

Santa Rosa Unlimited

The flow of the economy



TEAM **Santa Rosa**
FLORIDA

ECONOMIC DEVELOPMENT COUNCIL, INC

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What is an Economy?

An Economy is like a business – but on a much grander scale. After all, what is an economy but the interaction of many, many businesses? Economies are often talked about by geography – people refer to a particular county’s economy or a single state’s economy. This is because governments generally restrict collecting taxes and providing services to their own residents within defined boundaries. But like flowing rivers, economies spread out and cross geographic boundaries. In reality, economic activity, like business activity, extends well beyond any geographic boundary.



This crossing of geographies is called by businesses a “market area”. Businesses recognize that distance, rather than geographic boundaries, is the limiting factor for attracting customers and a workforce. For some types of businesses, customers may be thousands of miles away, but the workers live within commuting distances. For others, both their customers and workforce are nearby. It is this physical proximity that shapes the boundaries of a local economy.



60 minute driving map

Our Economic Environment



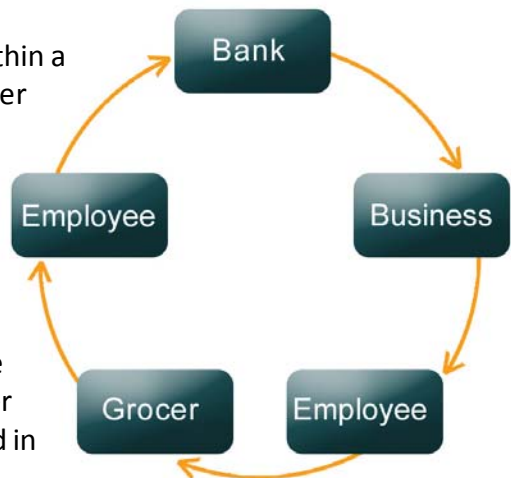
How Economies Work

Regional economies are shaped by the decisions of consumers, investors, loan officers, workers, corporate officials, business owners, entrepreneurs, and students, all of whom make choices and take actions that affect economic outcomes. All of these factors and choices combine to shape the “Economic Environment” of Santa Rosa County.

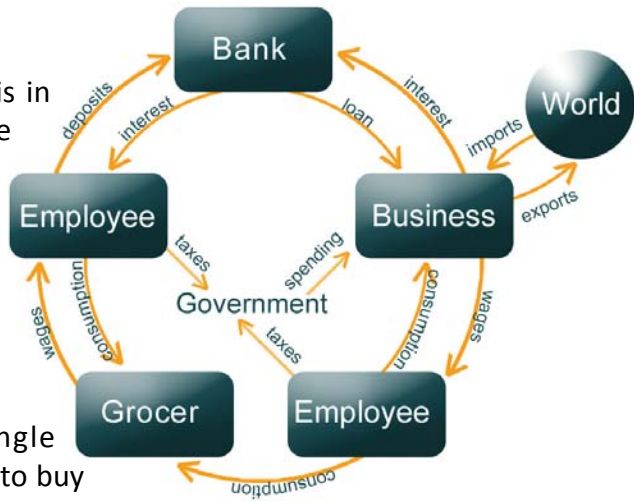
Economies can work in different fashions, but the most familiar and easiest ones to look at are those that use money. Money is a medium of exchange that stores value and then is traded for desired goods and services.

Money is a measure of wealth, but only exercises its power when it moves. Money flows through an economy like a river. It can start as a trickle, growing in strength as creeks and streams feed into it. It's drawn off and spreads into fields to fuel growth. It evaporates upwards, but comes back down as rain – touching many with its water.

Like a river's water, money circulates within a community, being spent over and over again. The worker buys groceries with her wages. The grocery clerk buys a car. The car salesman buys a house. The real estate agent buys a new television. And so on. But it's not a closed system and sometimes just like water is picked up from one area to rain on another, the money leaks out to be spent in another economy. The television is manufactured in



China. The wholesaler for it is in Atlanta. The headquarters for the retailer is in New York. While some of the sales revenues stay in the locality to pay the store clerk wages, the rest flows to the headquarters, wholesaler and manufacturer.

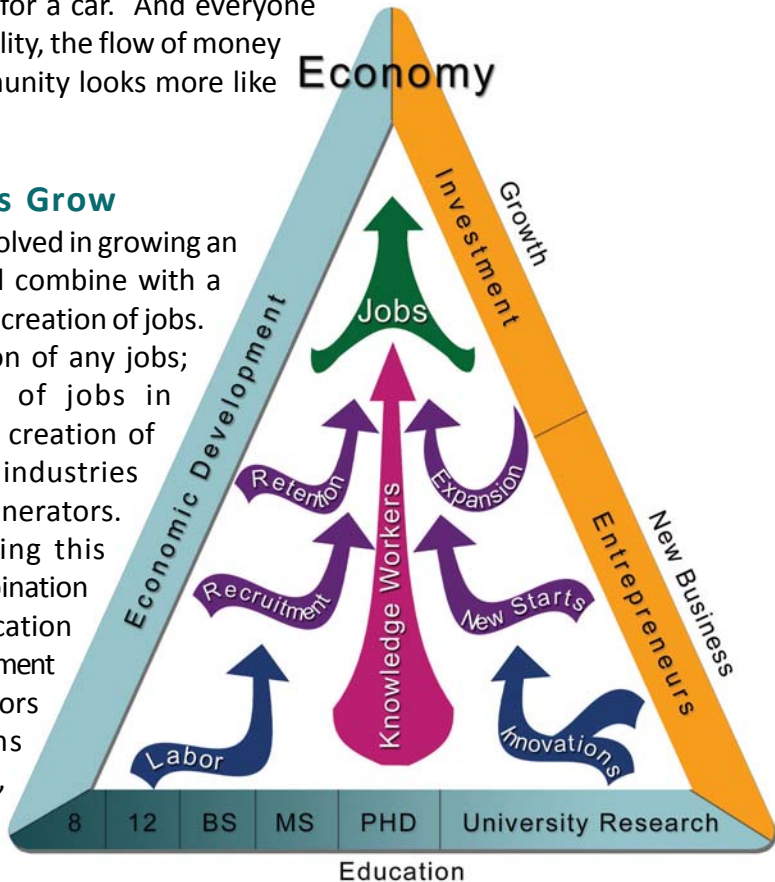


As an example, take a single business. The business needs to buy equipment and meet payroll, so it gets a loan from the bank. The business pays wages to an employee who buys groceries. The grocer pays their employee who deposits savings into the bank. The bank then loans the money out to a business and so on.

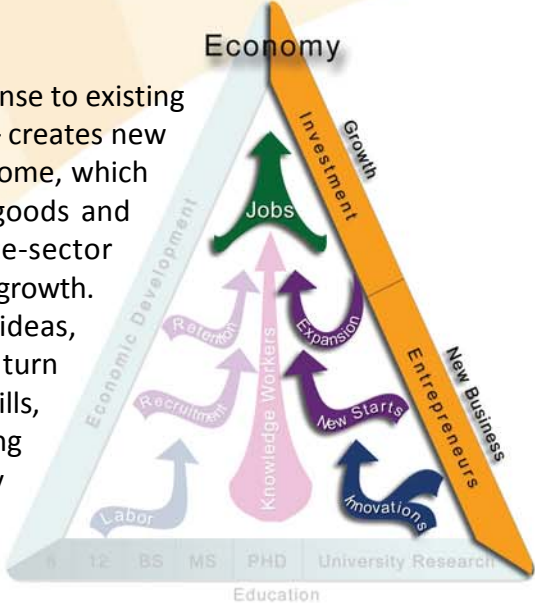
But the money flows are even more complex. The business will pay interest on the loan. The bank will buy supplies from another business. The employee will borrow money for a car. And everyone will pay taxes. In reality, the flow of money throughout a community looks more like the image above.

How Economies Grow

Many efforts are involved in growing an economy. These all combine with a single purpose – the creation of jobs. Not just the creation of any jobs; but the creation of jobs in industries. And the creation of high wage jobs in industries that are Money Generators. To succeed in having this happen takes a combination of investment, education and economic development activities. These factors are like streams feeding into a river, increasing its size and flow.



Private investment – made in response to existing demand or emerging opportunities – creates new jobs. These in turn increase local income, which leads to greater local demand for goods and services. This leads to more private-sector investment and continues the cycle of growth. Risk-taking entrepreneurs take the ideas, labor, equipment, and materials and turn them into business activity. And the skills, knowledge, and ideas that people bring to the workplace can drive productivity improvements and economic growth.



Economic growth occurs whenever people take resources and rearrange them in ways that are more valuable. Growing an economy means bringing more money into the circular flow - or increasing the volume of water in the river. This can mean that existing businesses acquire more business and expand by adding employees. Or it can mean bringing in or starting new businesses.

Growth is Important

But why is growth important? Growth is what increases the standard of living in an economy. Just as water is drawn from a river to irrigate crops, creating larger and healthier harvests, growth in an economy creates opportunities for larger and stronger communities. Lack of consistent and dependable growth can reduce economic opportunity for citizens – particularly young people. Growth creates the jobs that keeps young people in a community and keeps the community a live and vibrant place.



Many parts of an economy contribute to growth. But some businesses rely on other businesses to keep them in a community. Businesses that sell goods and services outside of a community bring money into the local area. Like streams feeding into rivers, they add money to the economy and make it grow larger. Other businesses then develop in the area either to serve these businesses or to serve the populations created by these businesses - the retail and service sectors for example.

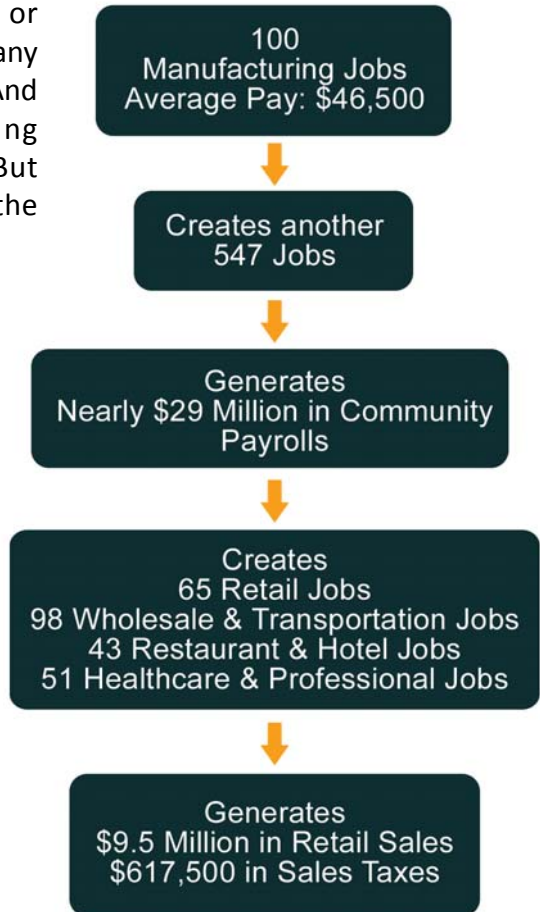
Businesses that grow an economy are those that generate the money within a community. Often only manufacturing industries are thought to be “Money Generators”. But businesses that bring in money to a community also include, for example, those in the tourism industry, such as hotels and amusement parks, retailers with an Internet business, researcher with a Federal grant, or technical service centers.



Other businesses then develop around these Money Generators to provide products and services to them, their employees and families. These are basically secondary or consumptive businesses. These businesses include grocery stores, retailers, and service providers such as doctors and lawyers. Their business is local and doesn’t produce the wealth that Money Generators produce. When new grocery stores or retail stores open in a community, many people see this as a sign of growth. And it is a sign of growth that is being generated by Money Generators. But these secondary businesses follow the growth, they do not create it.

The Multiplier Effect

Money Generators have a multiplier effect on a community. They increase the strength and flow of the river. When they sell their products, they pay their workers. These workers in turn spend money in the community. This spending creates jobs in the businesses they visit. For example, take a new manufacturer coming to Santa Rosa and employing 100 people. As a result, the company payroll (and its local purchases) creates another 547 jobs in the county in the



businesses that sell and provide services to the population. It also generates additional retail sales and generates taxes to support the local government.

If the goal is to increase the standard of living in an area, then just any new job won't do. In order to grow, areas need not just more jobs, but better jobs. Let's use Tom as an example. Tom has four workers each making \$15.00 an hour. He acquires a new project that requires him to add a more skilled worker at \$20.00 an hour. His average hourly wage bill rises from \$15 an hour to \$16. But suppose instead of higher skilled worker, Tom adds a new receptionist at \$10 an hour – now his average wage bill is only \$14.

This may just seem like simple mathematics, but it has a profound effect on how much money circulates in a community.

For example, Santa Rosa County is very similar in size, when measured by population, with three other county communities – Onslow County in North Carolina, Montgomery County in Tennessee and DeSoto County in Mississippi. Montgomery County has been growing in population at a similar rate to Santa Rosa, while Onslow has been growing much more slowly.

	Santa Rosa County, FL	Onslow County, NC	Montgomery County, TN	DeSoto County, MS
2007 Population	153,190	153,794	152,548	148,568
Change 1990 to 2000	43.7%	0.3%	34.1%	57.9%
Change 2007 to 2012	15.0%	2.8%	7.4%	15.9%

Yet even with similar population size, income levels for all four areas are very different.

	Santa Rosa County, FL	Onslow County, NC	Montgomery County, TN	DeSoto County, MS
Average Household Income	\$ 62,085	\$ 45,043	\$ 52,057	\$61,769
Median Household Income	\$ 51,217	\$ 40,836	\$ 47,622	\$59,755
Per Capita Income	\$ 21,119	\$ 19,183	\$ 19,873	\$22,008

What causes this difference? In one sense, it is the types of industries that have generated the population growth. In Onslow County, for example, there is a dominant military presence – with over 23 percent of the working age population in the armed forces. Both Santa Rosa and Montgomery County have military employment as well, although it represents a small portion of the overall employment. It can't just be the military presence that has both Santa Rosa and Montgomery having higher incomes than Onslow. And Santa Rosa has higher incomes than Montgomery and similar to faster growing DeSoto.

Looking more closely, both Santa Rosa and Montgomery have similar industry mixes, with Santa Rosa being stronger in construction and Montgomery being stronger in manufacturing. In fact, in just looking at the large number of manufacturing jobs – a historically high wage industry – one might think that Montgomery has the higher incomes.

2006 Private Annual Employment	Santa Rosa County, FL	Montgomery County, TN
Natural Resources and Mining	262	227
Construction	4,488	1,995
Manufacturing	1,031	6,097
Trade, Transportation and Utilities	5,863	9,081
Information	682	867
Financial Activities	1,215	1,497
Professional and Business Services	3,940	3,979
Education and Health Services	3,698	5,457
Leisure and Hospitality	4,086	5,506
Other Services	1,041	1,154

Source: US Bureau of Labor Statistics

A look at average wages for both counties reveals that in many areas, Santa Rosa’s wages are higher than those paid in Montgomery. Santa Rosa’s construction jobs pay more than Montgomery’s manufacturing jobs and that contributes to overall higher incomes in the county.

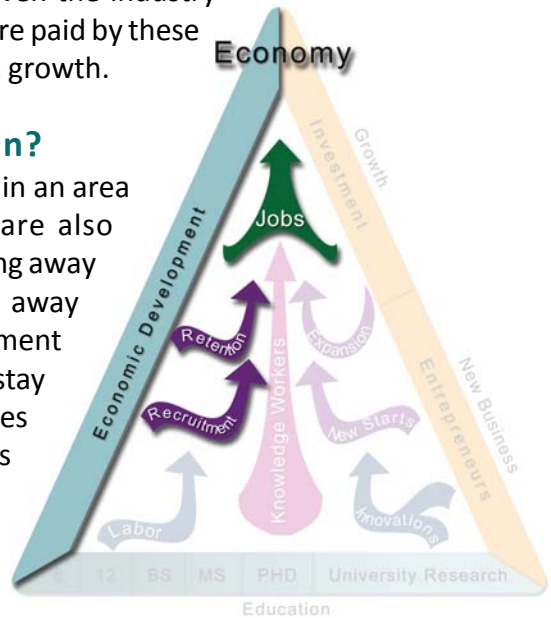
Annual Average Wages (2006)	Santa Rosa County, FL	Montgomery County, TN
Natural Resources and Mining	\$ 42,367	\$ 50,504
Construction	\$ 48,583	\$ 35,275
Manufacturing	\$ 38,161	\$ 43,848
Trade, Transportation and Utilities	\$ 25,316	\$ 26,249
Information	\$ 32,474	\$ 34,070
Financial Activities	\$ 33,963	\$ 39,491
Professional and Business Services	\$ 40,420	\$ 23,854
Education and Health Services	\$ 33,261	\$ 29,668
Leisure and Hospitality	\$ 12,630	\$ 11,332
Other Services	\$ 22,060	\$ 20,031

Source: US Bureau of Labor Statistics

It isn’t just the number of jobs or even the industry that the job is in, it’s the wages that are paid by these businesses that generates economic growth.

Doesn’t Growth Just Happen?

The answer is that yes some growth in an area may naturally occur – but there are also countless examples of industry moving away from an area and taking population away with it as well. Economic development activities are undertaken to try and stay one step ahead of changing economies – to create diversity where there is none and help local economies obtain growing industries.



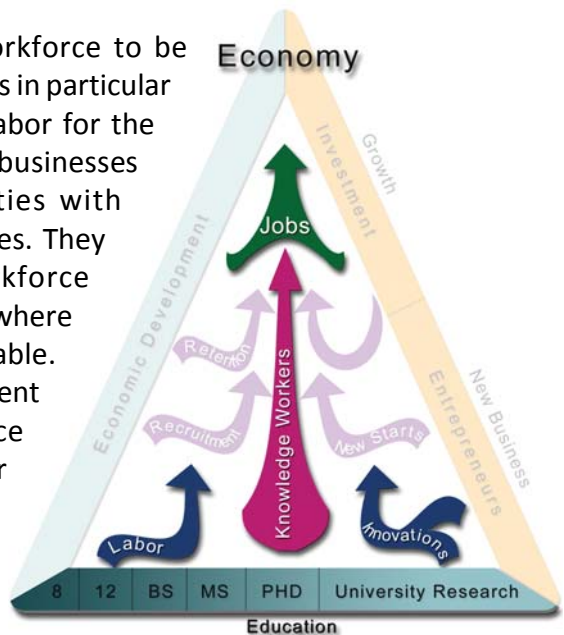
You walk into a business ready to spend some money. How would it be if there was no one running the store? Or if the staff ignored you? You and your money would soon go elsewhere. Or suppose you had to go to three or four different stores to find what you needed – and those you talked to always sent you somewhere else for the information? Wouldn't you prefer the one stop shop that was out front welcoming you?

Economic developers are the sales force and technical assistance for a community. They promote the county and provide information to businesses interested in locating there. They are the ones that answer the questions about how many residents are in the area, what workforce skills are available and even what it's like living in Santa Rosa County, etc.

The Importance of an Educated Workforce

The most important way to create jobs and wealth is to invest wisely in childhood education, research and development, higher education, and workforce retraining. Skilled workers are needed to maintain growth. Without the right people, a business cannot succeed. Failing to educate the future workforce or invest in new technology is like damming the streams that feed the river. Eventually the flow will be reduced and the river might dry up altogether.

Businesses need a skilled workforce to be competitive. Money Generators in particular often demand higher skilled labor for the higher wages they pay. Thus businesses seek to locate in communities with trained or trainable labor forces. They desire areas where the workforce either has the skills needed or where it's clear that training is available. Successful economic development programs require a workforce delivery system that works for local, emerging, and new businesses in the community.



Why do companies pay consultants thousands of dollars to find them a location?

The answer is profitability. Companies exist to make money and their ability to make money is driven by their costs. Companies incur many costs in providing goods or services. Selecting a location that provides the best value for their business in terms of wages, obtaining workforce, utilities, transportation, taxes and other costs lets them focus on running their business effectively.



But choosing a site means that a community actually has a site available to be chosen. In order for an existing company to expand or for a new employer to move into an area or a start-up business to start, they usually need a physical location. Without either a suitable existing building or a ready to build site, companies will not even get to the issue of whether the community provides the best value.

What happens when companies find that there are two or more locations that are equally suitable and equally desirable? That's when the economic developer's established relationships with site consultants pay off. They know of the community and know who to ask what the community might be willing to offer as a tie breaker. And often this tie breaker is in the form of business incentives.

Incentives

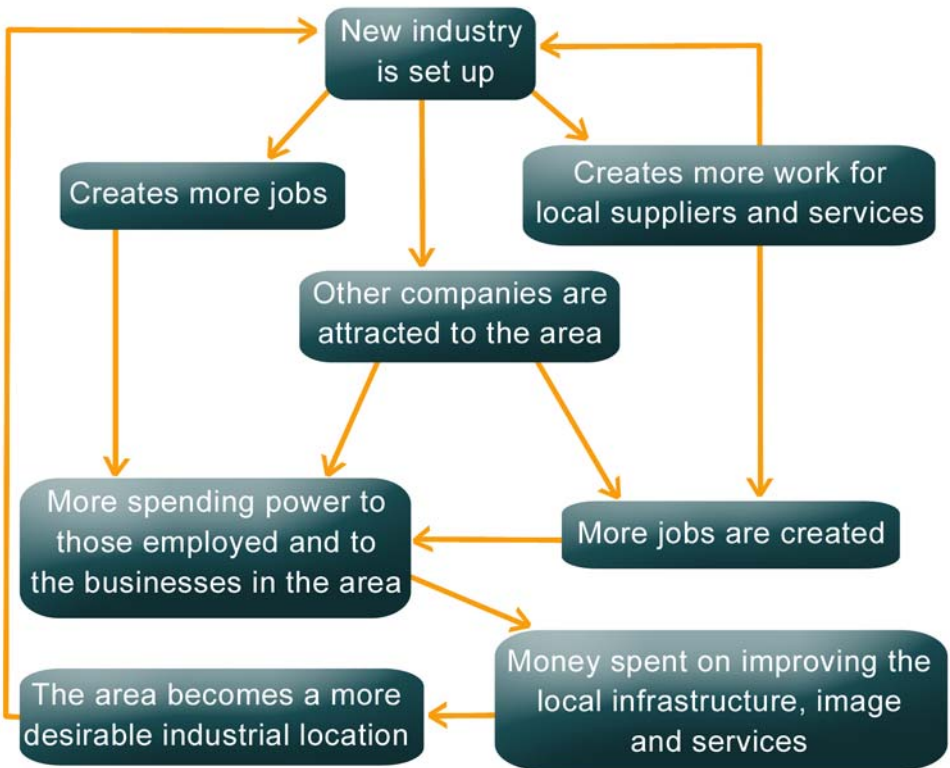
Incentives in the form of tax breaks, training, infrastructure, or even free land are offered by communities and states to reduce the initial setup and long term operating cost for Money Generators. The competition to lure these primary businesses, created by a limited supply of companies and a large demand by communities, has fostered the use of incentives as a way to encourage companies to choose them when making their final selection. Incentives will not make a company locate where it doesn't make sense, but can help the company choose between equally qualified communities.

Incentives should be strategic, enhance strengths and mitigate weaknesses. They are the ways a community can help share some of the risk a business faces when it starts a new venture.

Are incentives worth the cost? When used properly, incentives can be worth the cost to the community. Incentives should be seen as an investment, and like all investments, should be measured by a positive return. Businesses often use discounts to attract customers, with large purchasers getting larger discounts. But no business is going to create a discount that, in the long run, costs them money. Incentives that generate a positive return to a community are a necessary addition to an economic development toolkit.

Impact of Economic Development

The impact of economic development efforts can be measured in several ways. Nearly every economic development entity emphasizes the achievement of quantifiable objectives such as the number of new jobs created, or the percentage increase in the tax base. But economic developers can't make a company come. All they can do is help improve the economic environment so that companies can see that the area is a good choice for them.



One way of looking at the impact is to imagine that the businesses that have been successfully lured to the community chose instead to go somewhere else.

Now the new employment they brought didn't happen. And the money they spent building the building and buying equipment was spent somewhere else. What would be the outcome? Creating a model of a community's economy with those businesses in it, and then removing their jobs and investment from this model of the community, would be one way to measure their impact. And a way to capture and quantify the multiplier effect these jobs and investment create.

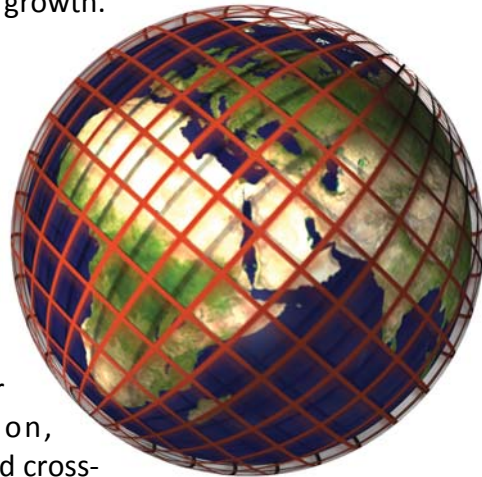
For example, economic development activities in Santa Rosa County over the past four years were entered into a model of the Santa Rosa economy. Results showed that these activities generated over \$109 million in gross regional product for the County. This represents over 6 percent of the total County Gross Product of \$2.95 billion. These activities generated an additional 967 jobs and over \$33 million in consumption spending.

Properly structured, economic development efforts by state and local governments can have a positive impact on growth.

The New Thing – Go Global

International trade opens new opportunities and creates new choices and cheaper prices. It enables traders to have more potential economic partners and consumers to be offered a wider range of goods and services than would be available to them otherwise.

Florida serves as a hemispheric hub for international banking and finance, education, transportation, telecommunications, and cross-border trade and investment. It has consistently been among the top U.S. states in attracting foreign direct investment and in its role of trade gateway, has held a commanding share of U.S. trade with Latin American and Caribbean nations and the rest of the world.



It is a known fact that companies that have customers in other parts of the world fare better when the U.S. economy is in a downturn. International

business continues to be the strongest sector of the Florida economy and the relative weakness of the U.S. dollar makes American goods and services more competitive around the globe, so establishing global relationships now is easier, cost effective and has potential for long term trade agreements.

In today's global marketplace, a community's economic future could depend on its ability to compete and connect with companies and partners around the world.

Facts About International Trade

- Over 39,480 Florida companies export according to the US Census Bureau
- Florida has the 2nd largest concentration of exporters in the US (16.5%)
- Florida trade surpassed \$109 Billion in 2006 (All Time Record)
- Florida had \$38.5 Billion in "origin" exports (New All Time Record)
- Exports of services from Florida contributes an additional \$22.8 Billion (2006)
- Florida is the #3 high tech exporter among the states (\$12.0 Billion)
- More than 998,855 jobs in Florida depend on international business (2006)
- Companies that export grow 15 - 20% faster than those who do not
- They pay 15% higher wages and are 15% more profitable
- Are better able to navigate domestic or seasonal downturns
- Are more competitive against both domestic & foreign rivals
- Current dollar value against other major currencies makes US products bargains and increases demand in many foreign markets



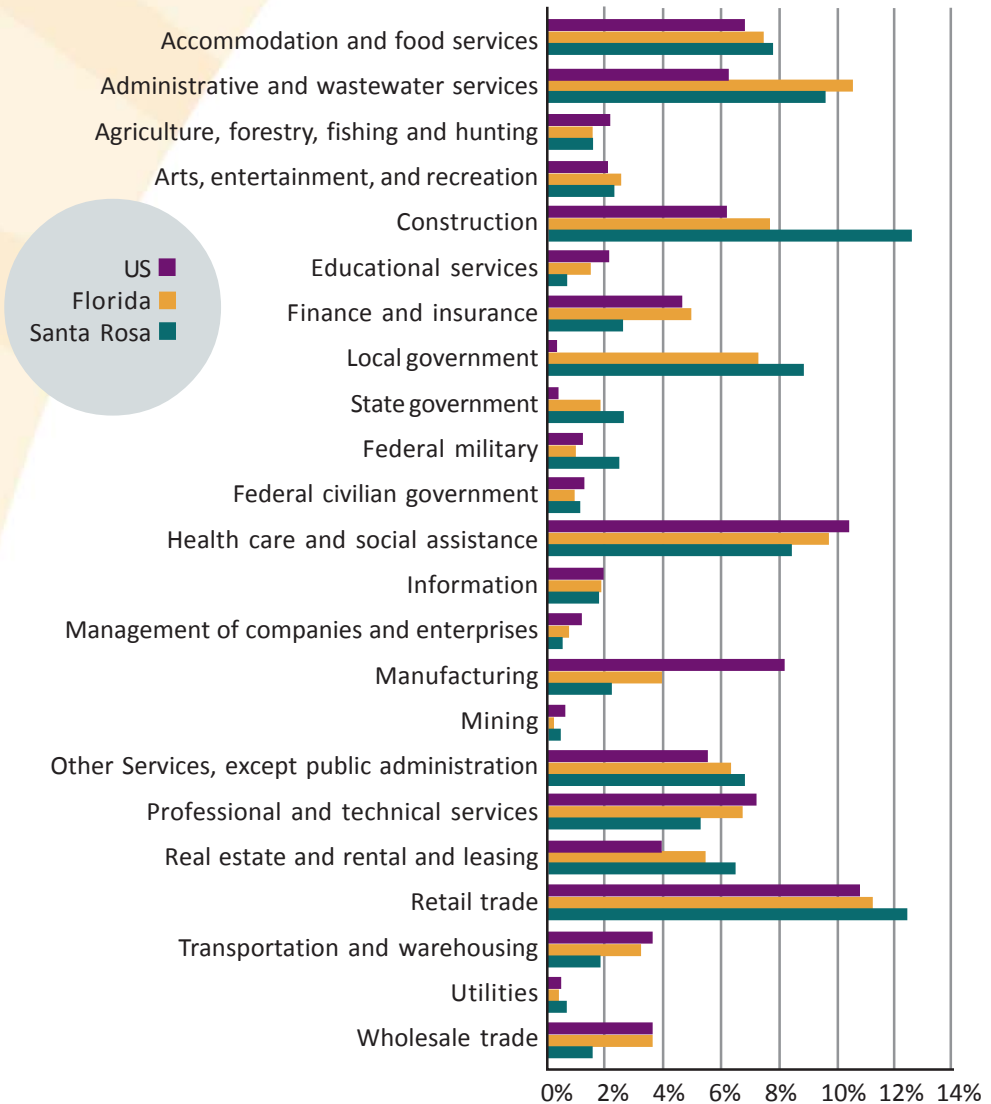
Source: Enterprise Florida, Inc.

The more successes in local export, the more existing businesses will want to participate, and the stronger the local economy becomes. Businesses that participate in international trade by exporting products are 9 percent less likely to fail than businesses that do not.

Santa Rosa County's Economic Engine

In a fast growing state, Santa Rosa has been one of the fastest growing counties. According to Florida Trend, between 2003 and 2007, it was the 5th fastest growing county in Florida and the 75th fastest in the US. By 2030, Santa Rosa County's population is forecasted to reach nearly 290,000 people - an increase of 92 percent from 2007.

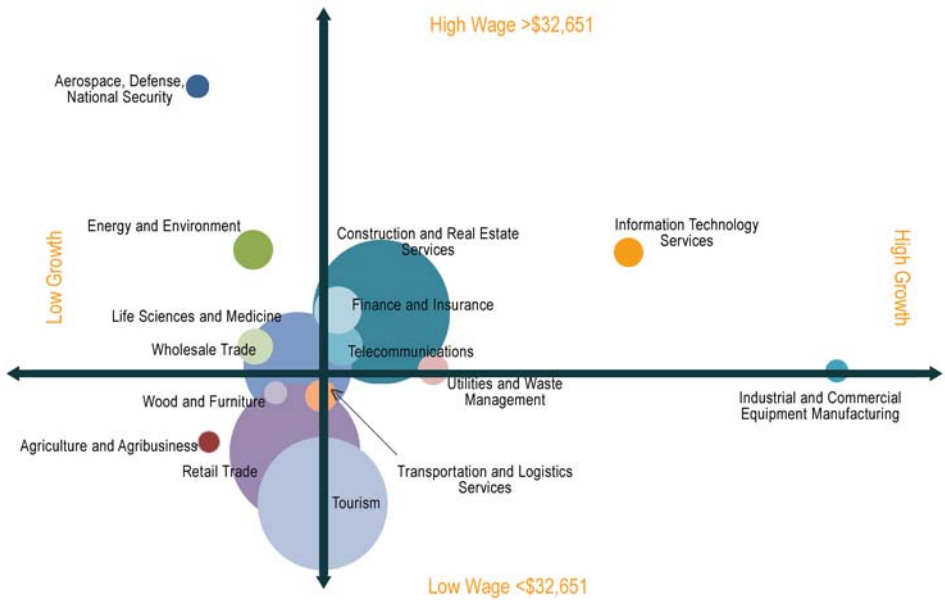
Manufacturing is a small sector in Santa Rosa by national and state standards, while sectors related to tourism and the military are considerably larger.



Source: Economic Modeling Specialists, Inc. Complete Employment - September 2007

One way to identify major industries in an economy is location quotients. Location quotients compare a local economy workforce to the national or state workforce in the same industries. The idea is that if an industry in a local economy has more employment than you might expect given its population size compared to another economy, that industry is producing more goods and services than are consumed locally. If the goods are not being consumed locally, they are being sold outside of the area economy. Thus, the industry with a high location quotient (greater than one) must be a net exporter of the goods or services to non-local consumers, and in the process, bringing outside spending (Money Generators) into the local area. A high location quotient is also an indicator of a comparative advantage for that particular business sector relative to other areas in the country. In Santa Rosa, these industries with high location quotients include construction, retail, healthcare, telecommunications and tourism.

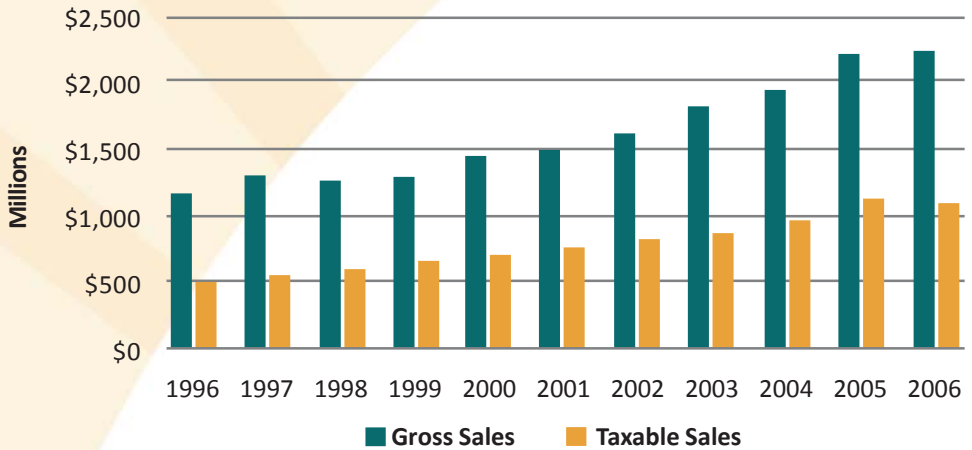
Between 2002 and 2006, Santa Rosa County saw significant growth in employment in several high wage industries, including construction, finance and insurance, telecommunications, and information technology services. Other industries growing with moderate wages included utilities and waste management and industrial and commercial equipment manufacturing.



Horizontal Axis - Santa Rosa Employment Growth, 2002-2006
 Vertical Axis - Average Santa Rosa Salary, 2006
 Bubble Size - Santa Rosa Employment, 2006

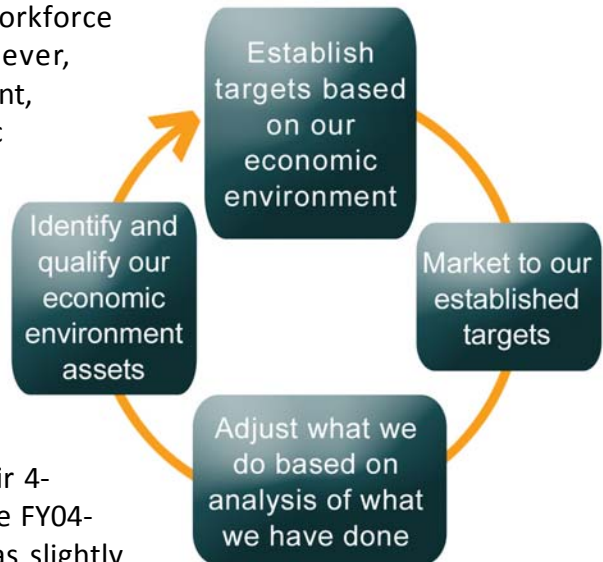
Source: Economic Modeling Specialists, Inc.

In Santa Rosa County, retail sales rose 32 percent between 2000 and 2004. In 2005, retail sales increased dramatically due to post-hurricane purchasing, before returning to pre-hurricane trend in 2006.



Source: Florida Department of Revenue

Economic development is the process undertaken by communities, counties, regions and states in order to create jobs, expand the tax base, and improve the overall quality of life of citizens. Typically, the economic development process is multifaceted, and includes retaining existing industry, recruiting new industry, assisting startup ventures, and implementing workforce development strategies. However, while the approach may be different, nearly every economic development entity emphasizes the creation of a business friendly environment, making it easier for a business to choose their community.



In Santa Rosa County, the primary economic development entity is TEAM Santa Rosa. Their 4-year operating budget during the FY04-07 period used in this study was slightly over \$1.9 million. During that same period,

TEAM also acquired over \$3.3 million in grant funding for land acquisition, planning and construction and research projects. This alone represents a 72 percent return on investment for the County. Based on the data provided, economic development activities in Santa Rosa County, during the four year period considered, generated over \$109 million in gross regional product for the County. This represents over 6 percent of the total County Gross Product of \$2.95 billion.

Fiscal impact analysis is concerned with the public cost and revenue implications of changes in population or employment at the urban jurisdiction level. The costs of both facilities and services, in the long run, are typically incorporated into fiscal impact models. Application of fiscal impact analysis occurs on two levels. At the macro level, it is used to analyze growth as it affects the entire jurisdiction. It is also used to determine the impact of specific projects on the overall community at the micro level. Projects brought to Santa Rosa County between 2004 and 2007 generated over \$37 million in gross fiscal impact.

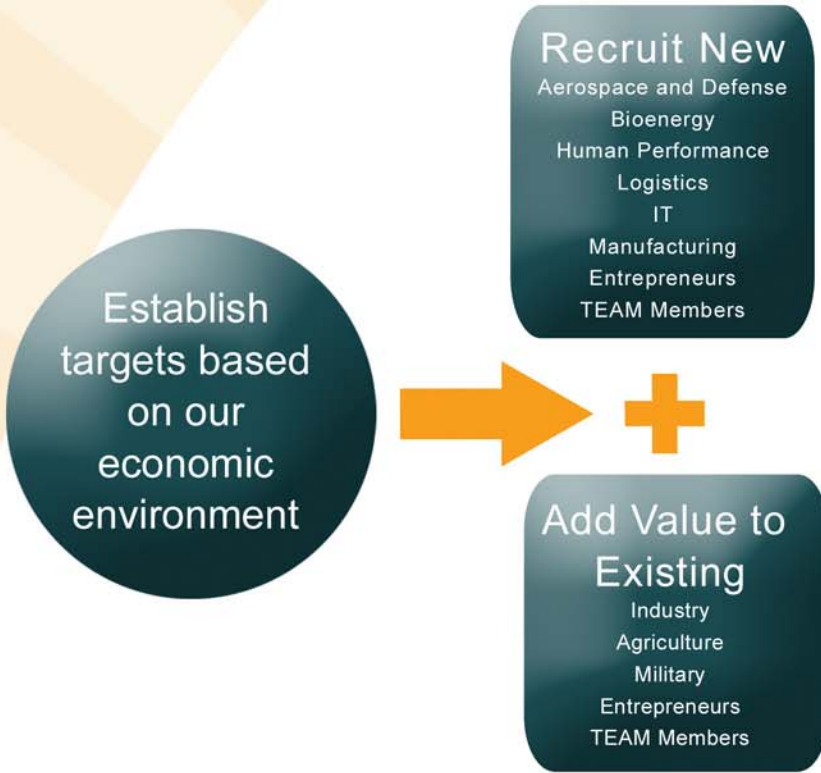
Estimated Effect of Project on Employment, Investment, and Spending				
Tax Impacts by Type	Manufacturing Industry			
	Direct Impacts	Induced and	Indirect and	Total Impacts
Property Tax Receipts from Business investment in Real Property	\$ 384,264	\$	57,640	\$ 441,904
Property Tax Receipts from Business investment in Personal Property	\$ 212,232	\$	31,835	\$ 244,067
Property Tax Receipts from Residential Property investment	\$ 293,065		n a	\$ 293,065
Total Property Tax Receipts from all three categories	\$ 889,561	\$	89,474	\$ 979,036
Total Property Tax Receipts going to Schools	\$ 395,750	\$	39,806	\$ 435,555
Total Property Tax Receipts going to purposes other than Schools	\$ 493,812	\$	49,669	\$ 543,481
County Sales tax receipts from business spending	\$ 918	\$	688	\$ 1,606
County Sales tax receipts from consumer spending	\$ 4,956	\$	3,717	\$ 8,673
Sales taxes for county	\$ 5,874	\$	4,405	\$ 10,279
			Total	\$ 2,957,666

Estimated Effect of Project on Employment, Investment, and Spending				
Tax Impacts by Type	Service Industry			
	Direct Impacts	Induced and	Indirect and	Total Impacts
Property Tax Receipts from Business investment in Real Property	\$ 4,899,366	\$	734,905	\$ 5,634,271
Property Tax Receipts from Business investment in Personal Property	\$ 2,705,958	\$	405,894	\$ 3,111,852
Property Tax Receipts from Residential Property investment	\$ 2,583,471		n a	\$ 2,583,471
Total Property Tax Receipts from all three categories	\$ 10,188,795	\$	1,140,799	\$ 11,329,594
Total Property Tax Receipts going to Schools	\$ 4,532,808	\$	507,520	\$ 5,040,328
Total Property Tax Receipts going to purposes other than Schools	\$ 5,655,987	\$	633,278	\$ 6,289,265
County Sales tax receipts from business spending	\$ 32,384	\$	24,288	\$ 56,673
County Sales tax receipts from consumer spending	\$ 43,719	\$	32,789	\$ 76,508
Sales taxes for county	\$ 76,103	\$	57,077	\$ 133,180
			Total	\$ 34,255,141

Source: Federal Reserve Fiscal Impact Tool

Marketing

So how does TEAM Santa Rosa accomplish their mission of attracting, retaining, and expanding industry, as well as for recruiting and retaining employees? The following figures show the two primary focuses – recruiting new industry and adding value to existing industry.




In looking for new industries, TEAM focuses on attracting those industries of highest value – Money Generators – those companies that bring in new money to the area. In adding value to existing industry, TEAM looks to their strengths and weaknesses, seeking ways to assist them into tapping into new strategies and technologies.

Specific goals are set each year based upon what was learned in previous years. Strategies and techniques, such as those included in the table below, are identified and implemented to help accomplish these goals. Then economic development happens and the flow of money, like the flow of the river, continues to increase.

How we Market to our Established Targets

Recruit New	Add Value to Existing
<ul style="list-style-type: none"> • Web • Events • Special Initiatives <ul style="list-style-type: none"> • GCAD • Human Performance • Membership drives/networking • Events/trade shows • Media events • Newsletter • Collateral materials • Lead follow-ups • Identify specific companies within our specific target sector for recruitment 	<ul style="list-style-type: none"> • Web • Events • Education of opportunities <ul style="list-style-type: none"> • Availability of financing • Availability of workforce • Availability of education/training • International opportunities • Media events • Special Initiatives <ul style="list-style-type: none"> • GCAD • Human Performance • Membership drives/networking • Networking • Potential synergies from data collected • Expanding markets to agriculture • Protection of regional military missions • Protection and value added to our military installations • TEAM Newsletters • Workforce development • Technology transfer





Economic
development happens &
the flow of the money,
like the flow of the river,
continues to increase.



6491 Caroline Street, Ste. 4
Milton, FL 32570-4592
850.623.0174
www.teamsantarosa.com



TEAM Santa Rosa
FLORIDA
ECONOMIC DEVELOPMENT COUNCIL, INC

