



City of Las Cruces®

PEOPLE HELPING PEOPLE

Council Action and Executive Summary

Item # 10Ordinance/Resolution# 15-006For Meeting of _____
(Ordinance First Reading Date)For Meeting of July 7, 2014
(Adoption Date)

Please check box that applies to this item:

 QUASI JUDICIAL LEGISLATIVE ADMINISTRATIVE

TITLE: A RESOLUTION ESTABLISHING THE CITY OF LAS CRUCES WAGE PLUS PROGRAM AND ESTABLISHMENT OF THE 2014-15 BUDGET UTILIZING THE \$80,000.00 OF 2013-14 DISCRETIONARY FUND WITH APPROVAL OF BUDGET ADJUSTMENT.

PURPOSE(S) OF ACTION:

Implement a Wage Plus Program.

COUNCIL DISTRICT: ALL		
<u>Drafter/Staff Contact:</u> Gary Camarano	<u>Department/Section:</u> Administration/ Economic Development	<u>Phone:</u> 541.2286
<u>City Manager Signature:</u>		

BACKGROUND / KEY ISSUES / CONTRIBUTING FACTORS:

Workforce availability and development are among the top factors influencing whether a business stays, expands or relocates to a community. Companies are rethinking how they approach shortages of qualified workers and the highly competitive process of selecting and retaining staff (or what some call the "War for Talent"). Wage Plus, an incentive program to create and attract above average paying jobs, can be a valuable tool that when combined with other incentives provides an effective response to workforce development, training, and recruitment, which assists with business retention, expansion, creation and attraction in and to Las Cruces.

Under the proposed Resolution, the program would allow a LEDA eligible company that receives state Job Training Incentive Program funding for job creation within the City of Las Cruces to be awarded an additional \$1,500.00 per job if that job pays a minimum of 10% above the current median wage for Dona Ana County, and that the company meets certain eligibility requirements.

Wage Plus will assist in attracting jobs that support families with wages above the county median wage; attracting green and sustainable industries and businesses; and will encourage local graduates and young people to return or stay in Las Cruces.

(Continue on additional sheets as required)

SUPPORT INFORMATION:

1. Resolution.
2. Exhibit "A", Wage Plus Program.
3. Exhibit "B", Sample Wage Plus Calculations.
4. Exhibit "C", Budget Adjustment.
5. Attachment "A", Article "Top Site Selection Factors: Availability of Skilled Labor- Closing the Gap".

SOURCE OF FUNDING:

Is this action already budgeted?	Yes	<input type="checkbox"/>	See fund summary below
	No	<input checked="" type="checkbox"/>	If No, then check one below:
	<i>Budget Adjustment Attached</i>	<input type="checkbox"/>	Expense reallocated from:
		<input type="checkbox"/>	Proposed funding is from a new revenue source (i.e. grant; see details below)
		<input checked="" type="checkbox"/>	Proposed funding is from fund balance in the <u>General</u> Fund.
Does this action create any revenue?	Yes	<input type="checkbox"/>	Funds will be deposited into this fund: _____ in the amount of \$ _____ for FY__.
	No	<input checked="" type="checkbox"/>	There is no new revenue generated by this action.

BUDGET NARRATIVE

This action is precipitated by Council adoption of \$80,000.00 of discretionary funding in the 2013-14 budget to support a Wage Plus Program. These funds will be established in the 2014-15 budget through a budget adjustment, and therefore will not be included in the citywide carryover process; which is typically in September. The \$80,000.00 expenditure is a one-time funding source and Council would have to consider future funding during the next budget cycle.

FUND EXPENDITURE SUMMARY:

Fund Name(s)	Account Number(s)	Expenditure Proposed	Available Budgeted Funds in Current FY	Remaining Funds	Purpose for Remaining Funds
General	10100100-722190-18000	\$80,000.00	\$80,000.00	N/A	N/A

(Continue on additional sheets as required)

OPTIONS / ALTERNATIVES:

1. Vote "Yes"; this action will approve the Resolution to fund and implement the City of Las Cruces Wage Plus Program.
2. Vote "No"; this action will deny the Resolution. This will mean that the City does not create the Wage Plus Program, not supporting the creation of new jobs in Las Cruces nor supporting goals within the City's Strategic Plan.
3. Vote to "Amend"; this action could modify the Resolution and delay the funding and implementation of the Wage Plus Program.
4. Vote to "Table"; this action will delay funding and implementation of the Wage Plus Program.

REFERENCE INFORMATION:

N/A

RESOLUTION NO. 15-006**A RESOLUTION ESTABLISHING THE CITY OF LAS CRUCES WAGE PLUS PROGRAM AND ESTABLISHMENT OF THE 2014-15 BUDGET UTILIZING THE \$80,000.00 OF 2013-14 DISCRETIONARY FUND WITH APPROVAL OF BUDGET ADJUSTMENT.**

The City Council is informed that:

WHEREAS, the City of Las Cruces recognizes that workforce and force development are key components of an effective economic development program; and

WHEREAS, workforce and workforce development are among the most important factors in business retention, expansion, creation attraction; and

WHEREAS, the City of Las Cruces has adopted a Local Economic Development Act (LEDA) which allows the City to implement the authority of the New Mexico Statute titled "Local Economic Development Act" which authorizes the City of Las Cruces to provide resources of value to individual businesses in an economic development which results in new jobs; and

WHEREAS, the resources the City of Las Cruces may offer include land, buildings, infrastructure, financial incentives, and services associated with developing the land, buildings, and infrastructure; and

WHEREAS, the statute does not provide any funding; the City of Las Cruces' share of economic development projects must be supplied from local funding.

NOW, THEREFORE, Be it resolved by the governing body of the City of Las Cruces:

(I)

THAT the Wage Plus Program as shown in Exhibit "A", attached hereto and made part of this Resolution, is hereby approved.

(II)

THAT City staff is hereby authorized to do all deeds necessary in the accomplishment of the herein above.

DONE AND APPROVED this _____ day of _____, 20__.

APPROVED:

Mayor

ATTEST:

City Clerk

(SEAL)

Moved by: _____

Seconded by: _____

APPROVED AS TO FORM:



City Attorney, *Deputy*

VOTE:

Mayor Miyagishima: _____

Councillor Silva: _____

Councillor Smith: _____

Councillor Pedroza: _____

Councillor Small: _____

Councillor Sorg: _____

Councillor Levatino: _____

CITY OF LAS CRUCES WAGE PLUS PROGRAM

Purpose: A City of Las Cruces (CLC) incentive program that provides a cash payment to reimburse participating businesses a portion of the costs associated with the hiring and training for new positions. The program will assist in the creation and attraction of quality, above the median wage jobs in Las Cruces.

Enabling Legislation: The CLC has adopted a Local Economic Development Act (LEDA) which allows the CLC to implement the authority of the New Mexico Statute titled "Local Economic Development Act." The act authorizes the CLC to provide resources of value to individual businesses in an economic development project which results in new jobs. The resources the CLC may offer include land, buildings, and infrastructure, financial incentives and services. The statute does not provide funding – the CLC's share of economic development projects must be supplied from local funding.

Program: The program allows a LEDA eligible company that receives State of New Mexico (State) Job Training Incentive Program (JTIP) funding for job creation within the CLC to be awarded an additional \$1,500.00 per job, if that job pays a minimum of 10% above the current median wage for Dona Ana County (DAC), and that the company meets certain eligibility requirements.

Business Eligibility:

- Must be a registered business inside the CLC city limits, *and a*
- Business that manufactures or produces a product in New Mexico, *or*
- Non-retail service companies that export out of state (50% of revenues and/or customer base outside New Mexico), *or*
- Certain green industries that meet State LEDA requirements – manufacturing, processing, or assembly of agricultural products; non-retail storing, warehousing, distribution or selling of agricultural, industrial or mining products.

Job Eligibility (*all apply*):

- New, year round, full time position.
- Directly related to the creation of the product or service.
- Wage at least 10% higher than the DAC median wage at the time the JTIP contract is executed (based on New Mexico Department of Workforce Solutions data).
- Workplace inside CLC city limits.
- New employee must have been a New Mexico resident for at least one year at some time in their life.

Implementation Process:

- Business applies to the State for JTIP funding.
- The business submits a CLC Wage Plus packet to the CLC's Economic Development Section (CLC EDS). The packet contains:
 - A completed CLC Wage Plus Application.

- A copy of the JTIP application or a certified letter from the New Mexico State Economic Development Department verifying the JTIP application.
- The application packet is reviewed by the CLC EDS.
 - The application packet is evaluated for eligibility based on wage, industry, location and business status.
 - Wage requirements and reporting will be defined by the LEDA Economic Development Project Agreement.
 - The CLC EDS will also identify any other economic development services or programs that the business may benefit from and inform the business.
 - The CLC EDS prepares a project agreement to be signed by the business.
- If approved by CLC EDS the application and funds disbursement request will go to the City Manager for review and approval.
- The City Manager approves or rejects the disbursement request. If approved the request will be submitted to CLC Disbursements by the CLC EDS upon the business' submission of necessary supporting documentation (State audit and proof of reimbursement).
- The City Manager will report the status of the Wage Plus Program to Council on a quarterly basis.
- JTIP Board action, contract created.
- CLC funding is reserved until or released due to the JTIP contract completion.
- Business completes hiring, training, State audit, and State reimbursement.
- Business submits State audit and proof of reimbursement to the CLC.
- The CLC EDS certifies the business' submission and requests payment from CLC Disbursements. CLC Disbursements sends payment to business.
- CLC EDS notifies CLC Council within three (3) business days of disbursement.
- The business provides annual employment and business level follow up with State, and the CLC.
- The business shall report semi-annual gross receipts tax collection to the CLC for a three year period.

SAMPLE CACULATIONS

Median hourly wage in Dona Ana County, November 2012 - \$13.85

Wage Plus minimum - \$15.24/hour

JTIP contract for low skill job in Las Cruces paying \$15.00/hour

Eligible for 50% reimbursement for 480 hours of training - \$3,600 per job

Not eligible for City of Las Cruces Wage Plus

JTIP contract for medium skill job in Las Cruces paying \$15.00/hour

Eligible for 50% reimbursement for 800 hours of training - \$6,000 per job

Not eligible for City of Las Cruces Wage Plus

JTIP contract for high skill job in Las Cruces paying \$15.00/hour

Not eligible for JTIP (\$19.00 per hour minimum)

Not eligible for City of Las Cruces Wage Plus

JTIP contract for medium skill job in Las Cruces paying \$18.00/hour

Eligible for 50% reimbursement for 800 hours of training - \$7,200 per job

Eligible for City of Las Cruces Wage Plus \$1,500 per job

JTIP contract for high skill job in Las Cruces paying \$18.00/hour

Not eligible for JTIP (\$19.00 per hour minimum)

Not eligible for City of Las Cruces Wage Plus

JTIP contract for high skill job in Las Cruces paying \$20.00/hour

Eligible for 50% reimbursement for 1,040 hours of training - \$10,400 per job

Eligible for City of Las Cruces Wage Plus \$1,500 per job

209
CITY OF LAS CRUCES
2014-15 Fiscal Year Budget

EXHIBIT "C"

FUND	DIVISION		FUND TYPE	
General Fund Fund 1000	Government		General Funds	
	2013-14 Projection	2014-15 Adopted	2014-15 Adjustment	2014-15 Adjusted
RESOURCES				
Beginning Balance	\$ 19,159,489	22,493,960		22,493,960
Revenues				
Gross Receipts Tax	62,284,000	62,777,000		62,777,000
Hold Harmless Replacement Gross Receipts Tax	0	7,402,280		7,402,280
Public Safety Gross Receipts Tax	0	3,339,000		3,339,000
Property Taxes	9,947,385	10,150,630		10,150,630
Payment In Lieu of Property Tax	784,640	808,771		808,771
Franchise Fees	2,833,853	2,892,619		2,892,619
Payment In Lieu of Franchise Fees	1,216,800	1,253,304		1,253,304
Licenses, Fees & Permits	1,574,955	1,614,107		1,614,107
Fines & Forfeitures	768,820	778,083		778,083
Charges For Services	2,670,983	2,673,978		2,673,978
Administrative Transfers	3,124,106	3,237,545		3,237,545
All Other Revenues	842,901	816,114		816,114
Operating Transfers In	2,750,246	73,519		73,519
Total Revenues	<u>88,798,689</u>	<u>97,816,950</u>	0	<u>97,816,950</u>
TOTAL RESOURCES	<u>\$ 107,958,178</u>	<u>120,310,910</u>	0	<u>120,310,910</u>
Expenditures				
Legislative	800,480	800,480		800,480
Judicial	1,159,187	1,152,106		1,152,106
Administration	2,650,853	3,089,882	80,000	3,169,882
Legal	1,304,246	1,354,485		1,354,485
Human Resources	984,858	995,501		995,501
Financial Services	2,729,271	2,992,135		2,992,135
Information Technology	3,579,861	4,200,546		4,200,546
Transportation	4,694,096	5,088,702		5,088,702
Parks & Recreation	8,650,769	9,801,504		9,801,504
Community Development	3,088,241	3,294,135		3,294,135
Community & Cultural Services	4,765,978	5,524,301		5,524,301
Public Works	5,471,920	5,614,109		5,614,109
Las Cruces Police Department	21,843,725	24,470,359		24,470,359
Las Cruces Fire Department	9,839,118	11,852,522		11,852,522
Legislative Reserve	2,028,621	4,835,555		4,835,555
Operating Transfers Out	11,872,994	19,062,171		19,062,171
Total Expenditures	<u>\$ 85,464,218</u>	<u>104,128,493</u>	80,000	<u>104,208,493</u>
Accrual Adjustments	0	0	0	0
ENDING BALANCE	<u>\$ 22,493,960</u>	<u>16,182,417</u>	(80,000)	<u>16,102,417</u>
Required Reserve:				
State Required 1/12th	7,122,018	8,091,208		8,091,208
Local CLC 1/12th	7,122,018	8,091,208	(79,999)	8,011,209
UN-RESERVED BALANCE	<u>\$ 8,249,924</u>	<u>1</u>	(1)	<u>0</u>

Top Site Selection Factors: Availability of Skilled Labor - Closing the Gap

Unemployment is still taking its toll on individual's budgets and weighing heavily on the minds of state development officials and legislators across the nation. Preparing skilled employees is a critical part of the economic development process, and a dealmaker or breaker to companies seeking new locations. No matter what the type of business, workers are the heart of any company - from customer service to assembly line production. In fact, availability of skilled labor was ranked seventh among the site selection factors in Area Development's 2010 Corporate Survey.

Mali R. Schantz-Feld (November 2011)

The Top Site Selection Factor series outlines the factors that ranked high in importance by the executives responding to Area Development's 25th Annual Corporate Survey. Find out why and how these factors should be evaluated in your next move...

While the media reports historic rates of unemployment, at the same time, American manufacturing companies bemoan the fact that they are unable to fill approximately 600,000 skilled positions. Emily DeRocco, president of The Manufacturing Institute, says the rise in unemployment is linked back to a trend that started before the 2008 economic slowdown and is, in part, caused by other factors. She notes, "Over the past five years, most manufacturers have redesigned and streamlined their production lines while implementing more process automation. In short, just as the industry is changing, the skills of the workers are changing as well."

Skills Gap

The survey, "[Boiling Point? The Skills Gap in U.S. Manufacturing](#)," recently conducted by Deloitte LLP and The Manufacturing Institute, cited that 67 percent of manufacturers have a moderate to severe shortage of available, qualified workers, and 56 percent anticipate this shortage to increase in the next three to five years. Positions such as machinists, operators, craft workers, distributors, and technicians are traditionally hard to fill because they require the most training. Sixty-four percent of the Deloitte survey respondents reported that labor shortages or skills deficiencies in production roles are having a significant impact on their ability to expand operations or improve productivity.

Craig Giffi, vice chairman and Consumer & Industrial Products Industry practice leader at Deloitte, points out that in the next three to five years access to a highly skilled, flexible work force will be the single most important factor in these companies' effectiveness. To do its part, The Manufacturing Institute is deploying the Manufacturing Skills Certification System endorsed by the National Association of Manufacturers (NAM) - a system designed to build educational pathways to in-demand manufacturing jobs.

Higher Education's Role

The higher education system is also finding ways to align education and training to the needs of employers and job seekers. Joyce Gioia, president and CEO of The Herman Group, consultant on work force and workplace trends, points out in The Herman Trend Alert, "In the world today, we have millions of people who are perfectly trained and very competent to handle jobs that no longer exist!"

Gioia explains that community colleges are answering the government's call to fill the gap of skilled employees for high-growth industries. Community colleges are vying for about \$500 million in federal grants - the first of four payments in a \$2 billion plan announced last year that is intended to improve career development programs and train a currently unemployable work force. Each community college that receives a grant will collaborate with at least one employer with job openings and will work together to develop the curriculum, "a partnership that is long overdue," Gioia notes. Newly developed courses, such as entrepreneurship, aerospace, and aircraft manufacturing, will train new employees and help employers with retention.

Some community colleges are also establishing certification programs for technical specialty fields, such as network support or data centers, with help from local initiatives, to cultivate skills for targeted industries.

John Lenio, economist and managing director of CBRE's Economic Incentives Group, says that work force training should start even earlier. To achieve that goal, he suggests that savvy economic development strategists who are targeting certain

growth niches should fund training programs that start in high school so that several years from now, a productive work force will be available with those skill sets.

State Training Programs

Manufacturing firms also seek out states that will train a work force to their specifications and on their own turf. Georgia, which ranked first in Area Development's recent survey of location consultants for labor availability and work force development programs, turns to its QuickStart program, which the state touts as the nation's oldest and most successful state job training program, as a lure for new business. Over the past year, the QuickStart program has trained 11,000 people for 220 companies across the state.

The city of West Point, Georgia, has experienced the benefits of QuickStart. With the dwindling of the area's textile industry, the program focused on retraining some of its manufacturing base and redirecting its focus to the automotive sector. The state spent \$14.5 million to build a training facility for Kia Motors Manufacturing Georgia, Inc., which is modeled after the automaker's assembly line, right on Kia's property. As a result, all 3,000 assembly-line workers received their training through QuickStart, which delivered the exact skills that the company needed.

After the first round of hiring, the firm decided to re-open the online application process to offer the opportunity to hundreds of experienced, qualified people who weren't looking for a job two years prior, but who have been impacted by recent plant closings. Ron Jackson, commissioner of the Technical College System of Georgia, notes, "Our technical colleges have seen a significant increase in people seeking the training they need to compete for jobs like those at Kia. With the right training and a strong work ethic, our students are prepared for success."

King's Hawaiian Bakery, Inc. also is involved in a training partnership with Georgia QuickStart and Lanier Technical College in support of King's Hawaiian's new state-of-the-art bakery and distribution operation in Oakwood, Georgia, that is slated to have 95 workers. QuickStart's training program will design and develop training materials and provide instructors for the classes that are customized to King's own culture, proprietary bakery processes, and technology.

Alabama, which also scored high for work force development programs in the recent Area Development survey of location consultants, has established its own methods of creating a skilled labor pool. Governor Robert Bentley noted that through AIDT, part of the Alabama Community College System, the state trains a pool of workers geared specifically for an industry on site. Governor Bentley said, "Toyota makes four engines in north Alabama at their Toyota plant, and on site we train new workers as well as their original work force. Hyundai has on-site training, and so does Mercedes. In Mobile, we have a maritime training facility for our shipbuilding business. We train for an industry or a company through the AIDT program and our two-year college system. Currently, we are trying to involve the four-year-college systems to train engineers for our high-tech jobs, especially around Huntsville for our aerospace industry."

Pharmavite LLC, manufacturer of Nature Made® vitamins and SOYJOY® bars, chose Opelika, Alabama, as the location for its new 330,000-square-foot manufacturing and packaging facility. Once operational in early 2013, the facility is expected to employ approximately 280 employees in the first year of operation, with future expansion expected. Ron Pillsbury, vice president of operations at Pharmavite, notes, "The proactive support from state and local government, which included work force training, was one part of a variety of factors that made Opelika our top choice for our new facility. In addition, Opelika offered a compelling combination of attributes, including a high-quality work force within a short distance of the facility, reliable existing infrastructure, a location in an established industrial park, and a strong business community."

Over the years, CBRE's Lenio has gained insight into what draws companies to a certain area. Together with his team of economists, Lenio has been a liaison between clients and economic development representatives on the state and local levels. "We tend to talk to state policymakers in all 50 states at least once a year," he says, adding that they express a desire to adapt or be more flexible for their target industries and build clusters based on the demographics of the area, which include the potential labor force. In the current economy, where lowering unemployment is a primary focus, developing and maintaining a skilled labor force has in and of itself created many jobs within the economic development sector.