

April 12, 2017

Responses to inquiries during Austin City Council Morning Briefing (April 6, 2017) regarding a proposal to create an Economic Development Program for Merck Sharp & Dohme Corporate (Merck)

Request 1: Information regarding the location of the short-term and long term facility.

Response 1: Merck is currently researching short-term space options in, or adjacent to, the downtown Austin area for its temporary office. While Merck has not committed to selecting Austin at this point, the company does have an interest in locating in or near the Innovation Zone or another area in downtown Austin due to proximity of other collaborative partners in our community.

Request 2: Willingness to commit to not appealing property taxes.

Response 2: Merck intends to lease space that is owned by another entity that will control the decision whether or not to appeal property taxes. If Merck were to protest property taxes associated with business personal property, the company has already agreed to terms in the agreement in which the annual payment would be evaluated and could be reduced as a result of their action. As stated in section 1.09 of the Agreement, if the company successfully appeals its property valuation resulting in a lower value, then the City will evaluate the project to determine whether the agreement is still revenue-positive for the City. If it is not, then the City Manager will present Council with a recommendation for adjusting the amount of the incentive commensurate with the reduction in property tax valuation. However, in 2014 staff studied property value appeal behavior among companies holding Chapter 380 agreements and found no evidence of companies with job-based incentive agreements, similar to this proposed agreement, protesting their property valuations (pp 7-8 of Property Tax Appeals Report). A copy of this report can be found on the [Economic Development Department's website](#).

Request 3: Percentage of local hires and intentions to fill jobs with Austin residents.

Response 3: Provided the breakdown of positions in the Business Information Form, staff estimates 50% of the new jobs being filled locally. Merck intends to open the IT hub and quickly ramp-up activity by bringing in high-level talent to on-board and train new hires. Once the level of activity at the new IT hub has stabilized, the company intends to transition new hires into high-talent roles and backfill positions with Austin residents.

The company also understands their on-going role in developing the workforce pipeline is critical and, in order to achieve their goals for staffing an Austin IT hub, the company intends to look for ways to enhance the systems for local talent availability in the coming years. As Merck has previously mentioned, the company cannot succeed without diverse local talent. Provided the approval of the agreement with the City of Austin, Merck is looking to establish "roots in Austin" and as such, local hires are key to not only the company's short-term success but long-term goals. While the per-job performance-based agreement is capped at \$856,000, Merck considers the job creation figures in the Business Information Form to be conservative and they have every intention of exceeding those estimates to the extent possible.

Request 4: Past success in building a workforce pipeline through community partnerships.

Response 4: Merck believes the company's role in developing a workforce pipeline is to work in partner with others - local communities, governments, donors, patient organizations, health care professionals, non-governmental organizations (NGOs), multilateral organizations, and others in the private sector—to leverage their expertise and knowledge. Further statements regarding their intentions to focus on talent management and development, and for building an inclusive workforce, can be found through the company's [Corporate Responsibility Report](#) and Global Diversity and Inclusion Policy.

Examples of programming extended through Merck's community partnerships include:

1. [Moravian College and Merck's Growth through Partnership Program](#)
2. [University and Merck's 4th Annual Grand Business Challenge in Digital Health](#)
3. [The Grand Challenge in Digital Health](#)

Request 5: Jobs created through the project that pay between \$13 and \$24/hour.

Response 5: Merck estimates that the project could directly create approximately ten jobs in this pay range that are primarily administrative positions. The company also anticipates the project could indirectly create approximately 200 jobs with partners that share Merck's values and compliment their internal capabilities. Examples of partnering agencies discussed in *Addendum A*, attached to the Business Information Form, include Jones Lang LaSalle, HCL, Cognizant and Accenture.

Request 6: Transportation Department review of Merck's Alternative Transportation and Telecommuting Policy.

Response 6: The City of Austin Transportation Department applauds the efforts by Merck to locate in a mobility-friendly location and to support alternative modes to address their mobility impact. The Transportation Department is ready and interested to work with Merck on developing a comprehensive response to their mobility needs in a way that minimizes their mobility footprint on our community.

Request 7: Educational opportunities open to all employees or only certain employees.

Response 7: Merck's U.S. Educational Assistance Policy applies to all active employees working for a United States subsidiary of Merck in the United States.

Request 8: Subsidies and support for child care and/or day care.

Response 8: Merck provides the following programs as options for child or dependent care:

1. **Dependent Care Flexible Spending Account** - elect to contribute up to \$5,000 annually on a before-tax basis to pay for certain day-care expenses
2. **Adoption Assistance Program** - Reimburses a portion of the expenses related to domestic and foreign adoptions, up to \$25,000 per child.
3. **Flexible Work Arrangements** - Formal agreements include telecommute, remote work, flextime, compressed workweek, part-time and job sharing. Informal agreements include occasional flexibility (less than six weeks in duration) and the Summer Hours Program in the U.S.
4. **Back-up Dependent Care through LifeCare** - Offers back-up care for healthy children or mildly sick children and adult care. Options include center-based as well as home-based care at a nominal fee

5. **Merck Sponsored Childcare Centers** - Merck offers two childcare centers that are located onsite or close to a Merck site. All centers offer care for infants through kindergarten.
6. **National Childcare Discount Programs** - discount off child care tuition.