

EXECUTIVE SUMMARY
ANALYSIS OF CLINTON IOWA FOR MANUFACTURING

The examination performed by Prager Company is similar to that of a *Phase One Location Analysis* for companies contemplating a new manufacturing facility location. Areas chosen for comparison may compete with Clinton for light manufacturing and, in combination, serve as a proxy for the competitive environment in which Clinton operates.

Economic Base Highlights

Page | 1

- Manufacturing is a cornerstone of the Clinton economy. This sector is twice as concentrated in Clinton as it is in the US overall. The only other Clinton sector to exceed the US in concentration (albeit barely) is Transportation and Warehousing. In manufacturing, Food (food/feed processing), Chemicals (fertilizer and plastic material/resins), Paper (packaging and boxes), Plastics (film, sheets and hoses/belts) and Fabricated Metals (machine shops) are most prominent. Several very large employers dominate the landscape. About half of Clinton's companies employ fewer than 20 workers.
- The largest share of Clinton Regional Development Corporation's business attraction projects (past and present) align with Clinton's general manufacturing economy, namely Chemical companies (mostly fertilizer-related) and Fabricated Metals operations. The balance of CRDC's projects are an eclectic mix, though many are potentially part of the existing economy's supply chain. For a small community, Clinton has a number of foreign-owned, mostly European manufacturers in the area, including German, Swiss and Italian firms. Based on growing overseas connections, recent investments and business attraction project activity, this foreign cluster may very well expand.
- The change in manufacturing establishments in Clinton for the ten years from 2003-2013 appears fairly consistent with that of Iowa overall, but much less severe than the huge manufacturing decline in Illinois during that period...Although manufacturing in Clinton during this time declined (establishment change), it was still more stable than almost all comparison locations. But Clinton's overall economic base fared worse than Iowa and Illinois, and worse than most comparison locations also. Manufacturing issues seems to be continuing with the recent closure of several manufacturing firms, including Evergreen Packaging, IPSCO and Stampede.

Workforce – Size and Education Attainment

- Clinton's civilian labor force is comparable to several competitor midwestern communities...each location has the potential to draw individuals from beyond its county borders, though with varying degree of ease. For mostly smaller communities such as these, macro labor shed data and sub-county data suitable for comparison purposes is unavailable.
- Clinton is competitive when it comes to high school and Associate degree educational attainment...Clinton's education attainment levels are indicative of an economic base anchored in manufacturing.

Prager Company is an economic and management consulting firm with almost two decades of market-driven experience. Prager Company helps cities, regions and states grow their economies and companies maximize location-specific investment. This analysis was commissioned by the Clinton Regional Development Corporation.

EXECUTIVE SUMMARY
ANALYSIS OF CLINTON IOWA FOR MANUFACTURING

Workforce Age and In-Migration

- Clinton’s population has the oldest median age among comparable locations. An older population base is a potential concern for existing industry dealing with increasing workforce retirement and replacement, and for new employers seeking a long-term, talent pipeline. Efforts to provide the younger workforce with relevant work experience -- such as via well-supported apprenticeships and job shadowing initiatives -- are needed to help counter the impact of Clinton’s aging workforce and to help the industrial base grow and remain competitive.
- The median age of those in-migrating can be a partial indicator of labor pool replenishment. In this respect, Clinton is about average.

Community Colleges and Enrollment

- When looking beyond its borders, Clinton can draw from the community/junior college talent within a reasonable travel distance. Taking into account this larger footprint, Clinton can compete with Cedar Rapids and Rochelle and has significantly greater access to community college enrollment than most of the competing locations...Clinton and Rochelle have the most community and junior colleges within a 50-mile radius.

Workforce: Representative Salaries*

- Clinton’s average salaries are competitive vis-à-vis comparison locations for representative manufacturing and transportation positions...Clinton’s salaries for Industrial Production Managers and Industrial Engineers appear the most attractive...as such, Clinton may have a potential salary advantage when competing head-to-head with these locations for certain operations.

Workforce: Unionization

- On a national level, workforce unionization concerns of companies have declined steadily for years. Today, fewer workers are unionized, and labor-management relations have been relatively stable in most parts of the U.S.
- Iowa is a Right-to-Work State. Illinois is not. However, this does not always correlate with union coverage. For instance, though not a Right-to-Work State, Minnesota has one of the lowest percentages of manufacturing employment covered by unions.
- Iowa and Wisconsin have the highest percentage of union covered manufacturing employment, due in large part to the legacy unions present, not necessarily due to an active “pro-union” movement. While not hampered with labor-management issues as in years past, lingering perceptions combined with percent union coverage can none-the-less present challenges.
- Union-oriented work stoppages reported in a 50-mile radius may reflect more poorly on Clinton than is accurate, because this includes nearby areas where activity may be more pronounced. Clinton and Fulton had no registered elections and pro-votes between 2009-2013. Union presence may be more of the legacy variety as new (pro-union) activity here is not considered a significant concern.

Prager Company is an economic and management consulting firm with almost two decades of market-driven experience. Prager Company helps cities, regions and states grow their economies and companies maximize location-specific investment. This analysis was commissioned by the Clinton Regional Development Corporation.

EXECUTIVE SUMMARY
ANALYSIS OF CLINTON IOWA FOR MANUFACTURING

Clinton Area Workforce: Company Interview Conclusions

Quality and Ethic

- The Clinton area has a long history of process manufacturing. Its older workforce is very experienced with the demands of heavy process manufacturing and possesses an understanding of the work requirements in this environment. Larger industrial companies praise the depth of skills and experience of their employees.
- Companies cite how committed and dedicated the experienced workers are to the plant and to their job, and they praise the work ethic of these experienced employees.

Page | 3

Hiring and Recruiting

- The better paying manufacturers have very few problems attracting and retaining experienced, dedicated, high quality hourly manufacturing and production workers. However, companies not in the upper wage tiers cite much more difficulty in attracting and retaining quality workers, particularly for their second and third shifts.
- Some companies tout their ability to get young engineering interns and hires from regional engineering universities.

Costs

- Manufacturing labor costs in the area, albeit not low nationally, are not atypical of the older industrialized Midwest.
- Companies fairly consistently cite that the hourly wage levels needed to help ensure a stable, quality manufacturing workforce are roughly \$14-\$15 for lower skills, \$18-\$20 for semi-skilled, and over \$25 for skilled. Companies whose market conditions require them to pay below \$14 per hour are known to struggle to hire and retain the manufacturing workers they desire.
- Back office wages and salaries in the Clinton area appear to be quite competitive -- in the \$12 per hour range plus benefits. To date, most of the experience with back office operations is oriented toward lower skill level positions.

Electric Power and Natural Gas

- Clinton has robust utilities overall and the sites reviewed have adequate capacity and/or ability to increase supply. Clinton industrial power rates are relatively attractive...according to a recent JD Powers survey, Clinton receives acceptable marks for utility customer service/reliability. Based on state rates, Clinton's natural gas prices are expected to decrease over the next decade.

Water and Wastewater Treatment

- Clinton exhibits adequate capacity for waste treatment to serve existing and potential future industrial users. Clinton recently invested to expand capacities to meet future industrial and domestic use demands.
- The average daily water demand in all comparison locations, including Clinton, is influenced by their water intensive industry. However, Clinton's geographic position provides a benefit to potentially leverage both ground water and surface level sources (Mississippi River).

Prager Company is an economic and management consulting firm with almost two decades of market-driven experience. Prager Company helps cities, regions and states grow their economies and companies maximize location-specific investment. This analysis was commissioned by the Clinton Regional Development Corporation.

EXECUTIVE SUMMARY
ANALYSIS OF CLINTON IOWA FOR MANUFACTURING

State Tax Climate

- Based on a recent evaluation by the Tax Foundation and KPMG, Iowa' and Illinois' tax climates are considered most competitive for new capital-intensive manufacturers, when income taxes, property taxes, sales taxes and unemployment insurance factors are taken into consideration. *While Iowa's maximum corporate income tax is high, its single factor sales basis for income tax is a huge benefit for large-scale interstate commerce exporters.*

Page | 4

Workers Compensation and Unemployment Insurance

- Iowa's workers compensation index rate is comparable if not somewhat lower than three of the five comparison states.

Incentives Comments

- Iowa's incentives programs continue to shift, with the recent elimination of the Enterprise Zone program and the sunseting of the Iowa Values Fund. Many investment and expansion projects seek the benefits of the High Quality Jobs Program (HQJP) which is not geographically aligned as were Enterprise Zones, and includes investment tax credits, refunds, refundable research & development tax credits and potential direct financial assistance (when negotiated).
- Iowa's 260E job training program is considered an effective and beneficial program, with value based on a ten-year forward look at new employees withholding taxes and diverting this for job training purposes via the community college system. Iowa's 260F program (for incumbent worker training) is considered less significant, and some believe would benefit from further review to better align with the growing need to upskill existing workforce.

Livability

- Clinton's overall cost of living is lower than the national average and below most comparison locations. The average home listing price in Clinton is well below all comparison locations. As such, Clinton is a decidedly affordable place to live.
- Clinton's hospital(s) rate highly in overall quality, second only to Cedar Rapids vs. comparison locales, and comparable to Mankato.

K-12 Education

- Based on reported exit exams, compared to comparison locations, Clinton students fare relatively well in reading and math proficiency. Only one other city reviewed for this study exceeded Clinton in student exit exam results.

Prager Company is an economic and management consulting firm with almost two decades of market-driven experience. Prager Company helps cities, regions and states grow their economies and companies maximize location-specific investment. This analysis was commissioned by the Clinton Regional Development Corporation.

EXECUTIVE SUMMARY
ANALYSIS OF CLINTON IOWA FOR MANUFACTURING

Property Summary

Within the Clinton regional there are multiple industrial properties and a variety of parks and sites. The relatively wide range of sizes, configurations and infrastructure provide a solid array of options for new and expanding companies.

Lyons Business and Technology Park (Clinton) -- Lyons is an attractive business park for back office and commercial service operations with new road and infrastructure in place. New platted sites could be combined for 10+ acre back office sites, and upgraded 19th Street from the bridge to the park will enhance accessibility for workers.

Page | 5

Lyons Business and Technology Park (Clinton): Synopsis

Size

- Overall: Brochure indicates 109 acres in total. Appears to be ~55 acres developed or development ready
- Available: ~54 acres in platted parcels with additional land for expansion
- Asking Price: \$1.00/ft² (\$43,560/acre)

Zoning

- C2M zoning allows light manufacturing is in place.

Utilities

- Power: Info not provided. Existing companies appear to be adequately served. Underground cables
- Water: 12-inch water line
- Sewer: Existing companies appear to be adequately served
- Natural Gas: Existing companies appear to be adequately served
- Fiber: Three providers provide redundant service

Transportation/Access

- Highway: On Mill Creek Parkway with access to Highway 30
- Rail: Not available for or necessary for likely tenants
- Commercial Airport: Quad Cities ~30 miles

Image and Impression

- Attractive location...with multiple sites appropriate for small to medium sized back office operations
- Newly constructed access road through the park to access newly platted parcels
- Relatively good access on Mill Creek Parkway, which has been recently improved with an intersection and major upgrades on 19th Avenue N.
- Well-constructed office buildings in the development now

Prager Company is an economic and management consulting firm with almost two decades of market-driven experience. Prager Company helps cities, regions and states grow their economies and companies maximize location-specific investment. This analysis was commissioned by the Clinton Regional Development Corporation.

EXECUTIVE SUMMARY
ANALYSIS OF CLINTON IOWA FOR MANUFACTURING

Observed Strengths

- Well-developed and established office-related business park with parcels available between 3 and 10+ acres
- Appealing back office image
- Immediate access to Mill Creek Parkway
- 19th Avenue N. was fully improved to the bridge on the north side of downtown, providing good access to workers from downtown and from Fulton Illinois

Page | 6

Observed Challenges

- Some adjacent residential, albeit does not appear to conflict with future business development
- Some roll to the topography, but not to a detrimental extent

Cost Summary

Company requirements can vary greatly by type, size and objectives of a potential facility. When major operating factors are analyzed for this model, Clinton is seen to be less costly than every one of the comparison locations. Although not the lowest cost in any single category, when viewed in combination Clinton emerges as the most affordable place among the competitors to operate a facility.

Albeit not comprehensively modeled because of differing state formulas and imprecise data, Iowa has a competitive tax structure for processors shipping beyond its borders. The State offers an attractive combination of single factor corporate income tax, and no sales and use tax or property tax on machinery and equipment. Iowa also imposes no sales tax on electricity and natural gas used in manufacturing. Further, the State offers exemptions on new pollution control equipment for processing. Workers compensation and unemployment insurance costs are also relatively competitive in Iowa versus the competitors. As with the other states, Iowa does not tax inventory.

Iowa's Standard & Poor's AAA credit rating (a rating held since 2008) and its low budget deficit appear to make it less likely the State will need to raise tax rates any time soon as others have and may again. Further, the 2016 S&P rating outlook for Iowa is deemed Stable. By comparison, some of the competitor states have lower credit ratings, higher debt, and a negative outlook.

For modeling purposes, occupation-specific wage data was gathered at the community level. However, Clinton and its competitors draw from a regional labor shed. Labor costs are a function of myriad factors, including availability of skilled and semi-skilled workers, ability to attract talent from outside the area, and presence of applicable training programs. The 10+ counties comprising the Clinton area labor shed have a labor force of roughly 250,000.

Prager Company is an economic and management consulting firm with almost two decades of market-driven experience. Prager Company helps cities, regions and states grow their economies and companies maximize location-specific investment. This analysis was commissioned by the Clinton Regional Development Corporation.

EXECUTIVE SUMMARY
ANALYSIS OF CLINTON IOWA FOR MANUFACTURING

Based on employer interviews in Clinton, major manufacturers voice very few issues concerning the attraction and retention of dedicated production workers. Over the years, ADM and LyondellBasell (Clinton's two largest chemical manufacturers) have gone through numerous expansions. These decisions to grow locally are testament to their satisfaction with Clinton's workforce and business operating climate. These and other larger employers as well as others praise the deep skills and acumen of Clinton's more seasoned manufacturing workforce, more so than the younger workers in the area.

Page | 7

Over the next several years, considerable hiring is expected to take place. This includes processing technicians of which Clinton has a fairly strong contingent. According to Federal labor data, supply of these individuals within 50 miles of Clinton is far in excess of demand. Federal data also shows that supply of plant and system operators and technicians somewhat exceeds demand as well. The market for certain types of engineers, however, is very tight in the Clinton region, a common issue throughout the U.S.

Efforts are underway to bolster Clinton area processing skills and expertise via the region's higher education institutions and their increasing focus on advanced technology training. Eastern Iowa Community College in Clinton offers programs specifically supporting the chemical processing industry, including courses and certifications in operations, pre-engineering and various courses related to process control technologies. Within a 50-mile radius of Clinton, eight community/technical schools have an overall enrollment of more than 19,000 students and over 100 degrees awarded annually to precision production/mechanical technicians and engineering technicians. Within a 200-mile radius, three major engineering schools (University of Wisconsin-Madison, University of Illinois-Champaign, and Iowa State University, Ames) graduate over 300 bachelor level Chemical Engineering degree candidates annually.

In high cost of living areas, employers may need to pay a premium to attract and retain workers. This is not the case in Clinton or any of the comparison locations. In each case, living costs are lower than the U.S. average. The cost of living in Clinton is comparable to or lower than almost all comparison locations.

Real Estate

For a community its size, Clinton has a number of business parks with considerable acreage for industrial operations. Two of its parks have hundreds of industrial acres and direct rail service. Among competitor locations and communities the size of Clinton, the combination of large acreage sites for industrial use coupled with assets of both barge and Class 1 freight rail service are a rarity. In fact, the availability of industrial property with hundreds of acres and these attributes is quite limited in much of the central U.S.

EXECUTIVE SUMMARY
ANALYSIS OF CLINTON IOWA FOR MANUFACTURING

Logistics

Logistics access for Clinton is strongest with four-lane connectivity to Interstate 80, via Highway 30 and Highway 61. The combination of rail, barge and regional Interstate access provides Clinton manufacturers and processors with options for transporting both raw and bulk materials and final products, options that could be limited elsewhere.

Page | 8

The frequency and duration of power outages can influence bottom line utility costs to manufacturers. New practices, such as electricity efficiency spending programs and new designs to upgrade distribution systems, can also have a pronounced impact on energy costs. Alliant Energy, Clinton's utility, receives solid marks from JD Power for overall customer service/reliability.

Clinton has sufficient water and waste treatment capacity to serve its existing and future industrial users. The City recently invested in expanding its treatment capabilities to meet anticipated industrial demand. Based on data provided, Clinton's excess wastewater treatment capacity is believed to be 9 million gallons per day. Clinton has outflow access to the Mississippi River. As such, clean discharge is possible with likely less concern regarding volume.

Clinton has the expertise that comes from working with major manufacturing facilities and knows how to address the needs of processors with high levels of effluents. Clinton exhibits another important advantage over some of the competition. It meets the U.S. Environmental Protection Agency's air attainment Chemicals Processing Analysis of Clinton, Iowa.