

---

# **Return on Investment Analysis**

## **Marion County, Florida and the City of Ocala Emergency One Project**

**Prepared for the**

***Ocala - Marion County Economic Development Corporation***

**February - 2007**

**Prepared by**

**William H. Fruth  
POLICOM Corporation**

**2740 SW Martin Downs Blvd. #279  
Palm City, FL 34990**

**772-781-5559**

**www.policom.com  
fruth@policom.com**

**POLICOM**

---

## Table of Contents

Summary	Page 2
Introduction	Page 8
What is “Return on Investment and Return of Investment?”	Page 9
What is Economic Impact?	Page 11
Economic Impact Multipliers	Page 11
Impact Upon Local Government Revenues	Page 14
Long Term Economic Impact of Emergency One	Page 16
Employment	Page 16
Worker Earnings	Page 16
Economic Impact:	Page 17
Impact Upon Local Government Revenue – Sales Tax	Page 18
Impact Upon Local Government Revenue – Property Tax	Page 20
City of Ocala – Ocala Electric Utility	Page 22
Return on Investment to Local Government	Page 23
Florida, Marion County, City of Ocala Proposal	Page 25
State of Florida	Page 25
Marion County	Page 26
City of Ocala	Page 26
Return on Investment Scenarios	Page 29
Community Impact Method	Page 29
Indirect Revenue Method	Page 30
Direct Revenue Method	Page 32
Marion County	Page 33
City of Ocala	Page 33
Schools and Water District	Page 34
State of Florida	Page 34
Annual Tables	Page 35
Conclusion	Page 41

---

## Summary

The purpose of this study is to determine if the investment in cash and credits by local government for Emergency One will yield a comparative economic return to the Marion County community and local government.

Emergency One, a manufacturer of fire fighting apparatus and emergency vehicles, is a long time employer in Ocala and Marion County. The company needs to construct a modern, 375,000 square foot facility in order to manufacture its products in a more efficient means. The company is considering communities other than Marion County for this facility.

In December of 2006, POLICOM created a study titled the *Economic Impact upon the Ocala – Marion County Economy of the Possible Closure of the Emergency One Manufacturing Facility*. This study determined there would be a significant negative economic impact upon the Marion County economy if the company ends operation in the area.

To encourage Emergency One to construct the facility in Ocala, the State of Florida, Marion County, and the City of Ocala are considering offering to Emergency One certain financial inducements which will reduce the initial setup costs of the new facility and the company's long term operating costs.

In the private sector, when an individual invests money in an enterprise, the individual expects a financial return on the investment during a period of time and a return of the investment at the end of the term. In the private sector, the purpose of investing is to earn money.

Local government does not exist for the purpose of making money. It exists to provide essential and non-essential services for the people and to, as best it can, enhance the "quality of life" for the residents.

To pay for these services, government, with the permission of the people, levies taxes and assesses fees which generate revenue. The expenditures by government pay for the services desired by the residents of the county or city.

There are essentially three groups which pay taxes and consume services. Each differs in its impact upon local government. The first group is the local population. For local government, the greatest consumer of services is the residents. The tax throw-off from the residences will marginally or just fall short of paying for all the costs of local government to service the populace.

The second group is the retail and commercial establishments. A retail or commercial establishment does not require as many local government services as a comparative residential area in size and is a source for the collection of taxes.

The key to generating sales tax revenue is the spending power in the marketplace. The total volume of sales tax money cannot exceed the disposable income of the area. In order for the taxable base to grow, generating more money for local government via sales and properties taxes, the marketplace must grow. In order to grow the marketplace, the overall economy of the area must grow.

The third group is wealth generating enterprises. A contributory business is the most sought after enterprise by communities for many reasons. From the viewpoint of local government, it will generate the most amount of tax revenue per acre and require, for the most part, the least amount of services. It is

from the economic impact of the contributory businesses most of the jobs and commerce occurs within a community.

Emergency One is a wealth generating company for the community.

The term “economic impact” refers to value of all the “financial transactions” which occur as a result of the presence of a particular business enterprise in an economy. The economic impact of a company on a community’s economy varies among industries. A primary business has the greatest impact as it is a direct importer of wealth.

To determine the revenue impact upon local government, the direct taxes paid by the business and the spending by the community and other businesses are considered as a result of the economic impact.

The economic impact of the Emergency One has been calculated for each year from 2008 through 2017. The period of time from 2008 to 2017 is the ten years for which financial inducements are being offered by Marion County and the City of Ocala.

In 2008, Emergency One will employ approximately 1,361 people. Its direct suppliers will employ about 462 people. This totals 1,823 Direct Jobs. As a result, an additional 2,406 Direct Effect Jobs will be created in the community for a total of 4,229 jobs.

<b>Table 1</b>	<b>2008-2017</b>	<b>2008</b>
<b>Employment</b>	<b>Average</b>	
Emergency One - Direct Jobs	1,480	1,361
Supplier Direct Jobs	503	462
<b>Total Direct Jobs</b>	<b>1,983</b>	<b>1,823</b>
Direct Effect Jobs	2,616	2,406
<b>Total - All Jobs In Community</b>	<b>4,598</b>	<b>4,229</b>

Over the ensuing ten years, employment at Emergency One will increase, going from 1,361 in 2008 to about 1,548 in 2017. Suppliers will also increase their workforce. As a result, by 2017 there will be about 4,810 jobs in the community as a result of Emergency One.

In 2008 Emergency One and its suppliers will have an estimated payroll of about \$74,712,732. As a result, an additional \$61,765,015 of payroll will be generated within the community. Total worker earnings as a result of Emergency One in the community will be about \$136,477,747.

<b>Table 2</b>	<b>2008-2017</b>	<b>2008</b>
<b>Worker Earnings</b>	<b>10 Year Total</b>	
Emergency One - Direct Earnings	673,732,462	53,888,341
Supplier Direct Earnings	260,354,421	20,824,391
<b>Total Direct Earnings</b>	<b>934,086,883</b>	<b>74,712,732</b>
Direct Effect Earnings	772,209,626	61,765,015
<b>Total - All Worker Earnings In Community</b>	<b>1,706,296,508</b>	<b>136,477,747</b>

As with jobs, Emergency One will increase its payroll over the next ten years. As a result, more than \$1.7 billion in worker earnings will be generated in Marion County from 2008 to 2017 because of Emergency One.

Emergency One will cause approximately \$499,293,311 in economic impact (transactions) in Marion County in 2008. The impact will increase each year from 2008 to 2017 as a result of Emergency One’s anticipated increases in employment, total wages, and gross sales.

<b>Table 3</b>	<b>2008-2017</b>	<b>2008</b>
<b>Economic Impact - Transactions</b>	<b>10 Year Total</b>	
Emergency One Output	4,287,917,000	337,794,000
<b>Total Output - Transactions</b>	<b>6,337,970,118</b>	<b>499,293,311</b>

As a result, the total economic impact caused by Emergency One from 2008 to 2017 will be about \$6.3 billion.

The construction of the facility will have a positive impact but only for about 18 months.

<b>Table 4</b>	
<b>Construction Impact</b>	<b>2008</b>
Construction - Total Costs	35,625,000
Construction - Local Output - One Year	29,625,000
Construction - Total Output (Transactions - Local Output)	66,262,238

Table 5 shows the total of sales tax which will be generated by the direct purchases of Emergency One and by the residents and businesses as a result of the economic impact of Emergency One.

Over the ten-year period, Marion County will receive approximately \$8.8 million in tax revenue, the City of Ocala \$1.9 million, and the Marion County School System \$7.7 million.

<b>Table 5</b>	<b>2008-2017</b>	<b>2008</b>
<b>Sales Tax Received</b>	<b>10 Year Total</b>	
Total County - Cities - Schools	18,458,958	1,962,535
Emergency One and Suppliers - Direct Purchases	3,207,498	647,527
Residents and Businesses	15,251,460	1,315,008
<b>Total County</b>	<b>8,802,156</b>	<b>935,835</b>
Emergency One and Suppliers - Direct Purchases	1,529,496	308,773
Residents and Businesses	7,272,660	627,062
<b>Total Cities</b>	<b>1,923,421</b>	<b>204,496</b>
Emergency One and Suppliers - Direct Purchases	334,221	67,472
Residents and Businesses	1,589,200	137,024
<b>Total Schools</b>	<b>7,733,381</b>	<b>822,204</b>
Emergency One and Suppliers - Direct Purchases	1,343,781	271,281
Residents and Businesses	6,389,600	550,923

Property taxes are generated directly by the company and by the residents who derive their livelihood from the economic impact of Emergency One.

Not included in the analysis are the property taxes generated by the support companies and the taxes paid by all various business enterprises which are “feeding” upon the average annual \$650,000,000 in transactions which are generated by Emergency One.

Four units of government will receive property taxes as a result of the presence of Emergency One in the economy. Table 8 shows the direct and indirect property tax receipts for each.

<b>Table 8</b>	<b>2008-2017</b>	<b>2008</b>
<b>Property Taxes Received</b>	<b>10 Year Total</b>	
All Property Taxes Generated	80,384,286	6,680,593
Emergency One - All Property Taxes	7,729,162	1,004,572
Emergency One - Real Property	5,266,082	601,664
Emergency One - Personal Property	2,463,081	402,908
Residential Property Taxes	72,655,124	5,676,020
<b>Government Units - Estimated Property Tax Receipts</b>		
Marion County	31,434,914	2,553,189
Emergency One	1,878,644	244,171
Residents	29,556,269	2,309,018
City of Ocala	15,429,428	1,326,369
Emergency One	2,333,301	303,263
Residents	13,096,127	1,023,106
School	30,468,795	2,548,028
Emergency One	3,234,804	420,433
Residents	27,233,991	2,127,595
Water District	3,051,150	253,007
Emergency One	282,413	36,706
Residents	2,768,737	216,301

Emergency One will pay, via real and personal (equipment) property taxes an estimated \$7.7 million from 2008 to 2017.

In 2008, the value of the new facility and new equipment is included in the tax roll.

The taxable value of the new facility is estimated to be \$32,000,000 in 2008. Thereafter, the value is depreciated 3% per year for the entire term.

The value of the personal property (equipment) is estimated to be approximately \$22 million in 2008. The value is depreciated to \$6 million by 2017 based upon a schedule provided by Emergency One.

Table 12 is a summary of all taxes generated for each government unit as a result of the presence of Emergency One in the City of Ocala for the ten year term from 2008 to 2017.

<b>Table 12</b>	<b>2008-2017</b>	<b>Table 12</b>	<b>2008-2017</b>
<b>Government Revenue</b>	<b>10 Year Total</b>	<b>Government Revenue</b>	<b>10 Year Total</b>
<b>All Taxes Generated</b>	100,163,244	<b>City of Ocala</b>	18,672,849
Emergency One and Suppliers	12,256,660	Emergency One and Suppliers	3,987,522
Residents and Businesses	87,906,584	Residents and Businesses	14,685,327
<b>Marion County</b>	40,237,069	Sales Tax	1,923,421
Emergency One and Suppliers	3,408,140	Emergency One and Suppliers	334,221
Residents and Businesses	36,828,929	Residents and Businesses	1,589,200
Sales Tax	8,802,156	Property Tax	15,429,428
Emergency One and Suppliers	1,529,496	Emergency One Only	2,333,301
Residents and Businesses	7,272,660	Residents	13,096,127
Property Tax	31,434,914	Utility General Fund - Emergency One	1,320,000
Emergency One Only	1,878,644	<b>School</b>	38,202,175
Residents	29,556,269	Emergency One and Suppliers	4,578,585
<b>Water District</b>	3,051,150	Residents and Businesses	33,623,590
Property Tax	3,051,150	Sales Tax	7,733,381
Emergency One Only	282,413	Emergency One and Suppliers	1,343,781
Residents	2,768,737	Residents and Businesses	6,389,600
		Property Tax	30,468,795
		Emergency One Only	3,234,804
		Residents	27,233,991

The City of Ocala and the Marion County Board of Commissioners (hereafter called Marion County) are considering offering to Emergency One a financial inducement program, or incentives package, to encourage them to construct a new manufacturing facility in the City of Ocala.

The practice of presenting to wealth generating companies an incentive program is commonplace in the United States.

From a 2001 Community Business Incentives Survey, it was determined that among the counties in the United States:

- 74% abated real and personal property taxes for new and existing companies.
- 45% provided a cash grant or gift to the new or existing company toward the purchase of land and buildings.
- 70% of the counties have a community owned industrial park (government or not-for-profit) and 89% of them will reduce the price of or provide the land at no cost.

POLICOM has worked with communities which will, for a qualified company, provide them with free land, a free building, full tax abatement, and pay for all worker training.

Why do these areas offer so much. They have “run the numbers” and have determined the investment made in the incentives package is a small fraction of the economic benefit to the community.

In conclusion, the investment in cash and credits proposed by the State of Florida, Marion County, and the City of Ocala does not require an expenditure of tax money which will not be returned directly to local government via taxes paid by Emergency One. In essence, the community will not risk any funds but will enjoy a significant return of economic activity in the area.

The State of Florida, Marion County, and the City of Ocala have prepared a financial inducement package, which they hope to offer to Emergency One. The economic issues included in the package will reduce the initial set-up costs of constructing a 375,000 square foot facility and some of the long-term operating costs for Emergency One.

Recognizing the economic and social impact Emergency One has not only on Marion County but also the state as a whole, the State is considering a financial commitment of \$4.5 million. Of this money, only about \$1.5 million will go directly to Emergency One.

Marion County is proposing to refund property taxes paid by Emergency One and to waive ½ of the scheduled impact fee for the company.

<b>Table 13 Inducement Package</b>	<b>2008-2017 10 Year Total</b>
Total Credits and Grants	13,648,890
<b>State of Florida</b>	4,500,000
Governor's Closing Fund	1,500,000
Economic Transportation Fund	2,000,000
Quick Response Training Fund	1,000,000
<b>Marion County</b>	4,338,250
Tax Refund Grant	4,000,000
Impact Fee Credit	338,250
<b>City of Ocala</b>	4,810,640
Economic Improvement Fund	2,316,230
Airport Land Mitigation	1,981,160
Impact Fee Credit	338,250
Building Permit Credit	175,000

The City of Ocala is proposing to reduce the operating costs and the initial construction cost for Emergency One using four methods which include:

1. Annual grant from the City's Economic Improvement Fund for ten years.
2. Waiver of ½ of the scheduled traffic impact fee.
3. Waiver of the building permit fee.
4. Assuming the cost of the land lease through FAA credits and fund transfers for ten years.

For the private sector, the return on a monetary investment is fairly straight forward. It is the amount of money invested versus that which is received. Over a period of years, the annual rate of return can be determined. The purpose of the investment in the private sector is to earn money.

As previously stated, the purpose of government is not to make money, but provide services and enhance the quality of life for its residents. In order to provide services, it needs money. As a result, an investment by government (incentive package to a private company) can be viewed with "several sets of eyes."

Table 15 summarizes the impact using the Community Impact Method. There will be, over the ten-year period, about \$6 billion in commercial, retail transactions, an average of 4,500 jobs, \$1.7 billion in wages earned and paid, 3,400 households supported, and more than \$100,000,000 in revenue generated to local government.

<b>Table 15 Community Impact Method Community at Large</b>	<b>2008-2017 10 Year Total</b>	<b>2008-2017 10 Year Total</b>
Commerce (Transactions)	6,337,970,118	
Employment	4,598	
Wages Paid	1,706,296,508	
Households Supported	3,497	
Taxes to All Local Governments	103,863,244	
Investment - All Local Governments		9,148,890

The investment by the community (local governments) to create this economic activity is about \$9.1 million.

Table 16 shows the total income received by the four units of government and their respective expenditures directly related to Emergency One using the Indirect Revenue Method.

The expenditure side does not include the cost of services for the Marion County, City of Ocala, or the School system. This is one of the deficiencies of this method. It accurately depicts revenue, but not expenditures.

The Direct Revenue Method shows as clearly as possible the number of dollars going out (paid or credited by government) and the direct taxes or revenue received from this investment.

<b>Table 16</b>	<b>2008-2017</b>	<b>2008-2017</b>
<b>Indirect Revenue Method</b>	<b>10 Year Total</b>	<b>10 Year Total</b>
<b>Income Emergency One and Residents</b>		
Total Income - All Governments	103,863,244	
Marion County	41,237,069	
City of Ocala	21,372,849	
Marion County Schools	38,202,175	
Water District	3,051,150	
Total Investment and Costs - All Governments		9,995,774
Marion County		4,338,250
City of Ocala		5,657,524
Schools		0
Water District		0
Cash Variance	93,867,470	
Return on Investment	1039.1%	

Table 17 shows all governments will receive directly from the project about \$16 million. This includes the taxes paid directly by Emergency One along with money from the State of Florida and credits from the FAA.

The four government units will expend in cash and credits about \$10 million.

As a result, the entire investment made by local government will be returned plus about \$6 million. The direct return on investment is 159%.

Marion County will invest in cash and credits about \$4.3 million and receive about \$4.4 million. Essentially, it will receive back all that it contributed.

<b>Table 17</b>	<b>2008-2017</b>	<b>2008-2017</b>
<b>Emergency One Only</b>	<b>10 Year Total</b>	<b>10 Year Total</b>
Total Income - All Governments	15,956,660	
Marion County	4,408,140	
City of Ocala	6,687,522	
Marion County Schools	4,578,585	
Water District	282,413	
Total Investment and Costs - All Governments		9,995,774
Marion County		4,338,250
City of Ocala		5,657,524
Schools		0
Water District		0
Cash Variance	5,960,886	
Marion County	69,890	
City of Ocala	1,029,997	
Schools	4,578,585	
Water District	282,413	
Return on Investment	159.6%	

The City of Ocala will invest in cash and credits approximately \$5.6 million and receive approximately \$6.6 million in direct cash and credits. In total, the City will receive all that it invests in the project along with about \$1 million in excess proceeds.

Neither the Marion County School system nor the Southwest Florida Water Management District is contributing to the Emergency One project. However, each will receive direct revenue from Emergency One. In fact, the school system is one of the greatest beneficiaries of the project.

The schools will take in about \$4.5 million in tax revenue paid by Emergency One. The Water District will have income of \$282,413.

Neither will have any expenses directly related to Emergency One.

---

## Introduction

Emergency One, a manufacturer of fire fighting apparatus and emergency vehicles, is a long time employer in Ocala and Marion County. The company needs to construct a modern, 375,000 square foot facility in order to manufacture its products in a more efficient means. The company is considering communities other than Marion County for this facility.

In December of 2006, POLICOM created a study titled the *Economic Impact upon the Ocala – Marion County Economy of the Possible Closure of the Emergency One Manufacturing Facility*. This study determined there would be a significant negative economic impact upon the Marion County economy if the company ends operation in the area. This will be the result of the absence of the positive economic contribution made by the company via its payroll and purchases in the area.

Presently, through its output, Emergency One has an annual positive impact of about \$550,000,000 in transactions upon the Marion County economy. It accounts for about 1,700 primary jobs which caused a total of 4,000 jobs to be created.

As a result, there is about \$112,000,000 in worker wages generated, 3,000 households supported in Marion County, \$1,147,000 in sales tax collected, and \$4,500,000 in property taxes paid.

Should Emergency One completely close, the negative impact would be less than the current contribution as some suppliers and workers would immediately find other vendors and jobs. Even so, a closure, over a two to three year period, would have a negative annual impact of \$474,000,000 (transactions) upon the economy and the loss of about 1,560 primary jobs.

Absent other employment opportunities, at least 3,400 jobs would be lost having a negative impact upon almost 3,000 households, causing a decline in worker wages of \$96,000,000 and sales tax collections of about \$750,000. While homeowners will still be liable for property taxes, but absent employment, their source of money will be reduced and it will be difficult to pay about \$3,500,000 in property taxes.

To encourage Emergency One to construct the facility in Ocala, the State of Florida, Marion County, and the City of Ocala are considering offering to Emergency One certain financial inducements which will reduce the initial setup costs of the new facility and the company's long term operating costs.

The purpose of this study is to determine if the portion of the financial inducements made by Marion County and the City of Ocala are "worth the investment." In others words, will the community receive back as much money as it is contributing to the company. Will it have a "return on its investment."

This study will address the following issues:

1. What is a "return on investment?"
2. What is "economic impact?"
3. The long term economic impact of the presence of Emergency One, including the impact of the construction of a new facility.
4. Evaluation of the proposed financial inducements.
5. Evaluation of the "return of investment" for the Marion County community.

---

## What is “Return on Investment and Return of Investment?”

In the private sector, when an individual invests money in an enterprise, the individual expects a financial return on the investment during a period of time and a return of the investment at the end of the term.

A simple example is a certificate of deposit (CD) with a bank. An individual purchases the CD for \$10,000 for one year. At the end of the year, the bank pays the investor 4% interest (\$400) and returns the \$10,000 to the investor. The \$400 is the return on the investment and the \$10,000 is the return of the investment.

An individual might purchase an apartment complex for \$1,000,000. If rents, after expenses are \$100,000, then the investor yields a 10% per annual return on the investment. Should the complex be sold in the future for \$1,200,000, then the investor receives a return of the investment and an additional return on the investment (not discounting for inflation).

In the private sector, the purpose of investing is to earn money.

“Investments” made by local government are made for other purposes. Local government does not exist for the purpose of making money. It exists to provide essential and non-essential services for the people and to, as best it can, enhance the “quality of life” for the residents.

To pay for these services, government, with the permission of the people, levies taxes and assesses fees which generate revenue. The expenditures by government pay for the services desired by the residents of the county or city.

Unfortunately for local government, there is “never enough money.” Costs to local government are always on the rise just like any other business enterprise. Payroll, health care, materials and equipment costs increase annually.

Additionally, local government faces a growing demand by the residents for “more services and amenities” in the community. Also, state and federal governments repeatedly place upon local government additional mandated expenditures without providing additional funding for to pay for the mandates. The “war on terror” alone has increased costs to local government, some of which has been paid by the Federal government, but not all.

As a result, local government is continuously trying to find a means to increase revenue without increasing the tax rate, which is resisted by the people.

In order to do this, local government attempts to increase the “taxable base.” Certain entities generate more tax money than they consume in services.

There are essentially three groups which pay taxes and consume services. Each differs in its impact upon local government.

The first group is the local population. For local government, the greatest consumer of services is the residents. They require not only the essential services of police and fire protection, a legal system, schools, and a horizontal infrastructure of roadways and utilities, but also quality of life amenities such as parks, libraries, and entertainment centers. The costs to local government to provide services to the

---

people consume a vast majority of all expenditures. The tax throw-off from the residences will marginally or just fall short of paying for all the costs of local government to service the populace.

Other entities generate more tax revenue than they consume in services. In Florida, the principal sources of revenue to local government are real and personal property taxes and sales taxes.

Sales taxes are distributed to local government based upon the geographic location of the actual taxable sale. In theory, the more retail establishments in a city or county, the greater the opportunity to glean sales tax money.

Therefore, the second group is the retail and commercial establishments. A retail or commercial establishment does not require as many local government services as a comparative residential area as measured by the amount of land utilized. While it does need police and fire protection and utilities, it does not require schools or quality of life amenities. People need these things. As a result, the combination of property and sales tax money generated by retail and commercial establishments usually are “profit centers” for local government.

In some large metropolitan areas, where city boundaries commonly abut the corporate limits of other cities, some municipalities attempt to recruit “high tax yield” retail enterprises from its neighboring city. An example is an automobile dealership. The sole purpose of doing this is to secure the sales tax money generated by the dealership.

The recruiting city might calculate it will increase sales tax revenue by \$200,000 if the dealership is located in its city. As a result, the city offers the dealership the equivalent of \$50,000 a year in “incentives” to cross the city line. Simplistically, there is a net gain to the city of \$150,000 a year by making the “investment” in the dealership (a 300% return on investment). In addition to the sales tax generated by the dealership, there is a significant amount of property taxes collected.

A city might also attempt to annex a dealership which lies just outside its municipal boundary in the unincorporated area for the same reason.

In both cases, the cities and/or the county share the same marketplace.

The key to generating sales tax revenue is the spending power in the marketplace. The total volume of sales tax money cannot exceed the disposable income of the area. Suppose a contained area, where a preponderance of the people live and work, earn and spend, generates \$1,000,000,000 in taxable retail sales. Suppose also the economy is not growing and the amount of taxable retail sales is relatively fixed.

If a major retailer (big box store) enters the marketplace and secures \$100,000,000 in taxable sales, the amount of sales tax to local government does not increase by one penny.

The major retailer simply took market share from the existing retailers in the community. This event could also have caused the closure of some existing, smaller retailers, resulting in no net gain in employment and possibly a reduction in the total number of jobs in the area.

In order for the taxable base to grow, generating more money for local government via sales and properties taxes, the marketplace must grow. In order to grow the marketplace, the overall economy of the area must grow.

---

This brings us to the third group which is wealth generating enterprises.

Local economies grow and expand, decline and fall in direct proportion to the amount of money flowing into the area. Money is imported by means of the “primary or contributory” industries which sell their goods or services (export) outside of the geographic limits of the economy.

When “exports” increase, more wealth is added to the economy. When exports decline, there is less wealth available in the area.

Once the wealth enters the economy, it is mixed and churned within. It travels from business to business, person to person, through a series of multiple transactions, until it is eventually consumed through the purchase of goods or services purchased from outside the economy (imports).

A contributory business is the most sought after enterprise by communities for many reasons. From the viewpoint of local government, it will generate the most amount of tax revenue per acre and require, for the most part, the least amount of services.

It is from the economic impact of the contributory businesses most of the jobs and commerce occurs within a community.

A typical primary employer is a manufacturer as is Emergency One. A manufacturer, like the retail establishment, does not require as many services from local government as the residential establishment.

For the most part, services for a manufacturer by local government are minimal. While police and fire departments need to stand ready to serve the facility, the modern day manufacturing facility is peppered with fire detection devices and saturated by fire suppression systems. On-site private security reduces the need to call local law enforcement for the protection of the facility. The business needs the utility and road system but does not require most of the other services provided by local government which are principally used by the residents.

However, a wealth creating enterprise differs significantly from the retail center regarding generating tax revenue for local government.

A retail establishment is the point of the collection of sales tax while the wealth generating company is the cause of the collection.

In fact, for the most part, the wealth generating enterprises in most local economies are the cause of the collection of almost all taxes, property and sales, for all levels of local government.

The example of the city recruiting an automobile dealership previously discussed described a method of determining a “return on investment” for the city. There was a direct cost to the city of \$50,000 in incentives and the city received \$200,000 in new tax revenues. Pretty simple.

The return on investment by local government for incentives given to a primary employer is much greater than the automobile dealership, but it is more difficult to identify statistically.

To determine the economic benefit a primary employer has on a local economy, the overall “economic impact” the business has on the local economy must be considered.

---

## What is Economic Impact?

The term “economic impact” refers to value of all the “financial transactions” which occur as a result of the presence of a particular business enterprise in an economy.

You have likely heard the term “Gross National Product.” This is the measure of all the financial transactions for the United States. Counties and cities also have a gross product. In 2006, the gross product for Marion County was upwards of \$25 billion. This likely surprises a lot of people. However, after understanding how it is calculated, it sounds more reasonable.

Suppose you purchase a new boat for \$25,000. You finance the boat securing a seven year loan for \$22,500 after making a down payment of \$2,500. Your monthly payment for seven years will be about \$340.00.

The \$2,500 down payment likely caused, within the first twelve months, \$70,000 in transactions. The initial sale (\$25,000), the bank loan (\$22,500), and the likely sale of the loan by the bank to a mortgage company (\$22,500). Over the seven year term, each monthly payment, made to the original bank who is servicing the loan, plus the transfer to the mortgage company equates to another \$56,000 of transactions. So, the purchase of a \$25,000 boat yields \$126,000 in transactions. Note the cost of the boat is about 20% of the value of the transactions. This is about the same ratio taxable real sales are of total transactions in most local economies.

When you consider the sale of homes and cars and their related mortgages, the gross revenues of the hospitals, expenditures of the school system, all the way down to the corner market which buys and sells its products, it becomes more reasonable to understand why the gross product of an area can be such a large number.

Keep in mind, during each transaction, someone makes some money.

### **Economic Impact Multipliers:**

The economic impact of a company on a community’s economy varies among industries. A primary business has the greatest impact as it is a direct importer of wealth. A consumptive business also has a positive impact as it causes the money to be retained in the community and assists in the circulation of the money. Absent the consumptive business, the money spent for the service or product would immediately leave the community, as the purchase would occur outside the area.

Basically, the gross sales of the company are the initial consideration when determining the impact a business has upon a local economy.

For example, suppose there is an automobile final assembly manufacturing plant located in a community in which parts for cars are put together to create a finished vehicle. If the plant assembles 50,000 cars a year with a value of \$20,000 per auto, the gross export for the company is \$1,000,000,000. However, the full value of the imported money from sales is not the determining factor to calculate the economic impact.

Suppose within this economy there are no manufacturers of automobile parts. As a result, the assembly company must purchase from outside the area all of the tires, fenders, seats, radios, engines, and so forth. These purchases could total \$900,000,000. As a result, the net value added at the assembly plant

---

is only \$100,000,000. The net amount for considering economic impact upon the community is only \$100,000,000.

Conversely, suppose every part used in the assembly is manufactured locally, causing all of the value added to occur within the economy. The initial impact is the full \$1 billion. The billion dollars will then circulate in the economy and “multiply.”

To determine the amount of economic impact a specific company has upon a community, the Bureau of Economic Analysis (BEA), U.S. Department of Commerce has created impact multipliers for each industry for each region in the nation. Known as the “Regional Input-Output Modeling System” (RIMS II), multipliers have been created specific to Marion County, Florida.

The multipliers are different for every area as impact varies. The BEA studies the industrial composition of each area to determine the proper multiplier for more than 400 industrial sectors for their respective economic impact upon an area.

The multiplier for the automobile assembler with no suppliers in the area (\$100 million in value) would be a fraction of the multiplier for a company which has all of the suppliers present in the area (\$1 billion).

The multipliers used in this study were created by the Bureau of Economic Analysis based upon the 2004 industrial composition of Marion County and made available November 28, 2006.<sup>1</sup>

From the multipliers, the total economic impact for Emergency One can be calculated specific to Marion County.

Emergency One is classified as a “heavy duty truck manufacturer” (NAICS Code 336120). The “output” multiplier is 1.4781. This is multiplied by the “final demand” (gross sales) to determine the economic impact for Emergency One. In essence, for every \$1 of sales, there is roughly a total of \$1.48 in transactions in Marion County.

Multipliers are also provided for Marion County for the total jobs created and total workers earnings within the community as a result of the impact of the employer.

The multiplier estimates the spin-off jobs created by the company and the direct suppliers to the company if they are part of the value added change. The total employment is used as the root which is multiplied. The new jobs are created as a result of the “transactions” previously discussed and the spending by the direct employees of the company.

The employment multiplier for Emergency One is 2.3194. This means for every 1 job at Emergency One and its direct suppliers, an additional 1.3194 jobs are created in the community.

To determine the total impact of worker earnings (wages), the same process is used. The root wages are multiplied by the RIMS II factor to determine the estimate of all the wages paid in the economy as a result of the subject employer’s wages paid.

---

<sup>1</sup> For a complete discussion of the methodology regarding RIMS II Regional Input-Output Multipliers, please go to [www.bea.gov](http://www.bea.gov).

---

The worker earnings multiplier for Emergency One is 1.8267. This means for every \$1 dollar in payroll for Emergency One and its direct suppliers, there is an additional \$.8267 in payroll generated in the community.

Through discussions with Emergency One, it has been determined there are ten business enterprises which manufacture components and parts used by Emergency One in the assembly of fire trucks and apparatus. (There are other companies from which it purchases items, but the products are not “value added” in nature.)

Due to confidentiality, the total number of workers and wages paid by these companies for work directly related to Emergency One will not be disclosed individually, but will be grouped together under “Supplier Employment” and “Supplier Wages” and added to the root for calculations.

### **Impact Upon Local Government Revenues:**

When POLICOM created the study *Economic Impact upon the Ocala – Marion County Economy of the Possible Closure of the Emergency One Manufacturing Facility*, it estimated the economic impact Emergency One currently has on the community (2006) along with the impact of closure.

For this study, POLICOM will calculate the estimated economic impact for each year from 2007 through 2017 utilizing essentially the same methodology.

Local government, city, county, schools, and others, benefit from the tax revenue generated by the presence of the business through the spending by both the business and residents whom owe their jobs to the business.

To determine the revenue impact upon local government, the direct taxes paid by the business and the spending by the community and other businesses are considered.

The estimated taxes paid for real property, personal property, and sales is calculated using a combination of formulas developed by Georgia Technical University’s Economic Development Institute and by POLICOM Corporation.

Georgia Technical University has developed software called LOCI, an acronym created from “Local Impact Model.” The formulas estimate the revenues generated to government after the initial multipliers created by RIMS II are determined. However, LOCI is not able to specifically consider every region in the nation regarding spending habits or industrial composition as is the case with BEA multipliers.

POLICOM has also created formulas for such a purpose and uses them to check and modify the results of the LOCI, using inputs specific to Marion County. The combination of the two methods yields more accurate results than either singularly.

The following are the sources of data used to create the inputs:

1. Florida Department of Revenue.
2. Bureau of the Census, U.S. Department of Commerce (multiple data bases).
3. Marion County Tax Collector.
4. Marion County Property Appraiser.
5. County of Marion County.

- 
6. City of Ocala.
  7. Ocala – Marion County Chamber of Commerce.
  8. Ocala/Marion County Economic Development Corporation.
  9. Emergency One.
  10. Supplier Businesses.

The following are the inputs used to generate the data for the impact upon revenue to local governments. The calculations used to determine the inputs are based upon LOCI and POLICOM formulas:

1. RIMS II multipliers:
  - a. Sector “336120 Heavy duty truck manufacturing.” This is the sector in which Emergency One is presently classified.
  - b. Sector “230000 Construction.” This is used to determine the impact of the construction of a new manufacturing facility.
2. Property tax rate for all jurisdictions for 2006. These rates will be held for the entire term of the study even though they might change annually.
3. Commuting patterns of workers to determine the proportion of taxes generated.
4. Sales tax collections, proportion between Marion County and the City of Ocala, which is based upon the historic distribution by the Florida Department of Revenue between the county and municipalities (calendar year 2005 data).
5. Households per job.
6. Average taxable retail sales per household (based upon 2005 calendar year receipts).
7. Average taxable value of a residential unit in Marion County.
8. Average property taxes paid per household (2006 assessment).
9. Real and personal (equipment) property taxes paid by Emergency One.
10. Local taxable purchases made by Emergency One and supplier companies.
11. Estimated number of workers employed by Emergency One for each year through 2017.
12. Estimated wages paid for to workers employed by Emergency One for each year through 2017.
13. Estimated gross sales for Emergency One for each year through 2017.

## Long Term Economic Impact of Emergency One

The economic impact of the Emergency One has been calculated for each year from 2007 through 2017. The period of time from 2008 to 2017 is the ten years for which financial inducements are being offered by Marion County and the City of Ocala.

The impact upon employment, worker earnings, and total impact will be examined first. For each, the estimated impact for 2008 will be shown. Additionally, the total or average of each impact for the ten years from 2008 to 2017 will be provided. Detailed annual totals for each appear at the end of this study.

Emergency One has provided to POLICOM its estimated workforce, worker earnings, and anticipated gross sales for each year.

After the economic impact is discussed, the affect upon government revenues will be studied.

There will also be an economic impact for about one year as a result of the construction of the new 375,000 square foot facility. This impact will be included in the review.

### Employment:

In 2008, Emergency One will employ approximately 1,361 people. Its direct suppliers will employ about 462 people. This totals 1,823 Direct Jobs. As a result, an additional 2,406 Direct Effect Jobs (RIMS II multiplier) will be created in the community for a total of 4,229 jobs.

<b>Table 1</b>	<b>2008-2017</b>	<b>2008</b>
<b>Employment</b>	<b>Average</b>	
Emergency One - Direct Jobs	1,480	1,361
Supplier Direct Jobs	503	462
Total Direct Jobs	1,983	1,823
Direct Effect Jobs	2,616	2,406
Total - All Jobs In Community	4,598	4,229

Over the ensuing ten years, employment at Emergency One will increase, going from 1,361 in 2008 to about 1,548 in 2017. Suppliers will also increase their workforce. As a result, by 2017 there will be about 4,810 jobs in the community as a result of Emergency One.

In 2008, when the new 375,000 square foot facility is likely to be constructed, approximately 460 jobs will be created in the community with most of these being in the construction industry. Since these jobs will last for only 12 to 18 months, they are not included in the totals.

### Worker Earnings:

In 2008 Emergency One and its suppliers will have an estimated payroll of about \$74,712,732. As a result, an additional \$61,765,015 of payroll will be generated within the community. Total worker earnings as a result of Emergency One in the community will be about \$136,477,747.

<b>Table 2</b>	<b>2008-2017</b>	<b>2008</b>
<b>Worker Earnings</b>	<b>10 Year Total</b>	
Emergency One - Direct Earnings	673,732,462	53,888,341
Supplier Direct Earnings	260,354,421	20,824,391
Total Direct Earnings	934,086,883	74,712,732
Direct Effect Earnings	772,209,626	61,765,015
Total - All Worker Earnings In Community	1,706,296,508	136,477,747

As with jobs, Emergency One will increase its payroll over the next ten years. As a result, more than \$1.7 billion in worker earnings will be generated in Marion County from 2008 to 2017 because of Emergency One.

During the construction of the facility, approximately \$15,671,000 in worker earnings will be generated in the county. Once again, since this will occur just once, it is not included in the totals.

**Economic Impact:**

Emergency One will cause approximately \$499,293,311 in economic impact (transactions) in Marion County in 2008. The impact will increase each year from 2008 to 2017 as a result of Emergency One’s anticipated increases in employment, total wages, and gross sales.

<b>Table 3</b> <b>Economic Impact - Transactions</b>	<b>2008-2017</b> <b>10 Year Total</b>	<b>2008</b>
Emergency One Output	4,287,917,000	337,794,000
Total Output - Transactions	6,337,970,118	499,293,311

As a result, the total economic impact caused by Emergency One from 2008 to 2017 will be about \$6.3 billion.

The construction of the facility will have a positive impact but, once again, short lived. To calculate the value of total transactions for the construction, an adjustment needs to be made to the total cost of the project.

<b>Table 4</b> <b>Construction Impact</b>	<b>2008</b>
Construction - Total Costs	35,625,000
Construction - Local Output - One Year	29,625,000
Construction - Total Output (Transactions - Local Output)	66,262,238

The total estimated cost of the 375,000 square foot facility is about \$35,625,000. This includes site work, the facility “shell,” interior build out of electric, computer cabling, paint rooms, and heavy overhead cranes. Some of the equipment purchased will be “fixed” to the structure and not considered personal property. Some of this equipment will not be purchased through a local vendor but directly from the manufacturer. As a result, the value of these transactions will by-pass Marion County.

To determine the Direct Output of the construction, approximately \$6 million has been deducted from the estimate construction costs leaving a remainder of \$29,625,000. This is the value which is multiplied by RIMS II factor.

Since Marion County has a very active construction industry, there are a large number of contractors, sub-contractors, and suppliers locally which will be involved in this facility. As a result, the RIMS II output multiplier for this industry is much higher than for the industry in which Emergency One is classified. Remember the example of the automobile assembly plant. The one which had all its parts suppliers in the area had a much greater impact than the one which did not. This is similar to the case of construction in Marion County. The output multiplier for construction is 2.2367 while the output multiplier for Emergency One is only 1.4781.

As a result, the economic impact of the construction of the facility will total about \$66,262,238 which will be generated during the 12-18 months of construction.

---

## Impact upon Local Government Revenue – Sales Tax:

The State of Florida levies a 6% sales tax of which ½ of one percent is returned to the government jurisdiction in which the sale was made, either a county or a city.

In addition to this distribution, the state has created a Revenue Sharing Trust Fund. This was established to provide some parity across units of government within a county and the state regarding sales tax collection. It is an attempt to compensate a city or a county which might have a disproportionately low number of retail sales outlets within its jurisdiction or within a region of counties while its populace is spending within the county or the region. The state earmarks 2.044% of all sales tax for the fund.<sup>2</sup>

The distribution is based upon formulas taking into consideration the population of all cities and the unincorporated portion of the county, the State of Florida's population, and the population of all eligible counties. Mathematical factors are created to determine the distribution.

Neither POLICOM nor the State of Florida can project accurately what the amount of sales tax Revenue Sharing will be for Marion County or the City of Ocala, as both populations and taxable retail sales change each year, locally and statewide.

For the purposes of this study, POLICOM examined a three year history of the Revenue Sharing distributions and compared them to the ½% sales tax distribution to both Marion County and the City of Ocala.

For the last three years, sales tax Revenue Sharing has been approximately 37% of the ½% distribution to Marion County. This means if the county received \$1,000,000 in sales tax from the ½% distribution, it received \$370,000 in Revenue Sharing. Over the same period of time, Revenue Sharing has been 47% of the City of Ocala's ½% distribution.

To estimate the amount of sales tax for Marion County, each year 37% of the estimated ½% sales tax collected will be identified as Revenue Sharing. For the City of Ocala, 47% will be Revenue Sharing.

In addition to these taxes, Marion County has a ½ % local option sales tax for the Marion County Public School system. This will be included in the analysis.

To determine the estimate of the sales tax generated for local government, two data sets are used:

1. Direct taxable purchases made by Emergency One and its direct suppliers.
2. Taxable purchases made by residents and businesses in the community as a result of the earnings of the workers and the economic impact (transactions) caused by Emergency One.<sup>3</sup>

Additionally, the one year impact of the sales tax generated as a result of the construction of the new facility will be calculated.

---

<sup>2</sup> 2.9% of net cigarette tax collections are also deposited into the Revenue Sharing Trust Fund. However, these monies only account for 3% of the trust fund and will not be considered for this study. For more discussion regarding the Revenue Sharing Trust Fund, please consult the *2006 Local Government Financial Information Handbook* published by the Florida Legislative Committee on Intergovernmental Relations.

<sup>3</sup> Business purchases account for about 18% of sales tax collections.

Table 5 shows the total of sales tax which will be generated by the direct purchases of Emergency One and by the residents and businesses as a result of the economic impact of Emergency One.

Over the 10 year period, Marion County will receive approximately \$8.8 million in tax revenue, the City of Ocala \$1.9 million and the Marion County School System \$7.7 million.

<b>Table 5</b> <b>Sales Tax Received</b>	<b>2008-2017</b> <b>10 Year Total</b>	<b>2008</b>
Total County - Cities - Schools	18,458,958	1,962,535
Emergency One and Suppliers - Direct Purchases	3,207,498	647,527
Residents and Businesses	15,251,460	1,315,008
<b>Total County</b>	<b>8,802,156</b>	<b>935,835</b>
Emergency One and Suppliers - Direct Purchases	1,529,496	308,773
Residents and Businesses	7,272,660	627,062
<b>Total Cities</b>	<b>1,923,421</b>	<b>204,496</b>
Emergency One and Suppliers - Direct Purchases	334,221	67,472
Residents and Businesses	1,589,200	137,024
<b>Total Schools</b>	<b>7,733,381</b>	<b>822,204</b>
Emergency One and Suppliers - Direct Purchases	1,343,781	271,281
Residents and Businesses	6,389,600	550,923

Table 6 provides a breakdown of how the sales taxes were generated. In 2008 there will be extraordinary sales taxes generated by Emergency One. Annual totals appear at the end of this study.

The first group details the estimated taxable retail sales caused by the direct purchases of Emergency One and its direct suppliers.

Over the ten year term, this will amount to more than \$268 million. As a result, more than \$3 million in taxes will be collected by local governments.

As a result of the economic impact of Emergency One (transactions and wages paid), approximately \$1.2 billion in taxable sales will occur from 2008 through 2017.

Table 6 also shows the amount of estimated revenue for each unit of government.

Note the column for 2008. This is the year the new facility will be constructed. It is estimated approximately \$7.4 million of the materials purchased for the new building will be taxable. Additionally, as a result of the economic impact of the construction of the building, there will be an estimated \$10 million in taxable sales by residents and businesses.

<b>Table 6</b> <b>Total Taxable Sales</b>	<b>10 Year Total</b> <b>2008-2017</b>	<b>2008</b>
<b>Total Taxable Sales</b>	<b>1,546,676,164</b>	<b>164,440,802</b>
Emergency One and Suppliers taxable purchases	268,756,251	54,256,250
Emergency One - Annual taxable purchases	152,100,001	15,000,000
Emergency One - New Equipment Taxable	23,750,000	23,750,000
Emergency One - Construction Materials	7,406,250	7,406,250
Suppliers Annual Purchases	85,500,000	8,100,000
<b>All Sales Tax - Direct Purchases E-One &amp; Suppliers</b>	<b>3,207,498</b>	<b>647,527</b>
<b>Total 1/2 cent</b>	<b>1,343,781</b>	<b>271,281</b>
County Portion 1/2 cent	1,116,420	225,382
City Portion of 1/2 cent	227,361	45,899
<b>Total Revenue Sharing</b>	<b>519,935</b>	<b>104,964</b>
Revenue Sharing County	413,075	83,391
Revenue Sharing City	106,860	21,573
School 1/2 cent	1,343,781	271,281
<b>Taxable Retail Sales - Residents &amp; Businesses</b>	<b>1,277,919,913</b>	<b>110,184,552</b>
Construction Impact - One Year	10,325,889	10,325,889
<b>All Sales Tax - Residents and Businesses</b>	<b>15,251,460</b>	<b>1,315,008</b>
<b>Total 1/2 cent</b>	<b>6,389,600</b>	<b>550,923</b>
County Portion 1/2 cent	5,308,511	457,709
City Portion of 1/2 cent	1,081,088	93,213
<b>Total Revenue Sharing</b>	<b>2,472,261</b>	<b>213,163</b>
Revenue Sharing County	1,964,149	169,352
Revenue Sharing City	508,112	43,810
School 1/2 cent	6,389,600	550,923

This is also the year Emergency One will purchase new equipment. The estimated taxable value of this equipment is about \$23 million. Annual taxable sales decrease after 2008.

Table 7 separates the sales tax impact for construction and equipment from the total data (Table 6).

As a result of the construction and the purchase of new equipment (personal property), approximately \$495,000 in sales tax revenue will be collected by local government in 2008 or the year the facility is built.

<b>Table 7</b>		<b>2008</b>
<b>Sales Tax - Construction and Equipment</b>		
Total Taxable Sales - Construction		41,482,139
Construction Materials - Direct Purchase		7,406,250
Construction Economic Impact - Residents and Businesses		10,325,889
New Taxable Equipment		23,750,000
<b>Total Sales Tax All subdivisions</b>		<b>495,073</b>
County - Portion of 1/2 cent		172,318
Cities (Principally Ocala) 1/2 cent portion		35,093
County - Revenue Sharing		63,758
Cities (Principally Ocala) - Revenue Sharing		16,494
Special Levy (Schools)		207,411

### Impact upon Local Government Revenue – Property Tax:

Property taxes are generated directly by the company and by the residents who derive their livelihood from the economic impact of Emergency One. Not included in the analysis are the property taxes generated by the support companies and the taxes paid by all various business enterprises which are “feeding” upon the average annual \$650,000,000 in transactions which are generated by Emergency One.

Four units of government will receive property taxes as a result of the presence of Emergency One in the economy. Table 8 shows the direct and indirect property tax receipts for each.

Emergency One will pay, via real and personal (equipment) property taxes an estimated \$7.7 million from 2008 to 2017.

In 2008, the value of the new facility and new equipment is included in the tax roll.<sup>4</sup>

The taxable value of the new facility is estimated to be \$32,000,000 in 2008.<sup>5</sup> Thereafter the value is depreciated 3% per year for the entire term.

<b>Table 8</b>	<b>2008-2017</b>	<b>2008</b>
<b>Property Taxes Received</b>	<b>10 Year Total</b>	
All Property Taxes Generated	80,384,286	6,680,593
Emergency One - All Property Taxes	7,729,162	1,004,572
Emergency One - Real Property	5,266,082	601,664
Emergency One - Personal Property	2,463,081	402,908
Residential Property Taxes	72,655,124	5,676,020
Government Units - Estimated Property Tax Receipts		
Marion County	31,434,914	2,553,189
Emergency One	1,878,644	244,171
Residents	29,556,269	2,309,018
City of Ocala	15,429,428	1,326,369
Emergency One	2,333,301	303,263
Residents	13,096,127	1,023,106
School	30,468,795	2,548,028
Emergency One	3,234,804	420,433
Residents	27,233,991	2,127,595
Water District	3,051,150	253,007
Emergency One	282,413	36,706
Residents	2,768,737	216,301

The value of the personal property (equipment) is estimated to be approximately \$22 million in 2008. The value is depreciated to \$6 million by 2017 based upon a schedule provided by Emergency One.

As previously stated, approximately 4,600 jobs will be created on average each year as a result of Emergency One. The jobs will cause the formation or the continued support of an average of 3,400 households in Marion County and the City of Ocala. As a result of the earnings by these workers, money will be available to pay property taxes in the amount of \$72 million over the ten year term.

<sup>4</sup> Depending upon when the construction begins and ends for the new facility, it is possible the full value of the facility will not appear on the 2008 property tax roll. However, total value should be included by 2009.

<sup>5</sup> The exact taxable value of the new facility has yet to be determined. POLICOM estimated the value based upon 80% of the projected cost.

To determine the property taxes paid by the residents, a host of variables were used.

- **Property Tax Rate:** The millage rate effective in 2006 for all government units was used for the entire term even though it is likely to change somewhat. For property located in the City of Ocala, the property tax rate for that location was used. For property located in unincorporated Marion County, a different millage rate was used.
- **Taxable Value of Residential Unit:** The average taxable value in Marion County per residential unit for 2006 was used as the basis. Beginning in 2007 and for each year thereafter, the taxable value was increased by 3%. While overall values in the county have increased at a much greater rate, the conservative 3% was used as it is the maximum for those with homesteaded properties. Over the term, the actual taxable value of the 3,400 residential units will likely increase more than the 3% as some of the homeowners will move to another house, triggering an increase in valuation.
- **Proportion between Marion County and the City of Ocala:** Of the total households created in Marion County from the project (about 10% of the jobs are held by commuters from other counties), 67% are considered to be in unincorporated Marion County and 33% in the City of Ocala for this analysis. The “33%” of the households placed in the City is about twice the norm (about 15% of the households in the county are in Ocala). However, since a very large number of the existing workers at Emergency One live in the City, the increased proportion (33% instead of 15%) is justified.

Table 9 shows the breakdown of taxable value for Emergency One. Totals for each year appear at the end of this study.

Emergency One will be located in the City of Ocala and the millage rate for property in this location was used.

<b>Table 9</b>		
<b>Emergency One</b>	<b>2008-2017</b>	<b>2008</b>
Emergency One Real and Personal Property Taxes -		
All Areas	7,729,162	1,004,572
Facility Value - Taxable		32,000,000
All Property Taxes - Facility	5,266,082	601,664
County Portion	1,279,970	146,240
Ocala Portion	1,589,739	181,632
School	2,203,957	251,808
Water District	192,416	21,984
Personal Property - Depreciated Value		21,429,000
All Property Taxes - Personal Property	2,463,081	402,908
County Portion	598,675	97,931
Ocala Portion	743,562	121,631
School	1,030,847	168,625
Water District	89,998	14,722

Table 10 shows the taxable value and breakdown between Marion County and the City of Ocala for the taxes paid by the residents.

<b>Table 10 Residential Property Tax</b>	<b>2008-2017 10 Year Avg.</b>	<b>2008</b>
Total Households Created (Includes Commuters)	3,886	3,574
Living in all of Marion County - Households	3,497	3,216
Taxable Value all of Marion County per Household	98,621	84,066
Total Value Residential in Marion County	346,092,145	270,376,815
	<b>10 Year Total</b>	
Total Residential Property Taxes - All of Marion County	72,655,124	5,676,020
	<b>County - City Breakout</b>	
	<b>10 Year Avg.</b>	
Households in County other than Ocala	2,331	2,144
Value - Property Located in County - Not in Ocala	230,728,097	180,251,210
	<b>10 Year Total</b>	
Total Taxes - Property Located in County	38,552,358	3,011,817
County	10,544,274	823,748
County MSTU	8,467,721	661,522
School	18,155,994	1,418,397
Water District	1,384,369	108,151
	<b>10 Year Avg.</b>	
Households in Ocala	1,166	1,072
Property Located in Ocala - Value	115,364,048	90,125,605
	<b>10 Year Total</b>	
Total Taxes - Property Located in Ocala	34,102,766	2,664,203
Ocala	13,096,127	1,023,106
County	10,544,274	823,748
School	9,077,997	709,198
Water District	1,384,369	108,151

### City of Ocala – Ocala Electric Utility:

The second most important revenue source for the City of Ocala’s General Fund is the Ocala Electric Utility.

<b>Table 11 Ocala Utility - General Fund</b>	<b>2008-2017</b>	<b>2008</b>
Emergency One Utility Payment	12,000,000	1,200,000
Ocala General Fund Revenue	1,320,000	132,000

Approximately 11% of billed receipts are transferred into the City’s General Fund and account for about 22% of the General Fund’s revenue.

Emergency One will indirectly contribute to the General Fund of the City of Ocala by its use of electricity supplied by the Ocala Electric Utility. Each year, beginning in 2008 and for the next ten years, it is estimated Emergency One’s annual electric usage payment will be about \$1,200,000. This might increase in the future. However, using the constant, from 2008 to 2017, the City of Ocala will receive approximately \$1,320,000 in General Fund revenues from Emergency One.

Table 12 is a summary of all taxes generated for each government unit as a result of the presence of Emergency One in the City of Ocala for the ten year term from 2008 to 2017.

<b>Table 12</b>	<b>2008-2017</b>	<b>Table 12</b>	<b>2008-2017</b>
<b>Government Revenue</b>	<b>10 Year Total</b>	<b>Government Revenue</b>	<b>10 Year Total</b>
<b>All Taxes Generated</b>	100,163,244	<b>City of Ocala</b>	18,672,849
Emergency One and Suppliers	12,256,660	Emergency One and Suppliers	3,987,522
Residents and Businesses	87,906,584	Residents and Businesses	14,685,327
<b>Marion County</b>	40,237,069	Sales Tax	1,923,421
Emergency One and Suppliers	3,408,140	Emergency One and Suppliers	334,221
Residents and Businesses	36,828,929	Residents and Businesses	1,589,200
Sales Tax	8,802,156	Property Tax	15,429,428
Emergency One and Suppliers	1,529,496	Emergency One Only	2,333,301
Residents and Businesses	7,272,660	Residents	13,096,127
Property Tax	31,434,914	Utility General Fund - Emergency One	1,320,000
Emergency One Only	1,878,644	<b>School</b>	38,202,175
Residents	29,556,269	Emergency One and Suppliers	4,578,585
<b>Water District</b>	3,051,150	Residents and Businesses	33,623,590
Property Tax	3,051,150	Sales Tax	7,733,381
Emergency One Only	282,413	Emergency One and Suppliers	1,343,781
Residents	2,768,737	Residents and Businesses	6,389,600
		Property Tax	30,468,795
		Emergency One Only	3,234,804
		Residents	27,233,991

Approximately \$98 million in taxes will be collected by four units of local government.

The public school system is one of the greatest beneficiaries as it will collect about \$8 million in sales tax and \$30 million in property taxes.

Emergency One and its direct suppliers will pay about \$12,256,660 in sales and property taxes and fees.

---

## Return on Investment to Local Government

The City of Ocala and the Marion County Board of Commissioners (hereafter Marion County) are considering offering to Emergency One a financial inducement program, or incentives package, to encourage them to construct a new manufacturing facility in the City of Ocala.

The practice of presenting to wealth generating companies an incentive program is commonplace in the United States.

Nationally, there are thousands of communities attempting to improve the condition of their respective local economies. They have come to realize the contributory, primary businesses, those which sell their goods or services outside the area, import most of the wealth to the area. From this wealth, almost all other economic activity occurs.

When primary businesses decline, less money flows into the area. As a result, property values, revenue to government, retail sales, and the overall standard of living all decline. If existing primary businesses do not grow, the amount of money entering the local area does not increase and the economy becomes stagnant. If the number and volume of contributory businesses increases, the overall size of the economy grows, revenue to government increases, property values improve, and the overall standard of living for the people becomes much better.

However, as a result of changes in the economic system in the United States and around the world, the number of wealth generating businesses expanding or relocating in the United States is declining. The problem is, for communities all around the country, **there are not enough of them to go around.**

So, market forces, a limited supply of companies and a large demand by communities, have fostered the creation of business incentives. As a result, over the last fifteen to twenty years, the amount and type of business incentives being offered to companies by communities and states has ballooned to billions of dollars annually.

In 2001, POLICOM conducted a nationwide Community Business Incentives Survey to determine what type of business incentives were being offered on a local basis to qualified, primary employers. More than ten percent of the counties in the nation participated.<sup>6</sup>

From this study, it was determined that among the counties in the United States:

- 74% abated real and personal property taxes for new and existing companies.
- 45% provided a cash grant or gift to the new or existing company toward the purchase of land and buildings.
- 70% of the counties have a community owned industrial park (government or not-for-profit) and 89% of them will reduce the price of or provide the land at no cost.

Since the time of the survey, the number of areas and the amount of incentives has increased significantly.

---

<sup>6</sup> The full text of the Community Business Incentives Survey can be reviewed by going to [www.policom.com](http://www.policom.com) – click Economic Development.

---

POLICOM has worked with communities which will, for a qualified company, provide them with free land, a free building, full tax abatement, and pay for all worker training. It is not unusual for communities in Texas to remit to a company, over a period of ten years, the equivalent of \$5,000 to \$20,000 per job plus free land, tax abatement, and free training.

The most famous incentive package recently granted in Florida was to Scripts Research of San Diego for a new facility in Palm Beach County, Florida.

Scripts is receiving free land, a free 450,000 square foot wet lab (\$180,000,000), all laboratory equipment, tax abatement, wages for its employees for three to five years, and temporary laboratory space until the new facility is constructed. Scripts will hire up to 750 people. The cost: \$250,000,000 for the State of Florida and \$250,000,000 for Palm Beach County.

Why do these areas offer so much. They have “run the numbers” and have determined the investment made in the incentives package is a small fraction of the economic benefit to the community.

## **Florida, Marion County, City of Ocala Proposal**

The State of Florida, Marion County, and the City of Ocala have prepared a financial inducement package, which they hope to offer to Emergency One. The economic issues included in the package will reduce the initial set-up costs of constructing a 375,000 square foot facility and some of the long-term operating costs for Emergency One.

**The following is an explanation of the investment package which was provided to POLICOM in December, 2006. The exact terms and conditions of the package might have changed since that time or will change again prior to final approval by either the local government units or Emergency One. To create this study, the December 2006 version will be used.**

### **State of Florida**

Recognizing the economic and social impact Emergency One has on not only Marion County but also the state as a whole, the State is considering a financial commitment of \$4.5 million. Of this money, only about \$1.5 million will go directly to Emergency One.

1. Economic Development Transportation Fund: \$2,000,000. To facilitate the flow of both people and products, the state is prepared to grant \$2,000,000 to pay for the extension of SW 67th Avenue to SR 40. The extension of this roadway will both facilitate and mitigate traffic relative to the Emergency One facility. These funds will not go directly to Emergency One, but will benefit the company and the community at large.
2. Quick Response Training Fund: \$1,000,000. As a result of the purchase of new, modern equipment to incorporate new technology in its production process, current and new employees of Emergency One will have to undergo training. These funds will either pay a training company directly or reimburse Emergency One the cost of internal training.
3. Governor's Quick Closing Fund: \$1,500,000. In order to reduce some of the extra costs incurred by a company as a result of moving to Florida or expanding within Florida, the State has created a fund, which helps compensate companies for these costs. At the present time, \$1.5 million has been earmarked for Emergency One for cost reduction.

---

## **Marion County**

Marion County is proposing to refund property taxes paid by Emergency One and to waive ½ of the scheduled impact fee for the company.

### **Property Taxes**

As previously stated, more than 74% of the counties in the United States are willing to abate all or part of the real and personal properties taxes for a company like Emergency One. Legal mechanisms are in place which, after legislative action of local government, the tax collector is instructed not to collect a certain amount or all of property taxes from a company for a definite number of years. This is tax abatement.

Growing in popularity are “tax reimbursements or refunds.” Under this scenario, the company pays its scheduled taxes based upon the value of the real and personal property. After collection, the local government then pays back all or part of the taxes collected.

The difference between the two systems is flexibility for the local government. Under the abatement system, the amount of taxes paid is fixed regardless of the status of the company. The company might begin the term of the abatement with 500 workers, but as a result of a “downturn,” have only 150 toward the end of the abatement period. As a result, the community does not receive the full economic benefit of the presence of the company as existed when the abatement was created, but the full tax benefit still exists for the company.

The tax refund program provides the local government the ability to adjust the amount of money returned to the company each year based upon the “performance” of the company. A specific number of jobs are set as a “floor” for which the company must have to receive the full refund. If the company falls below the floor in a given year, the amount of the refund is reduced proportionately.

Marion County is proposing a \$400,000 per year tax refund program for a ten-year period. The amount of money given to Emergency One each year will likely be based upon the previous year’s employment.

### **Impact Fee**

In addition to the tax refund, Marion County will agree not to collect ½ of the scheduled traffic impact for the construction of the facility. This has a value of \$338,250. This is being justified as the State of Florida is contributing \$2 million for roadway improvements. This is a “one time” credit by Marion County.

## **City of Ocala**

The City of Ocala is proposing to reduce the operating costs and the initial construction cost for Emergency One using four methods which include:

5. Annual grant from the City’s Economic Improvement Fund for ten years.
6. Waiver of ½ of the scheduled traffic impact fee.
7. Waiver of the building permit fee.
8. Assuming the cost of the land lease through FAA credits and fund transfers for ten years.

---

## **Economic Improvement Fund**

The City of Ocala maintains an Economic Improvement Fund. Monies for the fund are from the savings resulting from the decision to purchase power through the Florida Municipal Power Association to be set aside for economic improvement issues. “The funds are utilized to encourage local businesses to remain in Ocala and to attract new businesses to the area creating new employment opportunities and increasing City revenues through electric utility usage and an expanded tax base.”<sup>7</sup>

Approximately 11% of all receipts from the Ocala Electric Utility are transferred to the City of Ocala General Fund. Industrial users are profit centers for the Electric Utility as they consume a large amount of electricity per square foot of building. This fund essentially serves as a marketing, investment fund for the General Fund. If successful in recruiting and retaining industrial users, revenues to the General Fund will increase.

The Emergency One project is one of the best examples of why the Fund was created. From the Economic Improvement Fund, the City of Ocala is proposing to grant to Emergency One \$231,623 per year for ten years. This grant is intended to defray some of the annual costs to Emergency One such as property taxes.

### **Traffic Impact Fee**

As with Marion County, the City of Ocala will agree not to collect ½ of the scheduled traffic impact for the construction of the facility. This has a value of \$338,250. Once again, this is being justified as the State of Florida is contributing \$2 million for roadway improvements.

### **Building Permit**

The Building Department for the City of Ocala has a schedule from which it determines the cost of a building permit. The schedule is based upon the theoretical costs to the City for the review of construction drawings and periodic construction inspections. The schedule provides for a building permit fee in the amount of \$175,000. The City of Ocala will waive this fee to reduce the initial construction costs to Emergency One.

### **Airport Land Lease**

The Emergency One facility will be constructed on a parcel (about 50 acres) located at the Ocala Regional Airport. The property is owned by the Ocala Regional Airport and was acquired by funding from the City of Ocala and the Federal Aviation Administration.

Annually, the City of Ocala transfers money to the Ocala Regional Airport Fund to fund its operations when it has a deficit.

While the land is controlled by the City, it cannot be sold to a private company through an agreement with the FAA when the property was acquired. Long-term land leases at “market value” are allowed.

---

<sup>7</sup> City of Ocala – Budget Summary

---

At the time of the creation of this study, the market value for the annual rent of the property had not been precisely established. The value of an annual lease for industrial property is not easily determined as comparable land leases are difficult to attain. Additionally, the leasing of land is not popular with private sector manufacturers.

POLICOM has worked with many communities in the United States which have industrial property available at their airport. The terms regarding the use of the property are similar: “land lease at market value.”

In a vast majority of these communities the land lies “fallow.” There has been little or no interest by non-airport users, such as manufacturers, to construct a facility on leased land.

Since the user of the property does not have all of the “sticks in the bundle” of rights, there are real and perceived “risks” regarding using leased land. Many times it is difficult for a company to secure a loan for the construction of a building upon leased land. Additionally, changes or alterations to the building likely need the approval of the “landlord,” which can consume time and add costs which would not occur if the businesses owned the land. As a result, many airport industrial parks serve as the location of last resort for an enterprise not affiliated with the airport.

To determine the market value of a land lease, the potential sale price should be used as the basis. If an acre of private sector land can be purchased for \$20,000, then the annual lease for that land should be between 5% and 10% of the value, depending on the Rate of Return the investor desires. However, leasing the property by a company in this example is an “option,” not a requirement. The “market value” for land which is available for lease only is much less than property which can also be purchased outright.

The exact value of the land lease for Emergency One has yet to be determined and might not be established until the end of the process. Two estimates have been provided to the Researcher.

One estimate is \$198,116 per year for ten years. This is the amount shown in the investment schedule provided to POLICOM and will be used for this analysis.

To help defray the cost to Emergency One, the City of Ocala has proposed paying the cost of the lease for a period of ten years.

As previously mentioned, the City of Ocala has, over a period of years, transferred money from its General Fund to the Airport Fund to pay for operational losses. These transfers amount to about \$1.7 million.

The FAA will credit the City of Ocala \$1.7 million toward the lease of the land. After the \$1.7 million credit is absorbed, the City will transfer the annual rent from its general fund to the Airport Fund.

During the period of time when the \$1.7 million is being credited toward the land lease, the City likely will have to transfer funds to the Airport to finance additional operational deficits. This money can also then be credited to the City toward the land lease. As a result, it is highly unlikely the City will have to use any General Fund money to pay for the land lease.

It is anticipated Emergency One will enter into a long-term lease with the City for the property since Emergency One will invest more than \$30 million in the facility built upon the property. Lease

payments by Emergency One will commence after the ten-year term providing a revenue source for the airport.

### Cost of Service

Table 13 summarized the credits and out of pocket expenditures to be made by Marion County and the City of Ocala. In addition, there will be some costs to the City of Ocala to service Emergency One.

As previously stated, enterprises like Emergency One are desired by communities as they throw off more cash in taxes than they consume in government services. In fact, the amount of service provided by government to such companies is minimal compared to a comparable land area used for residential housing. But, to completely dismiss any costs would not be appropriate.

A vast majority of the costs to the City of Ocala are to provide services to people. However, police protection and fire protection are two which can be assigned, to some degree, to Emergency One.

While the facility will have modern fire detection and suppression systems, the Ocala Fire Department will have to stand ready to respond to the facility. Emergency One will also have internal security which will monitor the comings and goings of people, but will still need the services of uniformed police officers.

To determine the estimate cost of police and fire protection for Emergency One, the following methodology was used.

1. The annual operating budgets for each department were estimated. Using year 2006 as the basis, the annual budget was increased by 5% each year, beginning in 2008 and ending in 2017.
2. The per-acre cost of service for each department was determined by dividing the annual cost of service by 26,842, the number of acres in the City of Ocala.
3. The cost per acre was multiplied by 50 acres; the size of the future Emergency One site after the new facility is built.

Using this methodology, over the ten-year term, the City will expend approximately \$850,000 providing police and fire service to Emergency One. However, using the per acre cost of service method results in a much higher cost than what will likely be the case.

A fifty acre parcel upon which 250 houses sit requires much more service than what Emergency One will require. In all likelihood, the actual cost of serving this site will be about half the estimate, but since this cannot be proven, the results of this calculation will be used for the study.

<b>Table 13 Inducement Package</b>	<b>2008-2017 10 Year Total</b>
Total Credits and Grants	13,648,890
<b>State of Florida</b>	4,500,000
Governor's Closing Fund	1,500,000
Economic Transportation Fund	2,000,000
Quick Response Training Fund	1,000,000
<b>Marion County</b>	4,338,250
Tax Refund Grant	4,000,000
Impact Fee Credit	338,250
<b>City of Ocala</b>	4,810,640
Economic Improvement Fund	2,316,230
Airport Land Mitigation	1,981,160
Impact Fee Credit	338,250
Building Permit Credit	175,000

<b>Table 14 Cost of Service</b>	<b>2008-2017 10 Year Total</b>	<b>2008</b>
Estimated Police Budget	289,050,726	22,980,855
Estimated Fire Budget	165,583,905	13,164,678
Police - Cost Per Acre		856
Fire - Cost Per Acre		490
Police - Emergency One 50 Acres	538,438	42,808
Fire - Emergency One 50 Acres	308,446	24,523
<b>Total Cost - Police and Fire</b>	<b>846,884</b>	<b>67,331</b>

---

## Return on Investment Scenarios

For the private sector, the return on a monetary investment is fairly straight forward. The amount of money invested versus that which is received. Over a period of years, the annual rate of return can be determined. The purpose of the investment in the private sector is to earn money.

As previously stated, the purpose of government is not to make money, but provide services and enhance the quality of life for its residents. In order to provide services, it needs money. As a result, an investment by government (incentive package to a private company) can be viewed with “several sets of eyes.”

When a government invests, or spends, several millions of dollars for the purchase of land to create a park for the residents, there is no monetary return on the investment. A private property owner receives the money and the “return” is the enjoyment by the people of the facility.

Each year local government spends millions of dollars on law enforcement. The local government does not receive any money back from this investment (save speeding tickets and court costs), but the return is a safer place to live and work.

Ironically, when a local government invests in an economic development project, it will receive both a monetary return and a social benefit return on its investment.

For the purposes of the following methods of examining the Return on Investment, it should be noted:

1. The percentage of Return ON Investment and Return OF Investment will be combined.
2. The investment period is the ten years from 2008 to 2017. After this term, all investment made by all governments will have been returned. At that point, the government shall not have any monies invested in the project, but the financial benefit to the community will continue.

POLICOM will review the Return on Investment in the following ways:

1. Community Impact Method: The total social and economic benefit to the community versus investment by the community.
2. Indirect Revenue Method: The total income from all sources versus investments by local government.
3. Direct Revenue Method: The total income from Emergency One versus investments by local government.
4. State of Florida: Return on Investment – Straight Cash Method.

### Community Impact Method

The Community Impact Method reviews the “big picture” of the income generated by the project examining the investment made by local government compared to the return to the “stockholders” or the community at large.

Marion County, the City of Ocala, and the Marion County School System are all “corporations.” The stockholders of the corporations are the residents of the county and city. The stockholders elect various boards of directors (commissioners and board members) for each.

The question asked: “What is the social-economic impact of Emergency One upon the community versus the monetary investment needed for the company to be in the area?”

Table 15 summarizes the impact. As previously stated in the review of Emergency One’s impact, there will be, over the ten-year period, about \$6 billion in commercial, retail transactions, an average of 4,500 jobs, \$1.7 billion in wages earned and paid, 3,400 households supported, and more than \$100,000,000 in revenue generated to local government.

<b>Table 15</b>			
<b>Community Impact Method</b>		<b>2008-2017</b>	<b>2008-2017</b>
<b>Community at Large</b>		<b>10 Year Total</b>	<b>10 Year Total</b>
Commerce (Transactions)		6,337,970,118	
Employment		4,598	
Wages Paid		1,706,296,508	
Households Supported		3,497	
Taxes to All Local Governments		103,863,244	
Investment - All Local Governments			9,148,890

The investment made by local government in credits and cash (detailed on tables which follow), is about \$9,000,000 (Cost of service for Emergency One is not included in this amount)

When viewed in such a manner, the following question should be considered:

“Should the directors of the corporation authorize an expenditure of approximately \$9 million, which will be fully returned, which will generate approximately \$6 billion in sales (transactions), profits (wages) in the amount of \$1.7 billion, and create the ability of about 4,500 stockholders (jobs) to pay the corporations certain “assessments” (taxes) in the amount of \$100,000,000 million.”

When viewed in this manner, the return to the community on the investment made by the government is overwhelming. For taxes alone, for every dollar spent or credited by government for Emergency One, \$10 of taxes is generated.

### Indirect Revenue Method

The Community Impact Method, while an accurate description of what occurs, does not detail the specific contribution by Emergency One relative to local government.

The Indirect Revenue Method includes the direct revenue to government paid by Emergency One and all the revenue to government paid by the residents as a result of the economic impact.

Table 16 shows the total income received by the four units of government and their respective expenditures directly related to Emergency One.

<b>Table 16</b>			
<b>Indirect Revenue Method</b>		<b>2008-2017</b>	<b>2008-2017</b>
<b>Income Emergency One and Residents</b>		<b>10 Year Total</b>	<b>10 Year Total</b>
Total Income - All Governments		103,863,244	
Marion County		41,237,069	
City of Ocala		21,372,849	
Marion County Schools		38,202,175	
Water District		3,051,150	
Total Investment and Costs - All Governments			9,995,774
Marion County			4,338,250
City of Ocala			5,657,524
Schools			0
Water District			0
Cash Variance		93,867,470	
Return on Investment		1039.1%	

The expenditure side does not include the cost of services for the Marion County, City of Ocala, or the School system. This is one of the deficiencies of this method. It accurately depicts revenue, but not expenditures.

## Direct Revenue Method

The Direct Revenue Method measures the specific revenues received from Emergency One and the specific costs invested. This is the strictest approach to measuring the benefit to government of investing in the project, for it does not take into consideration the benefit to the community and the residents.

However, it does answer the question: “Does government get back what it is putting in?” Citizens in community forums oftentimes ask this question, as they are apprehensive toward using government funds to subsidize a private company.

The Community Impact Method, while showing the rate of return to be overwhelmingly large, does not satisfy some of the more skeptical citizens.

The Direct Revenue Method shows as clearly as possible the number of dollars going out (paid or credited by government) and the direct taxes or revenue received from this investment.

Table 17 shows all governments will receive directly from the project about \$16 million. This includes the taxes paid directly by Emergency One along with money from the State of Florida and credits from the FAA.

The four government units will expend in cash and credits about \$10 million.

As a result, the entire investment made by local government will be returned plus about \$6 million. The direct return on investment is 159%.

<b>Table 17 Emergency One Only</b>	<b>2008-2017 10 Year Total</b>	<b>2008-2017 10 Year Total</b>
Total Income - All Governments	15,956,660	
Marion County	4,408,140	
City of Ocala	6,687,522	
Marion County Schools	4,578,585	
Water District	282,413	
Total Investment and Costs - All Governments		9,995,774
Marion County		4,338,250
City of Ocala		5,657,524
Schools		0
Water District		0
Cash Variance	5,960,886	
Marion County	69,890	
City of Ocala	1,029,997	
Schools	4,578,585	
Water District	282,413	
Return on Investment	159.6%	

Following are tables which detail each unit of government’s income and expenses.

## Marion County

Marion County will invest in cash and credits about \$4.3 million and receive about \$4.4 million. Essentially, it will receive back all that it contributed.

Part of the income is \$1 million from the State of Florida. This represents ½ of the amount the state is providing for the improvement and extension of SW Avenue to SR 40.

As an expense, the County is waiving ½ of the scheduled traffic impact fee for Emergency One.

Of the \$4,338,250 shown as Investment and Costs, \$4,000,000 is an actual cash expense.

## City of Ocala

The City of Ocala will invest in cash and credits approximately \$5.6 million and receive approximately \$6.6 million in direct cash and credits.

Shown as income is \$1 million from the State of Florida for the improvement and extension of SW Avenue to SR 40. The value of the credit granted to the City by the FAA for the land lease is also shown as income.

In total, the City will receive all that it invests in the project along with about \$1 million in excess proceeds.

<b>Table 17A</b>		<b>2008-2017</b>
<b>Marion County</b>		<b>10 Year Total</b>
1	Total Income	4,408,140
2	Emergency One and Suppliers	3,408,140
3	State of Florida - 1/2 Road Grant	1,000,000
	Sales Tax	
4	Emergency One and Suppliers	1,529,496
	Property Tax	
5	Emergency One Only	1,878,644
6	Total Investment and Costs	4,338,250
7	Tax Refund Grant	4,000,000
8	Impact Fee Credit	338,250
9	Cash Variance	69,890
10	Return on Investment	101.6%
1	Total money received as a result of the Emergency One Project.	
2	Total taxes paid by Emergency One.	
3	1/2 of the \$2 million road grant provided by the State of Florida.	
4	Sales tax paid by Emergency One for its purchases.	
5	Real and personal property taxes paid by Emergency One.	
6	Total costs and credits toward Emergency One.	
7	\$400,000 per year from Marion County to defray costs.	
8	Waiver of 1/2 of the scheduled traffic impact fee.	
9	Net cash gain over costs and expenditures.	
10	For every \$100 spent by the county, it received \$101.	

<b>Table 17B</b>		<b>2008-2017</b>
<b>City of Ocala</b>		<b>10 Year Total</b>
1	Total Income	6,687,522
2	Emergency One and Suppliers	3,987,522
3	State of Florida - 1/2 Road Grant	1,000,000
4	FAA Land Lease Credit	1,700,000
	Sales Tax	
5	Emergency One and Suppliers	334,221
	Property Tax	
6	Emergency One Only	2,333,301
7	Utility General Fund - Emergency One	1,320,000
8	Total Investment and Costs	5,657,524
9	Economic Improvement Fund	2,316,230
10	Airport Land Mitigation	1,981,160
11	Impact Fee Credit	338,250
12	Building Permit Credit	175,000
13	Pro-Rata Police Cost	538,438
14	Pro-Rata Fire Cost	308,446
15	Cash Variance	1,029,997
16	Return on Investment	118.2%
1	Total money received as a result of the Emergency One Project.	
2	Total taxes paid by Emergency One.	
3	1/2 of the \$2 million road grant provided by the State of Florida.	
4	The value of the credit the FAA will give the City toward the land lease.	
5	Sales tax paid by Emergency One for its purchases.	
6	Real and personal property taxes paid by Emergency One.	
7	The amount the City will receive from Emergency One electric usage.	
8	Total costs and credits toward Emergency One.	
9	City Economic Improvement Fund for Emergency One	
10	City commitment to pay for cost of land lease at airport.	
11	Waiver of 1/2 of the scheduled traffic impact fee.	
12	Waiver of the scheduled fee for building permit.	
13	Estimated cost of police service.	
14	Estimated cost of fire service.	
15	The net gain for the City in cash after expenditures.	
16	For every \$100 spent by the city, it received \$118.	

## Schools and Water District

Neither the Marion County School system nor the Southwest Florida Water Management District is contributing to the Emergency One project. However, each will receive direct revenue from Emergency One. In fact, the school system is one of the greatest beneficiaries of the project.

The schools will take in about \$4.5 million in tax revenue paid by Emergency One. The Water District will have income of \$282,413.

Neither will have any expenses directly related to Emergency One.

<b>Table 17C</b>	<b>2008-2017</b>	
<b>School</b>	<b>10 Year Total</b>	
Total Income	4,578,585	
Emergency One and Suppliers	4,578,585	
Sales Tax		
Emergency One and Suppliers	1,343,781	
Property Tax		
Emergency One Only	3,234,804	
Total Investment and Costs		0
Cash Variance	4,578,585	
Return on Investment	na	
<b>Water District</b>		
Total Income	282,413	
Property Tax		
Emergency One Only	282,413	
Total Investment and Costs		0
Cash Variance	282,413	
Return on Investment	na	

## State of Florida

While this study is to examine the impact upon the local government units involved with the Emergency One project, it is appropriate to briefly review the Return on Investment for the State of Florida.

The state will be providing, in cash, \$4.5 million. The state will receive, over the ten-year period, approximately \$77 million in taxes as a result. In fact, the state will recapture its entire investment after one year of operation of Emergency One in its new facility.

<b>Table 17D</b>	<b>2008-2017</b>	<b>2008-2018</b>
<b>State of Florida</b>	<b>10 Year Total</b>	<b>10 Year Total</b>
Total Income	77,333,808	
Emergency One Sales Tax	13,437,813	
Residents Sales Tax	63,895,996	
Total Investment (Expenses)		4,500,000
Governor's Closing Fund		1,500,000
Economic Transportation Fund		2,000,000
Quick Response Training Fund		1,000,000
Cash Variance	72,833,808	
Return on Investment	1718.5%	

The revenue to the state is based upon the total taxable retails which will occur as a result of the presence of Emergency One. To derive the amount of revenue, total taxable sales were multiplied by 5%. While the state collects 6%, most of the difference is returned to cities and counties.

As a result, for every \$100 invested by the state, it will yield \$1,700 in taxes.