation Adjustment</b>	<b>Proposed Revised Rapid Response Budget</b>
	A	B	C = (A+B)
WIOA Rapid Response Allocation FY 2022-23	\$512,371	(77,728)	\$434,643
WIOA Rapid Response Carry-over funding FY 2021-22	0	0	0
<b>Total Operating Budget</b>	<b>\$512,371</b>	<b>\$(77,728)</b>	<b>\$434,643</b>

The following are the proposed changes to the Rapid Response Operating Budget:

<b>Budget Details</b>	<b>June 2023 Board-Approved Rapid Response Budget</b>	<b>FY 2023-24 Allocation Adjustment</b>	<b>Revised Rapid Response Allocation</b>
	A	B	C = (A+B)
Personnel Costs	\$444,502	(67,431)	\$377,071
Non-Personnel Costs	42,653	(6,472)	36,181
City Overhead Costs @ 10% of Allocation	25,216	(3,825)	21,391
<b>Total Proposed Rapid Response Budget</b>	<b>\$512,371</b>	<b>\$(77,728)</b>	<b>\$434,643</b>

The decrease in the Personnel, Non-Personnel and City Overhead Costs line-item budgets are reflective of the decrease in funding due to the change in FY23-24 allocation.

#### **DISCRETIONARY CARRY-OVER AND NEW FUNDING**

All discretionary grants except for the BOS initiative and Emerging Needs Local Assistance funding are for a term period that crosses over two or more fiscal years. Thus, unspent funding can be carried over to the remaining months of the grant period and reimbursed only when expenditures are incurred against the grant. On the other hand, the BOS Initiative, California Workforce Development Board, and Emerging Needs Local Assistance funding are ongoing grants for which funding has already been received, and unspent funding has been carried over from one fiscal year to the next until the funds are totally spent. Also included in this funding group is the on-going funding from the City General Fund of \$1.7 million to support the San Jose Works program.

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The following table is a Summary of Discretionary grant funding for FY 2023-24:

<b>Discretionary Grants</b>	<b>Proposed Amount</b>
San Jose Works 9.0 Program Initiative <sup>1</sup>	\$2,747,950
Career NDWG	224,439
San Jose Works (Amazon) <sup>2</sup>	100,000
San Jose Works (Bank of America) <sup>2</sup>	76,500
San Jose Works (Cities for Financial Empowerment) <sup>2</sup>	50,000
San Jose Works (Shipt) <sup>2</sup>	21,250
San Jose Works (Wells Fargo) <sup>2</sup>	7,500
San Jose Works (Flagship) <sup>2</sup>	5,000
Emerging Needs Local Assistance Fund	5,000
California Workforce Development Board	4,042
Business Owner's Space (BOS) Initiative	3,218
<b>Total Discretionary New and Carry Over Funding</b>	<b>\$3,244,899</b>
<b>Total Projected Funding in June 2023 Budget</b>	<b>\$3,120,948</b>
<b>Budget Adjustment</b>	<b>\$123,951</b>

<sup>1</sup> Represents the yearly funding of \$1,712,880 available from the City General Fund to support SJ Works 9.0 and \$1,035,070 carry-over funds from SJ Works 8.0.

<sup>2</sup> Other funding raised to support the San Jose Works program.

/s/  
LYNN LEE  
Interim Finance Manager

cc: Monique Melchor  
Jeff Ruster