



Legislation Details (With Text)

File #: 2017-721 **Version:** 1 **Name:**

Type: Discussion **Status:** Agenda Ready

File created: 8/31/2017 **In control:** City Council

On agenda: 9/19/2017 **Final action:**

Title: CONSIDERATION OF APPROVAL OF A CONTRACT SERVICES AGREEMENT AND A LEASE AGREEMENT BETWEEN THE CITY OF CARSON AND THE SOUTH BAY WORKFORCE INVESTMENT BOARD

Sponsors:

Indexes:

Code sections:

Attachments: 1. 9-19-17 Ex .1

Date	Ver.	Action By	Action	Result
9/19/2017	1	City Council		

Report to Mayor and City Council

Tuesday, September 19, 2017

Discussion

SUBJECT:

CONSIDERATION OF APPROVAL OF A CONTRACT SERVICES AGREEMENT AND A LEASE AGREEMENT BETWEEN THE CITY OF CARSON AND THE SOUTH BAY WORKFORCE INVESTMENT BOARD

I. SUMMARY

Due to budget considerations the City will be returning the management of the Carson Career Center (Center) to the South Bay Workforce Investment Board (SBWIB). The current salaries and benefits for the Career Center employees total \$424,898, while revenues total \$333,724. The actual deficit is closer to \$211,174 this year. In addition, the Federal cutbacks to the TSE program are estimated at 59% this year.

Due to the City's structural budget deficit of \$8 million, the SBWIB has agreed to assume the operation of the Center. As a benefit to the community, it will continue to operate from the Community Center, with SBWIB staff. Council will consider entering into a contract services agreement between the City and the SBWIB and a lease agreement between the City of Carson and the SBWIB.

In order to assist our employees, staff requested that the SBWIB agree to make a good faith effort to retain the Center's employees. The contract further requires that the SBWIB

reach out to the employees to interview them for a 30-day temporary employment period, which could lead to permanent employment with the SBWIB (Exhibit Nos. 1 and 2). The SBWIB Executive Director has already made contact with two of the full-time employees and the part-time employee, who gave permission to be contacted. Two employees did not give permission. Interviews have been set for the week of Sept. 25, 2017.

II. RECOMMENDATION

TAKE the following actions:

1. AUTHORIZE the Agreement for Contract Services between the City of Carson and the South Bay Workforce Investment Board, AND
2. AUTHORIZE the Lease Agreement between the City of Carson and the South Bay Workforce Investment Board.

III. ALTERNATIVES

No alternatives are recommended at this time.

IV. BACKGROUND

The City has operated the Carson Career Center for a number of years, most recently under Federal grants received from the SBWIB for adult employment services, youth employment services, and, under a separate contract, transitional subsidized employment (TSE) services for specific populations. Organizationally, the Center was part of the Community Development Department under the previous direction of the Business Development Manager, though the Center is located at the Congresswoman Juanita Millender-McDonald Community Center.

The Career Center operates under grants (WIOA and LA County Youth Jobs) from the SBWIB with an amount that has varied over the years. The goal has been for the Center to operate without a subsidy from the City's General Fund. Unfortunately, the City has adopted eight deficit budgets in the last eleven years. Budget managers estimate the current structural budget deficit is over \$8 million. The City faces an uncertain budget future and adopted a hiring freeze impacting 38 positions over Fiscal years 2016/17 and 2017/18. Included in this hiring freeze was the position of the Business Development Manager.

In January 2016, then Assistant City Manager Cecil Rhambo was assigned supervisor duties of overseeing the operation of the Center, since the position of the Business Development Manager was under the hiring freeze. In consultation with the Community Development Director and City Manager, Mr. Rhambo requested that the SBWIB audit the Career Center's performance. The Center has struggled to meet a number of its goals and objectives for several years. In an effort to assist the Center the SBWIB has sent additional staffing over to help with the workload. The audit resulted in the establishment of a series

of goals and objectives for each program area of the Center. In Fiscal Year 2016/17, the SBWIB charged the City approximately \$50,000 for the assistance they provided to augment City staff. Upon the departure of Mr. Rhambo in January of 2017, Principal Administrative Analyst Lisa Berglund was assigned supervisory duty.

Unfortunately, the deficiency in meeting all of the minimum requirements jeopardizes future grant funding. The management evaluation determined that at a minimum a full-time supervisor is necessary in order for the Center to succeed. The cost of a full-time supervisor with salary and benefits is close to \$200,000, with the cost coming from the City's general fund. In addition, Center staff has asserted that another position be created to provide assistance in the Youth program because of the additional programmatic requirements. If that were an Employment Specialist position, full salary and benefits would be in excess of \$100,000. Finally, the Center had a part time clerical support position that should have been converted to full time in order to maximize effectiveness of the program, at an incremental cost of \$25,000. These additional positions would come at a time of decreasing revenue to the Center and drawbacks due to SBWIB staff being asked to fill in at key times during the year. Considering the City's current budget situation, it is recommended that the City Council authorize the two attached agreements.

Agreements

The lease agreement leases Room 116 and Room 117 of the Carson Community Center to the SBWIB at \$1 per year. Room 118 is to remain a shared space between the SBWIB and the Elito M. Santarina Senior Technology Center in order to maintain computer classes for seniors. The operations scope of services agreement facilitates the delivery of the Workforce Innovation and Opportunity Act (WIOA) related services and TSE related services. These programs consist of adult and youth job training and job placement via the various grant programs funded by Los Angeles County and the Federal Government. Staff has been asked about the nominal amount of the rent. The City could charge additional rent; however the rent would be deducted directly from the grant and have the unfortunate result of less money being available to help Carson residents.

Financial

Over the past several years the Center has struggled to meet the minimum requirements to maintain the City's grant funding. During that time the SBWIB staff has often stepped in and assisted the City in order for Carson to meet the minimum goals and objectives. In the last eight months the City's general fund was hit with two financial losses related to the program. First, there was the \$50,000 reduction from the SBWIB for additional staff, described above. Then, the 2017/18 federal government allotment to the SBWIB was dramatically reduced resulting in an additional \$50,000 reduction in grant funds to the City, resulting in a total reduction of \$100,000 in grant funds to the City in the last eight months.

This City adopted a Fiscal Year 2017/18 budget with a substantial budget deficit, and it is estimated that the City's "structural" deficit is about \$8 million per year. The City is currently down 103 staff positions. Staff is already doing much more with less. Staff recommends that the City's general fund cannot take on additional costs associated with the Center, and the contract with the SBWIB is a way to provide the continued service to workers and employers in the community without an impact on the City budget.

Employee Layoffs

As part of the action to transition the Career Center, all Center staff members were laid off on Thursday, September 7th, and the TSE contractor was given the required 30 day notice. These are the first layoffs in the City since 2013. However, this was a necessary step toward the future success of the operation and to ensure consistent service for Carson's clients and help close the budget deficit.

Three full-time Employment Specialists, one full-time Research Technician and one part-time Clerical Assistant were laid off. The employee that held the Research Technician position has the right to return to her previous position as a Senior Clerk. The remaining employees have not held other positions with the City therefore do not have that benefit. Due to the lack of similar positions available in the City, transferring these employees into lateral positions was not a desirable option. As part of their contract, the SBWIB has agreed to a 30-day temporary employment period to those employees they wish to retain.

Also on September 7, 2017, the contract between the City and Michael Seale for TSE was canceled. A 30-day notice was given ending that contract on October 7, 2017. Beginning October 8, this program will also be carried out by the SBWIB.

While the layoffs were a difficult decision, the continued success of the Career Center may have depended on taking that action. Under the operation of the SBWIB, the Center can enjoy a staffing flexibility that it does not otherwise have under City operation, with the potential to move additional employees into the Center during intensive peak periods and relocating them to other centers they operate at other times. The combination of the TSE operation with the WIOA-funded operation, too, may give the SBWIB some additional flexibility to pay for additional staff to work in one of more programs. In the end, having the Program under the SBWIB from the financial risk of future budget cuts, increased staffing demands or rising costs. These become the responsibility of the SBWIB.

V. FISCAL IMPACT

For this fiscal year the Career Center staffing budget is \$424,898, with a SBWIB revenue allocation of \$333,724, resulting in a deficit of \$91,174. The SBWIB yearly allocations are variable and unpredictable from year to year.

The financial data for the Summer Youth Employment Program is not included in the numbers. Should the Council decide to move forward with that program next year, the program and associated budget will be shifted to the Department of Human Resources.

Staff estimates that the true Career Center budget is running a larger deficit of \$211,174. We are anticipating an additional allocation reduction of \$100,000 this fiscal year and the budget does not reflect supervisory costs, at \$20,000, for City Manager staff supervising the center.

VI. EXHIBITS

1. Contract Services Agreement with Lease Agreement. (pgs. 5- 36)

1.

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