



TO: Elizabeth Pauli, City Manager
FROM: Andy Cherullo, Finance Director, Finance Department
SUBJECT: WorkForce Central – Line of Credit
DATE: August 25, 2017

SUMMARY:

WorkForce Central (WFC) is requesting a \$250,000 line of credit, from the City. WFC is also requesting \$250,000 from Pierce County, which would provide WFC with up to \$500,000 in funds should there be an interruption in their federal funding stream. City staff recommends that the line of credit be issued for a 2-year period to begin on January 1, 2018 and end on December 31, 2019, and to bear interest at a market rate of interest determined the time of execution of the line of credit.

BACKGROUND:

In 1982, Pierce County and City of Tacoma entered into an Interlocal Government Agreement (the Agreement) to establish WFC as the agency tasked to:

- Promote effective coordination of workforce development programs and resources;
- Provide regional employment and training services;
- Develop and create employment opportunities, training, education and other services to enable our residents to secure and retain employment; and
- Implement workforce federal legislation within Pierce County

The Agreement transferred the duties and responsibilities of both the City’s Comprehensive Employment Services Office and the County’s Manpower Planning Office to WFC.

Under the Agreement, the City and the County exercise joint power and have joint liability for debts, liabilities, and obligations incurred with respect to grants, contracts, or agreements incurred by WFC.

WFC is led by a Board comprised of 5 members:

- County Executive Dammeier
- City of Tacoma Mayor Strickland
- County Councilman Richardson
- City Councilman Lonergan
- Private Business Representative who is Chair of the Board’s business led Planning Advisory body called Workforce Development Council, Tim Owens, Manager, Marshalls

WorkForce Central and the federal Workforce Innovation and Opportunity Act (WIOA) funding that it administers has significant economic and social impact throughout our county.

Specifically, WFC:

- Supports and oversees the local workforce development service delivery system called “WorkSource Pierce”, which serves approximately 60,000 job seekers annually through one Comprehensive Career Development Center and 7 affiliate sites located throughout the county;
- Assists JBLM service members in preparing for their transition from the Department of Defense into other career opportunities- 900 service members received the services of WFC in the last year;
- Assists businesses in finding local talent in order to remain globally competitive – last program year, 1,000 businesses received assistance;
- Secures non-WIOA resources to support its core purpose - \$10 leverage to \$1 WIOA resources expended;



- Provides funding to residents to pay for demand occupational training and support at local community and technical colleges - last program year 600 residents received this assistance.
- Provides funding to local businesses to enhance the skills of their employees so that productivity is maximized which increases the competitiveness of both the businesses and their employees; and
- Works with the community-based organizations to help at-risk youth between the ages of 16-24 complete high school or obtain a GED, learn about the world of work through workshops/internships/job shadows AND continue to post-secondary education/training that will lead to a family wage job with career and wage advancement opportunities.

The return on WFC's efforts are as follows:

- Laid off workers receiving assistance are 10.1% more likely to gain employment versus those not assisted, and earn \$3,024 more annually;
- Low income, disadvantaged adults assisted by WFC have a 12.8% higher rate of gaining employment and earn \$6,236 more annually than those not assisted by WFC; and
- Economically disadvantaged youth receiving WFC assistance are 8% more likely than their peers to gain employment and earn \$1,436 more annually.

ISSUES:

WFC operates primarily with federal funding. Annually, these federal funds come from two federal budget appropriations. Quarter 1 funding comes from the current federal budget appropriations, which is FY2017 for this current program year, and quarters 2 through 4 come from the following year's federal budget appropriations, which is FY2018. Prior to 2011, WFC had been informed of its annual allocation when the current federal budget was passed and had confidence that the full annual amount would be appropriated and paid in a timely manner. However, current partisanship in Congress has resulted in delayed budget approvals, threats of government shutdowns and uncertainty of program funding for WFC and myriad other agencies who rely on government funding. Without access to federal funding, WFC must be prepared to weather cash flow disruptions which would prevent it from meeting its obligations to job seekers, employers and the community.

WFC has analyzed its cash needs and has determined that its current cash deposits will cover operating expenses for a one month period. In order for WFC to ensure the availability of funding to support a full 3-month operating budget, should a funding shortfall occur, the agency has requested credit lines from the City and County. In today's uncertain political climate, this financial commitment would provide bridge funding (and avoid a disruption of service) in the event Congress curtails WFC's access to critical Workforce Innovation and Opportunity Act (WIOA) funding.

WFC Executive Board members, including Mayor Strickland and Councilman Lonergan, are requesting credit assistance through the City and the County in the form of standby lines of credit to ensure that services are not disrupted should WFC need to wait for Congress to act.

In 2011 Tacoma's City Council approved a line of credit to WFC through March 2013. Fortunately, WFC's operations did not require the City's financial assistance during that two year period, thus funds were never drawn on the line of credit prior to its expiration. The City was not in a position to renew WFC's line of credit in 2013 due to its own recovery from a \$60+ million budget deficit and the fact that it had no ability to borrow funds as it was outside of its own legal debt limit. These issues have since been resolved and the City is in a much better position to offer a line of credit to WFC.



ALTERNATIVES:

If the City Council were to disapprove the requested \$250,000 line of credit, WFC could request that the County provide the full \$500,000 line of credit. If the County did not agree to fund the full \$500,000, there could be a potential gap in cash needs and a disruption in the delivery of WFC services.

RECOMMENDATION:

City staff recommends that City Council approve a line of credit to WFC in order for WFC to ensure the availability of funding to support a full 3-month operating budget, in the event of a funding shortfall. City staff recommends that the line of credit be issued for a 2-year period to begin on January 1, 2018 and end December 31, 2019, and to bear interest at a market rate of interest determined the time of execution of the line of credit.

FISCAL IMPACT:

This is a line of credit that the City would provide to WorkForce Central. There will be no fiscal impact until such time, if any, that WFC requests a draw down on the funds. However, if approved, this will, restrict the City's use of the funds for the 2-year period.

EXPENDITURES:

FUND NUMBER & FUND NAME	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
General Fund – Non-Departmental	654000		\$250,000
TOTAL			\$250,000

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
General Fund	654000	Various	\$250,000
TOTAL			\$250,000

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: The potential impact to the current biennial budget could be up to \$250,000, depending on whether WFC request a draw of funds from this line of credit. There will be no fiscal impact if WFC does not request a draw down on the line of credit.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? No, the expenditures were not planned and budgeted and would require a mid-biennium adjustment.