



WAYNE COUNTY (IN) AS A LOCATION FOR A PLASTICS MANUFACTURING PROJECT

Prepared for the
EDC of Wayne County (IN)



Prepared by:



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Introduction

This report, **Wayne County (IN) as a Location for a Plastics Manufacturing Project**, identifies business costs (pre-incentive) and conditions associated with the development of a new plant in the Wayne County Area. The report compares costs in the Wayne County Area versus:

- Davenport, IA (Iowa-Illinois Quad Cities)
- Dayton, OH
- St. Louis, MO

Costs are drawn from a hypothetical plastics project (see model description on page 5), which was based on our actual site selection experience. Key site location cost factors are examined in this report, including:

- Freight
- Salary and wages
- Fringe benefits
- Build-to-suit costs
- Select taxes
- Electric power
- Cost of living.

The cost comparison spreadsheet follows on page 6. Costs were derived from actual field research in the Wayne County Area as a part of the recent target industry analysis and research on competitor communities. The latest available data was used for all cost comparisons. In addition, other regional conditions related to the transportation equipment industry are examined.

Foote Consulting Group, LLC (FCG) is a global site selection and economic development firm based in the Phoenix area. Our partner, TranSystems, is an expert in freight/logistics modeling and analysis.

Project Model
Plastics Molding Manufacturing Facility

Purpose: The molding of plastic containers and packages to service food products customers with a focus on distribution to the Midwest.

Hours of Operation: 3 shifts, 5 days per week

Labor: 80 total

5 – Managerial/engineering

5 – Clerical

10 – Technical CAD designers

15 – Skilled maintenance mechanics

30 – Semiskilled plastics extruder operators

15 – Unskilled machine helpers/material handlers

Utilities: Electric Power – Demand: 1000 KW; Energy: 400,000 KwH/month (average)

Building: 60,000 square feet; 50,000 square feet of manufacturing space; 10,000 square feet of office space

Land: 10 level acres with rail in a planned industrial park, fully developed

Machinery and Equipment: \$4 million

Inventory Value: \$3 million

Freight: Inbound: Based on average miles and rates from suppliers via 30% TL and 70% rail.

Outbound: Product classification – 300; 12,000,000 units/year; weight per unit – 10 lbs.; 65% TL, 10% LTL, 20% rail, and 5% small parcel to Midwest/Mid-Atlanta markets.

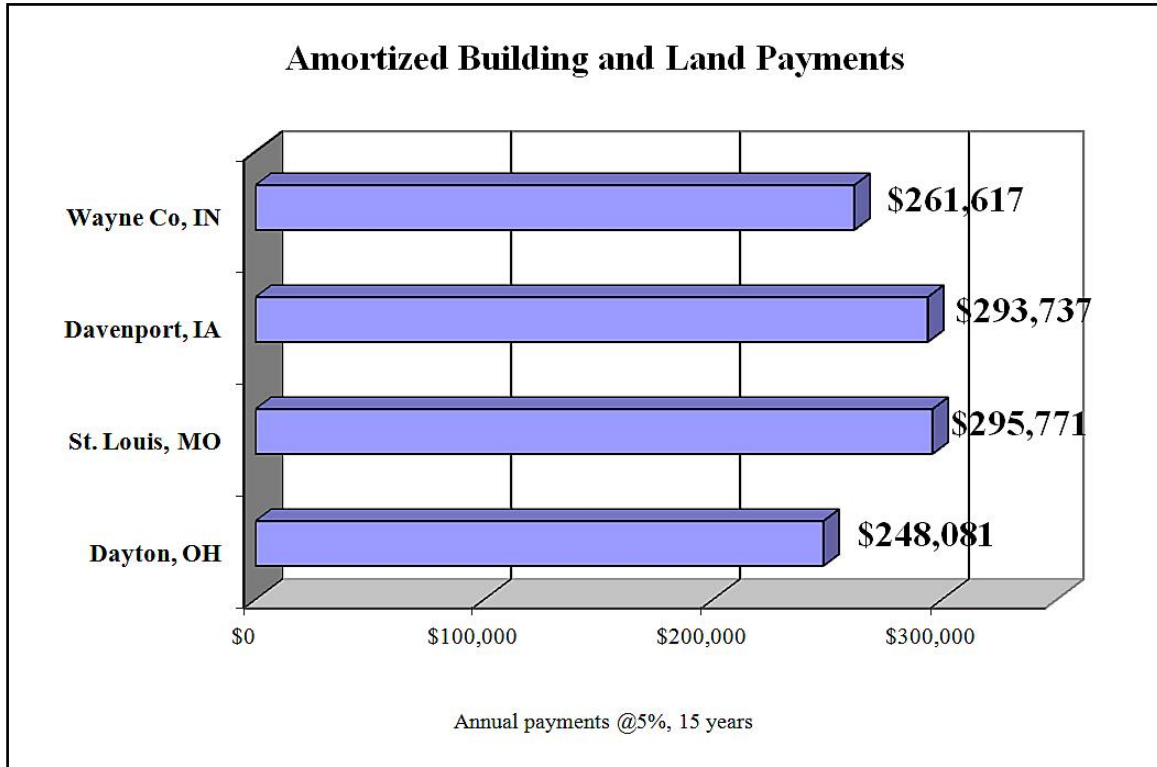
Other Critical Factors: Good access to reasonably priced skilled workforce; reliable and economic electric power supply; access to good supplier and customer network; good technical college with flexibility in training; and good quality of life.

PLASTICS MANUFACTURING PROJECT				
<i>FIRST YEAR OPERATING COSTS</i>				
Labor Costs (80 jobs)	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Mgmt./Engineering				
Number	5	5	5	5
Annual Salary	\$50,884	\$55,051	\$57,533	\$56,419
Total Management and Engineering Salary	\$254,420	\$275,255	\$287,665	\$282,095
Technical CAD Operators				
Number	10	10	10	10
Annual Salary	\$39,098	\$41,956	\$44,200	\$42,722
Total Technical Salary				
Clerical				
Number	5	5	5	5
Annual Salary	\$24,428	\$25,596	\$27,723	\$26,778
Total Technical and Clerical Salary	<u>\$513,120</u>	<u>\$547,540</u>	<u>\$580,615</u>	<u>\$561,110</u>
Skilled Maintenance Mechanics				
Number	15	15	15	15
Annual Salary	\$32,708	\$34,578	\$36,978	\$35,356
Skilled Plastics Extruder Operators				
Number	30	30	30	30
Annual Salary	\$24,326	\$24,856	\$26,643	\$25,755
Total Skilled Labor Salary	\$1,220,400	\$1,264,350	\$1,353,960	\$1,302,990
Unskilled Machine Helpers				
Number	15	15	15	15
Annual Salary	\$20,608	\$20,950	\$22,532	\$21,772
Total Salary	\$309,120	\$314,250	\$337,980	\$326,580
Total Annual Salary Costs	<u>\$2,297,060</u>	<u>\$2,401,395</u>	<u>\$2,560,220</u>	<u>\$2,472,775</u>
	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Fringe Benefits				
Medical/Dental/Vision @ 25%	\$574,265	\$600,349	\$640,055	\$618,194
Disability @.15%	\$3,446	\$3,602	\$3,840	\$3,709
FICA @ 7.5 %	\$172,280	\$180,105	\$192,016.50	\$185,458.13
Life @ .5 %	\$11,485	\$12,007	\$12,801.10	\$12,363.88
Unemployment Ins. Rate	2.70%	1.50%	3.51%	2.70%
UI Cost	\$15,120	\$8,400	\$19,656	\$15,120
Workers Comp Rate-Plant (per \$100)	\$3.89	\$4.78	\$4.77	\$3.44
Worker Comp Rate-Office (per \$100)	\$0.19	\$0.29	\$0.15	\$0.55
Workers Compensation Cost	\$62,229	\$79,496	\$83,772	\$61,911
Fringe Benefit Load Factor	36.52%	36.81%	37.19%	36.27%
Total Annual Fringe Benefits Costs	<u>\$838,824</u>	<u>\$883,958</u>	<u>\$952,141</u>	<u>\$896,756</u>
	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Build to Suit Costs				
Square Feet Office	10,000	10,000	10,000	10,000
Square Feet Manufacturing/Warehouse	50,000	50,000	50,000	50,000
Total Square Feet Required	120,000	120,000	120,000	120,000

Cost per Square Foot of Office	\$60.00	\$75.00	\$85.00	\$50.00
Cost per Square Foot of Mfg.	\$40.00	\$45.00	\$32.00	\$32.50
<u>Total Building Cost</u>	<u>\$2,600,000</u>	<u>\$3,000,000</u>	<u>\$2,450,000</u>	<u>\$2,125,000</u>
	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Land Costs				
Cost per Acre	\$11,550	\$44,889	\$62,000	\$45,000
Acres Required	10	10	10	10
Total Land Cost	\$115,500	\$448,890	\$620,000	\$450,000
Total Building & Land Cost	\$2,715,500	\$3,048,890	\$3,070,000	\$2,575,000
<u>Annual Payment (@ 5%, 15 yrs)</u>	<u>\$261,617</u>	<u>\$293,737</u>	<u>\$295,771</u>	<u>\$248,081</u>
	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Property Tax Costs				
Value of Real Estate	\$2,715,500	\$3,048,890	\$3,070,000	\$2,575,000
Assessment Ratio	100%	100%	100%	100%
Property Tax Rate	2.65	38.33	2.48	82.48
Real Estate Taxes	\$71,961	\$116,864	\$76,136	\$212,386
Machinery & Equipment Value	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
Personal Property Tax Rate	0	0	2.41	0
Personal Property Tax	\$0	\$0	\$31,812	\$0
Value of Inventory	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Inventory Tax Rate	0	0	0	0
Inventory Tax	\$0	\$0	\$0	\$0
<u>Total Annual Property Taxes</u>	<u>\$71,961</u>	<u>\$116,864</u>	<u>\$107,948</u>	<u>\$212,386</u>
Corporate Income Taxes	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Adjusted State Taxable Income	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Tax Rate (Federal)	34.00%	34.00%	34.00%	34.00%
Tax Rate (State)	8.00%	0.05%	5.20%	0.26%
<u>Total Federal and State taxes</u>	<u>\$1,260,000</u>	<u>\$1,021,500</u>	<u>\$1,176,000</u>	<u>\$1,027,800</u>
Electric Power Costs	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
KW Demand	1000	1000	1000	1000
KwH/Month Usage	400000	400000	400000	400000
Cost/KwH	\$0.0660	\$0.0559	\$0.0610	\$0.0850
<u>Total Annual Electric Power Cost</u>	<u>\$316,800</u>	<u>\$268,320</u>	<u>\$292,800</u>	<u>\$408,000</u>
Freight Costs (see freight model)	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Inbound	\$2,195,200	\$2,195,200	\$2,195,200	\$2,195,200
Outbound	\$9,784,810	\$10,064,891	\$9,632,260	\$9,838,273
<u>Total</u>	<u>\$11,980,010</u>	<u>\$12,260,091</u>	<u>\$11,827,460</u>	<u>\$12,033,473</u>
	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
<u>Total Annual Operating Costs</u>	<u>\$17,026,273</u>	<u>\$17,245,865</u>	<u>\$17,212,340</u>	<u>\$17,299,271</u>
<i>Operating costs greater than Wayne Co., IN</i>		\$219,593	\$186,067	\$272,999

Total Project Operating Costs

Wayne County is the lowest cost locale for this project. Almost \$300,000 per year could be saved by locating this project in Wayne County versus the highest cost area, Dayton.



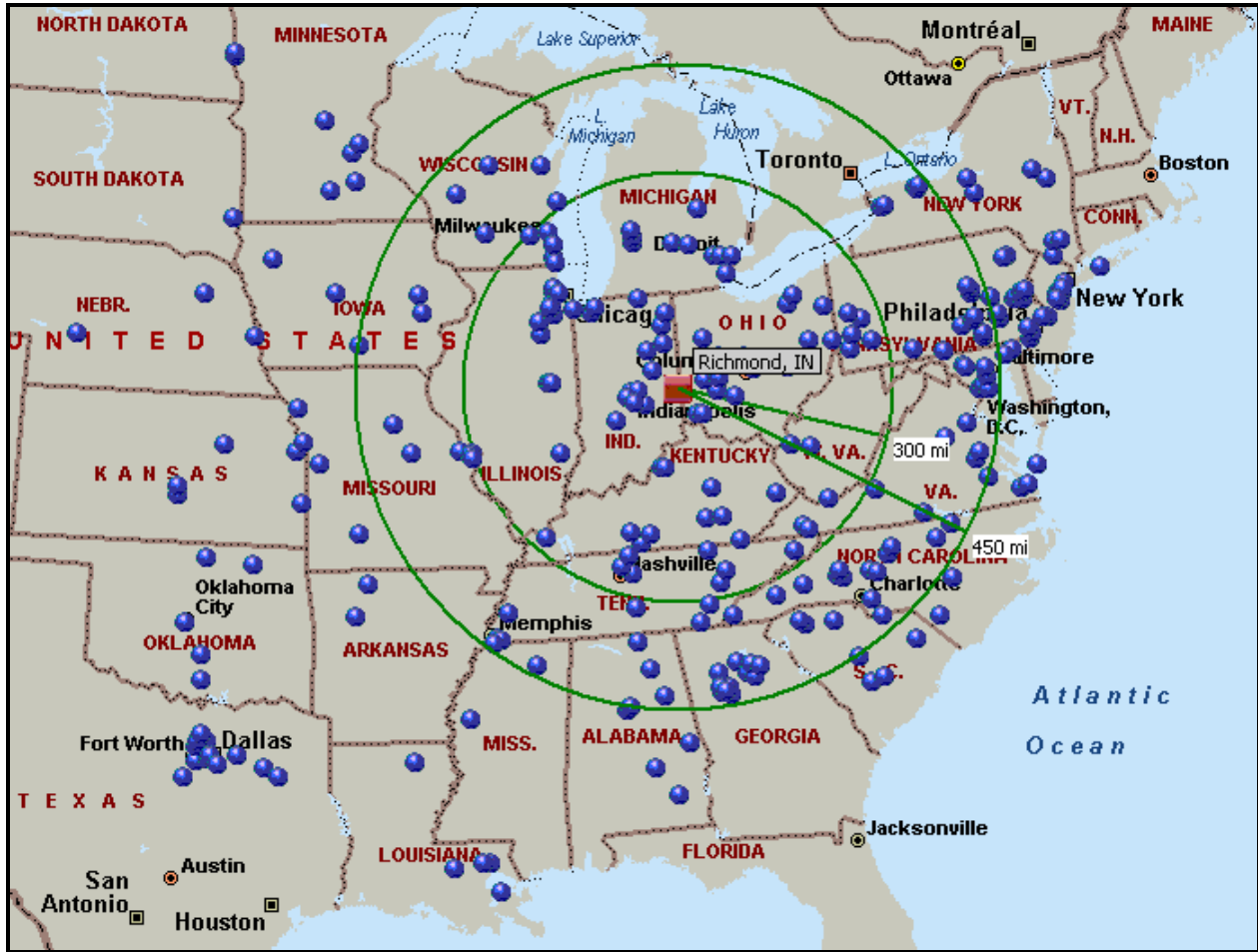
Freight

Freight costs represent the largest annual operating cost item for this project – over 70%. Consumer products will be shipped outbound from the plant to major metro area within a 450-mile radius of the plant site via truck and rail. Inbound freight is based on the average miles from suppliers and is assumed to be equal to each location.

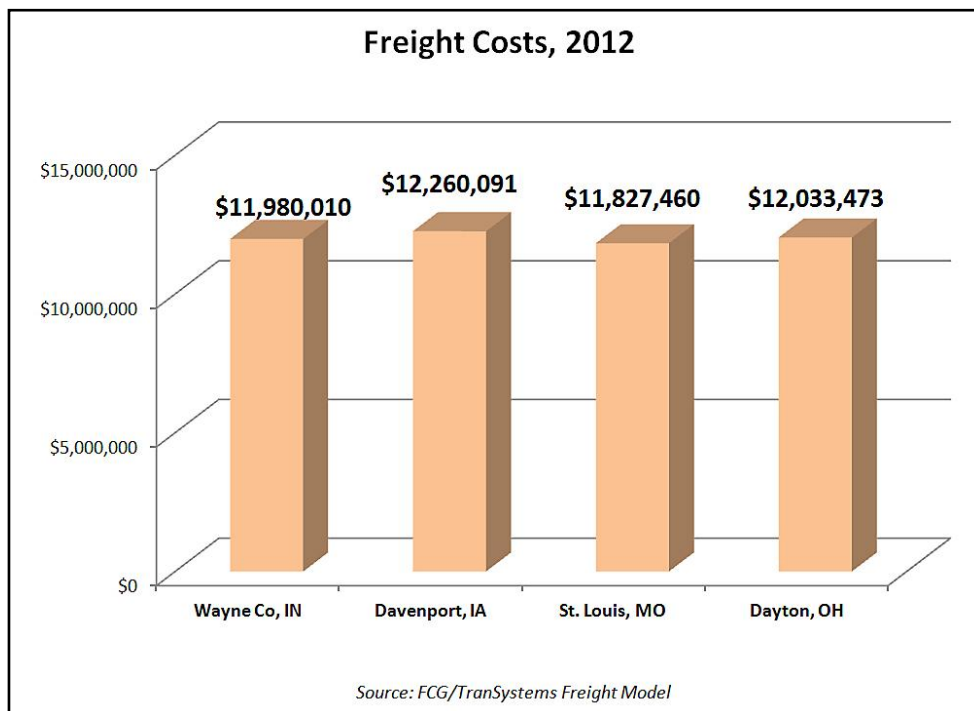
The following map depicts the desired distribution area up to a 450-mile radius and covers the major markets of the Midwest, Mid-Atlantic, and Mid-South. The blue dots depict TranSystems' client base and the locations of their DCs, which serve all major markets. A sample of TranSystems' clients:

- Kroger
- Spartan Stores
- Costco
- SuperValu
- Aldi
- Dollar General
- Wal-Mart
- 7-Eleven
- HT Hackney
- Meijer
- Trader Joe's

Please see graphic on following page.



Wayne County has the second lowest freight costs. Almost \$300,000 can be saved in Wayne County over a location in Davenport.



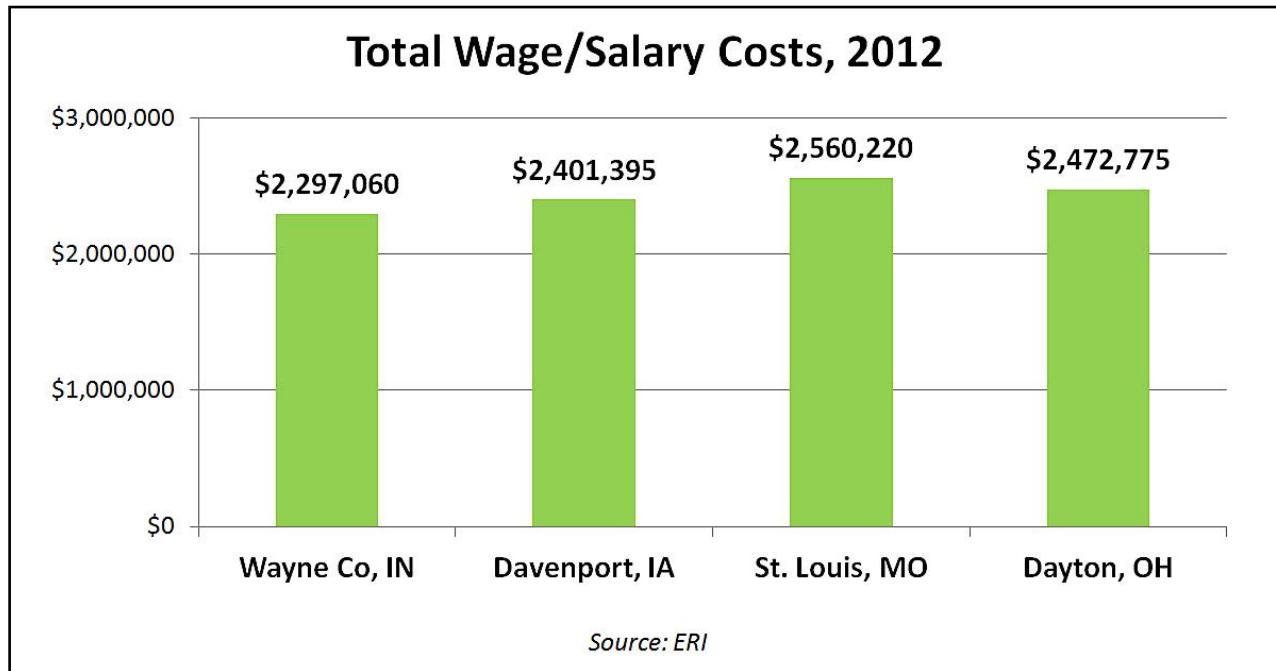
Labor

Wages/Salaries and Fringe Benefits

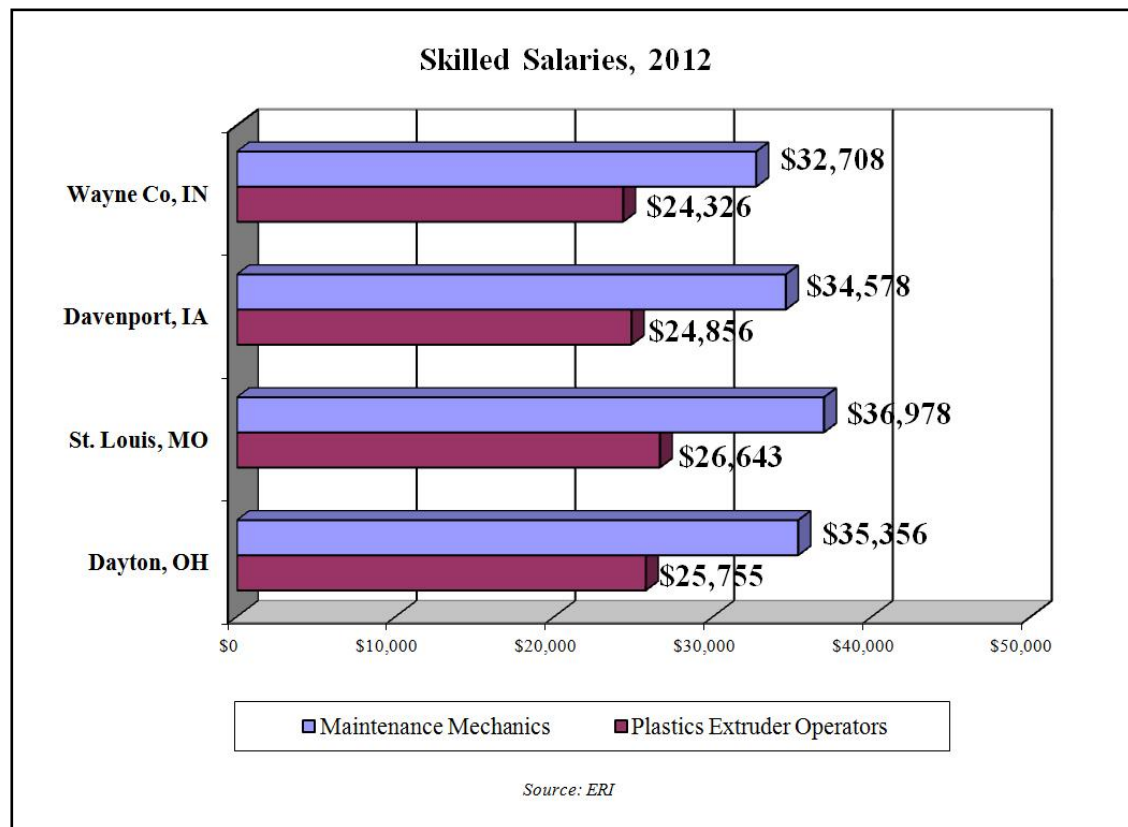
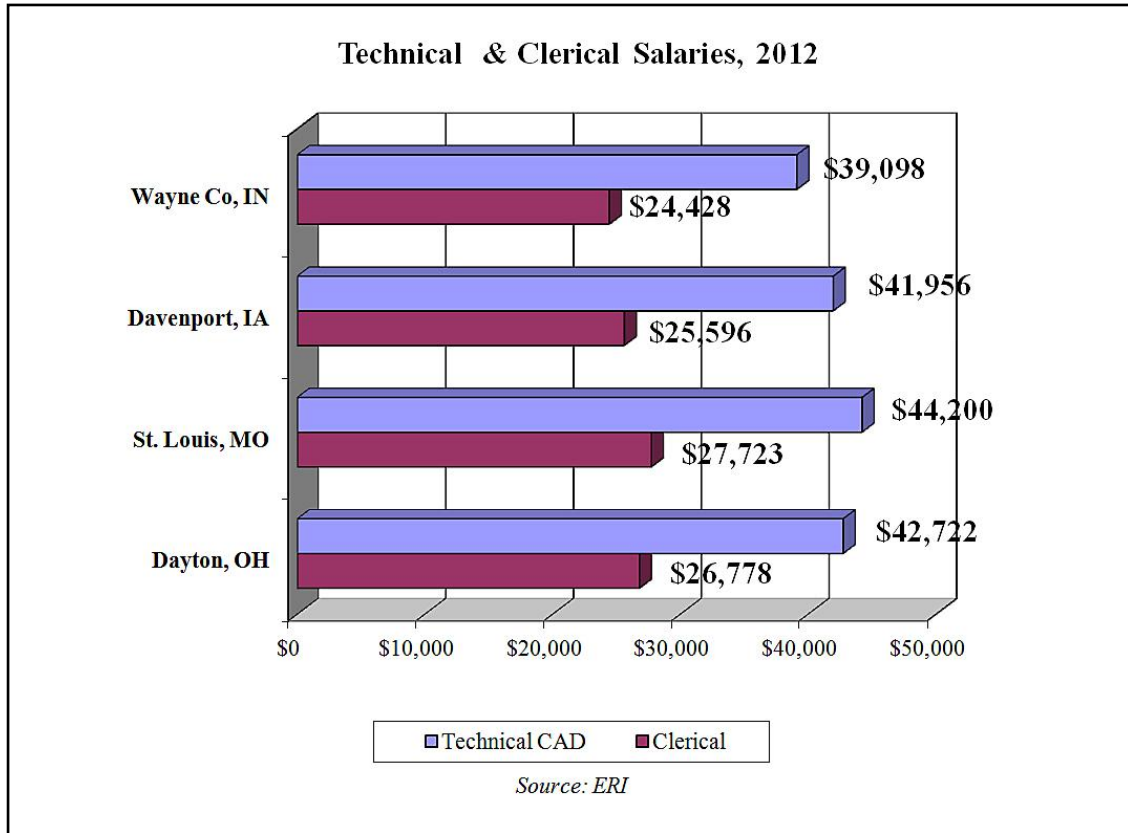
Labor costs (wage/salary/fringe benefits) represent about 13% of the total operating costs for this project. This is the second largest annual cost factor.

Wages and salaries used in the model are for incumbent worker, median salary range positions. All wages come from our national data resource, Economic Research Institute (ERI), 1st Quarter 2012.

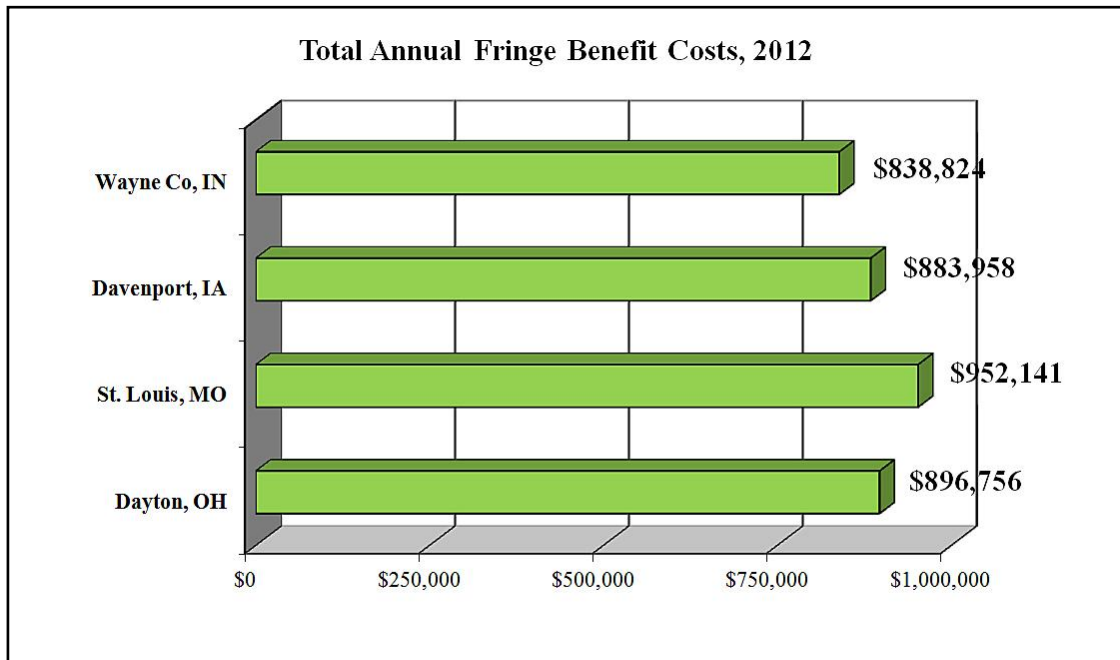
Wayne County has the lowest overall wage/salary costs. Over \$260,000 would be saved annually by locating this project in Wayne County instead of the highest cost locale, St. Louis.



Following are specific salary comparisons:



Wayne County has the lowest fringe benefit load. This was due to lower overall wages which translates into lower FICA, health care, disability, and life insurance costs. Indiana also has the second lowest unemployment insurance and workers' compensation costs.



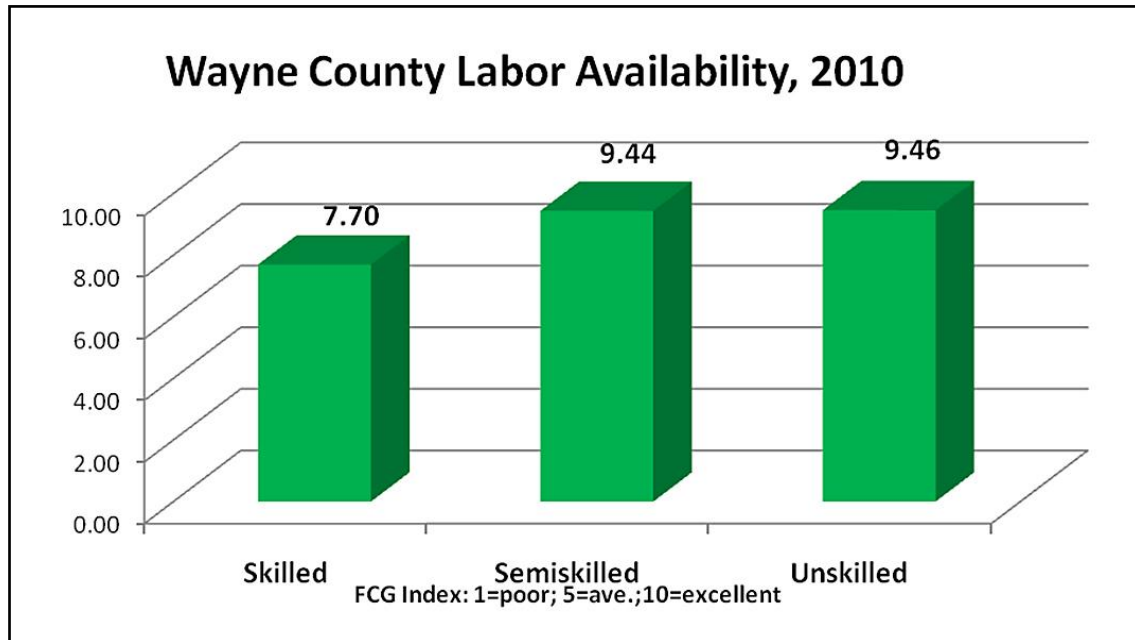
Labor Availability & Quality in the Wayne County Area

Good labor availability and quality are critically important to the success of this project. We have compared both availability and quality in the region using our unique *FCG Index*. The index factors on a 1 (“very poor”) to 10 (“excellent”) point scale (5 is “average”). The index takes the results of our fieldwork interviews conducted during the recent target industry analysis and measures the combined opinions of company decision-makers. The resulting index is a very realistic way of comparing communities on an “apples-to-apples” basis.

Availability

- **The availability of skilled manufacturing workers is “good.”**
- **Semi-skilled and unskilled availability is “excellent.”**
- Management talent is more difficult to recruit, hire, and relocate (rated 5.25 – or “average”).

Please see graphic on following page.

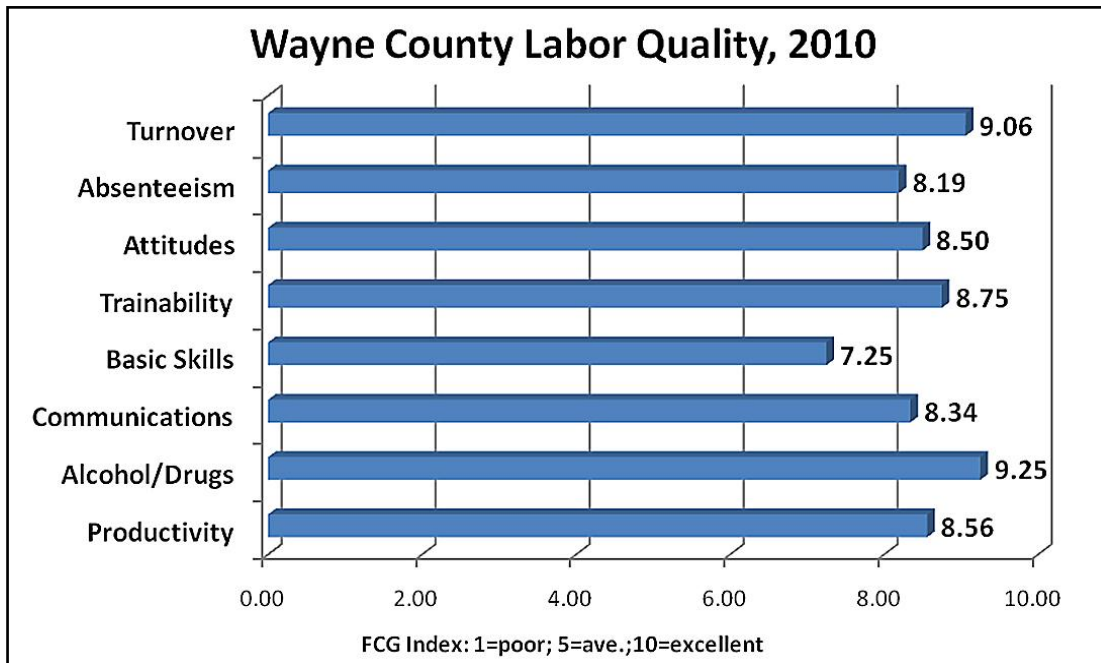


The following are employer quotes regarding availability:

- *“Good skills and manufacturing culture here”*
- *“It is a challenge to retain some workers...grass is always greener elsewhere. However, more are realizing that they are fortunate to work for a safe, dependable and supportive company, especially during this tough economy.”*
- *“It is a great area to set up a plant because of the skilled workforce and the great cooperation and assistance of the college.”*
- *“Richmond has provided this firm with a great workforce for years and years.”*
- *“Skills are here due to closures.”*
- *“The greatest strength in the area is the skills of the workforce and the relationships between employers and employees.”*
- *“There are now an overwhelming number of good candidates for positions in our plant because of all the closures and layoffs in the area.”*
- *“Unskilled workers are readily available.”*

Quality

- **Overall labor quality is rated “very good” (8.49), with no weak spots.**
- **All sectors, except basic skills, are rated “very good” to “excellent.”**
 - Basic skills (rated “good”) are better here than most other places in the country right now.



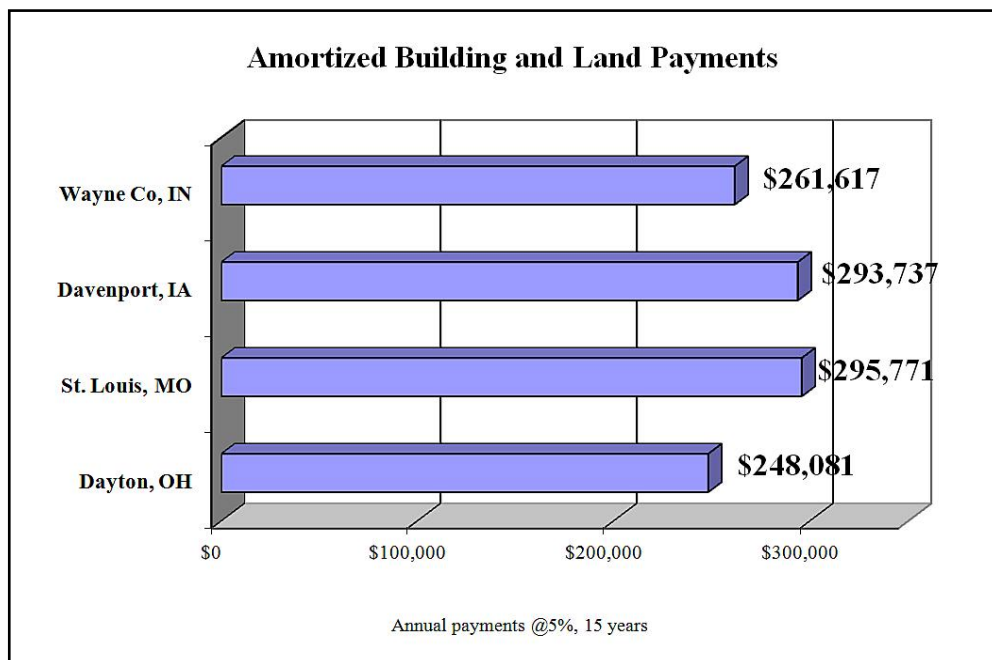
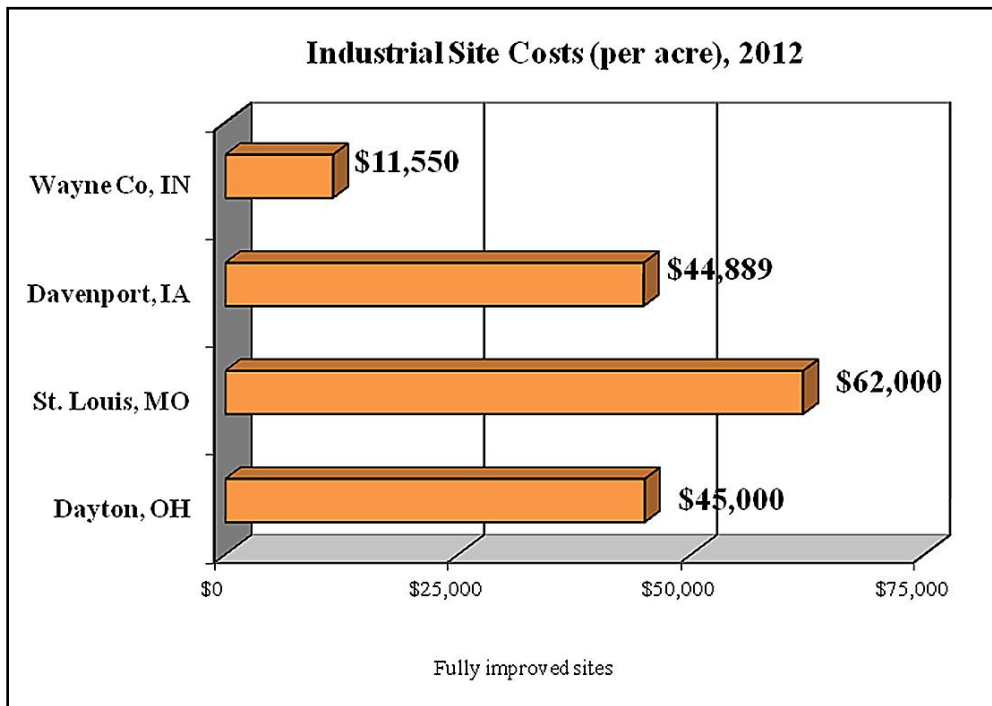
Employers tell us:

- *“All labor quality characteristics are high, but there are concerns over recent attitudes because of the economy.”*
- *“Area is innovative and entrepreneurial and employees have a great work ethic”*
- *“Attitudes are fantastic and morale is high, especially after we passed out those bonus checks!”*
- *“Good labor-management relations”*
- *“Good skills and manufacturing culture here”*
- *“Good work ethic!”*
- *“No union noise due to proactive management...we would be crippled with a union”*
- *“Productivity has been so good that we have laid off people.”*
- *“Quality is excellent (plant tour showed positive attitudes and communications).”*
- *“Rate quality characteristics high except basic skills”*
- *“The greatest strength in the area is the skills of the workforce and the relationships between employers and employees.”*

Build-to-Suit Costs

Annual building and site costs represent only approximately 2% of total annual operating costs in the model (this cost is amortized).

Wayne County annual building costs are second highest primarily due to higher construction costs. However, industrial site costs are the lowest and there is good availability of fully improved sites.



Taxes

Property Taxes

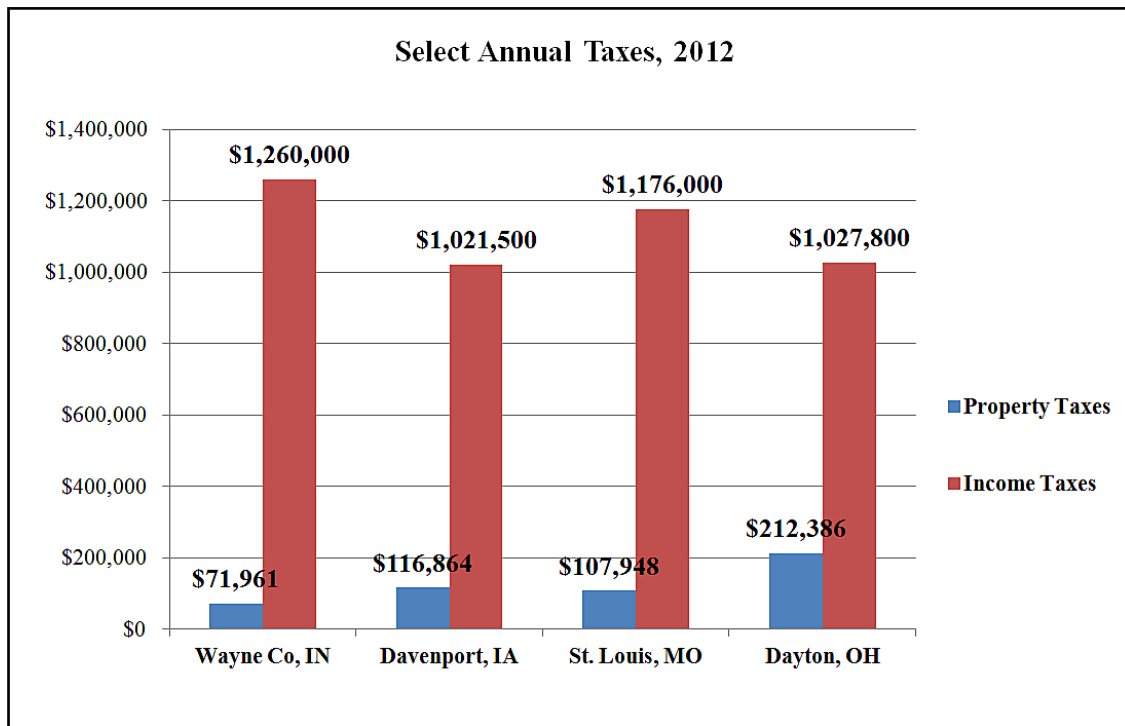
Property taxes consist of real estate and personal property taxes, which may include taxes on machinery and equipment (M&E). Wayne County property taxes¹ are lowest compared to the other cities since there is no tax assessed on M&E (assume abated²) or inventories. Missouri still taxes personal property.

Corporate Income Taxes

Corporate income taxes represent approximately 7% of the annual operating costs. Corporate income taxes were figured on an adjusted taxable income of \$3,000,000.

Indiana has recently enacted legislation that will reduce corporate income tax. Taxes will be reduced down one half of a percent each year for four years starting in 2012. This report reflects the new 2012 rate. The schedule will be as follows:

2012 – 8%	2014 – 7%
2013 – 7.5%	2015 – 6.5% final rate.



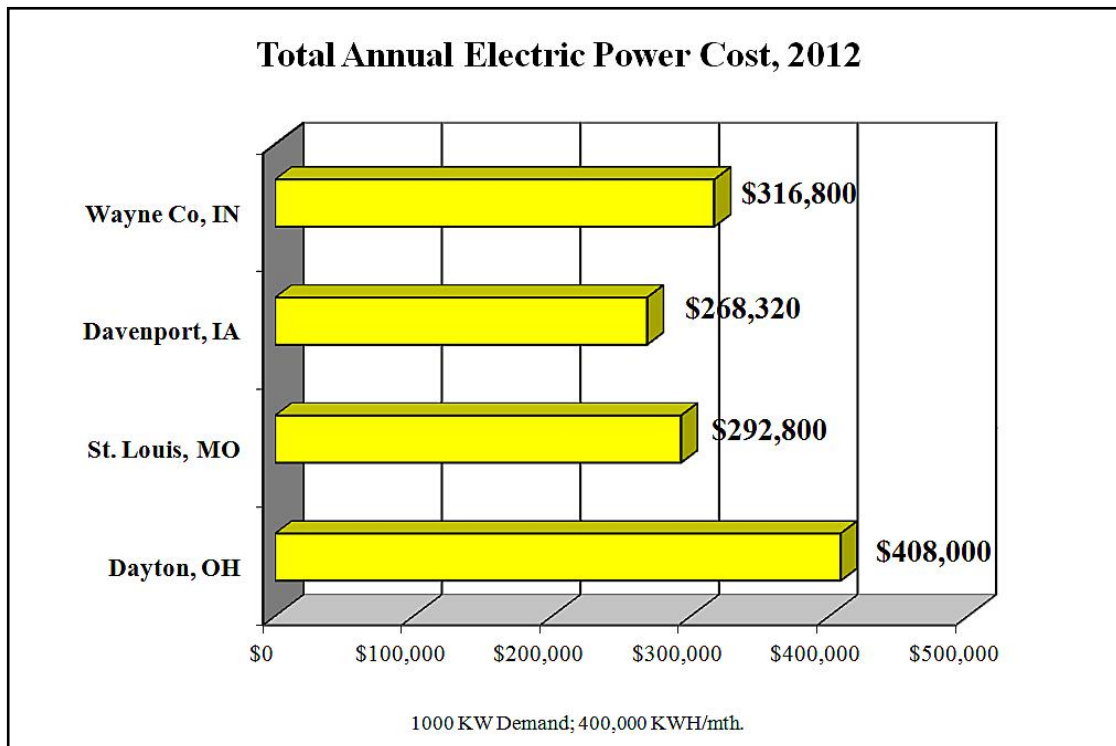
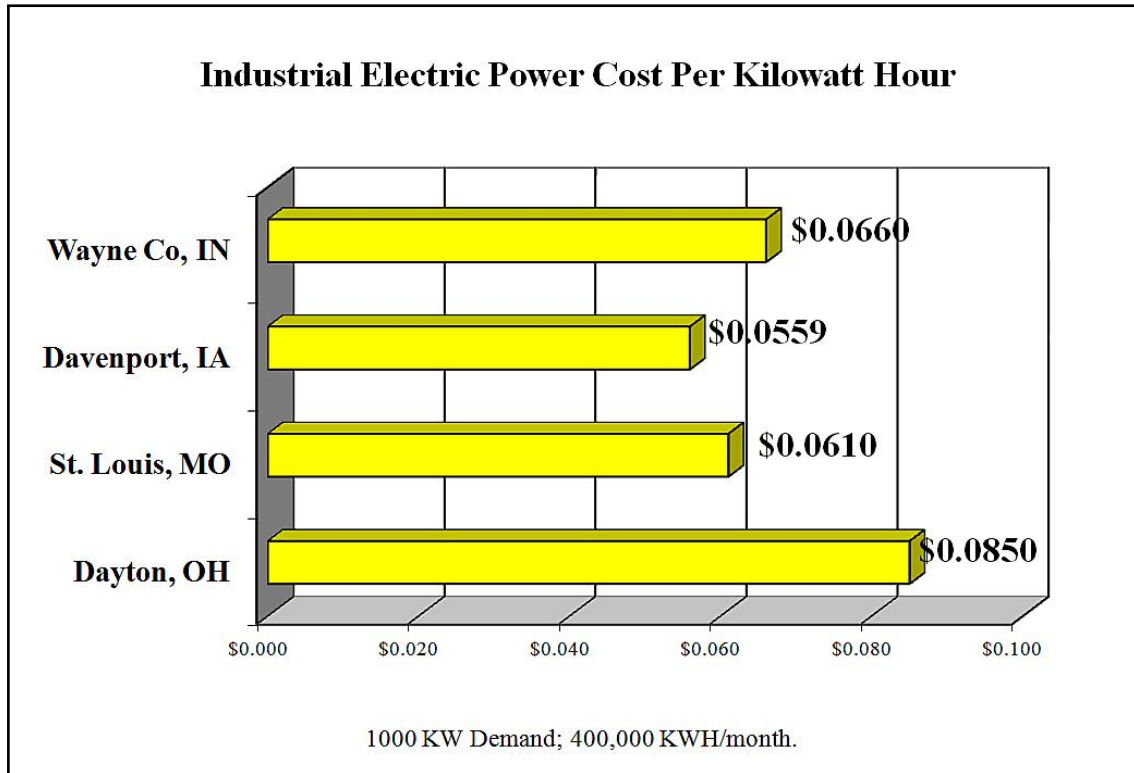
¹ Property tax caps – 1% of a homestead property’s gross assessed value, 2% on investor owned residential properties and on agricultural land’s gross assessed value, and 3% cap of the gross assessed value on all other real and personal properties.

² Property tax on M&E would be phased in over a period of 10 years if the full 10 year abatement was awarded to the company.

Utilities

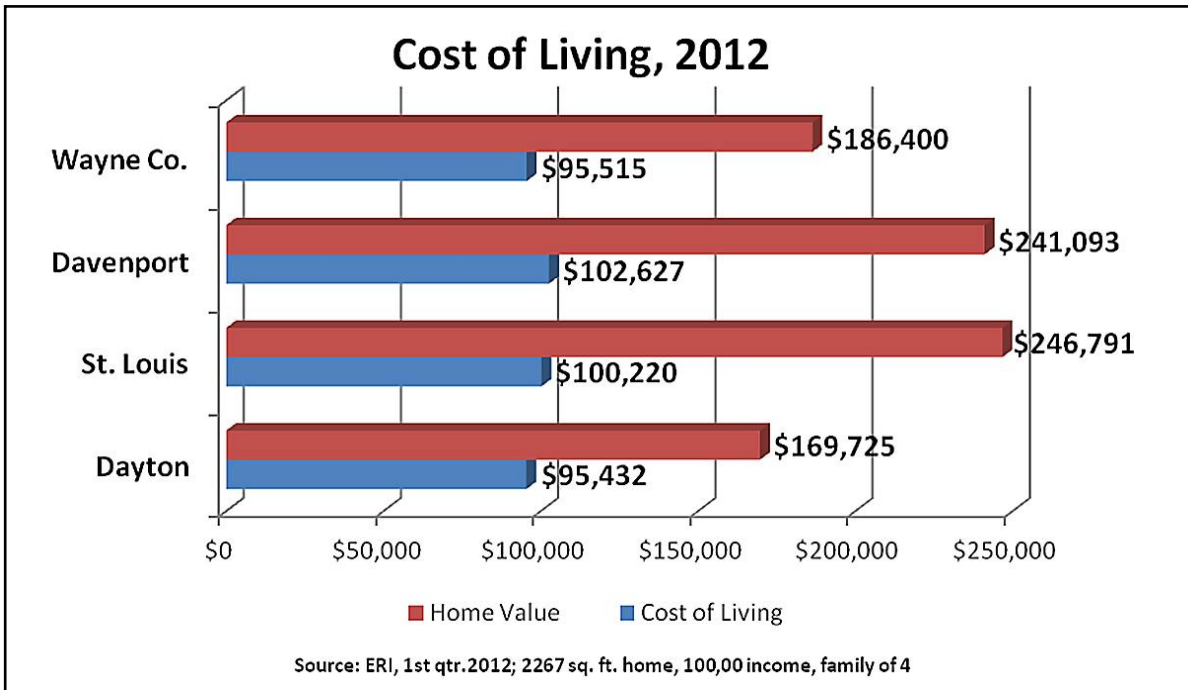
Electric Power

Power costs represent less than 2% of total operating costs. Wayne County has the second highest electric power rates.



Cost of Living

The cost of living will influence the relocation of key personnel to the project city. It should be relatively easy to sell employees on Wayne County's low costs. One company executive said: "I have moved six times around the globe, and after moving here I felt that I had died and gone to heaven."



Incentives

Wayne County and Indiana have a number of attractive incentives available. The programs that can best assist this project include:

- **EDIT** – Flexibility to assist both labor intensive operations such as call centers and capital intensive projects such as food processing, industrial machinery, and renewable energy. \$1 million plus local fund.
- **EDGE** – Provides valuable tax credits for any locating or expanding target creating new jobs for up to 10 years
- **Indiana Training Grant Program** – One of the best training programs in the country, it offers grants that can cover up to 50% of the total training budget up to \$200,000 for projects that create new jobs.

The Plastics Industry (NAICS 326) in the Wayne County Area

Understanding the Sector

Plastic products have been an active industry driven in part by access to consumer markets; the Just-In-Time (JIT) needs of the food and transportation industries; and the need to transport light parts and containers (mostly air) short distances. However, the decline in the automotive industry has adversely affected this sector.

48 locations/expansions occurred during 2009 within the three-state (IN, OH, KY) region. Projects included:

<u>City</u>	<u>State</u>	<u>Company</u>	<u>Sq.Ft.</u>	<u>Jobs</u>	<u>Type</u>	<u>NAICS</u>
Campbellsville	KY	Ragner Manufacturing	64,000	125	MicroHose	326
Conneaut	OH	CSP of Ohio		100	Auto parts	326199
Evansville	IN	Berry Plastics	376,000	360	Plastic cups	326140
Henderson	KY	Fortis Plastics LLC		104	Thermoplastics	326
Moraine	OH	AcuTemp	25,000	100	Plastic products	326199
South Bend	IN	Fortis Plastics LLC		149	Plastics	32612
Toledo	OH	Buckeye Silicon		100	Silicon	326291
Urbana	OH	Wicor Americas		110	Insulation	326199

Key Site Selection Needs (by priority)

1. Labor costs and unskilled/semiskilled availability
 - Key positions: machine operators, maintenance mechanics, and warehouse workers
2. Electric power (reliability and costs)
3. Fully improved sites and/or existing buildings (30,000-square-foot minimum)
4. Access to market/transportation costs
 - Customers often require JIT delivery
5. Rail service
 - Pellets are often brought in via hopper car
6. Incentives (training and offsets for large capital equipment costs)
7. Good labor/management relations.

The Wayne County Area's Strengths for Plastics Firms – Summary

- Very competitive overall costs
- Excellent proximity and accessibility to markets (good freight costs)
- Lowest wage rates and good availability of labor
- Good site and build-to-suit opportunities
- Reliable electric power
- Good labor/management environment
- Presence of suppliers and other similar companies
- Attractive incentives could reduce costs even more
- Low cost of living.

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