

Proposal to the Arizona Commerce Authority

***City of Flagstaff
Joy Cone Company
Project Recipe for Growth***



Contact:

John Saltonstall
Business Retention and Expansion Manager
Economic Vitality Division
City of Flagstaff
211 W. Aspen Avenue
Flagstaff, AZ 86001
928-213-2966
jsaltonstall@flagstaffaz.gov

October 1, 2012

EXHIBIT A

2013 RURAL GRANT – ECONOMIC DEVELOPMENT GRANT

PROJECT SUMMARY

(to be included with all submitted Applications)

APPLICANT INFORMATION

Applicant Entity Name: City of Flagstaff
Address: 211 W. Aspen Avenue
Contact Name and Title: John Saltonstall, Business Retention & Expansion Manager
Contact Email: JSaltonstall@flagstaffaz.gov
Contact Phone: 928-213-2966

PROJECT INFORMATION

Does your Application include: One Project Multiple Projects

Please completed below for each project if multiple projects are included.

Project Name: Project Recipe for Growth
Brief Project Description: Joy Cone Company's Flagstaff facility will decommission existing incinerator, then design and build a second batter room
Grant Amount Requested: \$100,000.00

Projected Outcomes

Number of New Jobs: Five
Average Wages: \$45,000.00
New Payroll: \$225,000.00
Capital Investment: \$1,000,000.00

APPLICANTS QUALIFICATIONS

Management Team

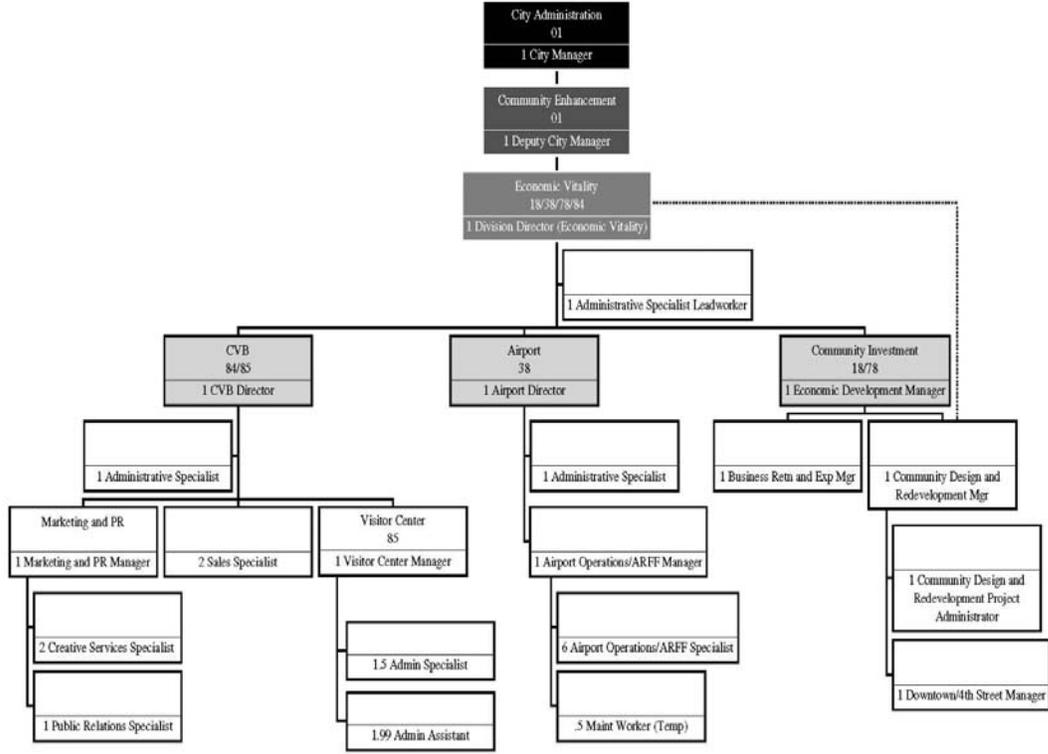
John Saltonstall (City of Flagstaff Project Coordinator) As the Business Retention and Expansion Manager, John manages federal, state, and city economic development programs in support of Flagstaff's business community. He is responsible for executing all initiatives and activities to facilitate local business retention and expansion, including, but not limited to: grant submission and administration, targeted job training, management of business retention and expansion programs, site selection assistance, business evaluation and general economic development assistance.

Stacey Brechler-Knaggs - The City of Flagstaff has a full time Grants Manager position which involves researching, monitoring, and applying for available grants, as well as monitoring, implementing, evaluating, and assuring the compliance of terms and conditions, and in general, is the central coordinator for all grants. Duties include internal auditing and holding others accountable for proper grant compliance. The accountants assigned to the grants have a high level of technical expertise in governmental budgeting and accounting. In addition, the project representatives have extensive knowledge in the targeted areas in which they are seeking funds and administering the funded programs.

The City's grant management team will be working closely with Mr. Joe Pozar, Jr. of Joy Cone Company to assure minimal impact to their operations. Mr. Pozar and his team will be providing input as to the design of the new batter room.

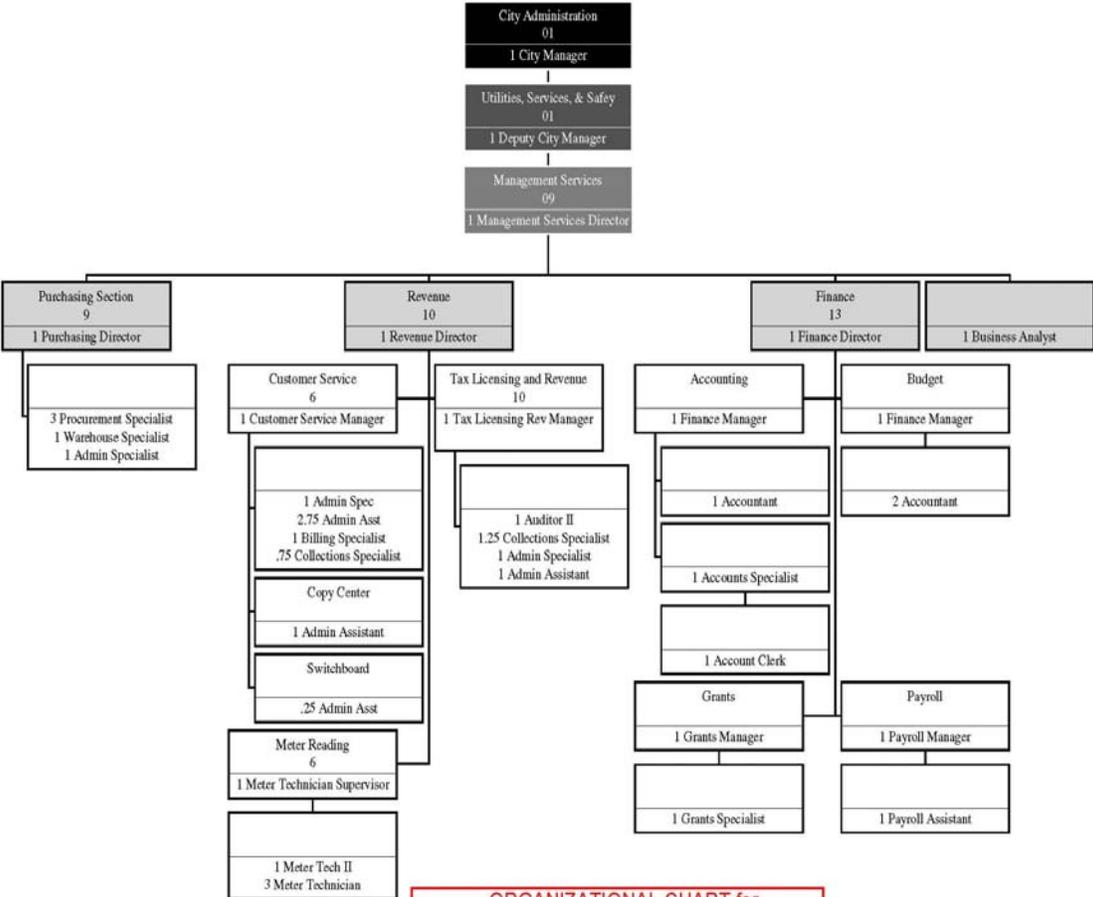
Joe Pozar, Jr. - As the Plant Manager of Joy Cone Company's Flagstaff facility, Mr. Pozar is responsible for all Western facility personnel, operations, and goals for all departments. He directs and coordinates plant operations within company policy and procedure to ensure safe quality products for all customers. Mr. Pozar has over 12 years experience with Joy Cone Company and has worked in every production and warehouse position. Mr. Pozar is active in the community and is on the board of the Flagstaff Chamber of Commerce.

ECONOMIC VITALITY



**ORGANIZATIONAL CHART for
 CITY of FLAGSTAFF
 ECONOMIC VITALITY DIVISION
 Business Retention and Expansion Manager**

MANAGEMENT SERVICES



**ORGANIZATIONAL CHART for
CITY of FLAGSTAFF
MANAGEMENT SERVICES DIVISION
Grants Manager**

Project Narrative – Executive Summary

The City of Flagstaff's Economic Vitality Division is pleased to submit this grant request for assistance in converting Joy Cone Company's incinerator room into a second batter room. The increased production prepares the plant for additional capital investment in future years, including additional and higher output ovens, as well as five new manufacturing jobs by December 2013.

The City of Flagstaff in collaboration with the Joy Cone Company, is proposing a project that will leverage Joy Cone Company's investment to secure funds awarded under this Arizona Commerce Authority Rural Economic Development Grant. The total project is estimated to cost approximately \$1,000,000 with Joy Cone Company investing \$900,000 and a requested grant award of \$100,000 from the Arizona Commerce Authority.

Background

In 1996, Joy Cone Company acquired land in Flagstaff's Airpark to build a facility manufacturing ice cream cones to serve the Western States. Since 1996, Joy Cone Company has made several additions to their manufacturing facility which is now greater than 200,000 square feet. This growth has made Joy Cone Company the largest manufacturer of ice cream cones in the world with annual production of over two billion produced annually. Joy Cone Company has successfully partnered with the City of Flagstaff, the Economic Collaborative of Northern Arizona (ECoNA), and the Arizona Commerce Authority (ACA) in previous expansion projects that have resulted in an employee body of 125 people, with an increasing number of employees who have been with the company for over ten years. As of September 2012, Joy Cone Company has added 20 new employees at its Flagstaff facility.

Problem to Be Addressed by Project

With the growth in business and increased demand, Joy Cone Company plans to meet demand by maintaining operational efficiencies while increasing production capabilities. At present, limited capacity in the batter rooms results in an increasing percentage of downtime. By decommissioning the existing incinerator and converting that space into a second batter room, Joy Cone Company will increase capacity, limit downtime, while being poised to further invest in their operations with an additional high efficiency oven in the next few years.

Project Objective

The objective is to have a second batter room to meet the increased production needs of the current facility and to meet the production needs of future expansions as well. Currently, Joy Cone Company operates out of one batter room. This room has equipment that mixes three different batches, (Cake, Sugar and Waffle) this is done with two mixers, one for Cake and the other being for Sugar and Waffle. At the current demand, Joy Cone Company is at or above its capacity for Sugar and Waffle batter production. The current batter room does not have the space to add the additional equipment to expand capacity. Therefore, the additional room is needed to add the required equipment to meet and grow expectations. The new room will house two mixers, one for Sugar and the other for Waffle. This will eliminate the shared use of one mixer. It will also house three holding tanks for finished batters. With these two improvements, Joy Cone Company will have the capacity to expand its production, make further capital investment in the Flagstaff facility, and increase jobs.

Project Impact

As is evidenced by Joy Cone Company's several expansions of their facility, Joy Cone Company is committed to Flagstaff. Their addition of 65,000 sq. ft., completed in 2009, allowed the company to increase employment in 2010 by 15 new hires. The recent Rail Spur Extension Project of 2011 contributed to an additional ten new hires. The average salary of all Joy Cone Company's

employees exceeds \$45,000. Without the new batter room further expansion and job creation will become more difficult.

Project Outcomes

As stated earlier, the primary objective of this project is to continue to increase capital investment that will increase production and create more well-paying manufacturing jobs in the Flagstaff region. The outcomes of this project will greatly further the positive impact that the Joy Cone Company is having on the local economy. Joy Cone Company is the largest producer of ice cream cones in the world, manufacturing close to two billion cones between its Pennsylvania and Flagstaff facilities. The industry continues to grow despite the tough economic times the country has endured over the past several years. One important measure of the impact of Joy Cone Company's growth is the continuous expansion of jobs that Joy Cone Company provides.

Jobs

Joy Cone Company has a strong desire to grow in Flagstaff, throughout the years, Joy Cone Company has tried several strategies for hiring. They have hired college students, High School Students, Local and Outside of Flagstaff. Joy Cone Company believes that to continue to have success here in Flagstaff, they must stay local and promote from within. Joy Cone Company strongly believes that promoting current employees to positions with authority is the only direction to go. This not only opens new entry level employment, it adds income to current employees. Joy Cone Company currently has 125 employees with the average salary exceeding \$45,000. With the expansion of the second batter room, Joy Cone Company will need to add 5 new positions. This second batter room will create an opportunity for 5 current employees to be promoted into a higher paying position, which in turn will create 5 new positions that will be new hires. More importantly, with this expansion, Joy Cone Company will have the capacity to continue to grow in the future and create more employment opportunity.

Community Impact

Joy Cone Company continues to have a tremendous positive impact on Flagstaff and Northern Arizona. Their product, ice cream cones, has proven to be recession resistant. Even through, what is being called the greatest recession of a generation and being compared to the Great Depression, the Joy Cone Company has continued to flourish, by investing in its facilities, capital equipment and its people. It is one of only a handful of manufacturing employers in the greater Flagstaff region that has not had to lay-off employees during the recent economic downturn.

Beyond the immediate wage and other operational dollars spent in the region, there is a multiplier effect of Joy Cone Company's growth. A recent study conducted by Northern Arizona University's Center for Business Outreach estimated that manufacturing operations have a "direct" and "induced" effect on the creation of jobs in the community. These are jobs that are needed to support the manufacturing employees and other Joy Cone Company employees. This direct and induced job creation is estimated to be as high as 1.9 jobs in the community for every Joy Cone Company employee.

In summary, any future expansion of Joy Cone Company's Flagstaff facility will be greatly impacted by the limitations of the current batter room. The limited capacity has already affected the production of Sugar and Waffle Cones. The percentage of downtime of Sugar and Waffle Cones increased from .9% to 1.4% from 2011 to 2012. By addressing the batter room capacity limitation issues, the Joy Cone

Company will hire new employees and will be prepared for future facility expansion and related job creation.

Project Tasks and Costs

Joy Cone Company has been deliberating about the particulars of the project for some time. From these discussions, the following tasks, timeframes and estimated costs were derived.

Decommissioning the Incinerator

The proposed auxiliary room is outfitted with an incinerator. Before conversion to a batter room, this piece of equipment must be properly decommissioned and removed from the facility.
 Estimated cost: \$50,000.00

Architectural and Structural Engineering

To accept batter room equipment, to include: overhead weigh hoppers, mixers, batch coolers and an overhead vacuum hoist, the building structure of the auxiliary room must be modified for the new equipment loads. The new structure must comply with all state and local building codes.
 Estimated cost: \$100,000.00

System Design and Process Engineering

Concurrently, the bulk ingredient handling equipment and batter room equipment, to include: overhead weigh hoppers, mixers, batch coolers, discharge pumps, automatic control valves and automatic controls will be engineered to integrate with our existing operation by outside contractor.
 Estimated cost: \$150,000.00

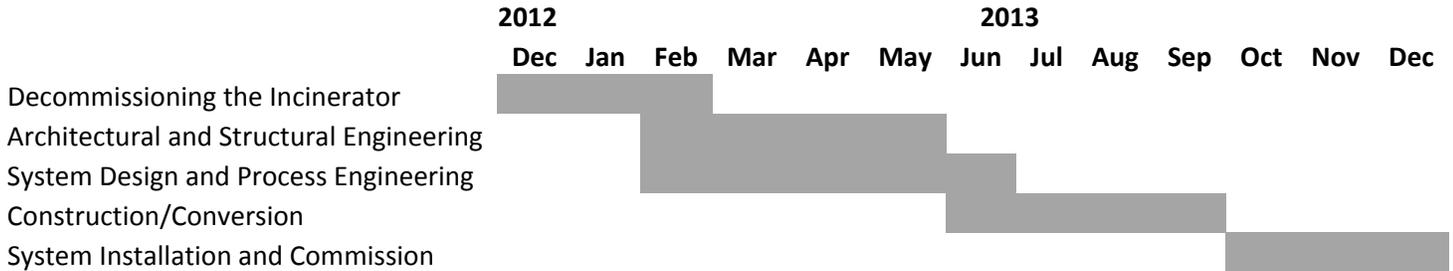
Construction/Conversion

Once the architectural and system designs are agreeable, the physical conversion and structural addition to the room will commence as per the architectural plans.
 Estimated cost: \$240,000.00

System Installation and Commission

Denoting the completion of construction and conversation phase, the City of Flagstaff’s Building and Safety Program will issue the certificate of occupancy. This will start the final phase; installing and commissioning the batter room equipment.
 Estimated cost: \$460,000.00

Project Timeline



Budget Narrative and Detail

This request is for the design and conversion of the incinerator room into a second batter room dedicated to Sugar and Waffle cone production only. The current batter room would be dedicated to Cake cone only. The need for this expansion is particularly evident when the facility runs both sugar and waffle ovens simultaneously. Currently, only the Lee ribbon blender mixes sugar and waffle batter. The mixer cannot be adequately cleaned between sugar and waffle batter in the time it takes for the batter to discharge out of the waffle batter. Consequently, the quality and efficiency of the SCF1, WCF1, and WBF1 lines suffers.

BUDGET

Sources of Funding

Arizona Commerce Authority Rural Economic Development Grant	\$	100,000
Joy Cone: Cash Contribution	\$	900,000
<i>Total of Proposed Funding Sources</i>	\$	1,000,000

Uses of Funding

Decommissioning the Incinerator	\$	50,000
Architectural and Structural Engineering	\$	100,000
System Design and Process Engineering	\$	150,000
Construction/Conversion	\$	240,000
System Installation and Commission	\$	460,000
<i>Total Project Cost</i>	\$	1,000,000

List of Attachments

1. Letter of Support from Joy Cone Company President
2. Letter of Support from Coconino County Career Center