Economic Emergency Program
Coin-Tainer Company Fire

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About The EDA Center

The EDA Center at the University of Minnesota Crookston is one of more than 40 university centers nationwide, supported by the Economic Development Administration, U.S. Department of Commerce. The EDA Center conducts applied research, provides direct technical assistance and delivers educational programs to economic development agencies that support the economy of economically-distressed communities throughout Minnesota.

Our Mission:
Our mission is to engage university faculty, staff and students with local, county tribal and regional economic development agencies in support of our Minnesota economy. Our focus is to utilize the capacity of the University of Minnesota Crookston in partnership with the broader U of M system and economic development agencies to support job creation, capital investment, business recruitment, and job retention.

To learn more about The EDA Center go to: www.edacenter.org.

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INTRODUCTION
The Coin-Tainer Company is a privately-owned company that manufactures coin and currency handling products in Milaca, a city in Mille Lacs County, Minnesota. Its products include tube and flat coin wrappers and ticket rolls and are used in more than 90% of retail stores nationwide (Coin-Tainer.com). On Wednesday, January 15, 2014, the company’s facility was damaged by fire. As the company considers its losses, city and county leaders will contemplate possibilities for the future of the business and the impacts on the community. One of the ways the community will be impacted is economically. Decision-makers in the City of Milaca and Mille Lacs County need information regarding the potential economic impact should Coin-Tainer Company close down, operate at a different size or scale, or rebuild to its full capacity. In response, University of Minnesota Extension has prepared this economic emergency report. This report is presented in partnership with the EDA Center at the University of Minnesota-Crookston.

SUMMARY OF FINDINGS
If the Coin-Tainer Company closes and ends all production, the closure will result in the estimated loss of 149 jobs, $27.9 million of sales, and $4.4 million of labor income in Mille Lacs County. The Coin-Tainer Company currently employs 63 staff and 50 independent contractors and pays a combined estimated $3.3 million annually in salaries, wages, and benefits. When the company closes, it is predicted 36 additional jobs in Mille Lacs County will be affected and an additional $1.1 of labor income will be lost. The industries to be most affected by the closure include: wholesale trade businesses, food service and drinking places, housing, and banking and lending institutions.

The Coin-Tainer Company is currently planning to operate at half its pre-fire production level. This will mitigate the losses predicted. If the plant does indeed operate at 50 percent of its pre-fire level, there will be estimated total losses of 75 jobs, $14.0 million in sales, and $2.2 million in labor income in Mille Lacs County. However, a corresponding number of jobs and value of labor income will be retained in the county.

WHAT IS AN ECONOMIC EMERGENCY?
Communities can face a sudden and unanticipated change in their local economy. A major employer announces it is reducing its workforce, a fire destroys an operating facility, or a flood damages downtown. In these situations, communities often need to make quick, but important, decisions about how to react. They work closely with the local business affected and work to help the business and community recover.

The University of Minnesota Extension’s economic emergency program is designed to quickly provide community leaders with information to assist in making decisions. Since the program is intended to be responsive to com-
munity needs, assumptions need to be made regarding the analysis. Given a longer time period, a more in-depth approach to the analysis would be taken. Care should be exercised when interpreting the results to fully understand the underlying assumptions and consider them in the decision-making process. As an example, in this analysis, Coin-Tainer provided information on the number of employees at the plant. This information was used to estimate total production and payroll at the plant. For more on the assumptions of the program, visit our website at www.extension.umn.edu or contact the Extension Educator listed at the end of this report.

The IMPLAN model and database were used to conduct the analysis in this report.

CURRENT ECONOMY

In 2012, there were 12,406 jobs in Mille Lacs County\(^1\). The government sector employed 32 percent of all workers in the county, thus making it the largest single industry in terms of employment (see chart 1). In the database used for this analysis, employment at tribally-owned businesses (such as the casino) is included in the government sector as is employment at public K-12 educational institutions and publicly-owned health care. The total number of jobs in the government sector is approximately 3,900. Employment at the tribally-owned casino is estimated at 1,000 jobs or about one-quarter of the total government employment. The private health and social services sector employs 15 percent of all individuals with jobs in Mille Lacs County.

The Coin-Tainer Company is categorized in the manufacturing sector. There are approximately 800 jobs in the manufacturing sector in Mille Lacs County. Over the period of 1990 to 2012, Mille Lacs County lost a total of 1,442 jobs in the manufacturing industry\(^2\). In part due to the Great Recession, the manufacturing industry in the United States declined during the time period. Therefore, it is not surprising the industry in Mille Lacs County lost jobs. However, the rate of manufacturing job losses in Mille Lacs County exceeds what would be expected given trends in the manufacturing industry at the national level.

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1 Source: IMPLAN (MIG, Inc.) database. The most current available data are for 2012.
2 Source: Georgia Stats, based on CEW data (georgiastats.uga.edu).
Compared to other counties in greater Minnesota, Mille Lacs County’s employment base is significantly more government-dependent (chart 2). Thirty-two percent of Mille Lacs County’s employment is in the government, as compared to 14 percent in the average greater Minnesota county. This is in part due to the system used to classify jobs. The approximately 1,000 jobs at the tribally-owned casino are included in the government sector, as are jobs at publicly-owned health and educational institutions, including public K-12 schools. Mille Lacs County also has a slightly higher share of its employment in other services. Mille Lacs County has a lower percentage of jobs in manufacturing, trade, and professional services than other counties in greater Minnesota.
According to the IMPLAN database, the average wage/salary with benefits for all jobs in Mille Lacs County is $35,300. The average wage of the manufacturing industry is $45,100 in Mille Lacs County. In greater Minnesota, the average wage for all jobs is $62,600. The average wage of the manufacturing industry in greater Minnesota is $62,500 which includes benefits. As a reminder here, greater Minnesota includes all counties outside the 7-county metro region, so regional centers such as Duluth, St. Cloud, and Rochester are included in greater Minnesota.

**ECONOMIC IMPACT OF POTENTIAL CLOSURE OR DOWNSIZING OF COIN-TAINER COMPANY**

The Coin-Tainer Company in Milaca, Minnesota employs 63 full-time employees. In addition to the 63 employees at the facility, Coin-Tainer employs 40-50 independent contractors. The contractors provide services to the company through tasks performed in their homes. Some of the independent contractors are employed by Coin-Tainer via contracts with service providers for the developmentally-disabled.

The closure of the facility would result in the loss of all 63 jobs at the plant and 50 independent contractors. Total payroll for employees at the Coin-Tainer Company plant is an estimated $3.1 million or about $48,600 per employee, including benefits. This is slightly higher than the average wage per employee of the manufacturing sector of the county which is $45,100. According to the model used in this analysis, 63 employees in the stationery products manufacturing industry in Mille Lacs County produce an estimated $23.2 million in economic activity annually. The independent contractors

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3 Employment figures provided to Extension by the Coin-Tainer. Payroll estimated from the IMPLAN database.
contribute to the $23.2 million in economic activity. Payroll for the independent contractors is an estimated $184,500 which is modeled here as an increase in household income⁴.

The Coin-Tainer Company generates additional economic activity in the county as a result of the business making purchases in the local economy. When the business makes purchases of inputs and supplies in the local economy, this creates indirect or business-to-business impacts. When the business’ employees make purchases in the local economy, this creates induced or consumer-to-business impacts. If these purchases decrease, as a result of the business closing or decreasing production, the corresponding local purchases will also decrease, causing a ripple of economic loss in the local community.

The loss of 63 jobs at the Coin-Tainer Company will have impacts on Mille Lacs County, as displayed in table 1. When employment at the facility decreases by 63 jobs and 50 independent contractors, an additional estimated 36 jobs in industries that serve the Coin-Tainer Company and its employees will be lost. In total, 149 jobs in the county are predicted to be affected by this action. The manufacturing company itself will produce $23.2 million less in output because it is closed, which will contribute to a total loss of an estimated $27.9 million in output (sales) in the county. Labor income will also drop in Mille Lacs County. Lost jobs at the manufacturing firm will directly cause a decrease in labor income of $3.1 million for employees at the plant and $184,500 for independent contractors. The lost spending of these wages and other purchases by the plant will decrease total labor income in the county by an additional $1.1. Thus, the total loss of labor income will be an estimated $4.4 million.

| TABLE 1: ECONOMIC IMPACT OF THE CLOSURE OF THE COIN-TAINER COMPANY: MILLE LACS COUNTY, MINNESOTA |
|-----------------|-----------------|-----------------|-----------------|
|                  | Direct          | Indirect        | Induced         | Total           |
|                  | At Coin-Tainer  | Business-Business | Consumer-Business |
|                  | Staff           | Independent Contractors | Staff           | Independent Contractors |
| Output           | -$23,200,000    | $0               | -$2,900,000     | $0              | -$1,600,000 | -100,000     | -$27,900,000 |
| Employment       | -63             | -50              | -20             | 0               | -15           | -1           | -149        |
| Labor Income     | -$3,100,000     | -$200,000        | -$800,000       | $0              | -$400,000     | -$30,000     | -$4,400,000 |
| Average Wage     | $48,600         | $3,690           | $41,600         | N/A             | $30,410       | N/A          | $44,500     |

Estimates by University of Minnesota Extension Center for Community Vitality

The analysis is based on the assumption that Coin-Tainer will close down or move due to the fire incidence that occurred on January 15, 2014. The results will not hold if Coin-Tainer continues with operations within Mille Lacs County subsequent to the fire disaster.

⁴ Independent contractors contribute to the output of the plant ($23.2 million), but not at the same level as plant workers. If they were modeled as plant workers, the analysis would overestimate the economic impact. Independent contractors primarily contribute to economic activity through the spending of their wages earned (household income). Household income changes do not create indirect effects.
As of publication of this report, Coin-Tainer had resumed limited operations at a facility in Sherburne County. Coin-Tainer has plans to reopen the plant, but at a reduced scale. At this time, the company plans to operate at 50 percent of its pre-fire size. If the company resumes operations in Mille Lacs County at 50 percent of its pre-fire operation size, the estimated economic impact on Mille Lacs County will be as indicated in table 2.

| TABLE 2: ECONOMIC IMPACT OF THE CLOSURE OF THE COIN-TAINER COMPANY OPERATING AT 50 PERCENT OF PRE-FIRE PRODUCTION: MILLE LACS COUNTY, MINNESOTA |
|-------------------------------------------------|------------------|------------------|------------------|------------------|
| Direct                                         | Indirect         | Induced          | Total            |
| At Coin-Tainer                                 | Business-Business| Consumer-Business|                  |
| Staff                                          | Independent Contractors | Staff             | Independent Contractors |
| Output                                         | -$11,600,000     | $0               | -$1,500,000      | $0               | -$820,000       | -$50,000        | -$14,000,000     |
| Employment                                     | -32              | -25              | -10              | 0                | -7              | -1              | -75              |
| Labor Income                                   | -$1,500,000      | -$90,000         | -$410,000        | $0               | -$220,000       | -$10,000        | -$2,200,000      |
| Average Wage                                   | $48,600          | $3,690           | $41,600          | N/A              | $30,410         | N/A             | $44,500          |

Estimates by University of Minnesota Extension Center for Community Vitality

The model can also provide estimates of the industries in Mille Lacs County that will feel the largest magnitude of impacts from the closure of Coin-Tainer Company. In terms of employment, the largest indirect and induced impacts will be in the industries shown in chart 3.

Chart 3 can help decision-makers understand the other industries in Mille Lacs County that will be affected by the closure. Of the predicted 36 jobs lost in industries beyond Coin-Tainer, approximately 4 of those lost jobs will be
in the food services and drinking places industry. Three will be in wholesale trade and 2 in civic, social, and professional organizations.

In terms of output, the largest indirect and induced impacts will be in the industries shown in chart 4. The largest impacts will be in wholesale trade followed by housing and banking and lending.

Chart 4 helps to explain which industries will suffer the largest share of the financial losses from the plant closure. Wholesale trade business will lose an estimated $550,000 in business, the housing market will feel losses of nearly $400,000, and banking and lending institutions will lose just over $300,000 in economic activity.

In summary, this report predicts changes in the Mille Lacs County economy due to changes at Coin-Tainer as a result of the January fire. The model predicts changes resulting from decreases in business-to-business expenditures and from decreases in spending by Coin-Tainer employees. The results are based on several assumptions and should be combined with local knowledge of the situation for the most accurate interpretation.