

W. 8. b.

Memorandum Date: April 19, 2006
Order Date: May 3, 2006

TO: Board of County Commissioners

DEPARTMENT: CAO/Economic Development Standing Committee

PRESENTED BY: Peter Thurston, C&ED Coordinator

AGENDA ITEM TITLE: ORDER/IN THE MATTER OF AUTHORIZING AN ECONOMIC DEVELOPMENT GRANT FROM VIDEO LOTTERY CONTINGENCY FUNDS FOR McKENZIE FOREST PRODUCTS RAPID PROCESS IMPROVEMENT TRAINING PROJECT

I. **MOTION** IT IS MOVED THAT THE ORDER BE ADOPTED IN THE MATTER OF AUTHORIZING AN ECONOMIC DEVELOPMENT GRANT FROM VIDEO LOTTERY CONTINGENCY FUNDS FOR McKENZIE FOREST PRODUCTS RAPID PROCESS IMPROVEMENT TRAINING PROJECT

II. **AGENDA ITEM SUMMARY**

This proposal before the Board is recommended by the Economic Development Standing Committee (EDSC) and the Lane Metro Partnership as a way to implement Lane County's economic development goals. The questions to be addressed include:

Shall Lane County transfer \$40,000 from video lottery economic development operating contingency to project funds and provide contract authority for the McKenzie Forest Products Rapid Process Improvement Training project?

Shall the Lane Metro Partnership be authorized to facilitate this project and produce the report on project outcomes?

III. **BACKGROUND/IMPLICATIONS OF ACTION**

A. **Board Action and Other History**

Background. Lane Manual Chapter 4 – Video Lottery Allocation Policy (please see Attachment A) provides for the commitment of video lottery economic development funds for programs and activities that support job creation and training in Lane County. Each year the Economic Development Standing Committee (EDSC) recommends a video lottery economic development budget to the Board of Commissioners. The video lottery budget is authorized in two categories: General Allocation for Economic Development Program and Economic Development Strategic Investment Program. For the past few years the Strategic Investment Fund has contained an operational reserve available for

creation of jobs and training opportunities that increase the family income of Lane County residents. The operational contingency budget line item in the current fiscal year (FY 05-06) is \$111,506, of which about \$ 90,000 is uncommitted.

On March 21, 2006 Lane Metro Partnership (LMP) submitted an application to Lane County for use of \$40,000 in economic development funds for the McKenzie Forest Products project (Please see Attachment A). The application indicates that it is important to move forward quickly with the rapid process improvement training project. Other funds committed to the project include: \$31,000, by McKenzie Forest Products and \$9,000, by the state of Oregon, as shown in the proposal. Lane Metro Partnership is contributing the administrative role in the project implementation. Attachment B is the scope of work and rapid process improvement training activities to be undertaken through the project.

B. Policy Issues

The proposed award for rapid process improvement training at McKenzie Forest Products is based on an unsolicited proposal by Lane Metro Partnership to assist a wood products business adjust to the changing business environment and retain jobs and growth in the Lane County economy. Due to the concern for initiating the training in April or May and finishing it this calendar year, the project is recommended for immediate funding, outside the usual request for proposal process. The basic format for presenting project outputs and outcomes is followed in the proposal, and will become part of the contract. The applicant (LMP) is a non-profit Lane County contractor that facilitates job creation and training for the benefit of the Lane County community. This project is a direct result of LMP fulfilling this role.

C. Board Goals

Lane County's Strategic Plan and Lane Manual Chapter 4 set out economic development goals to create new job opportunities and provide training opportunities that will enhance the ability of Lane County residents to improve family wage incomes. This project is aimed at both of these goals.

D. Financial and/or Resource Considerations

The video lottery economic development contingency for fiscal year 2005-06 is approximately \$90,000. This project will draw the contingency down to about \$50,000 balance. Based on current and projected receipts, the video lottery economic development contingency budget in the new fiscal year, starting July 1, 2006, will be more than \$300,000. Program budget expenditure authority sufficient to cover this project exists in the Community and Economic Development budget at this time (FY 2005-06). It is anticipated these funds will be expended within the current fiscal year.

E. Analysis

Upon receipt of the proposal, the EDSC heard a presentation in regular session of the

committee, after usual public meeting notice. The committee considered the size, urgency, impact, accountability, and importance of the project to Lane County's economy. The Committee also considered the impact of the award on the usual Request for Proposals process and the projected increases in video lottery economic development receipts in the coming fiscal year. The committee unanimously voted to recommend that the Board of County Commissioners award \$40,000 for the project. The award recommendation is based on the commitment of other funds and resources by McKenzie Forest Products, LMP, and the State of Oregon, as described in the proposal (Attachment A). It is important to retain wood product jobs in the Lane County economy and train employees to be creative and flexible in new product production. These goals are consistent with Lane County economic development goals.

F. Alternatives/Options

The Board may: 1) approve the ORDER directing that funds be committed to the McKenzie Forest Products project, 2) request more information and clarification of the proposal, or 3) decide not to authorize funding for the project at this time.

IV. TIMING/IMPLEMENTATION

The training will occur over the next 9 months and outputs will be reported in January 2007 and outcomes one year later.

V. RECOMMENDATION

The recommendation of the EDSC is to award the funds to the McKenzie Forest Products Rapid Process Improvement Training Project.

VI. FOLLOW-UP

Upon approval of the Board, a services contract will be prepared including the specific project description, outputs, and outcomes. Lane Metro Partnership will monitor and report on results.

VII. ATTACHMENTS

ORDER
A – LMP/McKenzie Forest Products Proposal
B – State Old growth fund description

\\BCC McK Forest Prod-LMP 2006.doc

IN THE BOARD OF COUNTY COMMISSIONERS, LANE COUNTY, OREGON

ORDER NO.) IN THE MATTER OF AUTHORIZING AN ECONOMIC
) DEVELOPMENT GRANT FROM VIDEO LOTTERY
) CONTINGENCY FUNDS FOR McKENZIE FOREST
) PRODUCTS RAPID PROCESS IMPROVEMENT
) TRAINING PROJECT

WHEREAS, Lane County has goals and objectives to promote economic development through job creation and training of the workforce for better paying job opportunities, and

WHEREAS, The Board of County Commissioners has held in reserve video lottery economic development funds for opportunities that require immediate action in order to leverage jobs and training, and

WHEREAS, Lane County received a proposal from Lane Metro Partnership (LMP) on behalf of McKenzie Forest Products for a Rapid Process Improvement Training Project, and

WHEREAS, Economic Development Standing Committee (EDSC) has reviewed the proposal from LMP/McKenzie Forest Products and recommends that this project be funded from the operational reserve, and

WHEREAS, the Board of County Commissioners has reviewed the proposal and found that time is of the essence in supporting this proposal and it is in the public interest to provide funding for this project; NOW, THEREFORE,

IT IS HEREBY ORDERED that the McKenzie Forest Products project is awarded \$40,000 from the Strategic Economic Development Operational Contingency, as proposed to complete a Rapid Process Improvement Training program for McKenzie Forest Products employees; and these funds will be moved from the operating contingency to project funds.

FURTHER ORDERED that a grant contract be executed with McKenzie Forest Products in the amount of \$40,000 for the rapid process improvement training project.

FURTHER ORDERED, that Lane Metro Partnership facilitate completion of the project, including but not limited to, making a recommendation on payment of an invoice submitted by McKenzie Forest Products up to the grant amount; and, making the final output and outcome report, in the usual manner prescribed in the video lottery economic development project guidelines and the McKenzie Forest Products proposal.

FURTHER ORDERED that the county Administrator is authorized to sign the contract with McKenzie Forest Products.

Signed this 3rd day of May, 2006.

Bill Dwyer, Chair
LANE COUNTY BOARD OF COMMISSIONERS

4

APPROVED AS TO FORM
Date 4/25/06 lane county
Handlow
OFFICE OF LEGAL COUNSEL

**Lane County Economic Development Project
Proposal Cover Page**

Grant Amount Requested: \$40,000 **Match Amount Proposed:** \$49,000 (+)

Project Focus (Required - select **one** category of economic development): [] Organizational capacity development, [] Community development, [XX] Business development, [] Workforce development

Principal Project Organization: McKenzie Forest Products

Address 1651 South F Street
Springfield, OR 97477

Project Contact Person: Steve Killgore

Phone: 541-726-2124

E-mail: stevek@McKenzieFP.com

Fax: 541-746-9430

Person/Agency preparing reports: Glenda Poling, Lane Metro Partnership

Title: Business Development Director

Address: 1401 Willamette Street 2nd Floor
Eugene, Oregon, 97401

Phone: 541-242-2370

E-mail: Glenda@lanemetro.com

Fax:

March 21, 2006

Signature
Jack Roberts
Executive Director, Lane Metro Partnership

Date

Lane County Economic Development Project **Project Description**

McKenzie Forest Products employs 250 workers and as part of their organization development initiative / secession plan for future new product development, MFP is implementing a leadership development program for all managers and supervisors; and a rapid progress improvement plan designed for all their workers. RPI is a program on the order of lean manufacturing. The workforce training / business development / and capacity building components are in place to help this value added wood products company compete in the global marketplace, improve its processes and retain its current workforce while preparing the mill for new product development. The average wages including benefits are \$18 (+) an hour, the company pays 82% of the cost of health insurance for its employees and their families, the company also matches 50% of their employees 401 (k) contributions up to 4% of salary (making the maximum match 2%, and they have implemented a bonus program based on productivity and safety which last year amounted to 8%. The incentive program is available to all employees from bottom to top.

Implementation of the leadership development and RPI workforce training will help the company stay competitive and retain these very good wood products jobs. Value Added Wood Products is one of Lane County's targeted industry clusters. McKenzie Forest Products serves a severely distressed Oregon community and benefits surrounding rural communities by increasing the competitiveness of the forest products industry through workforce training.

1. Project Scope-of-Work

Implementing a leadership development program for all managers and supervisors; and a rapid progress improvement plan (lean manufacturing)

2. Project Outputs and Outcomes

a) Outputs

Implement Team Building and Executive Coaching Program
Implement Rapid Process Improvement Initiative Training
Implement Management Development Training

b) Outcomes

Sustain leadership training program for managers and supervisors
Performance achievements result in reduced costs, improved efficiency
Build career pathways and advance workers into key roles

**Lane County Economic Development Project
Budget**

3. Project Cost

Don Murray & Associates	Leadership Development And Rapid Progress Improvement / Lean Manufacturing Training	\$80,000.00 (+)
------------------------------------	--	------------------------

4. Project Budget Line Items

MFP	Match Funding	\$31,000 (+)	Committed
Old Growth Diversification Fund	Reimbursable 1:1 Match Funding	\$ 9,000	Committed
Video Lottery Opportunity Reserve	Gap Funding	\$40,000	Uncommitted

5. Time-line and proposed disbursement schedule

Training Begins	April 2006	\$31,000 (+) MFP Committed Funds \$40,000 Lane County Gap Funding
Training Mid-way	August 2006	\$ 9,000 Reimbursable Upon 1:1 match
Training Ends	December 2006	

Attachment B

Organization Development Restart

OD Program to improve the overall performance and leadership for MFP.

Phase 1 = \$16,000.00

Team Building with senior managers / each departmental team / shift leads

- Interviews plus training needs assessment with management team
- Edit and update the 360, prepare data for Team Building
- System wide culture assessment using the Dennison survey
- Team Building / Road Map / validate the 360 tool

Phase 2 = \$16,000.00

Executive Coaching with senior managers

- Rotate key managers through sessions
- Conduct Career and Succession planning

Phase 3 = \$16,000.00

Rapid Process Improvement Initiative

- Identify potential RPI facilitator(s)
- Pre-select two RPI teams
- Launch the RPI effort
- Start two RPI teams per month
- Follow up with each team after they begin
- Train internal RPI facilitators during follow up

Phase 4 = \$16,000.00

Management Development Training Program

- 360 Leadership Team Development
- Front line leadership training for plant supervisors
- Managing For Results training
- Interplay Executive Development

Phase 5 = \$16,000.00

Senior Management Quarterly Reporting

- Managers learn to be accountable for the enterprise
- Departments present plans / performance to board, quarterly

Benefits

The building blocks for becoming an effective team member within McKenzie Forest Products are outlined below.

Building Blocks of High Performing Team Members

Decision Making: The ultimate payoff. Team members make better decisions with greater commitment to benefit the organization.

Problem Solving: Learn the key tools to analyze situations, reframe context, and build mental models that provide better options.

Team Agreements: Adopt a set of binding norms and agreements for being candid, confidential, and participative.

Relational Skills: Discover the five keys to building trust and the four communication skills for team members.

Self Mastery: Learn the concepts, behaviors, and methods for high EQ (emotional intelligence) leaders.

Self Awareness: Understand your personal strengths and aptitudes by deploying self reflexive instruments such as Thomas-Kilman, Firo-B, LifeStrengths, etc.

Proposed Budget

Phase 1	\$16,000	MFP
Phase 2	\$16,000	MFP
Phase 3	\$16,000	MFP
Phase 4	\$16,000	MFP
Phase 5	<u>\$16,000</u>	MFP
Total Cost	\$80,000	

Budget Line Item	Department Funds	Non-Department Funds	Total
RPI phase 1 – 5 MFP		\$31,000	\$31,000
Lane County		\$40,000	\$40,000
Old Growth Diversification Fund	\$9,000		\$ 9,000
Total	\$9,000	\$71,000	\$80,000