

# State of Wisconsin

SENATE CHAIR  
**Howard Marklein**

316 East, State Capitol  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: (608) 266-0703



ASSEMBLY CHAIR  
**Mark Born**

308 East, State Capitol  
P.O. Box 8592  
Madison, WI 53708-8953  
Phone: (608) 266-2540

## Joint Committee on Finance

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Howard Marklein  
Representative Mark Born

Date: April 27, 2023

Re: 14-Day Passive Review Approval – WEDC

Pursuant to s. 238.399(3)(am), Stats., attached is a 14-day passive review request from the Wisconsin Economic Development Corporation, received on April 27, 2023.

Please review the material and notify **Senator Marklein** or **Representative Born** no later than **Tuesday, May 16, 2023**, if you have any concerns about the request or if you would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

Attachments

HM:MB:jm

# WISCONSIN

ECONOMIC DEVELOPMENT

April 25, 2023

Senator Marklein & Representative Born  
Co-Chairs, Joint Committee on Finance  
State Capitol, Madison, WI

APR 27 2023

*St. Finance*

## TRANSMITTED VIA ELECTRONIC MAIL

Dear Co-Chairs of the Joint Committee on Finance:

The Wisconsin Economic Development Corporation's ("WEDC") Board of Directors has approved the designation of an Enterprise Zone ("EZ") which is subject to passive review by the Joint Committee on Finance pursuant to Wis. Stat. § 238.399(3)(am).

### Designation Request:

The WEDC Board of Directors met today to approve the designation of an EZ for the expansion of Charter Next Generation Inc's manufacturing capabilities in Milton and other Wisconsin locations.

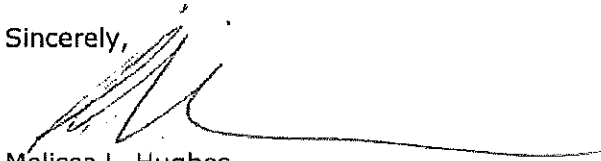
The EZ designation will enable WEDC to certify Charter Next Generation Inc's capital investment of over \$270 million and creation of 341 new Full-Time Jobs. The certification provides for the allocation of \$5,600,000 in performance-based tax credits over eight years. Enclosed with this letter is the Staff Review which provides additional detail on the project.

### Current EZ Designations:

WEDC currently has 18 active Enterprise Zone designations which are expected to result in over \$3.5 billion in capital investment, the retention of over 16,600 jobs, and the creation of over 19,400 new jobs. Enclosed with this letter is a listing of active Enterprise Zones.

Please contact me if you have any additional questions.

Sincerely,



Melissa L. Hughes  
Secretary & CEO

Encl.: Charter Next Generation Inc Staff Review  
WEDC List of Active Enterprise Zones

Cc: Joint Committee on Finance Members  
WEDC Board of Directors

**LOOK FORWARD** ➤

Active WEDC Enterprise Zone Designations as of 4/25/2023

Recipient	Amount	Municipality	Contracted	Jobs To Be Created	Jobs To Be Retained	Capital Investment Planned	End Date
Amazon.com Services, Inc.	\$17,800,000	Kenosha	10/30/2013	5,000	--	\$255,220,000	12/31/2024
ATI Ladish LLC	\$10,500,000	Cudahy	2/6/2018	175	727	\$132,551,295	12/31/2027
Brakebush Brothers, Inc.	\$6,500,000	Westfield	10/16/2017	219	885	\$86,000,000	6/30/2022
DRS Power & Control Technologies, Inc.	\$18,500,000	Menomonee Falls	11/30/2018	189	449	\$66,229,000	9/30/2025
Exact Sciences Corporation	\$27,500,000	Madison	2/11/2015	4,080	196	\$376,264,000	12/31/2025
Generac Power Systems Inc	\$19,000,000	Waukesha	7/14/2017	1,100	1,999	\$123,000,000	12/31/2024
Green Bay Packaging Inc - Mill Division	\$60,000,000	Green Bay	6/30/2018	200	1,468	\$500,000,000	12/31/2029
Haribo of America Manufacturing LLC	\$22,500,000	Pleasant Prairie	6/30/2017	385	--	\$239,603,080	12/31/2028
Hewlett Packard Enterprise Company	\$8,000,000	Chippewa Falls	3/3/2021	30	486	\$21,900,000	10/31/2025
Johnsonville, LLC	\$11,500,000	Sheboygan Falls	3/27/2017	176	1,094	\$49,000,000	12/31/2023
Kimberly-Clark Corporation	\$28,000,000	Neeenah	12/12/2018	0	388	\$200,000,000	12/31/2023
Kohl's Corporation	\$62,500,000	Menomonee Falls	7/17/2012	3,000	3,731	\$250,000,000	1/28/2023
Komatsu Mining Corp.	\$59,500,000	Milwaukee	10/30/2018	443	697	\$285,000,000	3/31/2029
Kwik Trip, Inc	\$26,000,000	La Crosse	9/14/2017	662	2,070	\$378,235,867	9/28/2023
Milwaukee Electric Tool Corporation	\$70,500,000	Brookfield	4/11/2016	2,999	785	\$406,400,000	12/31/2027
Molson Coors Beverage Company	\$25,000,000	Milwaukee	12/17/2020	377	540	\$2,820,195	12/31/2027
Northstar Medical Technologies, LLC	\$14,000,000	Beloit	12/22/2010	238	5	\$126,460,360	12/31/2022
U.S. Venture, Inc.	\$20,000,000	Appleton	6/30/2017	214	548	\$56,474,017	3/31/2024

# STAFF REVIEW

## ENTERPRISE ZONE

Charter Next Generation Inc  
 Milton, WI (Rock County)  
 Total Eligible Project Costs: \$270,050,000  
 Capital Investment: \$270,050,000  
 Requested Award Amount: \$5,600,000  
 Recommended Award Amount: \$5,600,000

### MANAGEMENT REVIEW:

Division Vice President: Michael Ward Date: 4/12/23  APPROVE  DENY

Senior Vice President, Credit & Risk:

Shelly Braun Date: 4/12/23  APPROVE  DENY

CEO or Designee:

[Signature] Date: 4/12/23  APPROVE  DENY

Awards Admin. Comm (if applicable):

[Signature] Date: 04/19/2023  APPROVE  DENY

WEDC Board (if applicable):

[Signature] Date: 04.25.2023  APPROVE  DENY

### Underwriting Checklist Enterprise Zone CY23

NOTE: Any "No" responses must provide an explanation of the extenuating circumstances warranting a deviation from the guideline.

Statutory Requirements – Act 361 Supplemented by: §§ 238.399, 71.07 (3w), 71.28 (3w), and 71.47 (3w), Wis. Stats.	Yes
The Enterprise Zone may exist for up to 12 years and tax credits can be earned over the same period.	X
Must designated as located in a tier I county or municipality or a tier II county or municipality. <ul style="list-style-type: none"> <li>• Tier 1 wages – 2,080 hours by 150% of federal minimum wage</li> <li>• Tier 2 wages - \$30,000</li> </ul>	X
Designation of Enterprise Zone is based on the following factors. <ul style="list-style-type: none"> <li>• Indicators of the area's economic need, data regarding household income, average wages, the condition of property, housing values, population decline, job losses, infrastructure and energy support, the rate of business development, and the existing resources available to the area.</li> </ul>	X

<ul style="list-style-type: none"> <li>The effect of designation on other initiatives and programs to promote economic and community development in the area, including job retention, job creation, job training, and creating high-paying jobs.</li> <li>Preference is given based on the greatest economic need.</li> </ul>	
<p>Subject to passive review by the Joint Committee on Finance, WEDC may designate any number of Enterprise Zones in Wisconsin.</p> <ul style="list-style-type: none"> <li>One remaining zone must be located in political subdivisions with populations of less than 5,000</li> </ul>	X
<p>Subject to passive review by the Joint Committee on Finance, WEDC may designate any number of Enterprise Zones in Wisconsin</p>	X
<p>To be certified, the business is (highlight the deciding factor(s) below):</p> <p>(1) beginning operations in the zone,</p> <p>(2) relocating to the zone from outside this state and offers compensation and benefits at least as favorable to those offered to employees outside the zone,</p> <p>(3) expanding in zone by increasing personnel by <math>\geq 10\%</math> and offers compensation and benefits at least as favorable to those offered to Wisconsin employees outside the zone. Business only gets tax benefits for years in which the business maintains increased level of personnel.</p> <p>(4) making a capital investment of <math>\geq 10\%</math> previous year's gross revenues and offers compensation and benefits at least as favorable to those offered to Wisconsin employees outside the zone. Business only gets tax benefits for years in which the business maintains capital investment.</p> <p>(5) retaining jobs in the zone and making a significant capital investment in excess of \$10 million, and unless a rural EZ, is a manufacturer with a significant supply chain in Wisconsin, or employs <math>\geq 500</math> employees in EZ,</p> <p>(6) located in zone and is purchasing tangible personal property, goods, or services from Wisconsin vendors</p>	X
<p>The corporation shall revoke a certification under sub. (5) if the business does any of the following:</p> <ol style="list-style-type: none"> <li>Supplies false or misleading information to obtain tax benefits.</li> <li>Leaves the enterprise zone to conduct substantially the same business outside of the enterprise zone.</li> <li>Ceases operations in the enterprise zone and does not renew operation of the business or a similar business in the enterprise zone within 12 months.</li> </ol>	X
<p>The Base Year is the taxable year beginning during the calendar year prior to the calendar year in which the enterprise zone in which the Certified Business is located takes effect.</p>	X
<p>Tax credits are for eligible activities that occur after certification date established by WEDC.</p>	X
<p>Job creation credit <math>\leq 7\%</math> of the creditable wage. The statute prescribes a specific calculation of tax credit. Confirm calculation based on the lower number of jobs created in each tax year as compared to the base year in (1) the state and (2) the EZ.</p>	X
<p>Job retention credit <math>\leq 7\%</math> of payroll for wages in the base year in the specified tiers and does not exceed the five-year statutory earnings limit. Total number of qualifying employees must be equal to or greater than the total number in base year.</p>	NA
<p>Employees for which tax credits are awarded meet the Full-Time Employee definition: A "Full-Time Employee" means a regular, non-seasonal full-time position in which the annual pay for the position is more than the amount determined by multiplying 2,080 by 150% of the federal minimum wage, and an individual in the position is offered retirement, health, and other benefits that are equivalent to the retirement, health, and other benefits offered to an individual who is required to work at least 2,080 hours per year. "Full-Time Job" does not include initial training before an employment position begins.</p>	X
<p>Tax Credits are not for wages over \$100,000 per year. "Zone Payroll" means the amount of state payroll that is attributable to wages paid to Full-Time Employees for services that are performed in an EZ. Zone Payroll does not include the amount of wages paid to any Full-Time Employees that exceeds \$100,000.</p>	X

Capital Investment Tax Credits are for: "Significant Capital Expenditure" which means a capital investment in a WEDC-designated EZ, beyond a Certified Business's normal capital expenditures, that is needed to achieve a specific purpose agreed to by WEDC. "Significant Capital Investment" means a capital investment in excess of \$10 million in a WEDC-designated EZ, beyond a Certified Business's normal capital expenditures, that is needed to achieve a specific purpose agreed to by WEDC.	X
Capital investment credit ≤ 10% of significant capital investment.	X
Training credit ≤ 100% of amount paid by claimant to upgrade or improve the job-related skills of any of the claimant's full-time employees, to train any of the claimant's full-time employees on the use of job-related new technologies, or to provide job-related training to any full-time employee whose employment with the claimant represents the employee's first full-time job.	NA
Supply chain credit ≤ 1% of purchases from Wisconsin vendors (cannot claim credits under supply chain and cap ex for same expenditures). Credits are only given for "Significant" Wisconsin based supply chain according to the program guideline.	NA
All credits awarded should become a permanent part of the working capital structure of businesses claiming the credits.	X

<u>Program Guideline Requirements</u>	Yes	No	Explanation
WEDC has relied on the indicators outlined in the program guideline to determine whether project is in Tier I or Tier II county or municipality	X		
"Eligible Training Cost" means (1) the cost of the trainer; (2) the cost of the training materials; (3) the wages of the trainee while in a classroom setting; or (4) the costs of the trainer and the wages of the trainee while in an on-the-job or job shadowing setting. Eligible training costs do not include travel expenses, food or lodging.	NA		
Preference has been given to the greatest economic need to the extent possible	X		
Business is an eligible type (as defined in the program guideline) unless extraordinary circumstances exist, including but not limited to a serious threat of a business leaving the state, significant job creation or retention, or significant capital investment, and such extraordinary circumstances are approved by the Board of Directors' Awards Administration Committee.	X		

<u>Guidelines</u>	Yes	No	Explanation
Business is current on all previous awards	X		
Company payroll has been compared to DWD data.	X		OOT – an acceptable response on the OOT was received

**I. PROJECT SUMMARY**

Charter Next Generation Inc (CNG) Inc is seeking \$5,600,000 in Enterprise Zone Tax Credits. CNG plans to expand its manufacturing, distribution, and sustainability capabilities with the addition of two new buildings ("manufacturing campus") totaling an estimated 350,000 sq. ft, as well as additional manufacturing lines at existing sites in WI. The project includes the capital investment of over \$270 million and the creation of 341 new full-time positions with an average hourly wage of \$26.15.

The certification date for this project is January 01, 2023

## II. COMPANY DESCRIPTION

CNG acquired Bloomer Plastics in 2015. The Bloomer location (f/k/a Bloomer Plastics) started in 1991, but the location did not become part of CNG operations until it was acquired in 2015. The ownership group that ultimately became Charter Next Generation began operations in 2010.

CNG is an independent producer of highly engineered specialty films used in flexible packaging. Its operations expand across nine different locations and includes 13 manufacturing facilities, including four in Wisconsin in Superior, Rhinelander, Bloomer, and Milton. The company employs around 2,000 employees nationwide, with around 600 employees based out of Wisconsin. CNG produces blown, cast, and barrier solutions that are ideal for its customers. CNG services a variety of industries including food, consumer products, industrial, and healthcare.

With 4 locations and around 600 employees in Wisconsin, CNG covers a wide range of activities throughout the state, including:

- Bloomer, WI: 12 cast lines, 2 slitters, 1 recycling machine. Plant services customers in the food packaging, automotive protective films, and industrial films industries.
- Milton, WI: 14 blown film lines and a recycling center. Plant services customers in the paper towel, mailer film, machine-direction orientation films for food packaging/mulch film, and label films industries.
- Rhinelander, WI: 6 blown film lines, pouch machines and slitter, and barrier products. Plant services customers in the food packaging, automotive protective films, and carpet film industries.
- Superior, WI: 15 blown film lines with a recycling center. Plant services customers in the dog food packaging, carpet backing film, food packaging, ice packaging, and industrial packaging industries.

### Management and Ownership:

**Kathleen Bolhous, Chairman & CEO** – A Midwest native, Kathy relocated to Wisconsin when she was recruited to Appleton Paper as VP/GM in 2006. When Appleton Paper was sold to a private equity firm Mason Wells in 2010, she was named CEO of Charter NEX – the company now known as CNG. Over the past decade, Kathy has led CNG through several transformational acquisitions and significant organic growth. In addition, with support from private equity partners Leonard Green and KKR, Kathy championed an all-employee ownership program at CNG in 2021 to allow employees to profit from the company's equity growth.

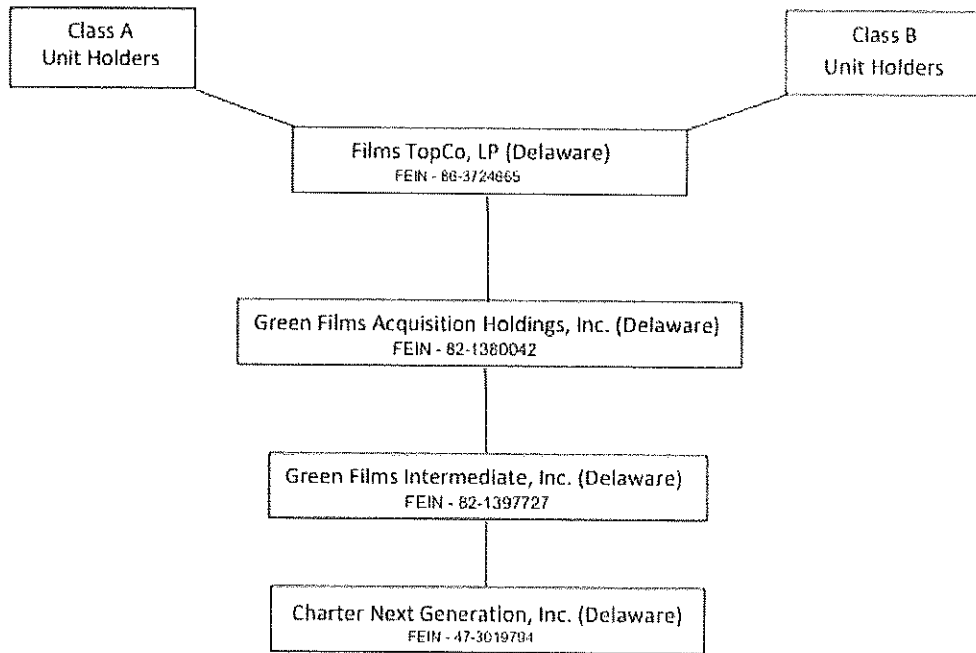
KKR is a private equity firm that invested in CNG in 2021. KKR's Private Equity platform invests in and partners with industry-leading franchises and companies poised for significant improvement or growth that attract high-quality management teams. KKR, along with Kathy, introduced the Employee Ownership model shortly after its investment.

CNG has stated that it is not an employee stock ownership plan (ESOP). CNG stated *"the Company, through new KKR policies, incentivizes its employees with stock positions (based upon employee tenure and position). These stock awards allow the employees to share in the profits of the company, only after a sale. There are many other benefits to the incentive program that is implemented at KKR affiliated companies."*

**Charter Next Generation**  
Summary Corporate Timeline

Date	Corporate Formation or Name Change	Acquisitions	WI Location
7/22/2010	NEX Performance Films, Inc is formed (parent)	American Plastics Company (WI) New England Extrusion, Inc (MA)	Superior
2/21/2012	American Plastics Company became Charter NEX Films Inc  NEX Performance Films became Charter NEX Holding Company	American Plastics Purchased Charter Films Inc. (WI)	Milton
12/31/2013	New England Extrusion, Inc is merged into Charter NEX Films		
12/1/2015		Bloomer Plastics, Optimum Plastics (WI)	Bloomer and Rhinelander
5/16/2017	Charter NEX Holding Company is merged into Green Films Acquisition Holdings and owns Charter NEX US, Inc. which owns Charter NEX Films		
5/18/2019		Next Generation Films (OH)	
12/18/2020	Charter NEX Films changed name to Charter Next Generation		
1/4/2021	All subsidiary companies merged into Charter Next Generation which is owned by Green Films Acquisition Holdings		
5/17/2021	Films TopCo, LP. Acquires Green Films Acquisition Holdings		





Charter Next Generation – Schedule of Ownership	
Name	Percentage
Films TopCo, LP	100%
<b>Total</b>	<b>100.00%</b>

The parent entity, Films TopCo, LP has no individual owners with 20% or more ownership in the Charter Next Generation Inc.

Background checks on the company showed no issues of concern. No background checks were run on individual owners because there are no owners with 20% or more ownership interest. The company did mark 'Yes' on the application for being involved in a lawsuit within the past five years. The company stated that it settled a class action lawsuit in 2020 over allegations of the company's calculation of overtime pay rates and the use of time clock rounding. The settlement totaled \$140,000 and has been paid.

### III. PROJECT DESCRIPTION

Charter Next Generation has committed to expanding its footprint in Milton, WI, to create a manufacturing campus including two new structures for manufacturing, distribution, and sustainability capabilities. The proposed project will invest \$270 million in new buildings, machinery & equipment, and rail costs. CNG stated that with this expansion in Milton, as part of this project, would require some additional ancillary growth at its other Wisconsin locations. In total, CNG would increase its Wisconsin headcount by 341 new jobs, with approximately 281 of those jobs being hired in Milton, WI.

The investment will occur in phases over the next 8 years and is intended to accommodate the following operations:

- Building 1 – Cast Film Plant
- Building 2 – Film Extrusion Plant

CNG had also contemplated completing a third structure, a warehouse/distribution center, however, has put those plans on hold as a result of the high costs of construction. This additional expansion would be revisited by CNG in the future. A recycling and sustainability center is expected to be incorporated into either the cast film plant or the film extrusion plant in the future.

Construction of the Building 1 is expected to begin in Q2 of 2023 and become operational by Q3-Q4 of 2023. Construction for building 2 is expected to start throughout 2023 and 2024 and continue expanding through 2028. Additional cast and extrusion lines are planning to be added to Building 1 and Building 2 from 2023 – 2030, as production and hiring ramps up. Distribution and recycling investment will follow a similar trend. All buildings are intended to be served by rail.

CNG initially considered multiple locations for this investment. Initially, CNG reviewed expansions at its current manufacturing locations (Ohio, South Carolina, Wisconsin, etc.), but company leadership is strongly suggesting the development and investment into new land and buildings to accommodate the new advanced equipment and customized end-product capabilities. In November 2022, CNG notified WEDC that it decided to move forward with locating its new campus in Milton, WI.

CNG stated that the Milton facility is consistently one of its best performing locations. Its performance and access to talent is a major reason why it is was chosen for the Manufacturing Campus. CNG also envisions opportunities for employees in Bloomer, Rhinelander, and Superior to be able to easily visit the Manufacturing Campus in Milton for technical trainings and networking. All three locations will further benefit from increased sales revenue in Milton, as the additional revenue will offer future opportunities for CNG to invest in its entire Wisconsin operations.

#### Charter Next Generation Inc – Project Budget

Budget Code	Project Costs	SOURCES		TOTAL
		Internally Funded	TIF	
0200	Construction	\$43,400,000	\$1,600,000	\$45,000,000
0240	Equipment	\$222,050,000	\$0	\$222,050,000
0415	Infrastructure – Rail	\$3,000,000	\$0	\$3,000,000
	<b>Total</b>	<b>\$268,450,000</b>	<b>\$1,600,000</b>	<b>\$270,050,000</b>

CNG has confirmed it intends to self-fund the project from the cash flow generated from the operations of the company. [REDACTED]

The City of Milton has drafted an agreement to provide TIF funding for the new Cast Film Plant as well as future Extrusion Plants. The total maximum value of the TIF Incentive is expected to be \$1,600,000, to be paid out until the full value has been paid out (estimated to be approximately 10 years). The TIF agreement is anticipated to be approved at the Common Council meeting in mid-April 2023. CNG also stated that a TEA Grant with the WI DOT is currently being pursued but no formal agreement has been reached.

#### IV. EMPLOYMENT

Charter Next Generation will create 341 full-time positions at an average hourly wage of \$26.15. CNG considers Full-Time Jobs to work 1,560 hours annually to be considered full-time and be eligible for benefits.

CNG has four locations in Wisconsin:

- 1264 E High St., Milton, WI 53563
- 1710 N Industrial Dr., Bloomer, WI 54724
- 3606 Red Arrow Dr., Rhinelander, WI 54501
- 1901 Winter St., Superior, WI 54880

WEDC staff reviewed the base payroll provided and determined that CNG has 593 eligible statewide employees with an average hourly rate of \$31.12.

Work Site	Eligible HC
Bloomer	134
Milton	202
Rhinelander	82
Superior	161
Wisconsin Remote	14
<b>Grand Total</b>	<b>593</b>

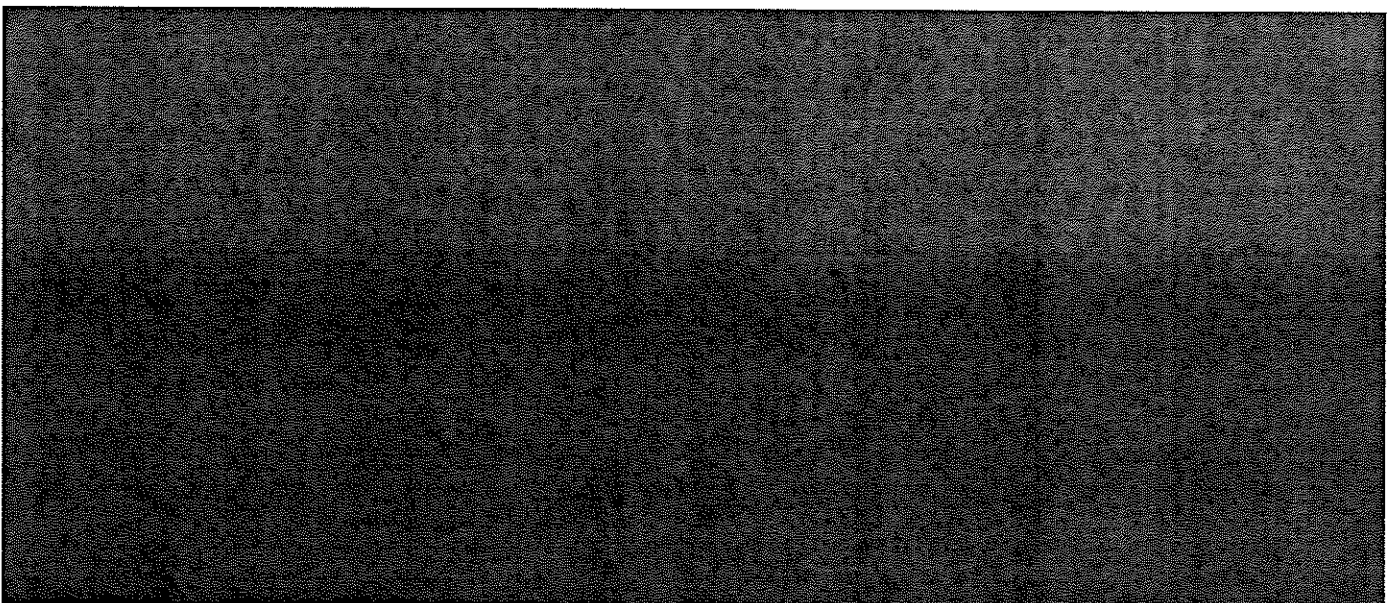
Although the majority of the project is occurring in Milton, WI, which is considered a tier 1 location, there are sites across Wisconsin that fall into tier 2 as well. A tier 2 base is being used as this is a statewide project.

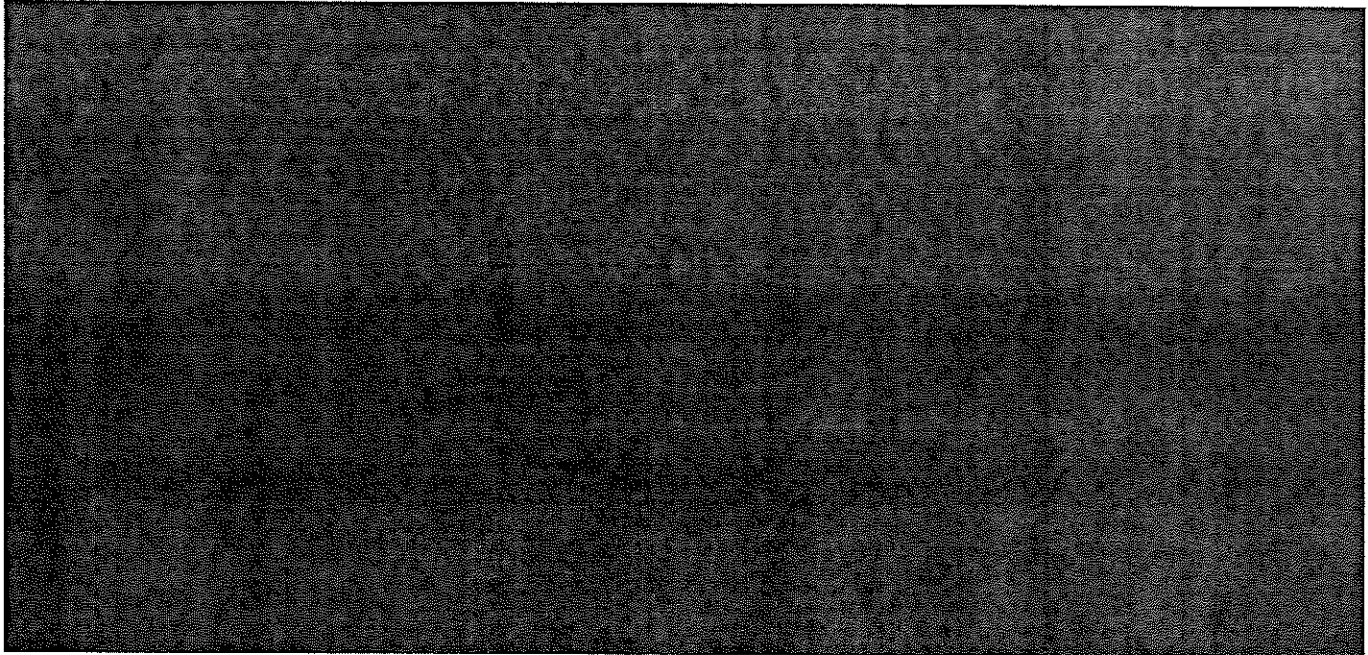
JOB CLASSIFICATION	POSITIONS CREATED								TOTAL JOBS / AVERAGE STARTING WAGE PER HOUR
	Year One	Year Two	Year Three	Year Four	Year Five	Year Six	Year Seven	Year Eight	
Direct Labor (Production)	20	37	42	42	42	40	20	19	262/\$24.04
Indirect Labor	3	8	8	8	8	5	5	3	48/\$31.25
Admin/R&D/Overhead	2	5	5	5	5	5	2	2	31/\$36.06
<b>Total</b>	<b>25</b>	<b>50</b>	<b>55</b>	<b>55</b>	<b>55</b>	<b>50</b>	<b>27</b>	<b>24</b>	<b>341/\$26.15</b>
<b>TOTAL PAYROLL IMPACT FOR JOBS CREATED ANNUALLY</b>									<b>\$18,547,672</b>

Charter Next Generation – Benefit Package	
Type	Percentage (%) Paid by Company
Individual Health Insurance*	60-90%
Family Health Insurance	60-90%
Other Benefits Provided: Medical, Dental, Vision, HAS, FSA, 401K, Life, PTO, STD	

\*The Company sponsors a self-funded health insurance plan that provides medical, dental, vision, and prescription benefits for eligible employees. Liabilities are recognized for claims incurred, including an estimate for those incurred but not reported. CNG determines the liability for claims with the assistance of a third-party administrator and actuary using various state statutes and historical claims experience. CNG has a stop-loss insurance policy, which contains a deductible of \$250,000 per insured employee per year, with a maximum annual reimbursement of \$1,000,000.

## V. FINANCIAL INFORMATION





## VI. PREVIOUS DEPARTMENT OF COMMERCE/WEDC AWARDS

Charter Next Generation has received the following prior financial assistance from the Wisconsin Department of Commerce/WEDC.

Contract Date	Contract #	Program	Award Amt.	Drawn	Lapsed	Status
04/13/2020	FY20-24861	BTC	\$100,000	\$100,000	\$0	Disbursed
10/09/2015	FY16-23053	JTC	\$150,000	\$150,000	\$0	Closed
10/09/2015	FY16-23052	ETC	\$350,000	\$350,000	\$0	Closed
02/25/2014	FY14-22233	ETC	\$325,000	\$325,000	\$0	Closed
07/06/2011	FY11-20610	ETC	\$300,000	\$300,000	\$0	Closed

FY20-24861: Awarded \$100,000 to invest \$24,530,000 and create 8 jobs. Certification date was 1/1/2020. As of 12/31/2022, the company had created 45 jobs at the project location and reported a total of \$26,393,876 in capital investments. The company has completed all three years of its earnings period and has earned the entire \$100,000 credits. The agreement has an additional two years of maintenance from 01/01/2023 through 12/31/2024.

FY16-23053 and FY16-23052: CNG planned to invest \$32,400,000 to expand and equip its Milton plant as well as create 30 new jobs at an average wage of \$15.35/hour. The company reported a capital investment of \$33,629,201 and created 132 new jobs by the end of the contract period. FY16-23053 award was for \$150,000 for the job's creation and FY16-23052 was for \$350,000 for the capital investment. Award was closed out on 10/14/21 and all deliverables were met.

FY14-22233: Awarded \$325,000 for the planned \$17 million in capital investment to expand the Milton, WI facility CNG also planned to create 16 new positions. The company reported a total capital investment of \$22,032,843 and the creation of 16 new full-time jobs.

FY11-20610: Awarded \$300,000 for the creation of 12 new full-time jobs and the retention of 36 jobs as part of its plan to relocate its headquarters and expand operations at its facility in Milton. The company

also anticipated a capital investment spend of \$5,050,000. At the end of the contract period, CNG was verified for the creation of 12 new jobs and the retention of 35 jobs. The company reported a capital investment spend of \$9,095,269

## VII. ECONOMIC IMPACT

According to the Lightcast report and ROI analysis, this project will have the following economic impact in the Milton Commute region and tax impact in the state for expected job creation:

Impact Type	LIGHTCAST Report		ROI Analysis	
	Jobs(c)	Earning(c)	Taxable Wages	Annual Tax Impact (4.40% Effective Personal Income Tax Rate)
<b>Initial</b>	341	\$24,500,000	\$18,547,672	\$816,098
<b>Direct</b>	132	\$9,000,000	N/A	N/A
<b>Indirect</b>	53	\$3,400,000	N/A	N/A
<b>Induced</b>	275	\$16,600,000	N/A	N/A
<b>Total</b>	801	\$53,500,000	\$43,090,478	\$1,895,981

Per the Lightcast report, the average earnings per initial job created is \$71,731. This is below the average earnings in the industry in this region of \$85,028, and below the average earnings in this region as a whole of \$76,499.

Per the ROI Analysis, based on an effective personal income tax rate of 4.40%, once fully realized, the initial jobs created could have a 1-year impact of \$816,098 in state income taxes. Considering the multiplier effect, the total jobs created could have an annual impact of \$1,895,981 in state income taxes

The IMPLAN analysis contains two IMPLAN economic activity, which includes:

- New construction
- Plant, equipment, and machinery
- Renovation
- Furniture, fixtures, and equipment
- Site remediation
- Infrastructure
- Other activities

According to the IMPLAN report, this project will have the following economic impact in the Rock County region for capital investment:

Impact Type	Employment	Labor Income	Value Added
<b>Direct</b>	350	\$27,734,432	\$32,157,692
<b>Indirect</b>	86	\$6,746,878	\$10,281,733
<b>Induced</b>	138	\$7,768,874	\$14,238,466
<b>Total</b>	574	\$42,250,183	\$56,677,892

Per the IMPLAN report, the capital investment for this project could directly support 350 jobs, \$27,734,432 of labor income and \$32,157,692 in value added products and services upon project completion. Considering the multiplier effect, the project could support 574 jobs, \$42,250,183 of labor income and \$56,677,892 in value added products and services in total through the end of the project.

The direct capital investment activities could generate \$589,361 in company payroll, income, property, sales, and corporate taxes for the state upon project completion. Considering the multiplier effect, the total state tax impacts could amount to \$2,058,884 through the end of the project.

**ROI Calculation / Cash Flow Analysis**

<b>Earnings from:</b>	<b>\$30,000.00</b>
Jobs	341
Average wage	54,392
Job Growth Rate	1%
Cap Ex	\$ 270,050,000

**Incentives**

EZ Jobs Credit	\$ 2,500,000
EZ Cap Ex Credit	\$ 3,100,000
<b>Total Incentive</b>	<b>\$ 5,600,000</b>

**Payback Figures**

Implan - Cap Ex	\$ 2,058,884	Pro-rata based on % of expenditure to total
Lightcast - Jobs annual once fully realized	\$ 1,895,981	
Lightcast - Jobs 8 year total	\$ 8,912,779	

<b>ROI</b>	
Incentive	\$ (5,600,000)
Less Cap Ex Benefit	\$ 2,058,884
Less 8 -Years Payroll Benefit	\$ 8,912,779
Net Cash Outflow Year 8	\$ 5,371,663
Additional Years to Break Even	
<b>Total Years to Break Even</b>	<b>6</b>

Based on pro-rata each year of job creation

**Cash Flows Based on Charter Next Generation Inc Projections**

**INPUTS:**

Year	Jobs	Cap Ex	Average Wage	Total Wages	Total Creditable Wage
2023	25	\$ 23,850,000	\$ 54,392	\$ 1,359,800	\$ 609,800
2024	75	\$ 43,000,000	\$ 54,936	\$ 4,120,194	\$ 1,870,194
2025	130	\$ 41,200,000	\$ 55,485	\$ 7,213,086	\$ 3,313,086
2026	185	\$ 41,400,000	\$ 56,040	\$ 10,367,424	\$ 4,817,424
2027	240	\$ 40,600,000	\$ 56,601	\$ 13,584,128	\$ 6,384,128
2028	290	\$ 30,800,000	\$ 57,167	\$ 16,578,296	\$ 7,878,296
2029	317	\$ 26,000,000	\$ 57,738	\$ 18,303,011	\$ 8,793,011
2030	341	\$ 23,200,000	\$ 58,316	\$ 19,885,615	\$ 9,655,615
2031					
2032					
2033					
2034					
	341	\$ 270,050,000			

CASH OUTFLOWS			CASH INFLOWS to the STATE			NET CASH	
Jobs Credit (7%)	Cap Ex Credit (10%)	Total Outflows	Jobs - Annual Income Tax	Jobs - Construction Income Tax	Total Inflows	Inflow/ (Outflow)	Cumulative
\$ (25,000)	\$ (500,000)	\$ (525,000)	\$ 139,002	\$ 181,834	\$ 320,836	(204,164)	\$ (204,164)
\$ (100,000)	\$ (750,000)	\$ (850,000)	\$ 417,005	\$ 327,836	\$ 744,840	(105,160)	\$ (309,324)
\$ (200,000)	\$ (750,000)	\$ (950,000)	\$ 722,808	\$ 314,112	\$ 1,036,920	86,920	\$ (222,404)
\$ (300,000)	\$ (400,000)	\$ (700,000)	\$ 1,028,611	\$ 315,637	\$ 1,344,248	644,248	\$ 421,845
\$ (400,000)	\$ (400,000)	\$ (800,000)	\$ 1,334,415	\$ 309,538	\$ 1,643,953	843,953	\$ 1,265,798
\$ (500,000)	\$ (100,000)	\$ (600,000)	\$ 1,612,418	\$ 234,822	\$ 1,847,240	1,247,240	\$ 2,513,037
\$ (500,000)	\$ (100,000)	\$ (600,000)	\$ 1,762,540	\$ 198,226	\$ 1,960,766	1,360,766	\$ 3,873,803
\$ (475,000)	\$ (100,000)	\$ (575,000)	\$ 1,895,981	\$ 176,879	\$ 2,072,860	1,497,860	\$ 5,371,663
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	\$ 5,371,663
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	\$ 5,371,663
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	\$ 5,371,663
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	\$ 5,371,663
\$ (2,500,000)	\$ (3,100,000)	\$ (5,600,000)	\$ 8,912,779	\$ 2,058,834	\$ 10,971,663	0	\$ 5,371,663

(1) End of the Contract Period  
(2) Approximate Break-Even

**IX. STAFF ANALYSIS**

According to Charter Next Generation, financial incentive assistance from WEDC is needed to help alleviate the high costs of its expansion. CNG stated that the support of WEDC would help the company expand its current footprint in Milton addressing manufacturing, distribution, sustainability, and all the associated corporate support functions. CNG is committed to making future investments in real estate, equipment, hiring, employee training, and community involvement in Wisconsin through this project and any other future development projects.

The goal of the Enterprise Zone (EZ) Program is to incent projects involving the expansion of existing Wisconsin businesses or the relocation of major business operations from other states to Wisconsin. A business may qualify for EZ certification where the business: (1) Begins operations in an EZ; (2) Relocates to an EZ from out of state; (3) Expands operations in an EZ; (4) Retains jobs in the EZ; or (5) Purchases items or services through a Wisconsin Supply Chain.



The proposed Enterprise Zone designation certifies tax credits for a business that expands operations in an enterprise zone pursuant to 238.399(5)(c)1 of the Wisconsin Statutes.

CNG initially considered multiple locations for this investment. CNG reviewed various expansions at its current manufacturing locations (Ohio, South Carolina, Wisconsin, etc.), but company leadership is strongly suggesting the development and investment into new land and buildings to accommodate the new advanced equipment and customized end-product capabilities. In November 2022, CNG notified WEDC that it decided to move forward with locating its new campus in Milton, WI.

A majority of the capital expenditures and new job growth will occur at the new Milton site. All of the building construction capital investment is expected to be at the new Milton site along with a majority of the machinery & equipment capital investment. As such, a majority of the new jobs will also be allocated to the new Milton site.

CNG stated with the increase in production volume and technology development anticipated to occur at the new Milton site, the other CNG sites in WI (Bloomer, Rhinelander and Superior) will also require technology investments and machinery & equipment additions. The capital investment in these sites will also require additional resource investment (new jobs).

### **Other local incentives**

The City of Milton has drafted a TIF 11 Development Agreement to work with CNG. Within this agreement, the city is able to lend to CNG, \$1,600,000.00. The agreement states that CNG shall use the loan solely for the construction of the facility and that the amount paid to the city on an annual basis, (referred to as the "Property Break-Even Amount"). Beginning in tax year 2024 (made payable in 2025), and for each year thereafter until the total Property Break-Even Amount \$1,600,000.00 is satisfied in full, CNG shall pay to the city the higher of:

1. The actual real property taxes for the property net of any State of Wisconsin property tax credits for that year; or
2. a combination of:
  - a. such real property taxes for the property actually levied and paid, net of any State of Wisconsin property tax credits, and
  - b. such additional sums of monies ("tax equivalent payments"), which together in the aggregate amount to not less than \$160,000.00 over the base year property tax.

The property is located along State Highway 59 and Vickerman Road, in the City of Milton, County of Rock, State of Wisconsin, and is contained within the City of Milton Tax Increment Financing District No. 11. The property consists of approximately 78 acres of vacant land owned by CNG. The city has placed a real property value of \$27,600 on the property.

### **Strengths:**

- CNG has spent over \$80 million in capital investments since 2011 and committed an additional \$270 over the next eight years
- Over a 57% increase of its workforce, an increase of 341 new full-time positions
- Based upon the ROI, this project has the potential to be net positive by 2028 with a net positive cash flow of over \$5 million by 2030

**Weakness:**

- CNG has received years of financial support over five separate tax credit programs totaling \$1,225,000 for its growth in the State of Wisconsin. These five projects combined, totaled a goal of creating 66 new full-time positions

EZ Calculations (07-1-2022)

Company:	Charter Next Generation Inc		
<b>Assumptions</b>			
Project Starts:	2023	Certification Date:	VII2023
Wage growth (%):	1%		
County:	Rock County		
County Tier:	Tier I	Base Wage:	\$0.000

Date: 4/11/2023

**INVESTMENTS**

Proj Yr	Year	JOB CREATION		JOB RETENTION		CAPEX	TRAINING	SUPPLY CHAIN
		New Jobs	Average Wage	Retained Jobs	Average Wage	Capital Inv.	Training Cost	Investment
1	2023	25	54,392.00			23,850,000	-	-
2	2024	75	54,335.92			43,000,000	-	-
3	2025	130	55,485.28			41,200,000	-	-
4	2026	185	56,040.13			41,400,000	-	-
5	2027	240	56,600.53			40,600,000	-	-
6	2028	290	57,166.54			39,800,000	-	-
7	2029	317	57,738.20			28,000,000	-	-
8	2030	341	58,315.59			23,200,000	-	-
9	2031						-	-
10	2032						-	-
11	2033						-	-
12	2034						-	-
						270,050,000	-	-

EMSI Total Annual State Income Tax Impact	1,695,961
IMPLAN	2,056,684

**CREDITS**

Proj Yr	Year	Job Creation Credits		Job Retention Credits		CapEx Credits		Training Credits		Supply Chain Credits		Annual Total	Running Total
		Annual	Running	Annual	Running	Annual	Running	Annual	Running	Annual	Running		
1	2023	42,686	42,686	-	-	2,385,000	2,385,000	-	-	-	-	2,427,686	2,427,686
2	2024	130,914	173,600	-	-	4,300,000	6,685,000	-	-	-	-	4,430,914	6,858,600
3	2025	231,916	405,516	-	-	4,120,000	10,805,000	-	-	-	-	4,351,916	11,210,516
4	2026	337,220	742,735	-	-	4,140,000	14,945,000	-	-	-	-	4,477,220	15,687,735
5	2027	446,889	1,189,624	-	-	4,080,000	19,005,000	-	-	-	-	4,508,889	20,194,624
6	2028	551,481	1,741,105	-	-	3,080,000	22,085,000	-	-	-	-	3,831,481	23,826,105
7	2029	615,511	2,356,616	-	-	2,600,000	24,685,000	-	-	-	-	3,215,511	27,041,616
8	2030	675,893	3,032,509	-	-	2,320,000	27,005,000	-	-	-	-	2,995,893	30,037,509
9	2031	-	3,032,509	-	-	-	27,005,000	-	-	-	-	-	30,037,509
10	2032	-	3,032,509	-	-	-	27,005,000	-	-	-	-	-	30,037,509
11	2033	-	3,032,509	-	-	-	27,005,000	-	-	-	-	-	30,037,509
12	2034	-	3,032,509	-	-	-	27,005,000	-	-	-	-	-	30,037,509
		3,032,509		-	-	27,005,000		-	-	-	-	30,037,509	

The recommendation is for a total of \$5,600,000 in Enterprise Zone tax credits to be earned over eight years.

**Support for Recommendation**

- Project to add 341 new full-time jobs in Wisconsin with an average hourly wage of \$26.15/hour
- Capital investment of over \$270 million
- Continued growth and expansion of Charter Next Generation
- Project has the potential to cash flow in year six, based upon the return on capital investments and the job creation

The following table lists several Enterprise Zone awards with amounts comparable, including the top line showing Charter Next Generation's request for comparison. The credits are based on the deliverables cited in the table unless otherwise noted.

Recipient	Contract #	Award Amount	Term (Yrs.)	Job Creation	Job Retention	Cap Ex
Charter Next Generation, Inc	FY23-53458	\$5,600,000	8	341	N/A	\$270,050,000
Dolgencorp, LLC	FY16-23059	\$5,500,000	4	552	N/A	\$69,000,000
ATI Ladish	FY18-23955	\$10,500,000	10	175	727	\$132,551,295
Trane US Inc	FY14-22333	\$5,500,000	6	0	528	\$60,000,000

Enterprise Zone Tax Credits Project Measurements				
Measurement	Measurement Type	Baseline	Goal	End/Due Date
Job Creation	Explicit	593	341	12/31/2030
Job Retention	Implicit	593	593	12/31/2030
Capital Investment	Explicit	\$0	\$270,050,000	12/31/2030
Leverage	Result	\$0	\$270,050,000	12/31/2030

Therefore, WEDC recommends the following:

**TERMS & CONDITIONS**  
**Charter Next Generation Inc**  
**Opportunity Number EZ FY23-53458**

**ENTERPRISE ZONE TAX CREDITS**

**RECIPIENT:** Charter Next Generation Inc

**ENTERPRISE ZONE DESIGNATION:** Wisconsin

**CERTIFICATION:** WEDC will certify the Recipient under the Enterprise Zone Program as eligible to earn up to Five Million and Six Hundred Thousand Dollars (\$5,600,000) in state income tax credits based on Job Creation and Capital Investment beginning on January 01, 2023 (the "Certification Date"). The Enterprise Zone designation and certification for earning tax credits will last for a period of ninety-six (96) months commencing on the Certification Date. During this period, the Recipient will be eligible to earn tax credits according to the Tax Credit Disbursement Schedule set forth in Exhibit A.

**EARNING CREDITS:** As a threshold to earning Job Creation and Capital Investment tax credits in any year during the term of the certification, the Recipient must create a minimum number of Full-Time Employees as set forth in the column entitled "Minimum Cumulative Job Creation to Qualify" on the Tax Credit Disbursement Schedule set forth in Exhibit A.

Job Creation Tax Credits: Up to Two Million Five Hundred Thousand Dollars (\$2,500,000) in Job Creation tax credits may be earned based on the Recipient's creation of new Full-Time Employees in the Enterprise Zone. The Job Creation tax credits may be earned based on the Tax Credit Disbursement Schedule set forth in Exhibit A. Job Creation tax credits will be calculated at a rate of seven percent (7%) of the wages paid to Full-Time Employees created after the Certification Date. Wages considered for the calculation of tax credits are those wages between thirty thousand dollars (\$30,000), and one hundred thousand dollars (\$100,000) for each Full-Time Employee.

The Recipient must maintain the number of Existing Full-Time Employees in the Enterprise Zone over a period of at least ninety-six (96) consecutive months commencing on the Certification Date and through December 31, 2030.

The Recipient must maintain the number of New Full-Time Employees hired in the Enterprise Zone over a period of at least ninety-six (96) consecutive months commencing on the Certification Date and through December 31, 2030.

Capital Investment Tax Credits: Up to Three Million One Hundred Thousand Dollars (\$3,100,000) in Significant Capital Investment tax credits may be earned at a rate of ten percent (10%) based on the Recipient's actual Eligible Significant Capital Expenditures paid for real property and personal property. The capital investment tax credits may be earned based on the Tax Credit Disbursement Schedule set forth in Exhibit A. Capital investment tax credits will not be earned for equipment moved into the Enterprise Zone.

The Recipient must maintain the Significant Capital Investment in the Enterprise Zone over a period of ninety-six (96) consecutive months commencing on the Certification Date and through December 31, 2030.

**CLAIMING TAX CREDITS:** Enterprise Zone Tax Credits are refundable. Credits earned by the Recipient and verified by WEDC may be claimed on the Recipient's Wisconsin tax return submitted to the Department of Revenue. Tax credits will first be applied to any existing Wisconsin state income tax for which the Recipient is liable in the applicable year. In any year in which tax credits exceed the Recipient's Wisconsin state income tax liability, the balance shall be refunded to the Recipient.

**DEFINITIONS:** For purposes of this document and future documents:

"Base Year": means the year-long period beginning during the calendar year prior to the calendar year in which the Enterprise Zone in which Recipient is located takes effect. For purposes of this project, the Base Year is 2022.

"Existing Full-Time Employee(s)" means the number of Full-Time Employees existing in the Enterprise Zone in the Base Year. For purposes of this Project, there are five hundred ninety-three (593) Existing Full-Time Employees.

"Full-Time Employee": means an individual who is employed by the Recipient in the Enterprise Zone in a regular, non-seasonal job for which the annual pay is more than thirty thousand dollars (\$30,000), and an individual in the position is offered the retirement, health, and other benefits that are equivalent to the retirement, health, and other benefits offered to an individual who is required to work at least 2,080 hours per year.

"New Full-Time Employee": means a Full-Time Employee hired after the Certification Date.

"Significant Capital Expenditure": means a capital investment in the Enterprise Zone, beyond the Recipient's normal capital expenditures, which is needed to complete the Project. Significant Capital Expenditures include machinery and equipment, land costs, and new building construction costs.

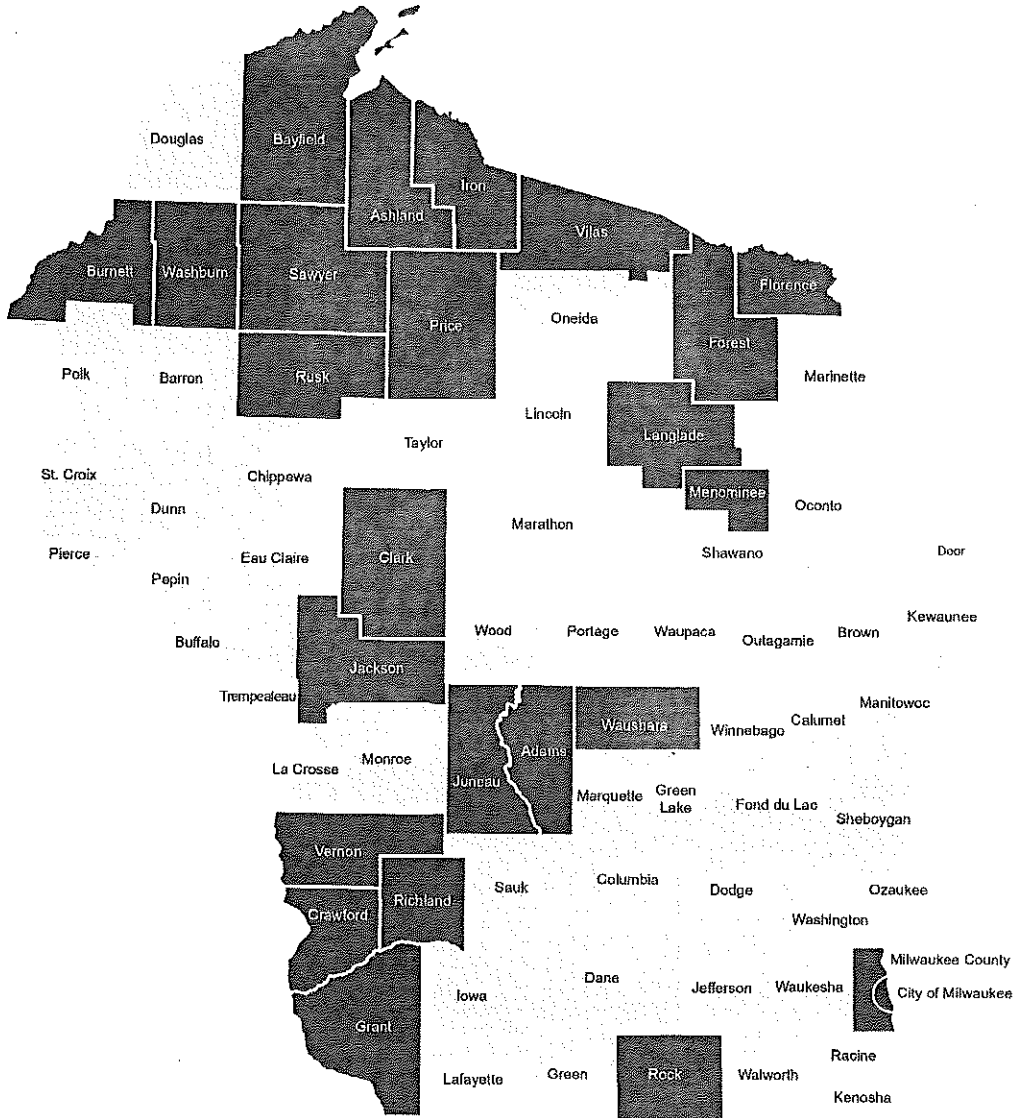
"Significant Capital Investment": means capital investment in excess of ten million dollars (\$10,000,000.00) in the Enterprise Zone, beyond the Recipient's normal capital expenditures, which is needed to achieve the specific purpose of completing the project.

"Zone Payroll": means, in any taxable year, the amount of the Recipient's payroll that is attributable to wages paid to Full-Time Employees in the State of Wisconsin for services that are performed in the Zone. Zone Payroll does not include the amount of wages paid to any full-time employee that exceed \$100,000.

**EXHIBIT A  
TAX CREDIT DISBURSEMENT SCHEDULE**

Period (mm/dd/yyyy format)		Minimum Cumulative New Full Time Employees to Qualify	Cumulative New Full Time Employees to Obtain Maximum Job Creation Credits	Maximum Job Creation Credits	Maximum Capital Investment Credits	Maximum Annual Total
Period Start Date	Period End Date					
1/1/2023	12/31/2023	20	25	\$25,000	\$500,000	\$525,000
1/1/2024	12/31/2024	60	75	\$100,000	\$750,000	\$850,000
1/1/2025	12/31/2025	104	130	\$200,000	\$750,000	\$950,000
1/1/2026	12/31/2026	148	185	\$300,000	\$400,000	\$700,000
1/1/2027	12/31/2027	192	240	\$400,000	\$400,000	\$800,000
1/1/2028	12/31/2028	232	290	\$500,000	\$100,000	\$600,000
1/1/2029	12/31/2029	254	317	\$500,000	\$100,000	\$600,000
1/1/2030	12/31/2030	273	341	\$475,000	\$100,000	\$575,000
Total		273	341	\$2,500,000	\$3,100,000	\$5,600,000

# WEDC DISTRESSED COUNTY MAP



■ Distressed / Tier I

● Non-Distressed / Tier II

June 2022