

# Flextronics America LLC

## Enterprise Zone Project Summary

### **Company Overview**

Flextronics America LLC (“Flex”) is planning to expand and upgrade its current facility on 12455 Research Blvd., Austin, Texas. Flex’s plans include capital expenditures for expanding new business lines and upgrading its manufacturing facility.

Flex is an electronics manufacturing services (EMS) provider focused on delivering complete design, engineering, and manufacturing services to automotive, computing, consumer, industrial, infrastructure, medical, clean tech and mobile original equipment manufacturers. Flex helps customers design, build, ship, and service electronic products through a network of facilities in 30 countries.

Flex is one of the Top 15 global manufacturers of medical devices. Health Solutions is a new and fast-growing segment of our business. The demand for hospital ventilators is high, with potential shortages of life-saving ventilators in hospitals overloaded with critical COVID-19 patients. Flex, in its new medical business venture, manufactured over 20,000 of these ventilators in 2020-2021 in its Austin facility. That compares to more than the total amount of ventilators built by all the other global manufacturers last year combined. Other crucial medical products Flex manufactures include oxygenators, patient monitors, testing equipment, and ICU-related necessities within two months. Other facilities can take over a year. Given the urgency of the world-wide pandemic, the company's expedition of the process is essential.

The company’s newest medical venture is in the diabetes market space and will involve a complex level of automation. Flex’s estimated expenditure for that new line represents most of the \$20 million it plans to invest over the next five years. Normal capital investment expenditures for routine maintenance will proceed as usual.

Over the next five years, Flex plans to make capital expenditures in excess of \$5 million, but less than \$150 million, in furtherance of its proposed expansions and renovations which will significantly enhance and expand production capabilities. This level of proposed capital expenditures qualifies Flex’s project to seek a single enterprise zone project designation.

### **Project Description**

Flex plans to invest at least \$20 million over the next five years on new manufacturing equipment to support the new Health Solutions segment and routine maintenance. Flex’s current project also includes some continuing expansion of manufacturing of electronic products for several well-known and iconic customers. Flex manufactures printed circuit boards, health care equipment, and other electronic products. Flex is involved in the design, printed circuit board assembly, enclosure fabrication, integration, and final assembly and test with fully integrated global logistical services. Flex routinely spends up to \$1 million per year on routine and unanticipated capital expenditures for upgrades.

### **Enterprise Zone Definition**

Any block group within the State of Texas that has a poverty rate of 20% or more, as determined by the U. S. Census Bureau during each decennial census is a state enterprise zone.

### **Requirements for Hiring Disadvantaged Workers**

Projects may be physically located in or outside of the Enterprise Zone. If located within a zone, the company commits that at least 25% of their new employees will meet economically disadvantaged, enterprise zone residence or veteran requirements. If located outside of the zone, the company commits that at least 35% of their new employees will meet economically disadvantaged, enterprise zone residency or veteran requirements. Since the site location is not within a zone, the company will be required to commit that at least **35%** of their new employees will meet economically disadvantaged, enterprise zone residence or veteran requirements.

### **Project Parameters**

#### Facility Locations

- 12455 Research Blvd., Austin, Texas 78759
- 12463 Research Blvd., Austin, Texas (referred to as “12T”, “Services 45T” or “45T”) 78759
- 12501 and 12501B Research Blvd., Austin, Texas 78759
- Facility is also referred to as “Hallmark”, “246 HM” or “Site 728” Austin, Texas 78759

### **Capital Investment (Total New: Approximately \$20 million)**

- Machinery and Equipment \$15,000,000.00
- Routine Capital Maintenance \$ 5,000,000.00
- Total Estimated New investment \$20,000,000.00

### **Timeline**

- Begin Construction 7/22/2021
- Construction Complete 12/1/2026

### **Job Categories/Employee Wages**

- Total Number of Full-Time Jobs at the site. 2191
- Total Number of Full-Time Jobs to be Retained for Program Benefit. 500
- Total Number of Full-Time Jobs to be Created for Program Benefit. 0

<b>Job Certification</b>	<b>Number of Current Positions</b>	<b>Estimated Annualized Salary/Hourly per Job with Benefits</b>	<b>Total Payroll w/o benefits</b>	<b>Estimated Annual Wages with Benefits @ 1.25%</b>
Leadership	223	\$294,288	\$52,501,039	\$65,626,299
Executive Mgt	17	\$235,282	\$3,199,830	\$3,999,787
Manager	96	\$158,000	\$12,134,420	\$15,168,025
Supervisor	219	\$119,937	\$21,012,891	\$26,266,113
Staff	258	\$87,001	\$17,957,104	\$22,446,380
Hourly	1378	\$50,667	\$55,855,135	\$69,818,919
Total	2191	N/A	\$162,660,419	\$203,325,523

Totals above as of September 17, 2021

**Note:**

1. Employee benefits received are as follows:  
Heath Insurance, Dental Insurance, Retirement Plan, 401(k), Paid Leave, Counseling, Life Insurance, Prescription Drug Plan, Vision, Flexible Spending Accounts, Tuition Reimbursement, Disability and Wellness/Behavior Health Benefits.

**Maximum Estimated State Sales & Use Tax Refund/ Computation**

- \$1,250,000
- The State of Texas computes its Maximum Potential Refund based upon a company's Capital Investment, Number of Jobs Created and/or Retained up to 500, and the Maximum Refund per Job Allocation (\$2,500 per job for a Single Enterprise Project Designation).

**Sales and Use Tax (State and Local)**

The Texas state sales and use tax rate is 6.25%, but the local taxing jurisdictions (cities, counties and special purpose districts, and transit authorities) may also impose sales and use tax up to 2% for a total maximum combined rate of 8.25%. For purposes of this program, it is the 6.25% portion of the tax that is used to provide a refund to businesses that apply for Enterprise Zone Project designation by the Office of the Governor. This application process is statewide and highly competitive. The 2.0 % local tax is not affected, therefore there is no fiscal impact on the City.

**Tax Structure**

- Overall Tax = 8.25%
- State Portion = 6.25%
- Local Portion = 2.00%\*

**Prior Council Action**

- Chapter 380 Agreement: The City of Austin has never entered into a Chapter 380 Agreement with Flex.
- Enterprise Zone Project Application: The City of Austin has nominated Flex to the State of Texas as a Texas Enterprise Zone project. That project designation expired on 6/2/2019 and successfully closed with the Texas Comptroller.

**Enterprise Zone Designation Period**

5 Years

**Enterprise Zone Designations**

9 New Designations (Effective September 1, 2021)

**The Public Benefit (if approved)**

1. The City of Austin would join corporate partners in battling poverty, and in this case, this would assist the disadvantaged in or near a zone suffering from poverty.
2. The City of Austin would send a signal that the City appreciates all corporate partners who take advantage of this program to help citizens who meet economically disadvantaged, enterprise zone residence or veteran requirements.
3. The City of Austin would support a program that requires no fiscal impact to the City.
4. The City of Austin would support major capital investment at the qualified business site which is within the Austin city limits.
5. The City of Austin would maximize local efforts to return state sales and use tax to the City of Austin, rather than allow those dollars to be sent to other cities in support of their corporations and/or local economies.



## Local Transit Map (Cap Metro Routes Only)

