

## **Adopted Minutes**

A rescheduled meeting of the Michigan Economic Growth Authority (MEGA) was held at the Victor Office Center, 201 N. Washington Square, Lansing, Michigan on October 8, 1996 at 12:00 p.m.

### **Members Present:**

Doug Rothwell

Mark Haas (acting for and on behalf of Doug Roberts, authorization attached)

William LaMothe (via telephone)

John McCormack (via telephone)

Beth Chappell

David Porteous

Matthew DeLong (acting for and on behalf of Robert Welke, authorization attached)

Doug Drake (acting for and on behalf of Mark Murray, authorization attached)

### **Others Present:**

Al Aceves, Michigan Jobs Commission

Dawn Baetsen, Michigan Jobs Commission

Diana Burns, Michigan Jobs Commission

Jim Donaldson, Michigan Jobs Commission

Amy Lane, Crain's Detroit Business

Mike Lower, CMI International, Inc.

Bill Morris, Monroe County Economic Development Counsel

Rich Nawrocki, CMI International, Inc.

Jim Paquet, Secretary to the MEGA

Mike Pohnl, Michigan Jobs Commission

James Seegert, Summerfield Township Supervisor

Jim Tobin, Michigan Jobs Commission

John Wernet, Attorney General's Office

### **Call To Order**

The meeting was called to order by Mr. Rothwell at 12:01 p.m.

### **Adoption of the Minutes from the September 24, 1996 Meeting**

It was moved, supported, and carried that the Minutes from the September 24, 1996 meeting be adopted.

### **Public Comment**

None

## **Action Items**

***CMI International, Incorporated***  
***30333 Southfield Road***  
***Southfield, Michigan 48076***

Mr. Rothwell introduced Jim Donaldson of the Michigan Jobs Commission and stated that Mr. Donaldson would be presenting a brief summary of the project.

Mr. Donaldson introduced Mike Pohnl and he in turn introduced Richard Nawrocki, CFO, CMI International, Inc., Michael Lower, Vice President, Materials Management of CMI International, Inc., James Seegert, Summerfield Township Supervisor and Bill Morris, Monroe County Economic Development Corporation.

## **History of the Company**

CMI International is a major manufacturer of machined cast and molded products, including polymer intake manifolds for the automotive industry. CMI is a privately held tier one supplier to the automotive industry. CMI employs 1,649 full-time employees in Michigan and 4,330 worldwide. The company has grown steadily in both the U.S. and in Mexico where there are about 1,500 employees. Due to expanded automotive business for intake manifolds, the company needs to expand its molding capacity.

## **Project Description**

CMI proposes to expand either in Nuevo Laredo, Mexico or in Summerfield Township, Monroe County. This expansion will supply customers including the Big Three and at least one foreign-domestic automotive assembler. Most of these customers are located in the midwest or central states.

This project will have a capital investment of approximately \$50.4 million in building renovations and equipment. It will create up to 205 new jobs with an average weekly wage of \$637. CMI has an employee benefit package that averages approximately 31 percent of payroll.

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Mexico and Summerfield Township, Michigan. Based on figures obtained from the company, the annual cost disadvantage for CMI to establish their manufacturing facility in Summerfield Township rather than Nuevo Laredo ranges from approximately \$1.6 million to \$3.5 million over the term of the incentive. The cost differential is primarily attributable to wages, workers compensation, unemployment insurance and business tax costs.

The company also presented mitigating factors, that, although not all quantifiable, assist in closing the cost gap for a Michigan location. These factors include:

A cost advantage of a production start-up closer to manufacturing engineering at the company's Ferndale research and development headquarters which the company feels is worth approximately \$750,000 annually; More experienced workers available for factory set-up and build-in, and; the advantage of production facilities close enough for customers to visit on a regular basis without significant time

committed to travel. CMI feels the proximity of the project to its customers would provide up to \$10 million in business that would not be available if the project was to locate in Mexico.

### **Benefit to State**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 544 new jobs in the state by the year 2011. Total state government revenues through the year 2011, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$16,328,000 (1996 dollars) due to the presence of the CMI facility.

### **Staff Recommendation**

Staff recommends a MEGA employment credit of 100 percent for a period of 15 years for up to 205 net new employees and a business activity credit of 100 percent for a period of 15 years.

### **Board Members' Discussion**

Mr. Rothwell turned the meeting over to Mr. Porteous at this time to summarize the discussion of the Executive Committee. Mr. Porteous reported that the Executive Committee had actually met twice and held thorough discussion of the project. The project is unique because it is the first MEGA consideration which compared the state of Michigan with another country. As a result, the appropriateness of using MEGA as a tool to compete was discussed. The Committee concluded that fundamentally there was no difference competing with another country rather than another state, as each project involves a unique set of factors that influence the location decision. Mr. Porteous stated that the Executive Committee felt very comfortable with this project.

Ms. Chappell agreed with Mr. Porteous and stated that CMI is paying a premium price to locate in Michigan.

Mr. LaMothe asked if the weekly wage of \$637 included benefits? Mr. Donaldson reported no, that CMI has an employee benefit package that averages 31% of payroll.

It was moved, supported, and carried that Resolution 1996-017 awarding tax credits to CMI International, Incorporated be adopted.

**ADOPTED:**

**Ayes:** Doug Rothwell, Mark Haas (acting for and on behalf of Doug Roberts, authorization attached), John McCormack (via telephone), William LaMothe (via telephone), Matthew DeLong (acting for and on behalf of Robert Welke, authorization attached), David Porteous, Doug Drake (acting for and on behalf of Mark Murray, authorization attached), Beth Chappell

**Nays:** None

Mr. Porteous thanked company officials for their commitment to Michigan. Messrs. Seegert and Morris thanked the MEGA Board for their support in Monroe County.

Mr. Rothwell announced that it would be uncertain whether a MEGA meeting would be held in November, however, he asked the members to please keep the November 19th date open.

Adjourned at 12:12 p.m.