

What Has Your Utility Done For You?

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The city of Riverside constitutes part of the “Inland Empire,” an urban area just east of Los Angeles, CA, and as the sun rose through a layer of fog on a recent August morning, it didn’t seem like the heart of a manufacturing hub. But just five minutes outside the city’s still-growing downtown sits the Hunter Business Park, home to a handful of influential area manufacturers: Sabert, Mackie, Parker Hannifin, Bourns Inc., K&N, and more. Among these firms is AMA Plastics, a custom injection molding company that has just reached its 40th anniversary in business. As one of the newest additions to the business park, AMA is an example of how strong connections between a successful business and a critical supplier — its power utility — can be a catalyst for more competitive business.

AMA Plastics is now run by CEO Mark Atchison, but the company was started in Anaheim, CA. by his father and uncle in 1971. At the time, it was a small endeavor — five machines and a tool shop. In 1994, the company moved to Corona with more than 100 employees, and stayed there for the next sixteen years. Last year, with their lease ending and with business becoming increasingly competitive, Atchison and his colleagues began researching a move. They were courted by other California jurisdictions — and even Las Vegas — but in the end, the company chose Riverside.

Even though the company only moved 20 miles inland, the change allowed AMA to take advantage of a low-interest loan from the County’s Redevelopment Agency and utilize the City of Riverside’s public power and water utilities, which offers a host of benefits and incentives for its businesses. Between frozen rates, the Economic Development Incentive Rates for new and expanding businesses, and rebates for investment in energy-efficient equipment, it’s clear why other major businesses — Riverside houses facilities for Pepsi, Ralph’s (Kroger), and Fresh and Easy (Tesco) at its complimentary Sycamore Canyon Business Park — have chosen this part of the Inland Empire as well.

A New Utility

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By delivering electricity through a municipal utility, Riverside is better able to approach manufacturers with incentives and rebates for reducing their power input. One of these incentives is the Economic Development Rate, which Kevin Palmer, Principal Account Manager for the utility, explains: “What we do is frontload the incentive, so there’s a 40 percent discount in year one, and a 20 percent discount in year two, so for [AMA Plastics] it’s going to amount to almost a million dollars in the first two years of operation.”

It’s clear that this kind of incentive isn’t just a blanket approach to attracting business. Palmer and his staff have been talking to their current customers and asking them what sort of incentives would be most beneficial to a power-hungry manufacturer. He says the Economic Development Rate emerged precisely from these discussions: “They said, ‘Don’t do a six-year contract and spread it out over the long-term. Give it to us up-front to offset our capital investment.’”

And with all the economic turmoil, businesses always enjoy at least a modicum of stability. Riverside’s City Council approved a rate freeze in 2010, which “helps customers feel confident they can predict — at least for the next two years — what was going to happen with energy costs,” Palmer says.

All of this adds up to a city that is actively pursuing new business, just like any good manufacturer would. At the heart of the Hunter Business Park, a large sports and hobby park — equal in square footage to many of its neighboring industrial facilities — is being completely renovated with a family-friendly playground and baseball fields. Palmer says that the city could have moved the park, but that it was important for the city to provide another local amenity for businesses. Don Jensen, AMA’s vice president of finance, says there are already plans to start a company softball team.

Of course, none of this would have been possible without an open, honest, and long-lasting dialogue with the manufacturers of the entire Inland Empire, AMA Plastics included.



The new facility's ultra-efficient power distribution system, which was mandated by California's aggressive efficiency standards.

Shaking Things Up

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Rob Moran, Economic Development Manager at the County of Riverside, says that the relationship between AMA Plastics and local government began long before the company thought of moving to Riverside. Over an eight- or nine-year relationship, the County has tried to help AMA with other financial dealings, but when the company's lease in Corona was coming to a close, Moran knew the County had to act to keep the business in the area.

He explains: "AMA came to us, they said, 'We're being courted by all these different jurisdictions and states.' Good economy or bad — we don't want to lose 250 jobs." The County certainly did not want to see AMA flee for Nevada or another county in California. To achieve this end, they handcrafted a financial incentive package for Atchison and his associates, which allowed them to easier manage the rather large purchase of their new facility. Moran says, "We had to sit down with [AMA] over several months and ask, 'What makes the most sense for you?'"

After being handed over to Palmer and Riverside's other economic development team members, the decision was made easier. Jensen says the Economic Development Rate "really helped the banks approve our loans because the savings was so significant. It's the first two years that are the hardest financially, so it really helped the cash flows work for us."

In March of this year, AMA moved its entire operation — all 77 injection molding machines and its 250 employees — in nine short days. The new facility is one-tenth the age of its previous home, and it has more sophisticated energy efficiency built in to its construction. Jensen says the new power distribution system is more efficient in itself, the building envelope is more energy efficient, and the plant floor is lit by energy-saving T-5 Type florescent light fixtures.

If AMA wanted to incorporate more energy-efficiency equipment in the future, such as a new injection molder or a compressor, Riverside's utility would be there to supply a rebate. The problem for AMA, however, is that they are running at too high a capacity to make any replacements. When you're running 24/7, 365 days of the year, with almost 400 employees, getting orders out the door is the most important business.

The move, in the end, has been the best catalyst for more business, and opens up the door for even more expansion. Atchison says, "We went from 90,000 to 150,000 sq. ft. here, so everything's under one roof. It gave us more space to expand up to, or exceed, the 100-machine range. We originally had somewhere around 3,000 amps of electrical service at the other building, and that was going to be an issue — if someone gave us a free machine we couldn't have put it on the floor anyway — but now we have the space and the power here, coming in with 8,000 amps of service capacity."

Making the Connection

One might say that the County of Riverside and the City of Riverside rolled out the red carpet for AMA Plastics. But that kind of involvement doesn't just happen to a company without seeking out a better way to be competitive. AMA competes not only on a regional scale, but also with injection molders in the likes of China and

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Mexico, so cost-effectiveness is critical. Being a heavy power user meant that Riverside's utility rate has helped the company bring down costs and better compete. As we walked the plant floor, Atchison was proud to showcase a group of employees assembling plastic pieces — a project that came back from China.

Atchison says the company's proactive business practices and associated successes with Riverside were a result of an internal drive. "We're competing globally," he says. "We wanted to do everything we could to position ourselves as the most cost-effective as we could, and have room to grow."

Naturally, one would think this would be the priority of any American manufacturer, but Palmer disagrees, to an extent: "We find that some businesses get so wrapped up in what they're doing that they don't often look externally, to see what programs they can take advantage of." What are those external advantages? In another Riverside company's case, a \$150,000 energy efficiency rebate.

Moran agrees, saying, "You get some that are afraid to get involved. They think, 'If I get started working with them, it's going to be a terrible experience. I don't want to deal with government.'" In many cases, that refusal to deal with local governments costs small businesses five-figure rebates on a regular basis. For those with a small footprint, a \$25,000 rebate could make a significant difference to the bottom line. Moran says the "smart business is one that keeps a pulse" with economic development groups and local government.

Not every company can move their plant to Riverside to collect on the financial benefits, although Palmer and Moran wouldn't mind seeing them try. Atchison and Palmer agreed that even their 20-mile move was exhausting. Instead, manufacturers should be looking to their own local governments and utilities for any additional cost savings or benefits. Many other utilities offer similar incentives for their customers, and Palmer says that people shouldn't be afraid to get aggressive. Staying aware of the possibilities could help many businesses save thousands of dollars off of their next equipment purchase or investment in their facility.

Of course, if you're looking for a bargaining chip to get your own power rate reduced or to pull in an incentive for a new piece of energy-efficient equipment you've bought, it wouldn't hurt to mention Riverside. They would be happy to vouch for their own business-friendliness, and perhaps ask, "What has your utility done for you?"

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