



**WAYNE COUNTY (IN)
AS A LOCATION FOR A TRANSPORTATION
EQUIPMENT/METALS 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 Transportation Equipment/Metals 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 transportation equipment/metals 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 pages 6-8. 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
Transportation Equipment/Metals Facility

Purpose: The machining, repair and/or manufacturing of auto related parts

Hours of Operation: 3 shifts, 5 days per week

Labor:

- 200 total
- 10 managerial/engineering
- 20 clerical
- 10 technical; CAD design
- 50 skilled workers, welders, machinists
- 50 semiskilled, machine operators (CNC)
- 60 unskilled-machine helpers and warehouse workers

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

Building: 110,000 square feet; 10,000 square feet of office space

Land: 25 level acres in a planned industrial park fully developed

Machinery and Equipment Value: \$4,000,000

Inventory Value: \$3,000,000

Freight: Inbound: Based on average miles and rates from suppliers via 40% TL and 60% rail.
Outbound: Product classification – 200; 12,000,000 units/year; weight per unit – 20 lbs.; 65% TL, 10% LTL, 20% rail, 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 affordable housing.

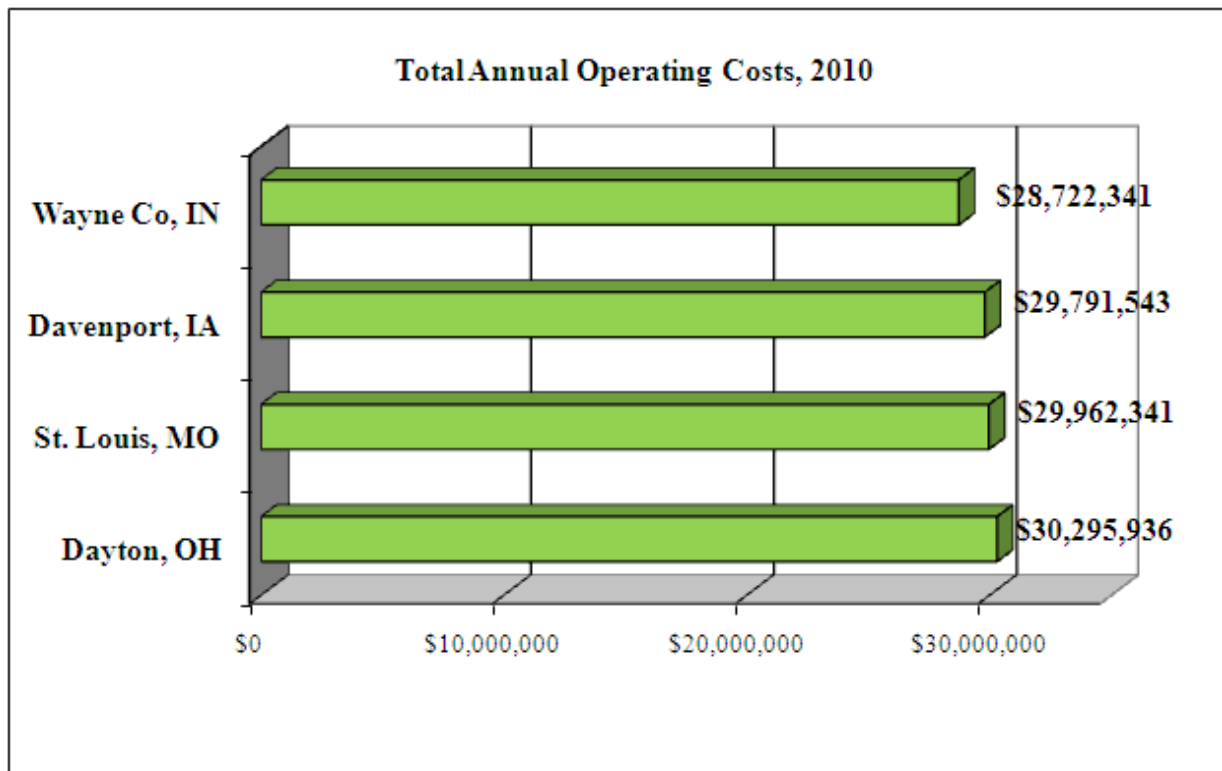
TRANSPORTATION EQUIPMENT/METALS PROJECT				
FIRST YEAR OPERATING COSTS				
	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Labor Costs (200 jobs)				
Mgmt./Engineering				
Number	10	10	10	10
Annual Salary				
Total Management and Engineering Salary	\$541,710	\$581,840	\$603,440	\$590,890
Technical CAD				
Number	10	10	10	10
Annual Salary	\$38,915	\$41,849	\$44,115	\$42,900
Total Technical Salary				
Clerical				
Number	20	20	20	20
Annual Salary	\$25,017	\$26,163	\$28,171	\$27,395
Total Technical and Clerical Salary	\$889,490	\$941,750	\$1,004,570	\$976,900
Machinist				
Number	25	25	25	25
Annual Salary	\$23,622	\$34,150	\$32,404	\$35,984
Skilled Welder				
Number	25	25	25	25
Annual Salary	\$31,779	\$32,618	\$34,708	\$34,097
Total Skilled Labor Salary	\$1,385,035	\$1,669,200	\$1,677,800	\$1,752,025
Semi-Skilled Machine Operators				
Number	50	50	50	50
Annual Salary	\$27,198	\$28,617	\$30,593	\$30,007
Total Salary	\$1,359,900	\$1,430,850	\$1,529,650	\$1,500,350
Unskilled Machine Helper				
Number	30	30	30	30
Annual Salary	\$26,117	\$26,704	\$28,444	\$27,901
Total Salary	\$783,510	\$801,120	\$853,320	\$837,030
Unskilled Warehouse Workers				
Annual Salary	\$20,915	\$20,984	\$22,507	\$21,932
Total Salary	\$627,450	\$629,520	\$675,210	\$657,960
Total Annual Salary Costs	<u>\$5,587,095</u>	<u>\$6,054,280</u>	<u>\$6,343,990</u>	<u>\$6,315,155</u>
	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Fringe Benefits				
Medical/Dental/Vision @ 25%	\$1,396,774	\$1,513,570	\$1,585,998	\$1,578,789
Disability @ .15%	\$8,381	\$9,081	\$9,516	\$9,473
FICA @ 7.5 %	\$419,032	\$454,071	\$475,799.25	\$473,636.63
Life @ .5 %	\$27,935	\$30,271	\$31,719.95	\$31,575.78
Unemployment Ins. Rate	2.70%	1.50%	3.51%	2.70%
UI Cost	\$37,800	\$73,500	\$91,260	\$48,600
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	\$165,796	\$222,772	\$230,208	\$173,273
Fringe Benefit Load Factor	36.79%	38.04%	38.22%	36.66%
Total Annual Fringe Benefits Costs	<u>\$2,055,718</u>	<u>\$2,303,266</u>	<u>\$2,424,500</u>	<u>\$2,315,347</u>

TRANSPORTATION EQUIPMENT/METALS PROJECT (continued)				
	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Square Feet Office	10,000	10,000	10,000	10,000
Square Feet Manufacturing/Warehouse	110,000	110,000	110,000	110,000
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
Total Building Cost	\$5,000,000	\$5,700,000	\$4,370,000	\$4,075,000
	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	25	25	25	25
Total Land Cost	\$288,750	\$1,122,225	\$1,550,000	\$1,125,000
Total Building & Land Cost	\$5,288,750	\$6,122,225	\$5,920,000	\$5,200,000
Annual Payment (@ 5%, 15 yrs)	<u>\$509,530</u>	<u>\$589,829</u>	<u>\$570,346</u>	<u>\$500,980</u>
	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Property Tax Costs				
Value of Real Estate	\$5,288,750	\$6,122,225	\$5,920,000	\$5,200,000
Assessment Ratio	100%	100%	100%	100%
Property Tax Rate	2.65	38.33	2.48	82.48
Real Estate Taxes	\$140,152	\$234,665	\$146,816	\$428,896
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
Total Annual Property Taxes	<u>\$140,152</u>	<u>\$234,665</u>	<u>\$178,628</u>	<u>\$428,896</u>
	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Corporate Income Taxes				
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)	8.50%	0.05%	5.20%	0.26%
Total Federal and State taxes	<u>\$1,275,000</u>	<u>\$1,021,500</u>	<u>\$1,176,000</u>	<u>\$1,027,800</u>
	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Electric Power Costs				
KW Demand	1000	1000	1000	1000
KwH/Month Usage	400000	400000	400000	400000
Cost/KwH	\$0.0660	\$0.0559	\$0.0610	\$0.0850
Total Annual Electric Power Cost	<u>\$316,800</u>	<u>\$268,320</u>	<u>\$292,800</u>	<u>\$408,000</u>

TRANSPORTATION EQUIPMENT/METALS PROJECT (continued)				
Freight Costs (see freight model)	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Inbound	\$2,201,600	\$2,201,600	\$2,201,600	\$2,201,600
Outbound	\$16,636,446	\$17,118,083	\$16,774,476	\$17,098,158
Total	<u>\$18,838,046</u>	<u>\$19,319,683</u>	<u>\$18,976,076</u>	<u>\$19,299,758</u>
Total Annual Operating Costs	<u>\$28,722,341</u>	<u>\$29,791,543</u>	<u>\$29,962,341</u>	<u>\$30,295,936</u>
<i>Operating costs greater than Wayne Co., IN</i>		\$1,069,202	\$1,240,000	\$1,573,595
<i>Percentage greater than Wayne Co., IN</i>		4%	4%	5.5%

Total Project Operating Costs

Wayne County is the lowest cost locale for this transportation equipment project. More than \$1.2 million per year could be saved by locating this project in Wayne County versus the highest cost area, Dayton.



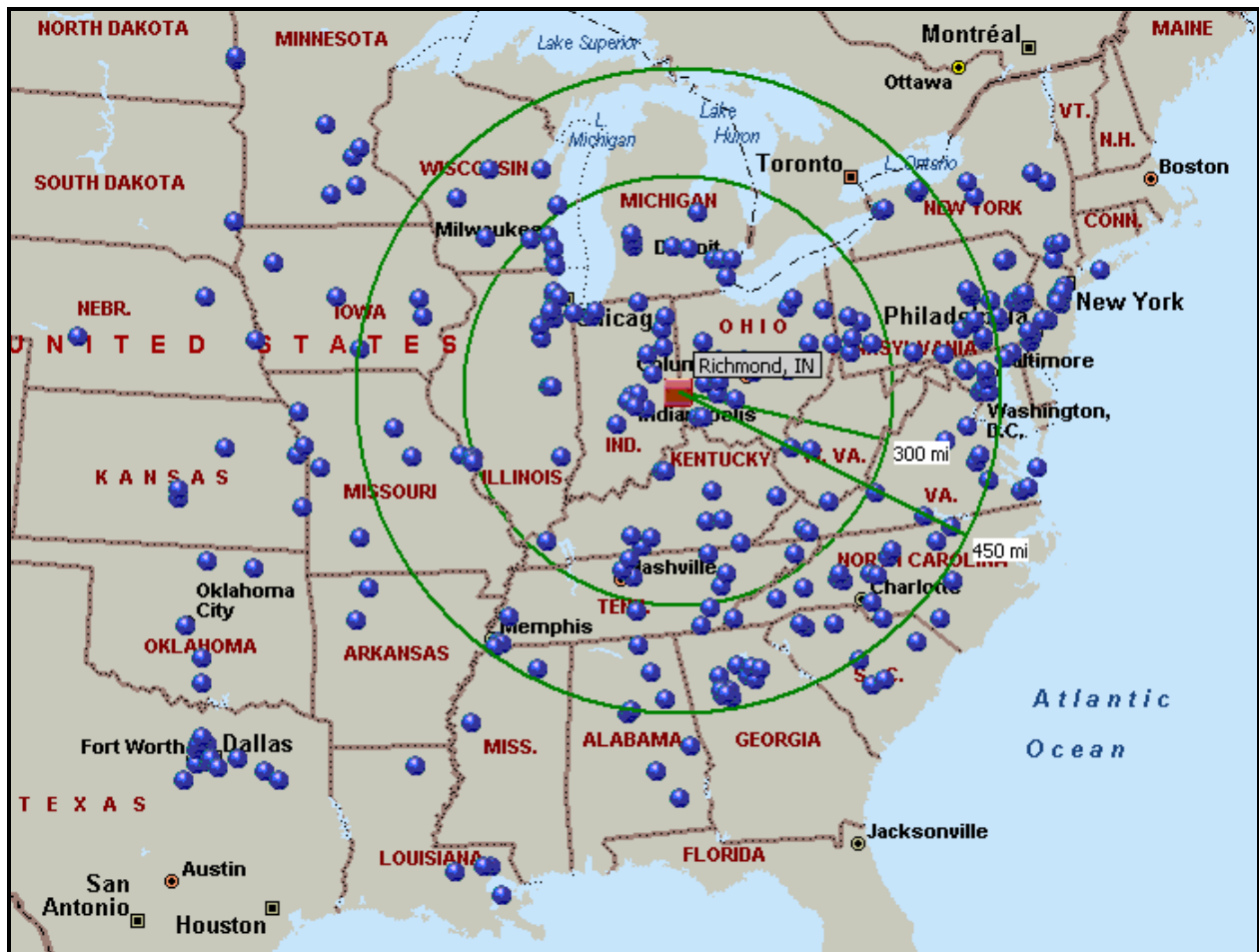
Freight

Freight costs represent the largest annual operating cost item for this project, approximately 65%. A separate, detailed freight model is available and can be used as a reference.

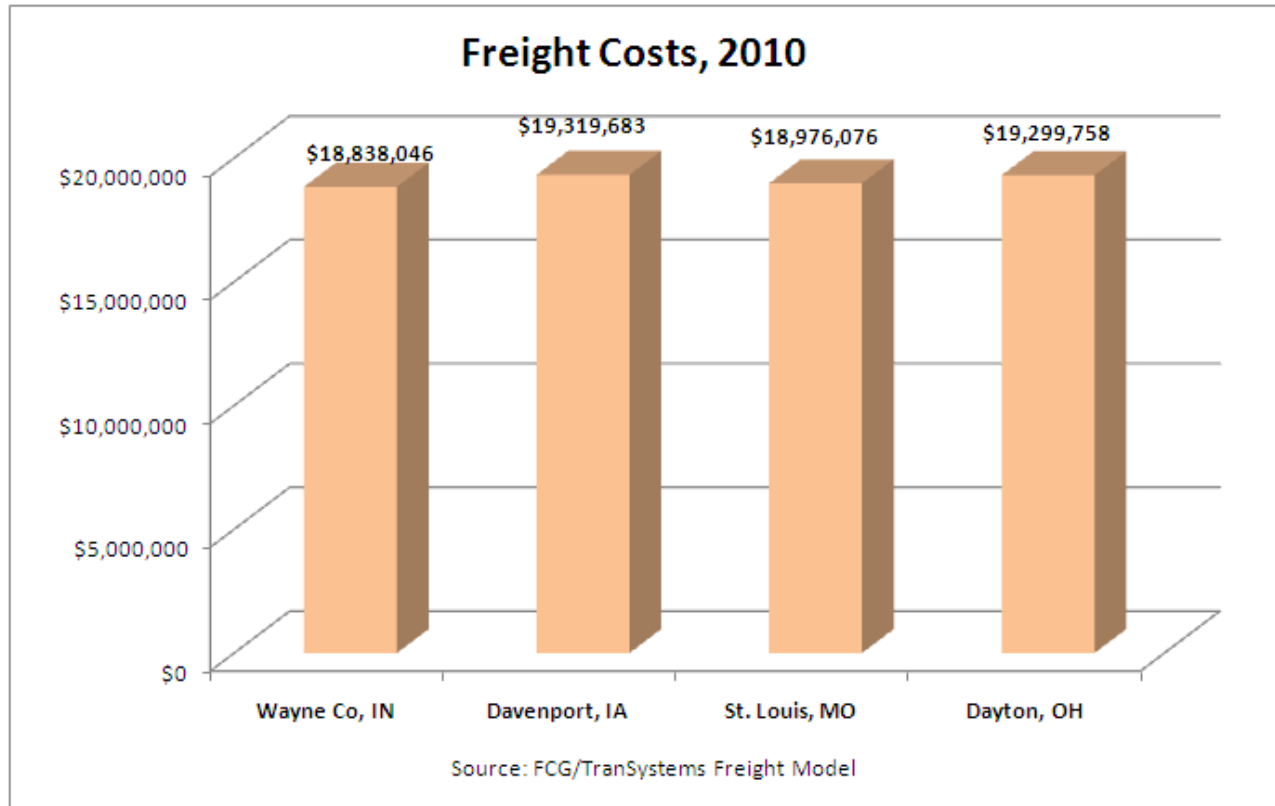
Consumer products will be shipped outbound from the plant to major metro area within a 450-mile radius of the plant site via a high percentage of rail. Inbound freight is based on the average miles from suppliers and is assumed to be equal to each location.

The following map depicts the desired distribution area up to a 450 radius and covers the major markets of 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
- SuperValu
- Wal-Mart
- Meijer
- Spartan Stores
- Aldi
- 7-Eleven
- Trader Joe's
- Costco
- Dollar General
- HT Hackney



Wayne County has the lowest freight costs. Almost a half million dollars can be saved over a location in Davenport.



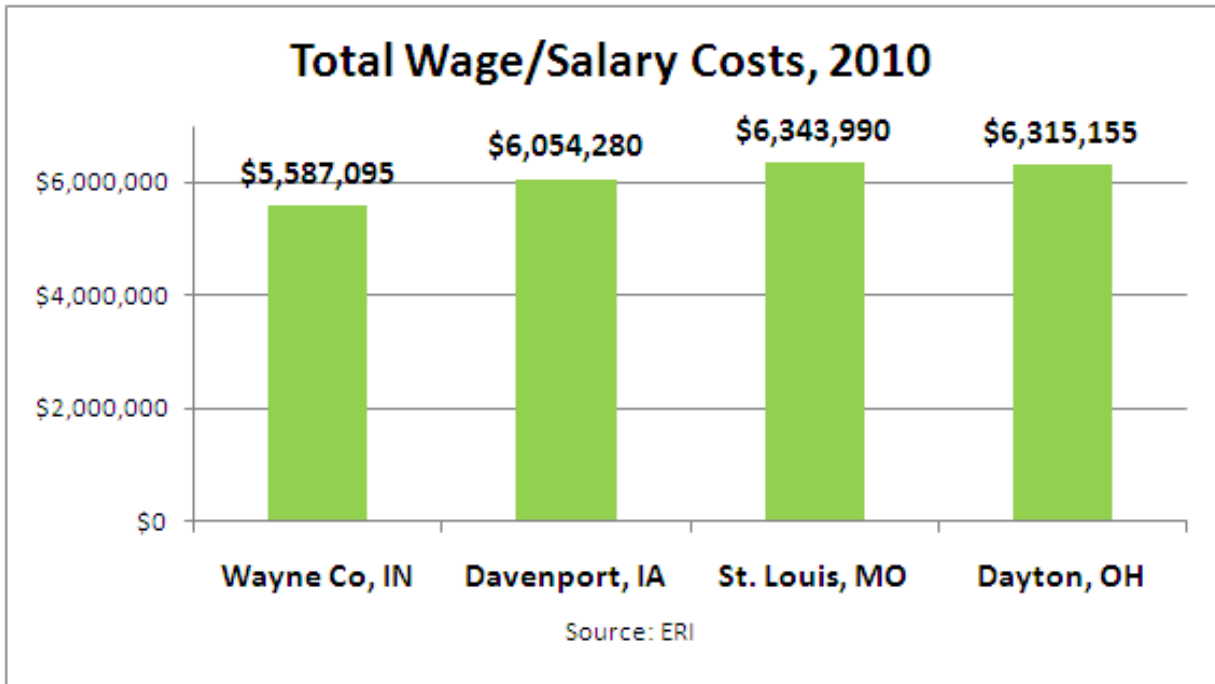
Labor

Wages/Salaries and Fringe Benefits

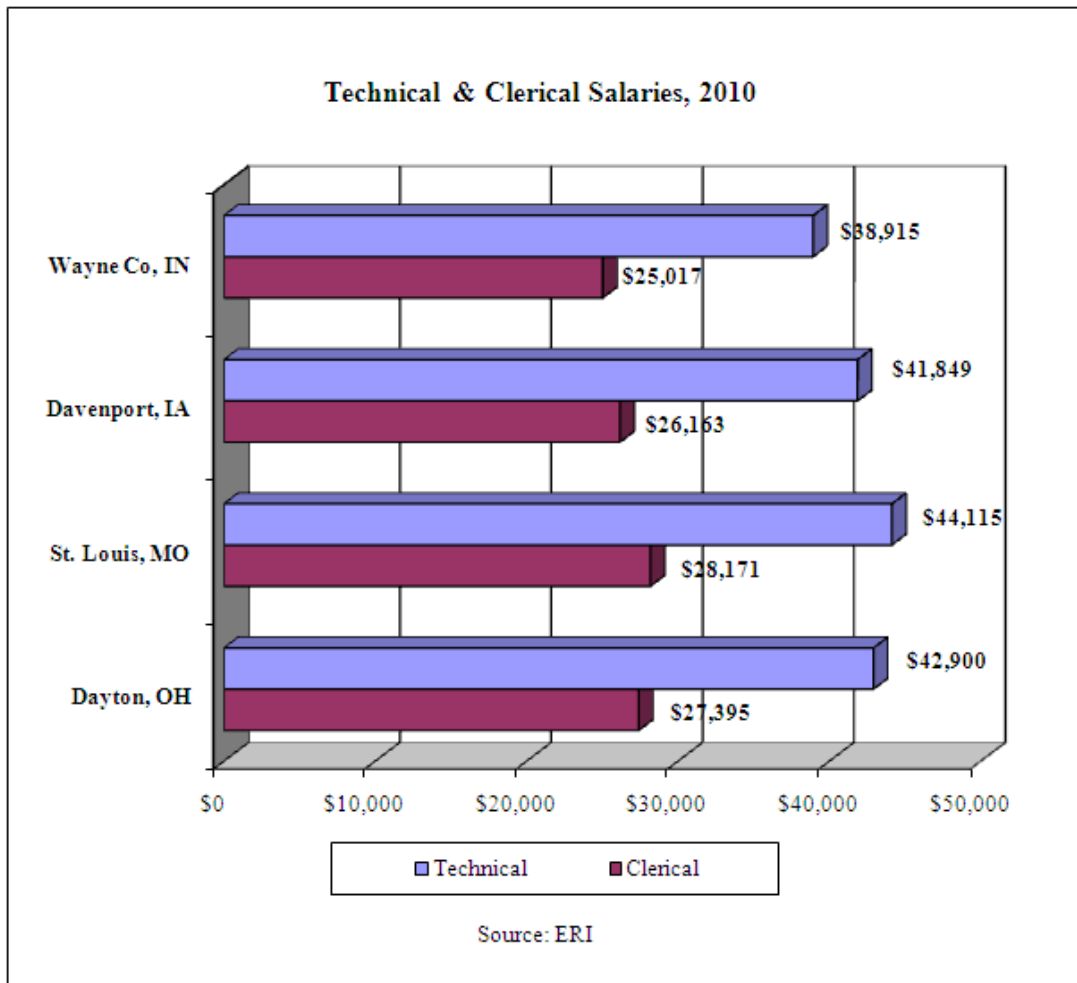
Labor costs (wage/salary/fringe benefits) represent about 20% of the total operating costs for this project. This is the second largest annual cost factor.

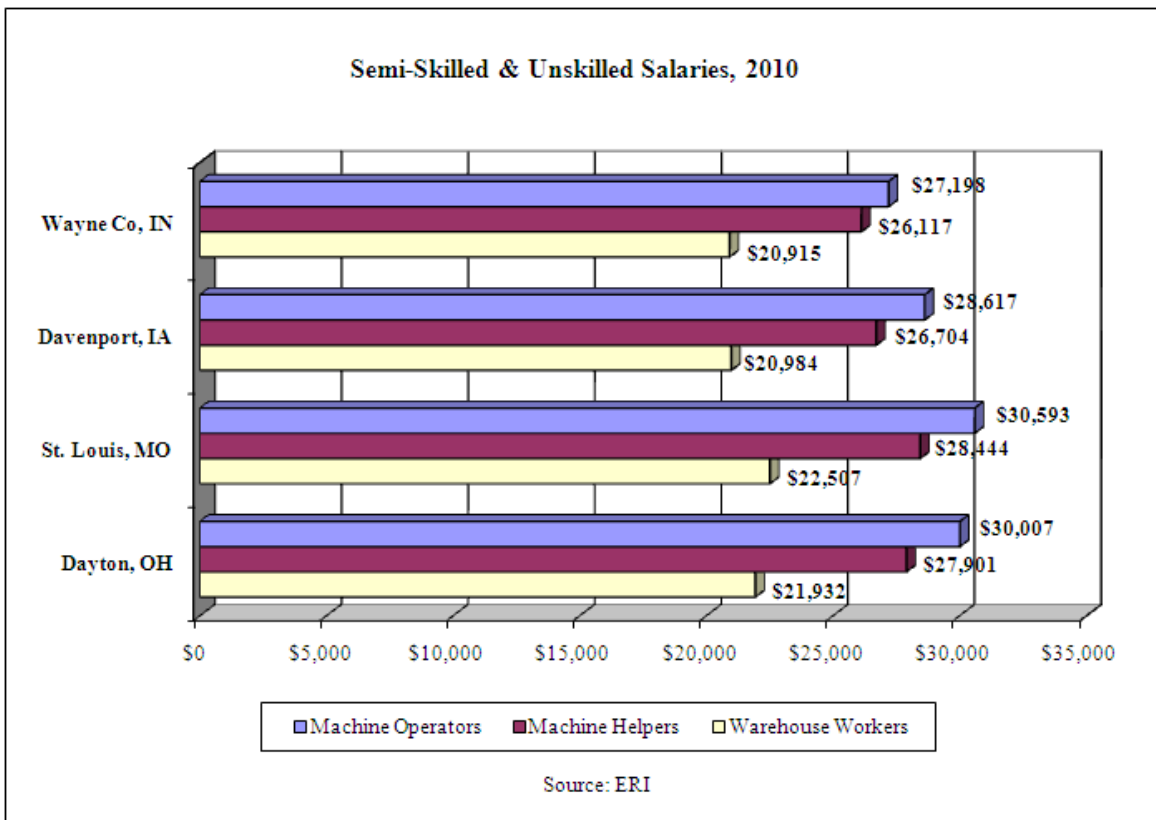
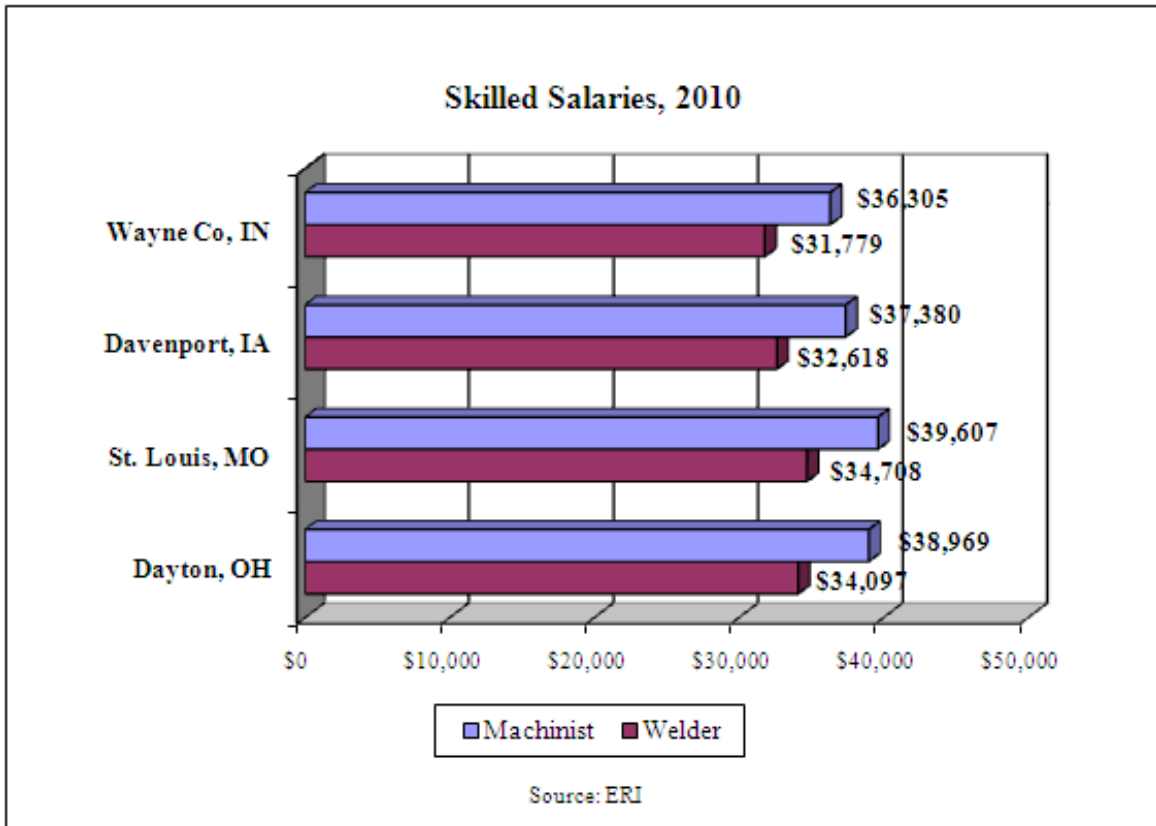
Wages and salaries used in the model are for incumbent worker median salary range positions. All wages come from our national data resource, Economic Research Institute (ERI).

Wayne County has the lowest overall wage/salary costs. Over \$750,000 would be saved annually by locating this project in Wayne County instead of the highest cost locale, St. Louis. *Please see the Total Wage/Salary Costs chart on the following page.*

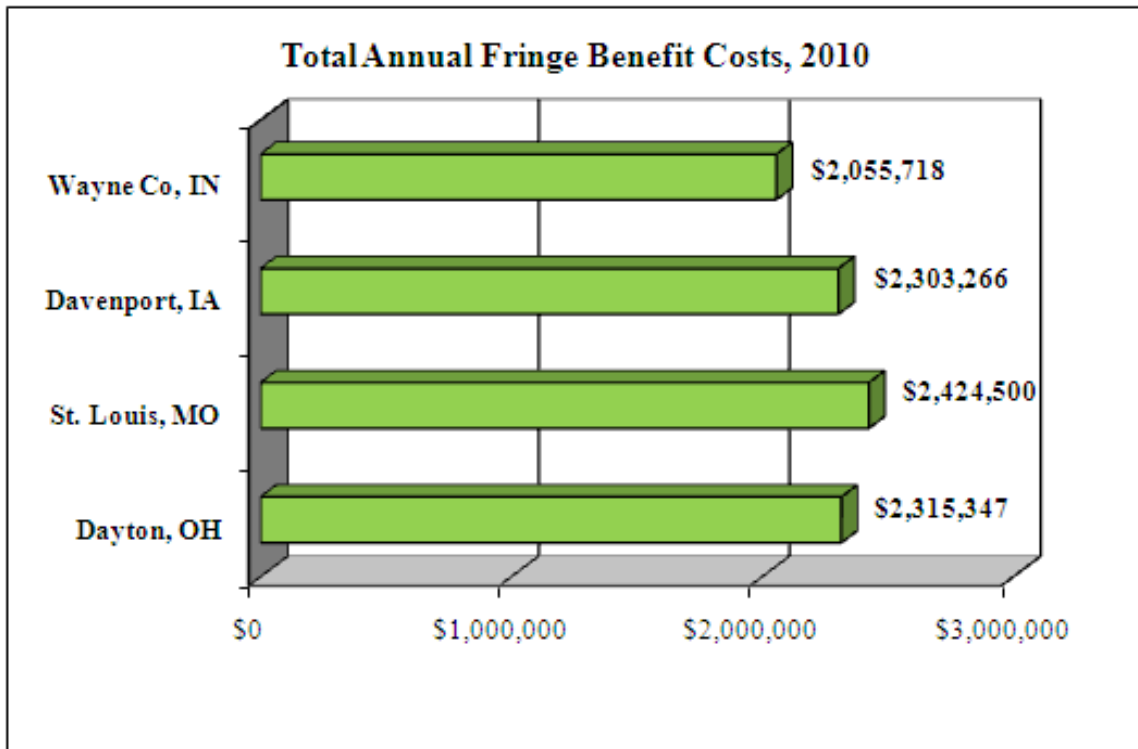


Following are specific salary comparisons:





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, and lower unemployment insurance costs.

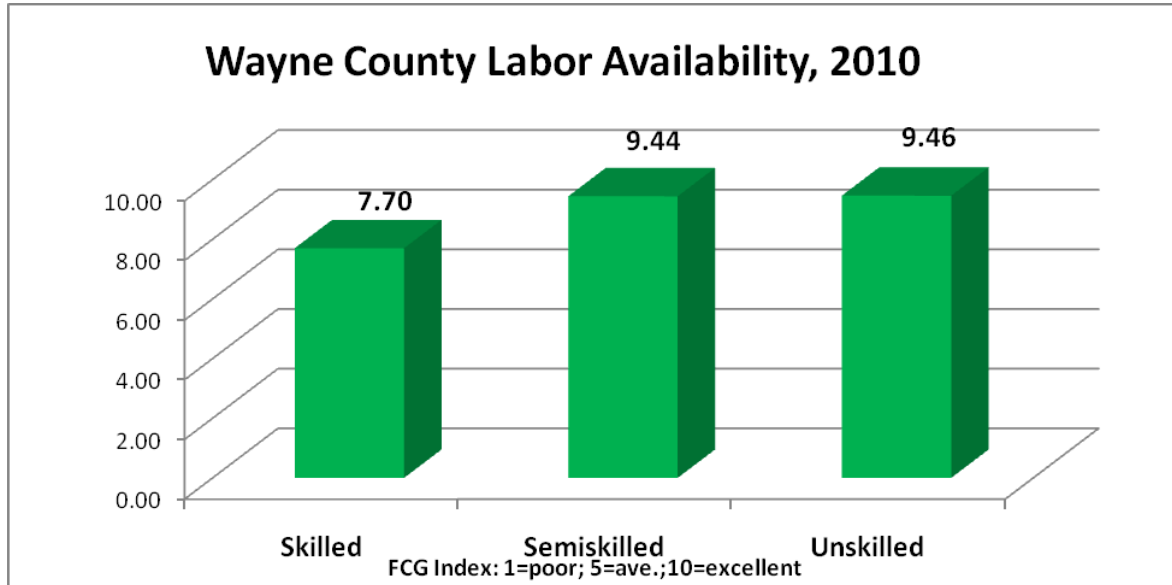


Labor Availability & Quality in the Wayne County Area

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).

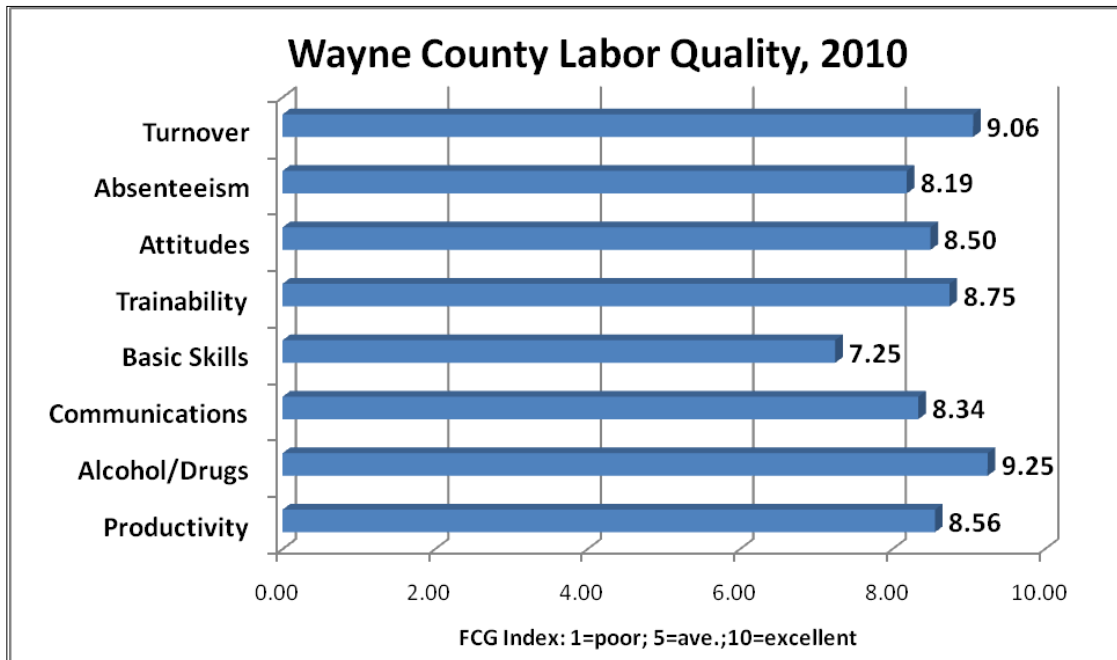


The following are employer quotes regarding availability:

- *“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.



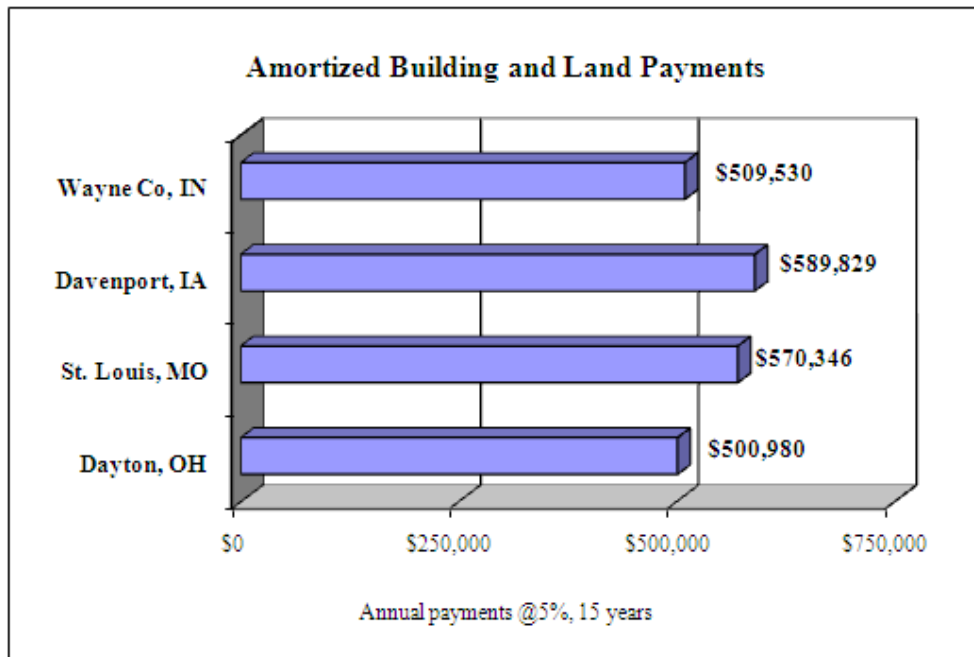
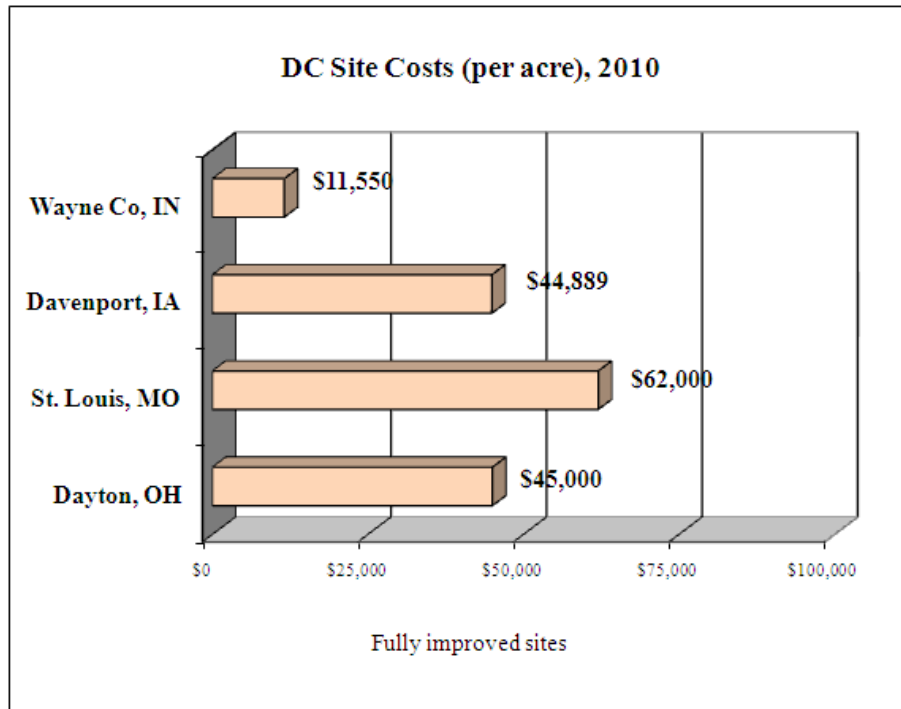
Employers tell us:

- *“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

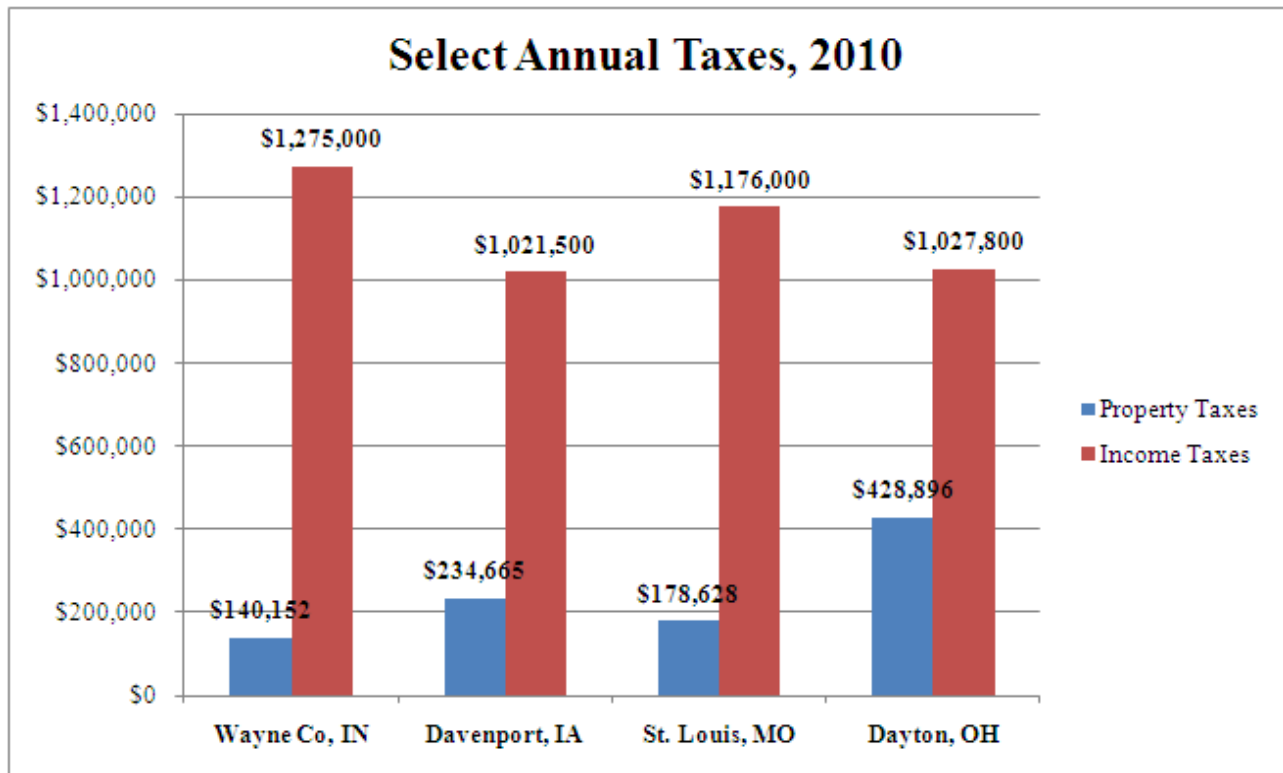
Property Taxes

Property taxes consist of real estate and personal property taxes, which may include taxes on machinery and equipment (M&E). They represent approximately 5% of the annual operating costs.

Wayne County property taxes¹ are modest 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 were examined at a high level. They represent approximately 4% of the annual operating costs. Corporate income taxes were figured on an adjusted taxable income of \$3,000,000.



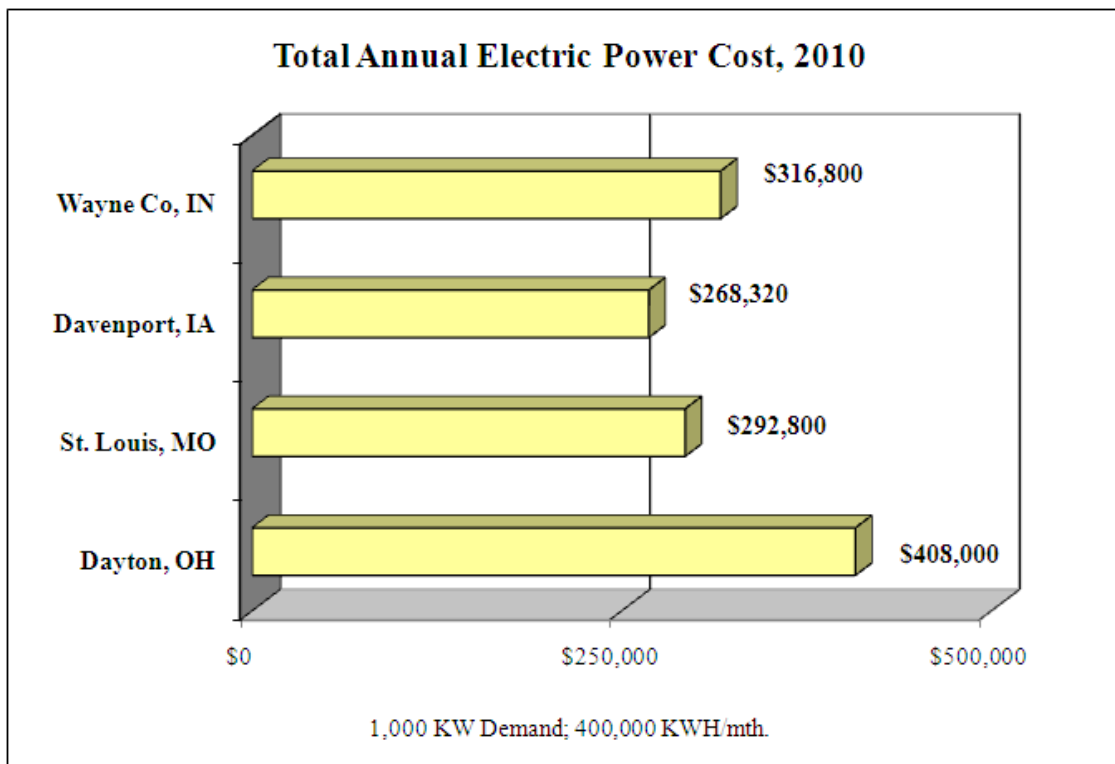
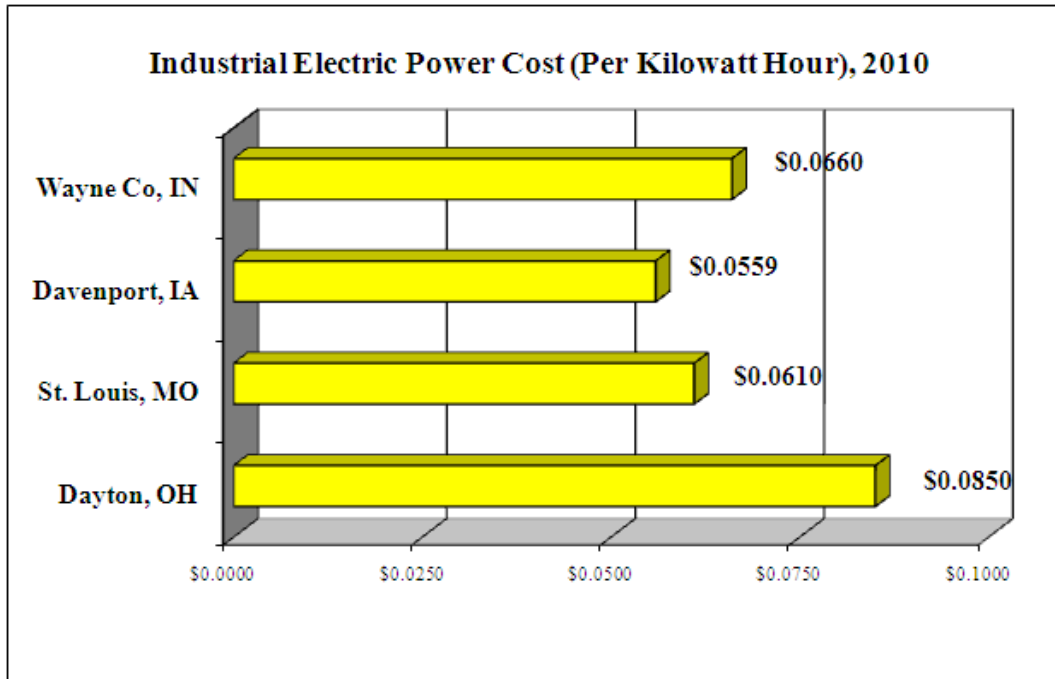
¹ Property tax caps - 1% of a homestead property's gross assessed value, 2% on investor owned residential properties and on agricultural land's gross assessed value and 3% cap of the gross assessed value on all other real and personal properties.

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

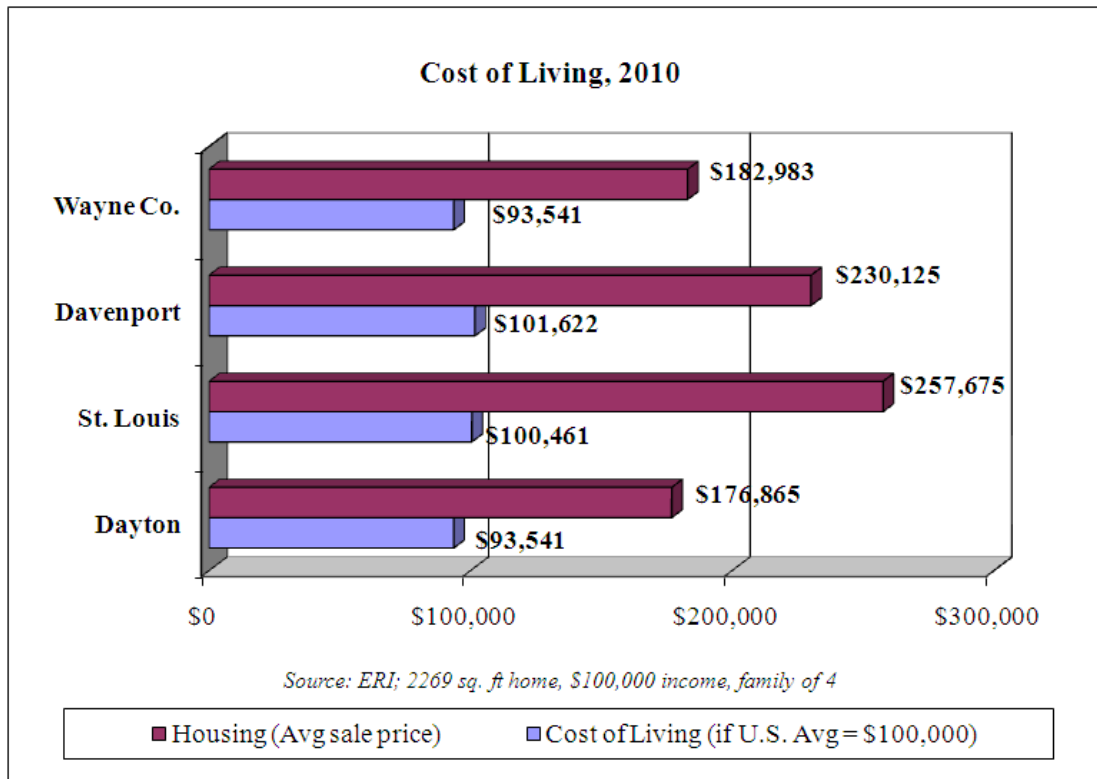
Electric Power

Power costs represent only about 1% 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 a transportation equipment/metals 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 Transportation Equipment/Metals Industries in the Wayne County Area

Transportation Equipment – NAICS 336

This sector involves operations that manufacture and assemble transportation equipment such as automobiles, trucks, aircraft/aerospace, watercraft, farm equipment, and rail equipment. The NAICS code is 336.

Research and development (R&D) operations which lead to new innovative products are significant in this sector, particularly in the automotive (struggling companies such as GM seeking new market share) and aerospace field. Private industry still funds over 68% of all R&D operations.

57 locations/expansions occurred in this sector within the three-state region in 2009. Some also fall into the renewable energy sector. Projects included:

<u>City</u>	<u>State</u>	<u>Company</u>	<u>Sq.Ft.</u>	<u>Jobs</u>	<u>Type</u>	<u>NAICS</u>
Abion	IN	Dexter Axle	153,000	114	Axles	336350
Brook Park	OH	Ford		250	Engines	336312
Crane	IN	ITT Electronics	15,000	220	Avionics	336411
Decatur	IN	AIP/FW Holdings		935	Recreational vehicles	336213
Greensburg	IN	Valeo		250	Cooling systems	336399
Indianapolis	IN	Comlux	170,000	480	Aircraft interiors	336360
Nappanee	IN	Electric Motors		450	Electric hybrids	336112
Nappanee	IN	Gulf Stream		1190	Electric/hybrids	336112
	KY	Sirius Energies	152,000	500	Electric vehicles	336

<i>Wayne County Strengths</i>	<i>Wayne County Weaknesses</i>
<p>Transportation Equipment (Auto)</p> <ul style="list-style-type: none"> • Market access/access to auto plants • Labor availability (strong occupational projections) • Labor costs • Interstate access • Electric power rates/reliability • Improved sites with rail • Incentives (capital intensive) • Access to suppliers • Labor/management relations • Regional location activity • Presence of other local operations 	<ul style="list-style-type: none"> • Large (100-plus-acre) sites with rail • Electric power cost is not as low as some competitors • Availability projections for select skills

Fabricated Metals – NAICS 331

Fabricated (fab) metals cover the fabrication and related manufacturing of metal products. It covers a vast array of metal parts and equipment used in industrial and construction applications.

There were 46 fabricated metals (and 25 related primary metals) locations/expansions in the three-state region in 2009. Projects included:

<u>City</u>	<u>State</u>	<u>Company</u>	<u>Sq.Ft.</u>	<u>Jobs</u>	<u>Type</u>	<u>NAICS</u>
Akron	OH	American Utility	141,000		Aluminum coatings	332812
Cleveland	OH	Steel Warehouse		100	Steel parts	332999
Fontanet	IN	Green Leaf, Inc.	26,000	34	Nylon valves	332911
Louisville	KY	BAE Systems		201	Defense systems	332
Plymouth	IN	Oasis Lifestyle		95	Bathroom fixtures	332998
Richfield	OH	Premier Farnell	30,000	100	Hardware	332722
Warren	OH	Reinforcement Systems	60,000	65	Wire products	332618

<i>Wayne County Strengths</i>	<i>Wayne County Weaknesses</i>
<p>Fabricated Metals</p> <ul style="list-style-type: none"> • Labor availability/quality • Labor costs • Access to markets/I-70 • Electric power rates/reliability • Improved sites with rail • Excess water/sewer capacities • Incentives (capital intensive) • Access to suppliers • Air attainment area • Labor/management relations • Regional location activity • Presence of other operations 	<ul style="list-style-type: none"> • Availability projections for select skills • Electric power cost is not as low as some competitors • Lack of existing buildings with rail

The Wayne County Area's Strengths for Transportation Equipment/Metals Firms – Summary

- Very competitive overall costs
- Excellent proximity and accessibility to markets (good freight costs)
- Lowest wage rates and generally good availability of labor
- Good site and build-to-suit opportunities
- Reliable electric power and excess water/sewer capacities
- 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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