

**GREENVILLE, ILLINOIS
AS A LOCATION FOR THE
INDUSTRIAL MACHINERY INDUSTRY**

PREPARED FOR THE:

CITY OF GREENVILLE

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Introduction

This report, **Greenville, IL as a Location for the Industrial Machinery Industry**, identifies business costs and conditions associated with the development of a new industrial machinery facility in Greenville. Manufacturing is an important aspect of the Greenville economy where firms such as Carlisle SynTec and Mallinckrodt are doing business.

The report compares cost and conditions in Greenville versus select locations:

- St. Louis, Missouri
- Columbia, MO
- Terre Haute, IN
- Edwardsville, Illinois
- Effingham, Illinois.

Costs and conditions are drawn from a hypothetical industrial machinery project (see model description on page 5), which was based on actual Carter & Burgess site selection fieldwork. The most important factors, based on Carter & Burgess' experience, are examined in this report. These factors include:

- Salary and wage costs
- Fringe benefit costs
- Labor availability/quality
- Building costs and conditions
- Taxes
- Utilities
- Higher education and training

The cost comparison spreadsheet follows on Pages 5-7. Costs were derived from actual field research in Greenville and telephone research on competitor communities. The latest available data was used for all cost comparisons.

Carter & Burgess, Inc. is a world-renowned architecture/engineering, real estate and site selection firm based in Fort Worth, Texas and with offices nation-wide. The firm has located and designed over 100,000,000 square feet of space in recent years creating over 75,000 new jobs.

Project Model
Industrial Machinery Facility

Purpose: The manufacturing of communications industrial machinery equipment and parts to serve the North American marketplace.

Hours of Operation: 16 hours per day (2 shifts); 7 days per week

Labor: 155 total
5 managerial
10 clerical
60 skilled electronic technicians, welders, maintenance mechanics
50 semiskilled, machine operators, assembly worker
30 unskilled warehouse workers

Utilities: Electric Power- Demand: 500 KW;
Energy: 1,000,000 Kwh/month (average)

Building: 185,000 square feet total; 165,000 of manufacturing space; 20,000 square feet of office space.

Land: 35 level acres in a planned industrial park fully developed.

Investment: Land/building-\$13,000,000 to \$20,000,000; Machinery & Equipment-\$18,750,000; Inventory-\$37,500,000.

Other Critical Factors: Good access to reasonably priced skilled workforce; reliable and economical electric power supply; access to good industrial machinery supplier and customer network; good technical college with flexibility in training; affordable housing.

Greenville, IL as a Location for the Industrial Machinery Industry

INDUSTRIAL MACHINERY PROJECT ANNUAL OPERATING COSTS

	Greenville, IL	St. Louis, MO	Columbia, MO	Terra Haute, IN	Edwardsville, IL	Effingham, IL
Labor Costs						
Mgmt./Supervision						
Number	5	5	5	5	5	5
Annual Salary	\$84,669	\$91,178	\$83,936	\$86,762	\$88,130	\$82,775
Total Salary	\$423,345	\$455,890	\$419,680	\$433,810	\$440,650	\$413,875
Clerical						
Number	10	10	10	10	10	10
Annual Salary	\$22,202	\$25,115	\$22,083	\$22,572	\$23,592	\$21,624
Total Salary	\$222,020	\$251,150	\$220,830	\$225,720	\$235,920	\$216,240
Skilled Electronic Techs						
Number	10	10	10	10	10	10
Annual Salary	\$43,417	\$48,060	\$42,501	\$44,117	\$46,026	\$42,268
Total Salary	\$434,170	\$480,600	\$425,010	\$441,170	\$460,260	\$422,680
Skilled Welders						
Number	30	30	30	30	30	30
Annual Salary	\$35,061	\$39,160	\$34,399	\$35,606	\$37,243	\$34,129
Total Salary	\$1,051,830	\$1,174,800	\$1,031,970	\$1,068,180	\$1,117,290	\$1,023,870
Skilled Maintenance Workers						
Number	20	20	20	20	20	20
Annual Salary	\$36,132	\$40,299	\$35,437	\$36,696	\$38,368	\$35,171
Total Salary	\$722,640	\$805,980	\$708,740	\$733,920	\$767,360	\$703,420
Semi-Skilled Machine Operators						
Number	30	30	30	30	30	30
Annual Salary	\$29,463	\$33,102	\$29,013	\$29,922	\$31,322	\$28,681
Total Salary	\$883,890	\$993,060	\$870,390	\$897,660	\$939,660	\$860,430
Semi-Skilled Assemblers						
Number	20	20	20	20	20	20
Annual Salary	\$26,109	\$29,412	\$25,812	\$26,527	\$27,751	\$25,422
Total Salary	\$522,180	\$588,240	\$516,240	\$530,540	\$555,020	\$508,440
Unskilled Warehouse Workers						
Number	30	30	30	30	30	30
Annual Salary	\$20,442	\$22,805	\$20,205	\$20,342	\$21,635	\$19,947
Total Salary	\$613,260	\$684,150	\$606,150	\$610,260	\$649,050	\$598,410
Total Annual Salary Costs	<u>\$4,873,335</u>	<u>\$5,433,870</u>	<u>\$4,799,010</u>	<u>\$4,941,260</u>	<u>\$5,165,210</u>	<u>\$4,747,365</u>

Greenville, IL as a Location for the Industrial Machinery Industry

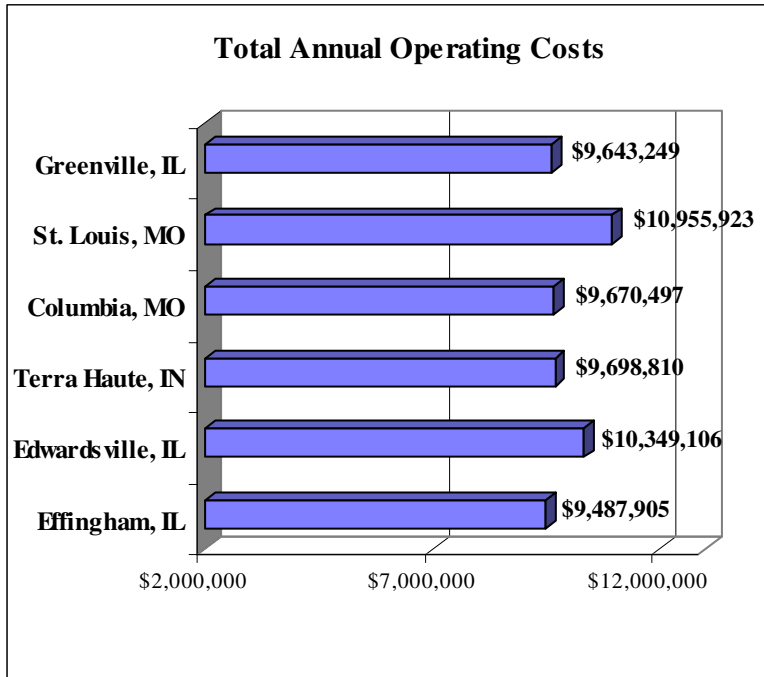
Project (Cont)	Greenville, IL	St. Louis, MO	Columbia, MO	Terra Haute, IN	Edwardsville, IL	Effingham, IL
Fringe Benefits						
Medical/Dental/Vision @20 %	\$974,667	\$1,086,774	\$959,802	\$988,252	\$1,033,042	\$949,473
Disability @ 1.5 %	\$73,100	\$81,508	\$71,985	\$74,119	\$77,478	\$71,210
FICA @ 7.5 %	\$365,500	\$407,540	\$359,926	\$370,595	\$387,391	\$356,052
Life @ .75 %	\$36,550	\$40,754	\$35,993	\$37,059	\$38,739	\$35,605
Unemployment Insurance (UI) Rate	3.90%	3.51%	3.51%	5.40%	3.90%	3.90%
UI Cost	\$36,465	\$32,819	\$32,819	\$32,130	\$36,465	\$36,465
Workers Comp Rate-Plant (per \$100)	\$3.82	\$4.88	\$4.88	\$1.88	\$3.82	\$3.82
Worker Comp Rate-Office (per \$100)	\$0.60	\$0.61	\$0.61	\$0.28	\$0.60	\$0.60
Workers Compensation Cost	\$60,690	\$86,281	\$75,988	\$30,053	\$64,391	\$59,136
Fringe Benefit Load Factor	31.74%	31.94%	32.02%	31.01%	31.70%	31.76%
<u>Total Annual Fringe Benefits Costs</u>	<u>\$1,546,972</u>	<u>\$1,735,676</u>	<u>\$1,536,512</u>	<u>\$1,532,208</u>	<u>\$1,637,506</u>	<u>\$1,507,943</u>
	Greenville, IL	St. Louis, MO	Columbia, MO	Terra Haute, IN	Edwardsville, IL	Effingham, IL
Build to Suit Costs						
Square Feet Office	20,000	20,000	20,000	20,000	20,000	20,000
Square Feet Manufacturing	165,000	165,000	165,000	165,000	165,000	165,000
Total Square Feet Required	185,000	185,000	185,000	185,000	185,000	185,000
Cost per Square Foot of Office	\$95.00	\$100.00	\$95.00	\$95.00	\$100.00	\$95.00
Cost per Square Foot of Mfg.	\$65.00	\$70.00	\$65.00	\$65.00	\$70.00	\$65.00
Total Building Cost	\$12,625,000	\$13,550,000	\$12,625,000	\$12,625,000	\$13,550,000	\$12,625,000
	Greenville, IL	St. Louis, MO	Columbia, MO	Terra Haute, IN	Edwardsville, IL	Effingham, IL
Land Costs						
Cost per Acre	\$10,000	\$130,680	\$100,000	\$10,000	\$73,326	\$25,000
Acres Required	35	35	35	35	35	35
Total Land Cost	\$350,000	\$4,573,800	\$3,500,000	\$350,000	\$2,566,410	\$875,000
Total Building & Land Cost	\$12,975,000	\$18,123,800	\$16,125,000	\$12,975,000	\$16,116,410	\$13,500,000
<u>Annual Payment (@ 6%, 15 yrs)</u>	<u>\$1,335,942</u>	<u>\$1,866,077</u>	<u>\$1,660,275</u>	<u>\$1,335,942</u>	<u>\$1,659,390</u>	<u>\$1,389,997</u>
	Greenville, IL	St. Louis, MO	Columbia, MO	Terra Haute, IN	Edwardsville, IL	Effingham, IL
Property Tax Costs						
Value of Real Estate	\$12,975,000	\$18,123,800	\$16,125,000	\$12,975,000	\$16,116,410	\$13,500,000
Assessment Ratio	33%	32%	32%	100%	33%	33%
Property Tax Rate	7.7489	6.635	6.53	1.9	6.664	6.956
Real Estate Taxes	\$331,789	\$384,805	\$336,948	\$246,525	\$354,419	\$309,890
Machinery & Equipment Value	\$18,750,000	\$18,750,000	\$18,750,000	\$18,750,000	\$18,750,000	\$18,750,000
Personal Property Tax Rate	0	5.24	5.39	1.90	\$0	\$0
Personal Property Tax	\$0	\$303,900	\$278,124	\$246,525	\$0	\$0
Value of Inventory	\$37,500,000	\$37,500,000	\$37,500,000	\$37,500,000	\$37,500,000	\$37,500,000
Inventory Tax Rate	0	0	0	0	0	0
Inventory Tax	\$0	\$0	\$0	\$0	\$0	\$0
<u>Total Annual Property Taxes</u>	<u>\$331,789</u>	<u>\$688,704</u>	<u>\$615,072</u>	<u>\$493,050</u>	<u>\$354,419</u>	<u>\$309,890</u>

Greenville, IL as a Location for the Industrial Machinery Industry

Project (Cont)	Greenville, IL	St. Louis, MO	Columbia, MO	Terra Haute, IN	Edwardsville, IL	Effingham, IL
Corporate Income Taxes						
Adjusted State Taxable Income	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
State Income Tax Rate	7.30%	6.25%	6.25%	8.50%	7.30%	7.30%
Federal Rate	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
<u>Total State and Federal Income Taxes</u>	<u>\$1,269,000</u>	<u>\$1,237,500</u>	<u>\$1,237,500</u>	<u>\$1,305,000</u>	<u>\$1,269,000</u>	<u>\$1,269,000</u>
	Greenville, IL	St. Louis, MO	Columbia, MO	Terra Haute, IN	Edwardsville, IL	Effingham, IL
Electric Power Costs						
KW Demand	500	500	500	500	500	500
KwH/Month Usage	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Cost/KwH	\$0.0515	\$0.0569	\$0.0356	\$0.0487	\$0.0515	\$0.0478
<u>Total Annual Electric Power Cost</u>	<u>\$618,000</u>	<u>\$682,800</u>	<u>\$437,200</u>	<u>\$584,400</u>	<u>\$618,000</u>	<u>\$573,600</u>
	Greenville, IL	St. Louis, MO	Columbia, MO	Terra Haute, IN	Edwardsville, IL	Effingham, IL
Total Annual Operating Costs	\$9,643,249	\$10,955,923	\$9,670,497	\$9,698,810	\$10,349,106	\$9,487,905
<i>Amount greater (less) than Greenville</i>		<i>\$1,312,674</i>	<i>\$27,248</i>	<i>\$55,561</i>	<i>\$705,857</i>	<i>(\$155,344)</i>
<i>% Difference from Greenville</i>		<i>13.61%</i>	<i>0.25%</i>	<i>0.57%</i>	<i>7.28%</i>	<i>-1.50%</i>

Total Project Operating Costs

Greenville is the second lowest cost locale for this industrial machinery project, behind Effingham. Over \$1.3 million per year could be saved by locating this project in Greenville versus the highest cost area, St. Louis.



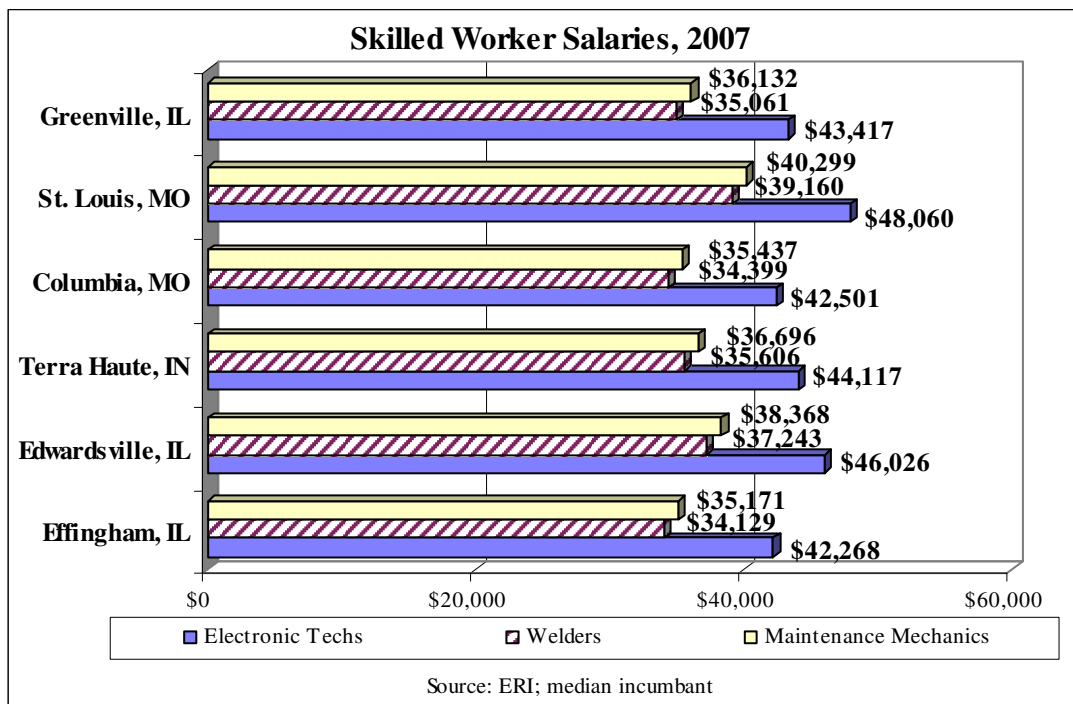
Labor Costs

Wages and Salaries

Wage and salary costs represent over 50% of the total operating costs for this project. This is the largest single cost factor. Greenville has the second lowest wages/salaries.

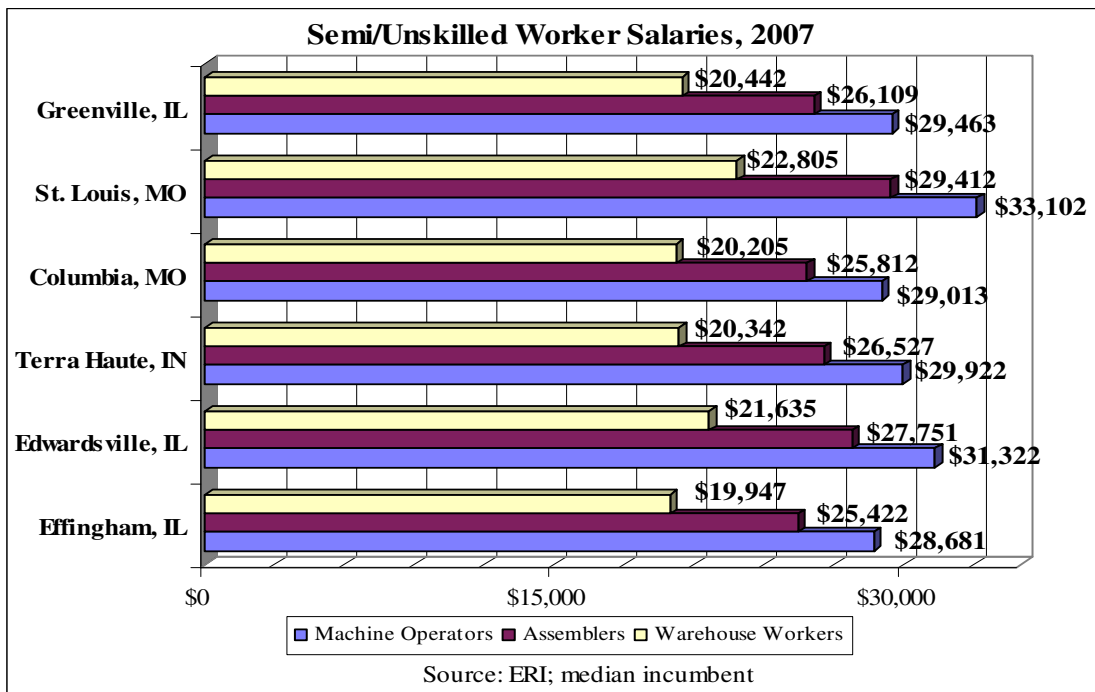
Wages and salaries are used in the model are for median incumbent positions. All wages come from Carter & Burgess's national data resource, Economics Research Institute (ERI).

- **Skilled salaries in Greenville are generally 11% below St. Louis, 6% below Edwardsville, but 3% higher than Effingham.**



Greenville, IL as a Location for the Industrial Machinery Industry

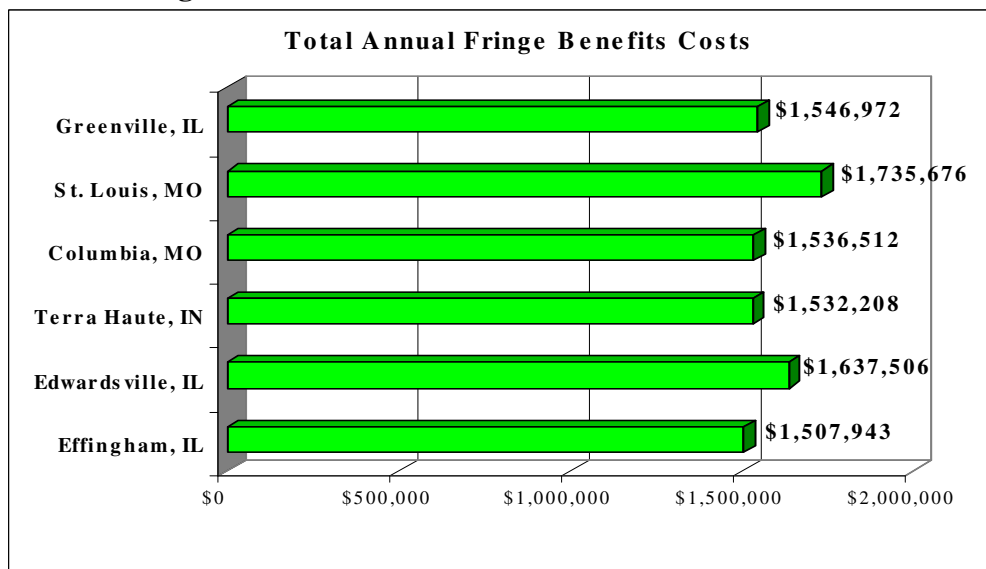
- Semi-skilled and unskilled salaries in Greenville are generally 12% below St. Louis, 6% below Edwardsville, but 3% higher than Effingham.



Fringe Benefits

Fringe benefits represent approximately 16% of the total annual operating costs for this project. The fringe benefit components are medical insurance, disability, Social Security taxes (FICA), unemployment insurance and workers compensation.

- Greenville fringe benefits are fourth lowest.

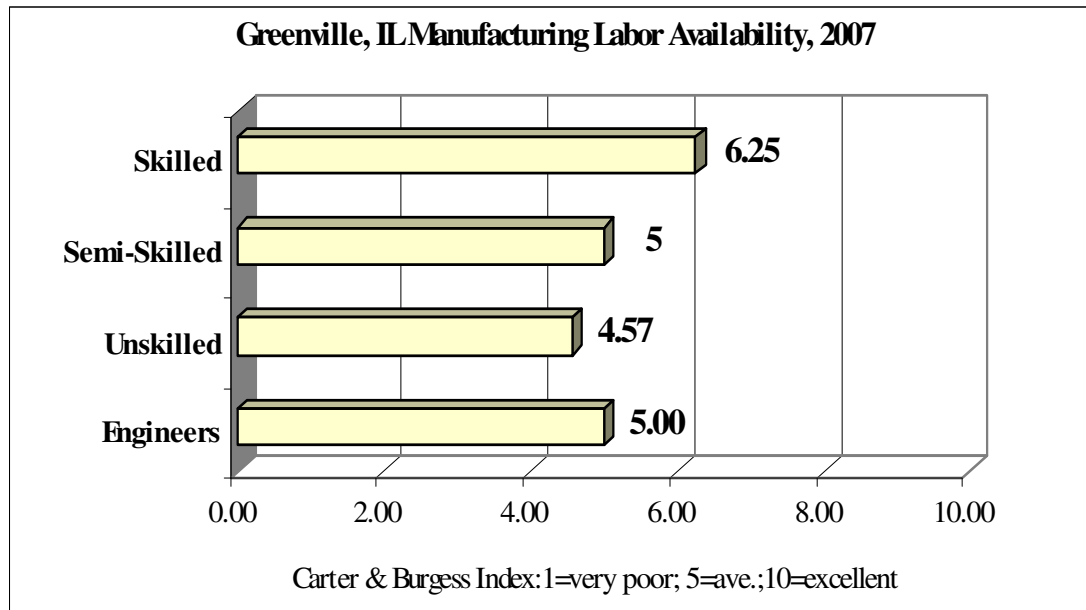


Labor Characteristics

Availability

Good labor availability is critically important to the success of an industrial machinery firm. Carter & Burgess has compared both availability conditions in Greenville using our unique “labor index.” The index factors on a 1 (very poor) to 10 (excellent) point scale (5 is average). The index takes our results of our fieldwork interviews 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.

- **Manufacturing availability is generally “average”.**
 - Tightest occupations include: assemblers, CNC machine operators, and technicians. This is consistent with occupation projections.
 - There is better available for: maintenance workers, some welders, painters and lower level machine operators.



What did employers say about availability?

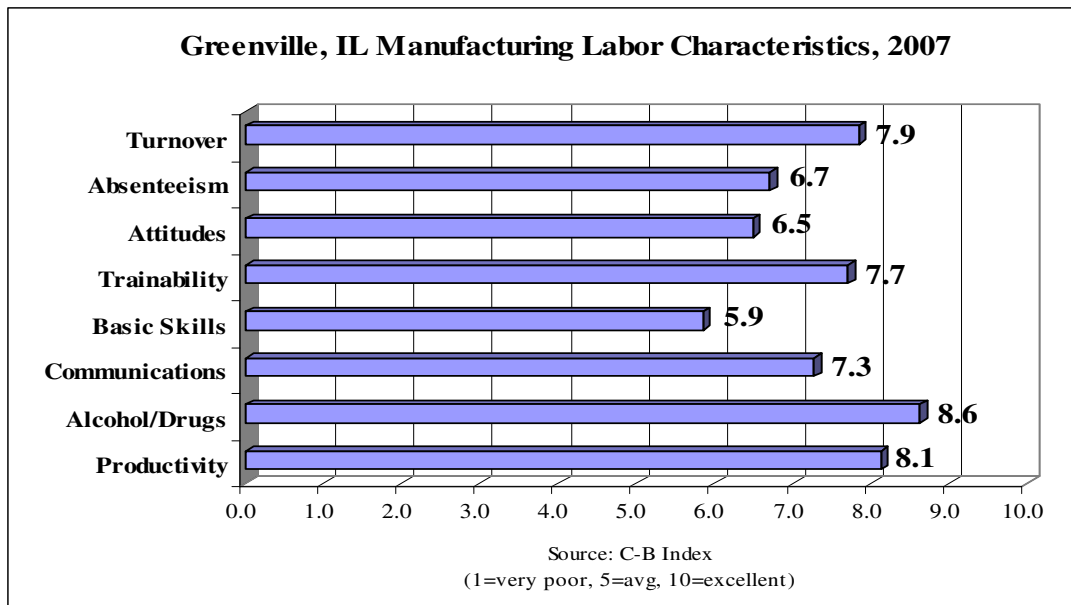
- *Decent work force here.*
- *Often find people because they do not want to commute to St. Louis*
- *Only took us three weeks to fill two skilled positions*
- *Skilled to semi-skilled labor easier to find than unskilled*
- *Students are an untapped labor source...*

Quality

Good labor quality is critical to a successful manufacturing project. Carter & Burgess collected information on select, important quality characteristics during our fieldwork. We measured select factors using the Carter & Burgess Index (1=very poor); 5=average; 10=excellent). We derive these index scores by compiling actual company responses. Since we measure these same characteristics in all community fieldwork, we are able to realize real “apples to apples” community comparisons.

Here are some important quotes from Greenville area employers regarding characteristics:

- **Overall labor quality is good** (overall index – 7.34).
 - Absenteeism and attitudes are areas of some concern.
 - Basic skills are a concern.
 - Productivity and alcohol/drugs are rated very good.



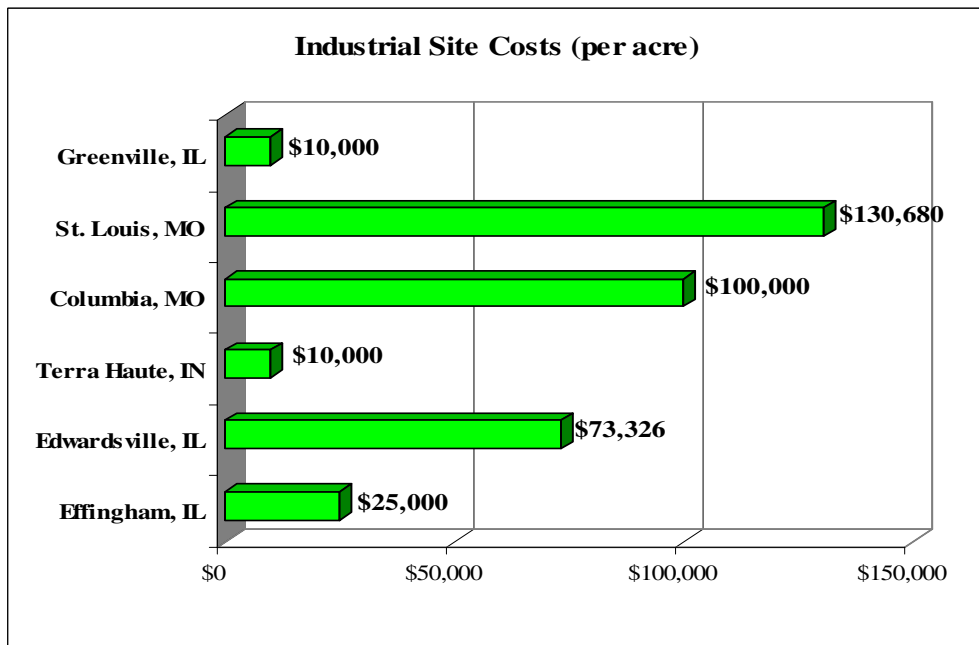
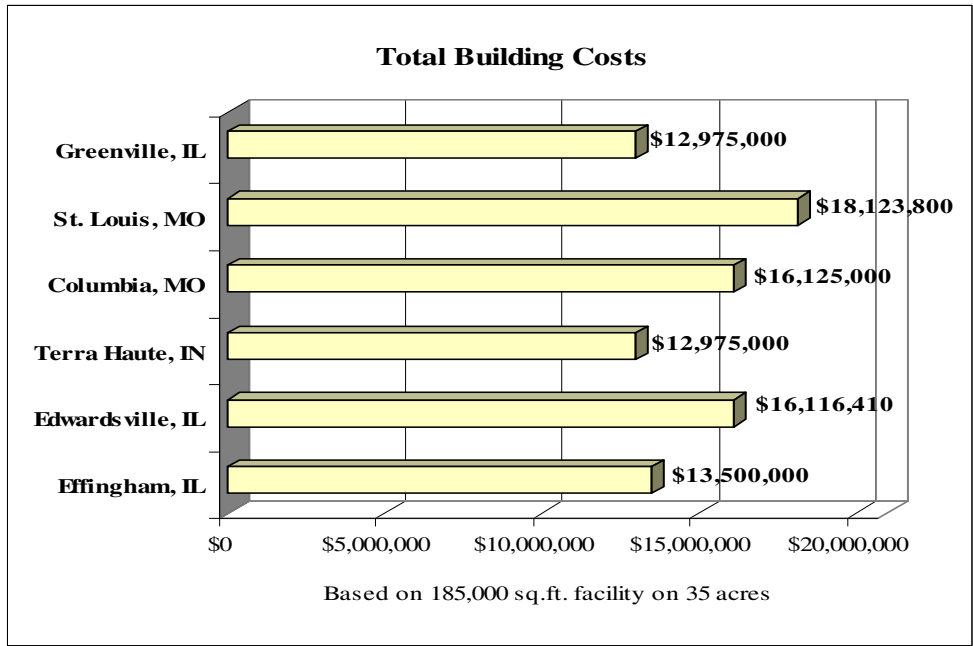
What are employers saying about quality today?

- *A real “Can Do” attitude here.*
- *Employees are very proud of their work.*
- *Good labor force overall – hard working people.*
- *Labor wise, a good location for manufacturing.*
- *Our productivity has increased substantially over the last 4 years.*
- *Our turnover and absenteeism is low.*
- *Quality of the work force is very strong...strong rural work ethic.*
- *They take pride in their work.*
- *Very dependable work force, very strong work ethic.*
- *We get all the new company projects here...they say Greenville can do it, if anybody can.*
- *Work ethic is unbelievable – harder on themselves than we are.*

Build to Suit Costs

Amortized building and site costs represent approximately 14% of total annual operating costs in the model.

- Greenville building related costs are lower primarily due to the low cost of prime industrial sites.



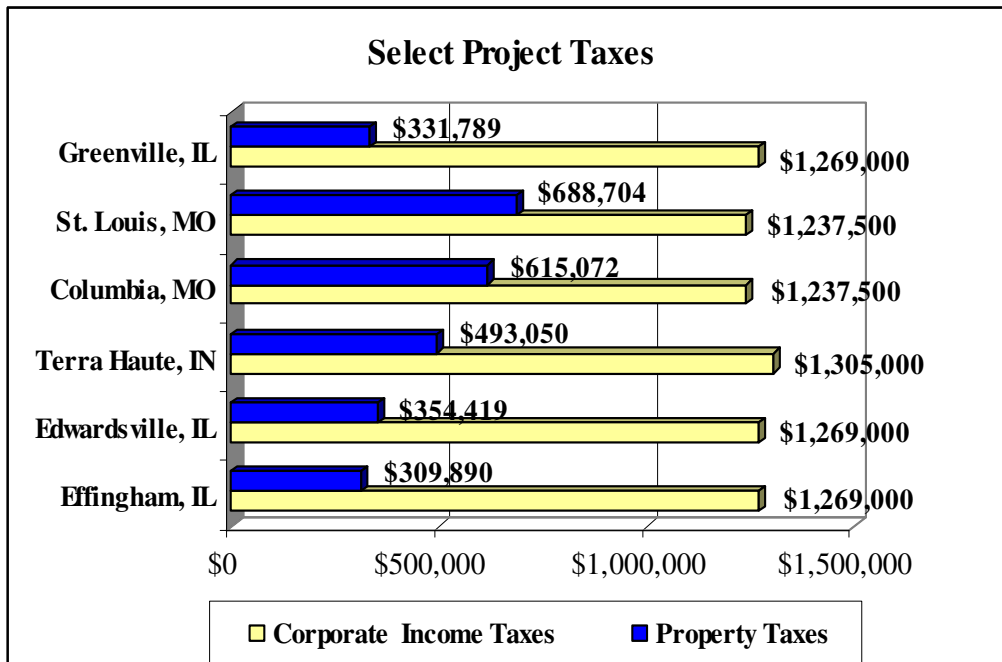
Taxes

Property Taxes

Property taxes consist of real estate, personal property and inventory items. Illinois property taxes are lower since there is no tax on personnel property or inventory.

Corporate Income Taxes

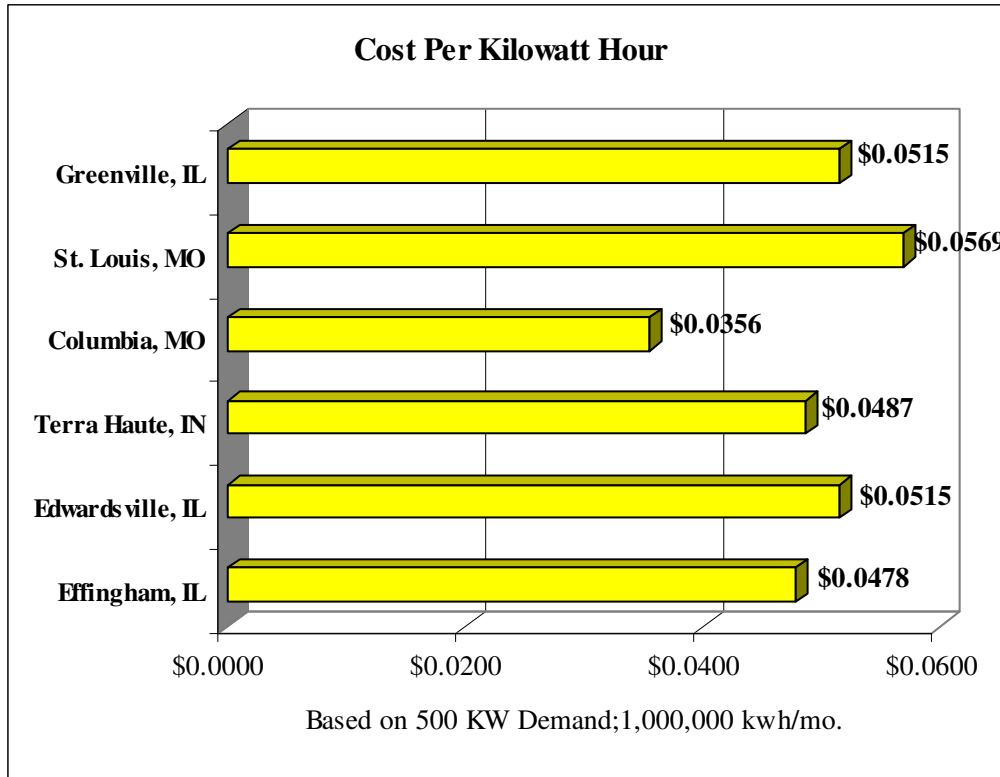
Based upon a \$3 million net taxable income, corporate income taxes represent 13% of the total operating costs of the project. Illinois has the second lowest state income tax rate behind Missouri.



Utilities

Electric Power

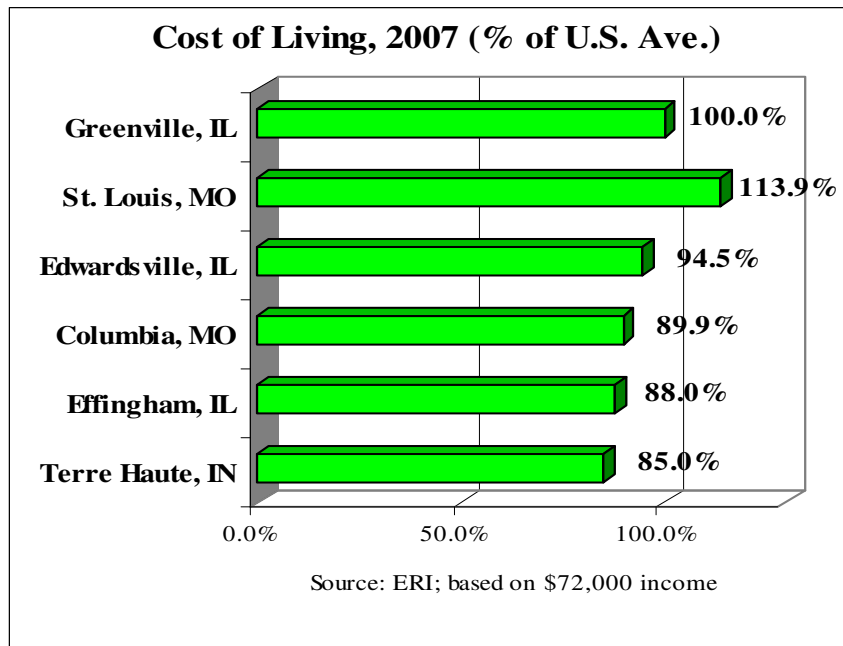
Power costs are a relatively minor cost in this model, approximately 6%.



Cost of Living

Relocation is a site location factor of growing importance because if key employees refuse to move to the new community, the project may be a failure. Therefore, the overall quality of life and cost of living of a community is critical.

- **Greenville's cost of living is right at the U.S. average.**



Greenville's Strengths for Industrial Machinery Firms

- Very competitive costs.
- High labor quality, particularly productivity.
- Attractive, affordable industrial sites.
- Good tax climate.
- Reliable electric power.
- Potential incentives that could lower costs even further.
- Affordable cost of living.

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