

# GOLDEN SIERRA GOVERNING BODY

## MEMORANDUM

**DATE:** February 1, 2017  
**TO:** Governing Body (GB)  
**FROM:** Jason Buckingham, GSJTA Executive Director  
**SUBJ:** Pension – Public Agency Discount Rate Change

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On December 20, 2016 the CalPERS Board determined it necessary to reduce the discount rate assumption on earnings for pension investment returns from 7.5% to 7%. The rate reduction will be implemented over a 3 year period and CalPERS is scheduled to roll out the new actuarial valuation reports that reflect the new assumption in August 2017.

On January 19, 2017 CalPERS provided guidance via Actuarial Circular Letter [200-004-17](#) on the potential impacts. Plans will see increases in both the normal costs (the cost of pension benefits accruing annually for active members) and the accrued liabilities.

These increases will result in higher required employer contributions. Below is a table demonstrating the anticipated rate increases.

		Normal Cost	UAL Payments
Valuation Date	Fiscal Year Impact	Misc. Plans	Misc. Plans
6/30/2016	2018-19	0.25% - 0.75%	2% - 3%
6/30/2017	2019-20	0.50% - 1.5%	4% - 6%
6/30/2018	2020-21	1.0% - 3.0%	10% - 15%
6/30/2019	2021-22	1.0% - 3.0%	15% - 20%
6/30/2020	2022-23	1.0% - 3.0%	20% - 25%
6/30/2021	2023-24	1.0% - 3.0%	25% - 30%
6/30/2022	2024-25	1.0% - 3.0%	30% - 40%

Shaded rows above are the expected increases beyond the five year projection quoted in the June 30, 2015 valuation report.

### Concerns:

The Agency's Workforce Investment Opportunity Act (WIOA) allocation award is partially determined by the level of unemployment in the local area. Funding for our Agency has a direct relationship to the region's unemployment rate. Ex. The lower the rate, the less funding we receive. Staff will be seeking the Governing Body's input should it be necessary to apply a greater percentage of the annual allocation award to the Program Operations line item in order to meet this debt service obligation.

# Budget Objectives:

Golden Sierra Job Training Agency is a Joint Powers Authority (JPA) organized between Placer County, El Dorado County and Alpine County. The Agency's primary purpose is to administer the JPA's Title I award from the Workforce Innovation and Opportunity Act (WIOA). Additionally, the Agency administers miscellaneous grants and awards that complement the WIOA Title I objective and stated purpose.

# Budget Timeline:

The Agency is required to meet California Government Code Section 29064, which states...

“On or before June 30 of each year the board, by formal action, shall approve the Draft Budget, including the revisions it deems necessary for the purpose of having authority to spend until the Final Budget is adopted.”

# Budgets we Prepare:

**Draft Budget:** The Draft Budget utilizes estimates for revenues and anticipated Agency fixed and variable expenditures.

**Final Budget:** The Final Budget consists of actual prior fiscal year's rollover amounts and actual new program year WIOA allocation grants and other awards as received.

# Approval Process:

**Based on WIOA and the current JPA, the Governing Body, with input from the Workforce Development Board, shall review, revise and adopt and annual budget.**

**The Approval Process currently utilized is as follows:**

**1<sup>st</sup> Executive Committee\***

**2<sup>nd</sup> Workforce Board**

**3<sup>rd</sup> Golden Sierra Governing Body**

\* When conflicts arise, emergency situations, or WDB quorum is not established, the Executive Committee has the authority to approve a recommendation to the Governing Body.

# Funding and Expenditure Considerations

## Funding:

- ❖ The primary source of funding for the Agency is the WIOA Allocation Award and Other Grants as deemed complimentary to our delivery service model.
- ❖ Allocation Award: Annually (routinely in the spring) an Informational Notice from the Employment Development Department Workforce Services Division is published notifying local areas of their awards.

# Funding and Expenditure Considerations

## Funding:

- ❖ The table below demonstrates the time periods for when funding is made available. Historically the largest portion of allocation funding is awarded in Round 2.

WIOA Allocation	Award Time Period		
		Round 1	Round 2
Funding Type			
Youth	April		
Adult		July	October
Dislocated Worker		July	October
Rapid Response		July	October
Layoff Aversion		July	October

# Funding and Expenditure Considerations

## Funding:

- ❖ strategies are in place to mitigate the impacts of reduced funding availability from the new award in the first quarter of each fiscal year (Round 1).
- ❖ Rollover Funding: The prior year's rollover funding is made up of the allowable 10% administration and non-earmarked program funding (up to 20%).



# Funding and Expenditure Considerations

## Funding:

- ❖ Other grants awarded to the Agency are managed as determined by the Grantor and the source of the funding.

For example: Both Prop39 and AB2060 are state funded grants, which require the availability of cash to cover cash flow needs until reimbursement.

# Funding and Expenditure Considerations

## Expenditures:

- ❖ The Agency must meet:
  - ❖ Funds Utilization of Allocation Award Requirements
  - ❖ Grant award mandates
  - ❖ The financial obligations of the JPA. For example the debt service of employee pension and healthcare obligations

# Funding and Expenditure Considerations

## Expenditures:

### Funds Utilization Requirements

- ❖ Rapid Response and Layoff Aversion – must be expended in the 1<sup>st</sup> year of the award period.
- ❖ Youth, Adult and Dislocated Worker funding must have all but 20% of program funding expended or in a contract by June 30<sup>th</sup>, of the 1<sup>st</sup> fiscal year of the award period.

# Funding and Expenditure Considerations

## Expenditures:

### Mandated Requirements on Expenditures:

#### Federal:

10% of the funding may be used for Administrative Functions as defined by the Office of Management and Budget.

20% of Youth award must be used for Work Based Learning as defined in WIOA.

#### State:

30% of all Adult and Dislocated Worker award must be used for Direct Training as defined in WIOA.

# Draft Budget for Fiscal Year 2017/2018

## **Next Steps to generate Draft Budget:**

- ❖ Generate a WIOA Allocation Assumption - 5% reduction from prior Program Year (PY) 2016/2017.
- ❖ Prepare allocation of funding worksheet (next slide) in order to determine a reasonable level of funding for primary cost centers. Ex. Administration, Program Operation, Local Area's Comprehensive One-Stop, Direct Training Requirements and Rapid Response/Layoff Aversion.
- ❖ Staff will discuss strategies and make recommendations on how to move forward with resources ensuring quality of career services delivered in each partner county are maintained in the most cost effective manner.

**Consortium Budget Schedule 4**  
**Consortium Allocation of Subgrant Award**  
**Draft Budget FY 2017/2018**  
**Presented: February 2017**

		A	B	C	D	E	F	G	
<b>Allocation Funding Categories</b>									
		75% Dislocated							
	<u>Estimate 2018 would be K8</u>	Dislocated		Worker	Youth Out		Rapid	Layoff	
#		Worker	Transfer to Adult	Adult	100%	Response	Aversion	Total	
1	Funding Awards for New Fiscal Year Consortium Operations	Reduce 5%	\$ 291,389	\$ 874,166	\$ 929,583	\$ 951,034	\$ 221,785	\$ 62,820	\$ 3,330,776
2	Administration	10.00%	\$ 29,139	\$ 87,417	\$ 92,958	\$ 95,103	\$ -	\$ -	\$ 304,617
3	WDB Support/Legacy Costs/Program Operations	31.00%	\$ 90,331	\$ 270,992	\$ 288,171	\$ 294,820	\$ 68,753	\$ 19,474	\$ 1,032,541
4	Consortium Sponsored Cost Centers	9.00%	\$ 26,225	\$ 78,675	\$ 83,662	\$ 85,593	\$ 19,961	\$ 5,654	\$ 299,770
5	Consortium Operating Cost Totals		\$ 145,695	\$ 437,084	\$ 464,791	\$ 475,516	\$ 88,714	\$ 25,128	\$ 1,636,928
6	Award less Consortium Operating Cost		\$ 145,694	\$ 437,082	\$ 464,792	\$ 475,518	\$ 133,071	\$ 37,692	\$ 1,693,848
7	Rapid Response/Layoff Aversion Cost Center		\$ -	\$ -	\$ -	\$ -	\$ 133,071	\$ 37,692	\$ 170,763
8	Required Direct Training Adult & DW	25.00%	\$ 72,847	\$ 218,542	\$ 232,396	\$ -	\$ -	\$ -	\$ 523,785
9	Work Based Learning (Youth)	20.00%	\$ -	\$ -	\$ -	\$ 171,186	\$ -	\$ -	\$ 171,186
10	Allocation for Career Services		\$ 72,847	\$ 218,540	\$ 232,396	\$ 304,332	\$ -	\$ -	\$ 828,114
<b>Youth - Adult - Dislocated Worker Allocation</b>									
<b>Career Services</b>									
11	Placer	62.00%	\$ 45,165	\$ 135,495	\$ 144,085	\$ 188,686	\$ -	\$ -	\$ 513,431
12	El Dorado	37.00%	\$ 26,953	\$ 80,860	\$ 85,986	\$ 112,603	\$ -	\$ -	\$ 306,402
13	Alpine	1.00%	\$ 728	\$ 2,185	\$ 2,324	\$ 3,043	\$ -	\$ -	\$ 8,280
<b>Direct Training</b>									
14	Placer	62.00%	\$ 45,165	\$ 135,496	\$ 144,086	\$ -	\$ -	\$ -	\$ 324,747
15	El Dorado	37.00%	\$ 26,953	\$ 80,861	\$ 85,987	\$ -	\$ -	\$ -	\$ 193,801
16	Alpine	1.00%	\$ 728	\$ 2,185	\$ 2,324	\$ -	\$ -	\$ -	\$ 5,237
<b>Work Based Learning (Youth)</b>									
17	Placer	61.00%	\$ -	\$ -	\$ -	\$ 104,423	\$ -	\$ -	\$ 104,423
18	El Dorado	38.00%	\$ -	\$ -	\$ -	\$ 65,051	\$ -	\$ -	\$ 65,051
19	Alpine	1.00%	\$ -	\$ -	\$ -	\$ 1,712	\$ -	\$ -	\$ 1,712
<b>Total Title 1 Allocations by County</b>									
20	Placer		\$ 90,330	\$ 270,991	\$ 288,171	\$ 293,109	\$ -	\$ -	\$ 942,601
21	El Dorado		\$ 53,906	\$ 161,721	\$ 171,973	\$ 177,654	\$ -	\$ -	\$ 565,254
22	Alpine		\$ 1,456	\$ 4,370	\$ 4,648	\$ 4,755	\$ -	\$ -	\$ 15,229
23									Check Figure \$ 3,330,775

Approved by:  
 Executive Committee:  
 WB:  
 Governing Body:

# Questions

## Transition from Draft to Final Budget.

- Questions about what has been presented this far?
- **Draft to Final**
- Actual awards finalized.
- Potential of new awards awarded taking fiscal pressure of Program Operations funding needs from allocation.
- Application of new state and federal mandates.
- Finalizing partner commitments for funding both Infrastructure and Staffing Needs of the Local Area's Comprehensive One-Stop.
- Pension Debt etc.