



OFFICE OF ECONOMIC AND SMALL BUSINESS DEVELOPMENT

Governmental Center Annex

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MEMORANDUM

DATE: March 17, 2014

TO: Bertha Henry, County Administrator

FROM: Sandy Michael-McDonald Director
Office of Economic and Small Business Development

SUBJECT: Project Cardinal, Exhibit 2 - Tax Revenue/Incentive Pay Out Analysis

The Office of Economic and Small Business Development (OESBD) has prepared an agenda item in support of the Project Cardinal resolution to be approved as a qualified applicant for participation in the Broward County Direct Cash/Job Creation Incentive Program. The incentive amount includes a \$50,000 Broward County Direct Cash/Job Creation Incentive to be paid over the period of fiscal year 2015 through fiscal year 2018, based on the creation of 265 new, high wage/high skill jobs and an estimated capital investment of \$2,800,000 in the City of Sunrise, Broward County, Florida.

The OESBD conducts tax revenue/incentive pay out analyses to ultimately determine Return on Investment (ROI). The ROI is determined by calculating the monetary value of the Net Return for the County (Column J) divided by monetary value of the County Incentives Payments (Column H), plus the monetary value of the County Public Service Cost (Column I).

The OESBD proposes to award to Project Cardinal a total of \$50,000 over a four (4) year period as follows: Year 1: \$12,500; Year 2: \$12,500; Year 3: \$12,500; Year 4: \$12,500. During this four (4) year period, the County's Share of All Tax Payments would generate \$60,928 (Column F) in new tax revenue. Using the County's Economic Impact Multiplier (1.8853) (Column G), the total economic benefit from Citrix's investment would be \$114,868. The County Public Service Cost (Column I) over the four-year period totals \$0 because the company proposes to re-purpose existing corporate headquarters space.

Over that same four-year period, the Net Return for the County (Column J) is \$10,928. This figure reflects the County's Share of All Tax Payments (\$60,928), minus the County Incentive Payments (\$50,000).

The Tax Revenue/Incentive Pay Out Analysis is comprised of the following data and information in spreadsheet form (see spreadsheet). The following are descriptive headings included on this spreadsheet:

- Column A/Year: The term of the project
- Column B/Sales Tax: The projected amount of future sales tax by year
- Column C/County's Share of Sales Tax Payments (Reference Local Government Half-Cent Sales Tax Table). Source: Florida Department of Revenue's Office of Tax Research
- Column D/Ad Valorem and Personal Property Taxes (Reference FY13 Millage Rate Chart), Broward County Property Appraiser
- Column E/County's Share of Ad Valorem Taxes (Reference FY13 Millage Rate Chart), Broward County Property Appraiser

Broward County Board of County Commissioners

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- Column F/County's Share of All Tax Payments: Reflects the sum of Column E plus Column C
- Column G/Economic Impact 1.8853 Multiplier. Source: Florida Department of Revenue
- Column H/County Incentive Payments: Proposed amount of local financial support from County
- Column I/County Public Service Cost (Reference OESBD Municipal Service Costs Chart)
- Column J/Net Return for the County: (Difference between Column F (County's Share of All Tax Payments), and Column H (County Incentive Payment) and Column I (County Public Service Cost)
- Column K/Cumulative Net Return for the County
- Column L/Net Present Value of Net Return

The analysis indicates that the anticipated tax revenue generated from the project meets the County's threshold for positive Net Return and therefore recommended for approval based on the creation of 265 new, high wage/high skill jobs and an estimated capital investment of \$2,800,000 in Broward County.

Project Cardinal -- Tax Revenue/Incentive Pay Out Analysis - 4-Year/\$2.8M Capital Investment (Direct Cash

A	B	C	D	E	F	G	H	I	J	K	L
Projected Tax Payments											
Year	Sales Tax	County's Share of Sales Tax Payments 3.89%	Ad Valorem and Pers. Prop. Taxes	County's Share of Ad Valorem Taxes 24.79%	County's Share of All Tax Payments	Addition of Multiplier Effect	County Incentive Payments	County Public Service cost	Net Return for the County	Cumulative Net Return for the County	Net Present Value of Net Return
2015		0	61,450	15,232	15,232	28,717	12,500	0	2,732	2,732	2,732
2016		0	61,450	15,232	15,232	28,717	12,500	0	2,732	5,464	2,640
2017		0	61,450	15,232	15,232	28,717	12,500	0	2,732	8,196	2,550
2018		0	61,450	15,232	15,232	28,717	12,500	0	2,732	10,928	2,464
Total					60,928	114,868	50,000	0	10,928		10,386
									Return on Investment =		21.86%
									Discounted Return on Investment =		20.77%

Assumptions:

1. Allocation of sales tax payments based on DOR estimates.
2. Allocation of other tax payments based on FY 2014 (2013 Final) millage rates. Amount are based on OESBD estimates.
3. Discount rate of 3.5% used for net present value calculation.
4. Estimated capital investment total \$2,800,000
5. Estimated total square feet of project 50,000 (repurposed)
6. Total Value-Added New Jobs Created: 265 @ Estimated \$50,500/Year
7. County's Total Direct Cash/Job Creation incentive: \$50,000
8. The total County and municipality participation yields \$1,292,500.
9. County's investment of \$50,000 with a return of \$10,928 represents a 20.77% return on investment.
This return represents a net positive rate of return required by ordinance 2011-19.
10. Incentive payback period: 4 years

Project Cardinal 3/6/14