



**WEDNESDAY, MAY 9th, 2007
9:00 A.M.
JOINT MEETING
INDIAN RIVER COUNTY
BOARD OF COUNTY COMMISSIONERS
AND
CITY OF VERO BEACH
CITY COUNCIL
CITY HALL COUNCIL CHAMBERS
1053 20th PLACE
VERO BEACH, FLORIDA**



AGENDA

1. CALL TO ORDER – Mayor Thomas P. White
2. INVOCATION –
3. PLEDGE OF ALLEGIANCE – Chairman Gary C. Wheeler
4. INTRODUCTION OF CITY OF VERO BEACH CITY COUNCIL AND STAFF BY MAYOR THOMAS P. WHITE
5. INTRODUCTION OF INDIAN RIVER COUNTY BOARD OF COUNTY COMMISSIONERS AND STAFF BY CHAIRMAN GARY C. WHEELER
6. ECONOMIC DEVELOPMENT PRESENTATION REGARDING PIPER AIRCRAFT – Indian River County Chamber of Commerce
 - a. Background and timeline
 - b. Key project points
 - c. Economic impact on Indian River County community
 - d. Presentation of proposed combined City/County incentives
7. QUESTIONS AND COMMENTS FROM BOARD AND COUNCIL MEMBERS
8. BOARD AND COUNCIL MEMBER ACTION
 - a. Discussion, questions and comments
 - b. Final City participation for inclusion in total incentive package
 - c. Final County participation for inclusion in total incentive package
9. ADJOURN

This is a Public Meeting. Should any interested party seek to appeal any decision made by Council with respect to any matter considered at such meeting or hearing, he will need a record of the proceedings and that, for such purpose he may need to ensure that a record of the proceedings is made which record includes the testimony and evidence upon which the appeal is to be based. Anyone who needs a special accommodation for this meeting may contact the City's Americans with Disabilities Act (ADA) Coordinator at 978-4920 at least 48 hours in advance of the meeting.

BRIEF

***The Economic Impact of the Current Operations
of “Project Osprey”***

Prepared for:

The Indian River County Chamber of Commerce

By

The Washington Economics Group, Inc.

April 11, 2007

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EXECUTIVE SUMMARY

Project Osprey is the top private sector employer in Indian River County (IRC). Osprey directly employs 1,029 individuals in the manufacture of high technology aircraft that are “exported” to the rest of the United States and to the global economy.

Project Osprey’s current operations also make significant contributions to the labor income, Value Added, and economic output of Indian River County. According to consultant estimates, utilizing widely used and professionally accepted methodologies, Project Osprey currently contributes annually to the county economy:

- **\$91 million annually in labor income**
- **\$118 million in Value Added to the economy**
- **A total economic impact (output) yearly on IRC of \$518 million**
- **\$27 million yearly in federal, state and local taxes – \$4.3m in local taxes**

The average wage in Project Osprey facilities is \$39,171. This is significantly above the average wage of the County (\$32,592) and also above the per capita Personal Income of the State (\$31,469).

In addition to employing 1,029 individuals, Project Osprey’s aerospace manufacturing activities support additional employment throughout the IRC economy. **In total, a significant 2,136 high-wage jobs in IRC result, directly or indirectly, from the Project’s current operations.**

The Project’s economic impacts are primarily concentrated in the High-Tech Manufacturing and Knowledge-Based Services sectors. These two sectors are key generators of high-wage occupations. Therefore, Project Osprey is an important foundation in support of the economic development potential of IRC.

In conclusion Project Osprey is a top generator of high-wage employment opportunities in IRC. Retaining Project Osprey is essential to the economy of the County, and to the generation of jobs, labor income and state and local fiscal revenues

THE ECONOMIC IMPACTS OF “PROJECT OSPREY’S” CURRENT OPERATIONS IN INDIAN RIVER COUNTY, FLORIDA

The Washington Economics Group has been retained to prepare an economic impact brief of “Project Osprey’s” current operations in Indian River County (IRC). Project Osprey currently employs 1,029 individuals at their manufacturing facility. The average wage for individuals employed at this facility is \$39,171. This is considerably above the average wage for IRC and the State of Florida. This wage differential is consistent with the high-Value Added nature of the aerospace industry in which the United States is a world leader. Project Osprey currently purchases over \$32 million of goods and services from other Florida businesses to support its manufacturing operations. Additionally, their facility draws visitors to IRC from the rest of the world. It is currently estimated that over 500 business partners and customers visit their facility each year, staying in IRC for an average stay of four days. Therefore, the Project also supports the important visitor industry of IRC.

The Minnesota IMPLAN Group, Inc. (MIG) provides the software and basic data needed to formulate the economic multiplier model developed for this Brief. MIG has been providing economic multiplier models for regional economic impact analysis since 1985¹. Models developed using IMPLAN software have been widely used by private sector, academic economists, and by federal, state and local government agencies to measure the economic impacts of various policy alternatives.

The ongoing operations of Project Osprey’s current manufacturing facility and related infrastructure generate significant quantifiable and **recurring** economic impacts each year. These impacts, estimated by utilizing a professionally accepted and widely used methodology, support other high-wage employment, and the generation of labor income, economic output and public revenues in Indian River County (IRC).

¹Information on the IMPLAN Group models and the company history can be found at www.implan.com.

Methodology

Economic models that explicitly account for inter-industry linkages (supply relationships), the generation of labor and capital income and the spending of household income have been used since the 1960's to estimate the contribution that a particular business or industry makes to the general economy. These "input-output" models recognize that, as an industry experiences an increase in the demand for its products or services, it in turn needs more goods and services from its suppliers and must increase its purchases from other industries in the economy. The effect on regional production resulting from successive rounds of inter-industry linkages is referred to as the *indirect effect*. The resulting increases in regional production also lead to expansions in employment and labor income, and the increases in labor income lead to increases in consumer spending, further expanding sales and production throughout the regional economy. The latter economic impacts are referred to as the *induced effects*. The successive waves of production, spending and more production result in *economic multiplier effects*, where the final or total increase in regional production, income and employment, respectively, is larger than the initial (or "direct") increase in production, income and employment. The total quantitative economic contribution of these activities, therefore, is comprised of a *direct effect*, an *indirect effect* and an *induced effect*.

The expenditures associated with Project Osprey's current operations in Indian River County generate economic impacts that extend beyond those **directly** related to their operations. These "spillover" or multiplier impacts are the result of each business activity's supply relationships with other firms operating within the region, the proportion of business Value Added² that accrues to households in the form of labor and capital income, and the propensity of households to spend income on goods produced within the local area.

The *direct impact* of Project Osprey's current operations is comprised of all of their expenditures for labor and materials used in the production process, on-going capital expenditures necessary to support operations, and local area expenditures made by business partners and customers from outside of the area during their local business dealings with the firm. Project Osprey currently employs 1,029 individuals. Utilizing the *direct* economic impacts discussed above, *indirect* and *induced* economic impacts of Project Osprey's current operations were calculated using an extended input-output model of the Indian River County (IRC) economy. These comprehensive *direct*, *indirect* and *induced* economic impacts are summarized in the following page.

²"Value Added" refers to the difference between business revenues and the cost of non-labor and non-capital inputs used to produce goods and/or services.

Table 1. Summary of Annual (Recurring) Economic Impacts Arising from Project Osprey’s Current Operations in Indian River County

| <i>Impact on:</i> | <i>Direct</i> | <i>Indirect & Induced</i> | <i>Total Impact</i> |
|--|---------------|-------------------------------|---------------------|
| Employment (Jobs) | 1,029 | 1,107 | 2,136 |
| Labor Income (\$ Mill.) | \$48 | \$43 | \$91 |
| Value Added (\$ Mill.) | \$47 | \$71 | \$118 |
| Federal, State & Local Tax Revenues (\$ Mill.) | ----- | ----- | 27 |
| Total Economic Impact (\$ Mill.) | \$392 | \$126 | \$518 |

Source: The Washington Economics Group, Inc.

An estimated 2,136 high-wage jobs for local residents result directly or indirectly from Project Osprey’s current operations in Indian River County (IRC). Project Osprey’s manufacturing operations are directly responsible for 1,029 jobs in the manufacturing and related support sectors. However, its indirect and induced job creation process reaches deeply into all sectors of the local economy. This dramatically demonstrates the close supply inter-relationships that the Manufacturing Sector has with all of the other sectors of the local economy. An additional 636 jobs are supported via indirect economic effects (mostly suppliers). Lastly, 471 jobs are generated by induced spending effects. **Therefore, the total number of jobs, directly, indirectly and induced, supported by Project Osprey is estimated at 2,136 – making a significant contribution to employment opportunities in IRC. These high-wage jobs comprise an estimated 5 percent of all total private sector jobs in IRC.**

The number of jobs created in each economic sector by Project Osprey’s current operations is summarized in Table 2. Of the 2,136 jobs supported by these operations, 51 percent are in the Manufacturing Sector, 31 percent are in Knowledge-Based Services Industries, and the remaining 18 percent distributed among other economic sectors. **This distribution of jobs reflects the knowledge-intensive nature of the type of aircraft manufactured by Project Osprey. High-Tech Manufacturing and Knowledge- Based Services Industries are key generators of sustainable high-wage occupations, leading to the expansion of economic opportunities for county residents over time.**

Table 2. Employment Impacts Arising from Project Osprey Recurring (Annual) Operations in Indian River County.

| <i>Industry</i> | <i>Jobs Supported</i> |
|---|-----------------------|
| Manufacturing | 1,086 |
| Knowledge-Based Services | 659 |
| Wholesale Trade & Transportation Services | 133 |
| Visitor Industry | 108 |
| Retail Trade | 105 |
| Government & Other | 32 |
| Construction | 14 |
| <i>Total All Industries</i> | <i>2,136</i> |

Source: The Washington Economics Group, Inc.

Project Osprey’s current manufacturing operations are also an important generator of Labor Income for the County’s labor force. In addition to the \$48 million annually of recurring Labor Income directly generated by Project Osprey’s current operations, \$28 million of Labor Income is created by indirect economic activities, and \$15 million of Labor Income is created by induced economic activities. **In summary, Project Osprey’s current operations generate \$91 million in Labor Income each year, with the largest proportion of income generated from the High-Tech Manufacturing and Knowledge-Based Services economic sectors as is shown in Table 3.**

Table 3. Labor Income Impacts Arising from Project Osprey Recurring Operations In Indian River County, Florida. (\$ in Thousands)

| <i>Industry</i> | <i>Total Impact</i> |
|---|------------------------|
| Manufacturing | \$50,444 |
| Knowledge-Based Services | \$25,498 |
| Wholesale Trade & Transportation Services | \$7,365 |
| Retail Trade | \$2,806 |
| Government & Other | \$2,248 |
| Visitor Industry | \$1,971 |
| Construction | \$536 |
| <i>Total All Industries</i> | <i>\$90,867</i> |

Source: The Washington Economics Group, Inc.

Value Added from Project Osprey operations is another measure of economic benefits. Value Added is the portion of business revenues that is available to pay

compensation to workers, capital income and indirect business taxes³. Value Added is also the principal source of income to households and a key measure of the Project Osprey’s recurring contributions to the local economy. Each year Project Osprey’s current operations create \$47 million of Value Added directly, while \$42 million of Value Added is created by indirect activities, and \$29 Million of Value Added is created by induced economic activities. **In total, Project Osprey’s current operations generate \$118 million in Value Added each year.** Table 4 summarizes the recurring Value-added impacts of Project Osprey’s current operations on each economic sector. **The greatest increases in Value Added also arise in the Manufacturing and Knowledge-Based Services sectors where 75 percent of the Value Added is created.**

Table 4. Recurring Value-Added Impacts Arising from Project Osprey’s Current Operations in Indian River County, Florida (\$ in Thousands)

| <i>Industry</i> | <i>Total Impact</i> |
|---|---------------------|
| Manufacturing | \$50,274 |
| Knowledge-Based Services | \$37,568 |
| Wholesale Trade & Transportation Services | \$12,179 |
| Government & Other | \$9,602 |
| Retail Trade | \$4,340 |
| Visitor Industry | \$2,926 |
| Construction | \$636 |
| Total All Industries | \$117,525 |

Source: The Washington Economics Group, Inc.

A final and comprehensive measure of **total economic impact** of Project Osprey on IRC is *Gross Economic Output*, representing the sum of gross revenues (receipts) of private firms plus the value of government services (valued at cost). **THE TOTAL ECONOMIC IMPACT OF PROJECT OSPREY’S CURRENT OPERATIONS IN INDIAN RIVER COUNTY IS ESTIMATED AT \$518 MILLION ANNUALLY.** Of this total, \$392 million is generated by Project Osprey’s direct activities, while an additional \$126 million is generated by *indirect* and *induced* activities. As presented in the previous analysis of economic impacts, the greatest increases in total economic impact (*Gross Economic Output*) arise in the Manufacturing and Knowledge-Based Services sectors of IRC, where 91 percent of the recurring economic output is created as is shown in Table 5.

³ Value Added also includes compensation to government workers.

Table 5. Recurring Economic Output Impacts Resulting from Project Osprey’s Current Operations in Indian River County, Florida (\$ in Thousands)

| <i>Industry</i> | <i>Total Impact</i> |
|---|---------------------|
| Manufacturing | \$407,365 |
| Knowledge-Based Services | \$65,012 |
| Wholesale Trade & Transportation Services | \$18,624 |
| Government & Other | \$13,317 |
| Retail Trade | \$6,871 |
| Visitor Industry | \$5,607 |
| Construction | \$1,317 |
| Total All Industries | \$518,113 |

Source: The Washington Economics Group, Inc.

In addition to the various economic impacts presented, Project Osprey’s ongoing operations in IRC result in significant fiscal revenues each year for federal, state, and local governments as shown in Table 6. Each year \$27 million of fiscal revenues are generated by Project Osprey’s current activities. Of this total, \$19.2 million, or 71 percent, flow to the federal government, with the remaining \$7.8 million, or 29 percent, of tax revenues are allocated to state and local governments.

Table 6. Recurring Fiscal Contributions of Project Osprey’s Current Operations (\$ in Thousands)

| <i>Taxes Paid By</i> | <i>Federal Taxes</i> | <i>State/Local Taxes*</i> | <i>Total Taxes</i> |
|-------------------------|----------------------|---------------------------|--------------------|
| Labor | \$ 10,320 | \$ 191 | \$ 10,511 |
| Capital | \$186 | ----- | \$186 |
| Households | \$7,729 | \$576 | \$8,305 |
| Corporations | \$529 | \$262 | \$791 |
| Indirect Business Taxes | \$450 | \$6,735 | \$7,185 |
| Total: | \$19,214 | \$7,764 | \$26,978 |

Source: The Washington Economics Group, Inc.

*Breakdown between state and local taxes reflected in table on next page

| Estimated Breakdown of Project Osprey Current Recurring State and Local Fiscal Revenues | | | | | | |
|--|--|--------------------|--------------------|--------------------|---------------|---------------|
| Category | | Total Revenues | State Revenues | Local Revenues | State % | Local % |
| Corporate Profits Tax | | \$77,632 | \$77,632 | \$0 | 100% | 0% |
| Dividends | | \$184,301 | \$184,301 | \$0 | 100% | 0% |
| Indirect Business Taxes: | | | | | | |
| Motor Vehicle Licenses | | \$58,024 | \$58,024 | \$0 | 100% | 0% |
| Other Taxes | | \$661,110 | \$0 | \$661,110 | 0% | 100% |
| Property Taxes | | \$2,386,222 | \$0 | \$2,386,222 | 0% | 100% |
| S/L Non-Taxes | | \$273,700 | \$0 | \$273,700 | 0% | 100% |
| Sales Tax | | \$3,349,733 | \$2,791,444 | \$558,289 | 83% | 17% |
| Severance Tax | | \$6,400 | \$6,400 | \$0 | 100% | 0% |
| Personal Taxes: | | | | | | |
| Estate & Gift Tax | | \$0 | \$0 | \$0 | 100% | 0% |
| Income Tax | | \$0 | \$0 | \$0 | 100% | 0% |
| Motor Vehicle Licenses | | \$132,135 | \$132,135 | \$0 | 100% | 0% |
| Non-Taxes (Fines - Fees) | | \$385,168 | \$0 | \$385,168 | 0% | 100% |
| Other Tax (Fish - Hunt) | | \$7,662 | \$7,662 | \$0 | 100% | 0% |
| Property Taxes | | \$51,375 | \$0 | \$51,375 | 0% | 100% |
| Social Insurance Taxes: | | | | | | |
| Employee Contribution | | \$44,100 | \$44,100 | \$0 | 100% | 0% |
| Employer Contribution | | \$146,477 | \$146,477 | \$0 | 100% | 0% |
| Total State & Local Taxes: | | \$7,764,039 | \$3,448,175 | \$4,315,864 | 44.41% | 55.59% |

In summary, the current operations of Project Osprey are of significant importance to the IRC economy. Failure to retain Project Osprey in the County would noticeably and adversely impact employment, labor income, economic output and public revenues. Furthermore, efforts to create a high-wage economy would suffer a major setback, as the Project is a leading generator of High-Value Added employment opportunities in Manufacturing and Knowledge-Based Services.

Addendum

The table below reflects the impact of the addition of 500 new jobs to the Indian River County economy paying an average annual wage of \$39,171. Project Osprey anticipates the creation of 500 new jobs for its new jet manufacturing facility.

**Summary of Annual (Recurring) Economic Impacts
Arising from the Addition of 500 Workers to Project
Osprey's Current Operations in Indian River County**

| <i>Impact on:</i> | Direct | Indirect & Induced | Total Impact |
|---|---------------|-------------------------------|---------------------|
| Employment (Jobs) | 500 | 538 | 1,038 |
| Labor Income (\$ Million) | \$23 | \$21 | \$44 |
| Value Added (\$ Million) | \$23 | \$34 | \$57 |
| State & Local Tax Revenues (\$ Million) | - - - | - - - | \$4 |
| Total Economic Impact (\$ Million) | \$191 | \$61 | \$252 |

Source: The Washington Economics Group, Inc.

Appendix
The Washington Economics Group, Inc. Qualifications

J. Antonio Villamil
Chief Executive Officer

- ❖ Tony Villamil has over twenty-five years of successful experience as a business economist and high-level policymaker at both federal and state governments. He has served as a U.S. Undersecretary of Commerce for Economic Affairs and is currently Chief Executive Officer of The Washington Economics Group, an economics and business consulting practice now in its second decade of operations. His areas of specialization are in economic analysis, economic development, trade policy, the U.S. Hispanic market and the Florida economy.
- ❖ Dr. Villamil is a member of President Bush Advisory Committee on Trade Policy and Negotiations, and most recently served as Chairman of the Governor's Council of Economic Advisors of Florida. During 1999-2000, he directed the Tourism, Trade and Economic Development activities of the State in the Executive Office of Governor Jeb Bush. Presently, he is on the Board of Directors of the Spanish Broadcasting System (NASDAQ), CommerceBank, N.A. and Enterprise Florida - the State's principal economic development organization. Among other leadership positions, he served during 2006 on the Property Tax Reform Committee of Florida and is currently Chairman of the Economic Roundtable of the Beacon Council - Miami-Dade County's official economic development organization. After winning the Gubernatorial elections in November 2006, then Governor-elect Charlie Crist appointed him as his Economic Advisor during the transition period.
- ❖ Tony completed his undergraduate, graduate and doctoral studies in Economics at Louisiana State University (LSU). In 1991, Florida International University (FIU) awarded him a doctoral degree in Economics (HC), for "distinguished contributions to the Nation in the field of economics." Dr. Villamil publishes widely on economics and trade policy topics, and is an adjunct professor of Competitive Strategy in the Executive and Professional MBA programs of Florida International University (FIU). He was Senior Fellow of the Latin American and Caribbean Center of FIU from 1993-1994.

Charles K. Yaros
Associate Consultant

- ❖ Chuck Yaros is an Associate Consultant for Economics at The Washington Economics Group, Inc. (WEG). He serves as economic consultant in the areas of financial economics and economic impact studies. Prior to joining WEG he was Vice President and Portfolio Strategist at Shay Financial Services in Miami where he specialized in developing, implementing and managing interest rate risk and capital optimization strategies for financial institutions.
- ❖ Mr. Yaros has over 20 years of experience as a business and financial economist, having worked in a number of positions of progressive responsibility in the South Florida business community. Additionally, he has spoken and taught courses on financial risk management.
- ❖ Chuck received his undergraduate degree in Economics with Honors from Trinity College and his Master's degree in Economics from Duke University, where he also completed course work for the Ph.D. degree.
- ❖ Chuck and his family are residents of Coral Gables, Florida.

The Washington Economics Group, Inc. has been successfully meeting client objectives since 1993 through economic consulting services for corporations, institutions and governments of the Americas. We have the expertise, high-level contacts, and business alliances to strengthen your competitive positioning in the growing marketplaces of Florida and Latin America.

Our roster of clients includes multinational corporations, financial institutions, public entities, and non-profit associations expanding their operations in the Americas.

EXCLUSIVE CONSULTING APPROACH:

Each client is unique to us. We spend considerable time and effort in understanding the operations, goals, and objectives of clients as they seek our consulting and strategic advice. We are not a mass-production consulting entity nor do we accept every project that comes to us. We engage a limited number of clients each year that require customized consulting services in our premier areas of specialization. These premier and exclusive services are headed by former U.S. Undersecretary of Commerce, Dr. J. Antonio Villamil, with over thirty years of experience as a business executive and as a senior public official of the U.S. and most recently of Florida.

PREMIER CONSULTING SERVICES:

Comprehensive Corporate Expansion Services for Florida. Our seamless and customized service includes site selection analysis, development of incentive strategies and community and governmental relations.

Economic Impact Studies highlight the importance of a client's activities in the generation of income, output and employment in the market area serviced by the entity. These studies are also utilized to analyze the impact of public policies on key factors that may affect a client's activities such as tax changes, zoning, environmental permits and others.

Strategic Business Development Services. These services are customized to meet client objectives, with particular emphasis in the growing marketplaces of Florida, Mexico, Central and South America. Recent consulting assignments include customized marketing strategies, country risk assessments for investment decisions and corporate spokesperson activities and speeches on behalf of the client at public or private meetings.

For a full description of WEG capabilities and services, please visit our website at:
www.weg.com