

CITY OF ALBANY
CITY COUNCIL WORK SESSION
Council Chambers
Monday, January 26, 2015
4:00 p.m.

MINUTES

CALL TO ORDER

Mayor Sharon Konopa called the meeting to order at 4:00 p.m.

ROLL CALL

Councilors Present: Councilors Bill Coburn, Floyd Collins, Bessie Johnson, Rich Kellum, Ray Kopczynski, Dick Olsen

Councilors Absent: None

BUSINESS FROM THE PUBLIC

None.

LINN-BENTON COMMUNITY COLLEGE/ALBANY INDUSTRY REQUEST FOR ECONOMIC DEVELOPMENT FUNDS

City Manager Wes Hare said a proposal was brought forward several months ago from Linn-Benton Community College (LBCC) and Albany Industry for economic development money for an enhanced workforce development program. Council heard the request and appointed a Council subcommittee to look into the request and consider options. The subcommittee suggested that the initial request be revised, and that has occurred. The revised request is outlined in the written staff report.

Hare said one of the key issues employers are facing is finding workers that have the needed skills to be able to expand production. With the need for new workers and the current economic expansion, this proposal comes from local area industries. What makes the proposal attractive is being able to get guaranteed levels of job creation and retention in return for public resources to fund training programs.

Jim Merryman, President of Oregon Freeze Dry, played a short video which, he said, summarizes what is going on with workforce needs in the nation. The video addressed the “college for all” mentality and the misalignment between encouraging four-year college degrees for everyone, which results in many college graduates being underemployed, and the demand for highly trained skilled technicians.

Merryman then gave a slideshow presentation. He said this issue arose about two years ago during a meeting of industry representatives at the Chamber of Commerce where workforce development was identified as a significant issue. At the time, it was noted that industry had open starting positions and open technical positions, as well as increasing future demand; that current employment programs were not working as evidenced by the lack of qualified applicants; that community college technical classes were not being offered or were insufficient to meet the needs; and that there were no feeder programs at the high schools. Industry formed a task force and worked with the Chamber to reach out to other businesses which led to working with LBCC to change their curriculum. The task force recognized that community education was key. There was a lack of knowledge of area business and there was a need for education, marketing and sales. It was decided to fund a three-year program for marketing and outreach to students, parents, educators and businesses. The position, which resides at the Chamber, has been filled and the marketing plan is moving forward. All of these efforts were for Linn and Benton County and funded by industry, LBCC, GAPS, and Linn County.

Merryman said Albany businesses have identified that higher level training on specific equipment is an ongoing need. If the demand for products is not provided by our local businesses, it will be provided from somewhere else. Local job creation is on the line. He said Albany businesses including Viper NW, ATI Pacific Cast Technologies, ATI Wah Chang, Oregon Freeze Dry, L&M Industry Fabricators, and Selmet came together to find a solution. During the process, it was noted that some of the businesses were requesting economic development funds, and it was decided that it might be better to present a solution that would eliminate the individual requests and create a joint effort to get workforce training.

Councilor Rich Kellum said three of the six companies mentioned are located in Albany. He asked why the City of Albany should provide funding for industry that is located outside the City. Stephanie O’Conner, ATI Wah Chang, clarified that although a large percent of her company’s employee base resides in Millersburg, the majority of the anticipated job growth would occur in Albany. Rick Kenyon, Selmet, Inc., said that half of his firm’s employees and about \$10 million of payroll reside in Albany. Using history as a predictor, he would expect half of future employees will also reside in Albany.

Merryman said the original request was for \$4.3 million. The revised request is for \$2.9 million as detailed in the written staff report. The four areas of training to be funded are nondestructive testing, welding, machine tool, and mechatronics training. He said this is a one-time ask that could be thought of as a kick start for equipment and programs. LBCC and Industry will fund staffing, maintenance, any equipment upgrades, and equipment changes in the future. All businesses have signed a commitment to hire students coming out of the program and LBCC is committed to staying current. Merryman reviewed industry contributions to the training program and ongoing partnerships with LBCC and the local high schools. Regarding the question of why LBCC didn't include the funding for this program in the bond, he said a lot of research went into what level of taxation would be acceptable and the types of projects that could benefit the most people in Linn and Benton County.

Councilor Dick Olsen asked what tax rate was requested in the bond. Greg Hamann, LBCC, said the new bond will replace the current bond, remaining at the level of about \$0.19 per thousand. He reviewed considerations around the bond issue, noting that discussions began four years ago independent of this industry request. He said many interests have now come together to create this opportunity for investment around a common goal. The request comes from industry, to work with the City and LBCC to do something that is desperately needed and that can be of great benefit to the community.

Merryman referred to questions that have come forward related to cash flow. He said \$700,000 would be needed for Spring/Summer 2016 and the balance would be needed next year. The funding structure would be on a not-to-exceed basis and reimbursement would be on actual costs. Timing is connected to capital projects at LBCC. The request isn't structured as a repayable loan because there would be no direct generation of income. The partnership would benefit business, the community and the citizens of Albany by helping to ensure that new business have the workforce they need and allowing existing businesses to grow. He showed slides which outlined high-wage, high-demand occupations and needed training, noting this aligned closely with the request. In a poll of major industries, it was estimated they will need over 1,000 jobs filled in the next five years. He reviewed average starting wages for identified skill sets.

Janet Steele, Chamber of Commerce, said those 1,000 jobs would precipitate supporting industries and businesses, as homes would need to be built and support businesses would be needed. She noted the 1,000 jobs are estimated by six industries and that several hundred additional jobs could be expected from other businesses in the community.

Kellum said he doesn't think anyone doubts the advantages of the proposed program but the devil is in the details. From his perspective, there is a need to further review the specific line items. Dave Becker, LBCC, said the intent is that the program will be designed and executed in collaboration with Industry. Brief discussion followed.

In response to an inquiry from Konopa, Merryman clarified that the average starting wages shown were conservative starting position wages.

Roger Nyquist, Linn County Commissioner, said he would like a best guess of what the program would mean to the economy. Guy Delude, Viper NW, said the median annual wage at his firm is more than \$60,000 per employee. As they are growing and bringing business into the community, they are also buying equipment and paying personal property taxes. Capital expenditures have exceeded more than \$10 million and they are forecasted to spend almost that much again in the next five years. In addition, their employees are purchasing in the community. In response to further inquiry from Nyquist, several industry representatives indicated that most of the guaranteed jobs would be new jobs.

Janet Steele, Chamber of Commerce, said this is the biggest opportunity the City has had in 60 years to bring jobs to our community. If this was a new 1,000 employee company, she thinks it would be supported. This is a unique request and, to her, it is the right thing to do in order to see Albany citizens continue to grow and prosper.

Nyquist noted that PepsiCo was offered a very large package to incentivize them to come to Albany with far fewer jobs than are shown with this proposal. He said using \$3 million of the settlement money, which was in part to compensate the community for that economic development not occurring, to potentially create five times the jobs, looks really good on the surface.

Councilor Floyd Collins said there were a lot of questions when this issue first came to Council which have been answered. He said we are looking regionally to do a lot of things that we can't solve by ourselves. When considering the PepsiCo settlement, Council said that money would benefit the entire region. This request is for a fraction of that settlement money and he has no problem using it for a program that benefits the region. The proposal would provide family wage jobs and the investment would roll back into the community. He agrees that details still need to be addressed but he feels that entirely doable. He likes that everybody came together, that the proposal is for a not-to-exceed amount, and that it includes guaranteed job creation that will truly benefit the citizens of Albany and the surrounding areas. He appreciates the hard work that has occurred over several years in this area; he thinks we need to move forward.

Councilor Ray Kopczynski agreed with Collins. He referred to information in the staff report regarding the cost per job as compared to the PepsiCo project. He said he can't remember when he has seen this many businesses come together as a unit and he thinks approval of the request would be a wise investment in our future. He isn't worried about the details; he thinks they can be worked out.

Councilor Bessie Johnson said the work that has gone into this and the people involved is unprecedented. She thinks this is a wonderful opportunity to help or solve what she has said for years – that Albany is missing something. She appreciates all the work that has been gone into this, and she wants to go forward and see what happens.

Matt Smith, L&M Industry Fabricators, said the relationship between LBCC and the business community has changed dramatically in the last few years. LBCC is engaging the business community to understand their needs and the product coming out of LBCC is exceptional. He said LBCC would be excellent stewards of the City's investment and industry is committed to working with them long-term.

A member of the audience said that he is bringing his company to Albany from out of state. He talked about the importance of technical training programs as a way to improve and enhance what they are already doing. He supports the opportunity to develop his employees and work in partnership with the community college. He reviewed his business plans which, he said, would bring more than 70 jobs to the community in the next five years.

Konopa asked how Council would like to proceed. Olsen said the Council should at least see a resolution or ordinance prior to giving away \$3 million. Collins asked staff to comment about the process. Hare said that if the Council gives staff guidance that they are supportive of the request, staff could come back with a proposed agreement among the parties.

City Attorney Jim Delapoe said he has heard that the Council is generally supportive of a not-to-exceed funding commitment where line items for expenditure would be further developed. Staff could work with LBCC and Industry partners to outline a funding commitment and come back with a resolution that embodies the process and authorizes the City Manager to enter into agreement with the appropriate parties. There was brief discussion.

Olsen said it is a great idea to be able to train our work force; however, he has concerns that this sets bad precedents. He is concerned about giving the idea that the City is able to give money away which may result in further requests. He noted that when staff requested \$500,000 of the economic development funds for equipment replacement, Council decided they would like to retain those funds for economic development and required that the funds used for equipment be repaid over time. He asked why the City couldn't loan LBCC the \$3 million and have them pay it back. He calculated that, if LBCC had included the project in the bond, it would have been about \$.02 per thousand or about \$3.50 annually for a \$150,000 house. He would like the City to retain an economic development fund that isn't whittled away. This would have to be a loan in order for him to support it.

Hamann said he appreciates the concern but he feels that a loan isn't the kind of shared investment that has been discussed. The request is to invest money in the community which is the Council's goal. He said LBCC doesn't have the capacity to pay back the money; the money it gets from the program will support the faculty that teaches those classes.

Becker added that support for the request would show that we are all in this together which would help in seeking additional funding from the state and others. He said it doesn't stop here for LBCC; they understand there are needs in the community and they will continue to work to address them.

Hare drew attention to a handout at Councilor's places called "Industry Request for Training Funding & Relation to the City's Strategic Plan (see agenda file). There was also a letter from Andy Olson. Hare said it is rare that we see a proposal that speaks to as many goals and objectives as this one does. While there are details to be worked out, he would encourage the Council to make the commitment.

MOTION: Collins moved to approve the request presented for approximately \$2.9 million not-to-exceed value for the four programic areas and to direct staff to work with LBCC and the industrial community to develop an implementation plan and return to Council with a resolution. Councilor Johnson seconded. The motion passed 5-1, with Councilor Olsen voting no.

COUNCILOR COMMENTS

Konopa said she gets many requests to write letters on behalf of the City, including letters for Girl Scout and Boy Scout awards which are often time sensitive. She asked if Council would authorize her to write these congratulating letters on behalf of the City. There was general agreement.

Konopa said she was asked to write a letter of congratulations to Greg Bartell, a young man who was raised in Albany who recently received a USAF honor. Council agreed that the Mayor could write that letter on behalf of the City.

CITY MANAGER REPORT

Hare said the modified agreements with Lowe's have been signed and the firm is expected to submit permit applications in February. Brief discussion followed.

Assistant City Manager/Public Works and Community Development Director Mark Shepard said the Albany to Corvallis bicycle path is in front of the Benton County Planning Commission. Concerns have been raised by farmers about the proposed alignment, while there is a lot of support from the bicycle/pedestrian community. He asked if the Council would like to send a letter of support of the path to Benton County for their record. Collins said that, as the City has been working with Benton County on this request, he assumed they had done their homework and secured the right-of-way. He is supportive of the Albany to Corvallis bike path to help with commuting and recreation traffic; however, he doesn't really care whether that occurs in the proposed alignment. Konopa said she had the same sentiments; she had also thought the alignment was secured. She said the path is needed but it needs to be done right and the County should work out the alignment. She suggested that a letter could be sent which expresses support of the connection but which doesn't speak to the alignment. Commissioner Coburn said the letter should not indicate that Council is speaking against the farmers who oppose the proposed alignment. Discussion followed.

MOTION: Collins moved that staff is authorized to draft a letter for the City Manager's signature based on the Council discussion. Kopczyński seconded. The motion passed 6-0.

ADJOURNMENT

There being no other business, the meeting was adjourned at 6:12 p.m.

Respectfully submitted,

Reviewed by,

Teresa Nix
Administrative Assistant

Wes Hare
City Manager