




OFFICE OF ECONOMIC AND SMALL BUSINESS DEVELOPMENT

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MEMORANDUM

DATE: June 4, 2014
TO: Bertha Henry, County Administrator
FROM: Sandy-Michael McDonald, Director 
Office of Economic and Small Business Development

SUBJECT: Project Supreme, 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 Supreme resolution to be approved as a qualified applicant for participation in the State of Florida Qualified Targeted Industry Tax Refund Program (QTI) and QTI High Impact Sector Bonus Tax Refund Program and the Broward County Direct Cash/Job Creation Incentive Program. The incentive amount includes a QTI amount of \$4,000 per new job created, and an additional High Impact Sector Bonus Tax Refund amount of \$2,000 per new job created, under the QTI program. Project Supreme's participation covers fiscal years 2015 through 2020, and is based on the creation of 400 new, high wage/high skill jobs and an estimated capital investment of \$40,200,000 in the City of Weston, 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 Citrix a total of \$340,000 over a six (6) year period as follows: Year 1: \$40,000; Year 2: \$55,000; Year 3: \$85,000; Year 4: \$85,000; Year 5: \$45,000; Year 6: \$30,000. During this six (6) year period the County's Share of All Tax Payments would generate \$1,243,448 (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 \$2,344,273. The County Public Service Cost (Column I) over the four-year period totals \$394,688.

Over that same six-year period, the Net Return for the County (Column J) is \$543,712. This figure reflects the County's Share of All Tax Payments (\$1,278,400), minus the County Incentive Payments (\$340,000) and the County's Public Service Cost (\$394,688).

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 FY10 Millage Rate Chart), Broward County Property Appraiser
- Column E/County's Share of Ad Valorem Taxes (Reference FY10 Millage Rate Chart), Broward County Property Appraiser
- 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 exceeds the County's threshold for positive Net Return. Approval of Project Supreme as a qualified applicant for the QTI and High Impact Sector Bonus Programs and the Direct Cash/Job Creation Incentive Program is recommended based the creation of 400 high-wage/high-skill jobs at 150% of the County's average annual wage and a projected capital investment of \$40.2 million.

Project Supreme -- Tax Revenue/Incentive Pay Out Analysis - 3-Year/\$41M Capital Investment (QTI/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 30.40%	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			608,331	184,960	184,960	348,705	40,000	58,026	86,934	86,934	86,934
2016			719,262	218,688	218,688	412,292	55,000	60,927	102,761	189,695	99,286
2017			719,262	218,688	218,688	412,292	85,000	63,974	69,714	259,409	65,079
2018			719,262	218,688	218,688	412,292	85,000	67,172	66,516	325,925	59,993
2019			719,262	218,688	218,688	412,292	45,000	70,531	103,157	429,082	89,895
2020			719,262	218,688	218,688	412,292	30,000	74,058	114,630	543,712	96,516
Total			4,204,644	1,278,400	1,278,400	2,410,168	340,000	394,688	543,712	159,92%	497,703
									Return on Investment =		146.38%
									Discounted Return on Investment =		146.38%

Assumptions:

1. Allocation of sales tax payments based on DOR estimates.
2. Allocation of other tax payments based on FY 2013 (2012 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 \$40,200,000
5. Estimated total square feet of project 190,000
6. Total Value-Added New Jobs Created: 400 @ Estimated \$75,000/Year
7. County's Total portion of QTI AND Direct Cash/Job Creation incentive: \$340,000
8. The total County and municipality participation yields: **\$2,600,000**
9. County's investment of \$340,000 with a return of \$508,760 represents a 159.92% return on investment.
This return represent a net positive rate of return required by ordinance 2011-19.
10. Incentive payback period: 6 years

Project Supreme 6-5-14