

INDIAN RIVER COUNTY, FLORIDA

M E M O R A N D U M

TO: Jason E. Brown, County Administrator

THROUGH: Stan Boling, AICP; Community Development Director

THROUGH: Sasan Rohani, AICP; Chief, Long-Range Planning

FROM: Bill Schutt, AICP
Senior Economic Development Planner, Long Range Planning

DATE: October 9, 2017

RE: **Revisions to the County's Local Job Grant Program Award Computation Methodology**

It is requested that the information herein presented be given formal consideration by the Board of County Commissioners at its meeting of October 24, 2017.

INTRODUCTION

On June 20, 2017, County staff presented to the Economic Development Council (EDC) a proposal to simplify the County's local jobs grant payment computation methodology. At that meeting staff informed the EDC that the business community had expressed concern regarding the overall complexity of the program. After discussion, the EDC voted to table the item (Attachment 3). Overall, the EDC expressed concerns that the proposed alternative payment methodology could result in potential higher payments to companies.

On August 15, 2017, the Board of County Commissioners (BCC) discussed the EDC's vote under Commissioner Solari's matters (Attachments 4 and 5). At that time Commissioner Solari expressed concern the current payment computation methodology is too complicated and that the EDC did not vote to move the item forward to the BCC for consideration. The BCC discussed and voted 5-0 for staff to formally review the item with the BCC, to have staff follow up with private companies that received local jobs grants to get their feedback on the proposed simplified methodology, and to report back to the BCC (Attachment 5).

DESCRIPTION AND CONDITIONS

As part of the County's initiatives to improve the local economic base, a package of economic development incentives designed to attract targeted businesses to the county and to encourage

existing businesses to expand their operations within the county was established in 1996. Included in that package of incentives was a local jobs grant program. That program, which was revised by the Board of County Commissioners (BCC) in October 2000, December 2006, and March 2009, provides a financial incentive to businesses that create new good paying, full-time target industry jobs in Indian River County.

To qualify for the County’s Local Job Grant Program, a company must be one of the county’s targeted industries. Over a three (3) year time period, that company must create and maintain at least five (5) net new jobs that are each paid wages equal to or greater than seventy-five percent (75%) of the county’s average annual wage. The County’s current average annual wage is \$39,390, and seventy-five percent (75%) of the County’s current average annual wage is \$29,542.50. New wage qualifying jobs must be for people that live in the region (Indian River County, Brevard County, St. Lucie County, and Martin County) and do not include pre-existing employees, owners, and the CEO.

With respect to the amount of financial incentive, the County’s job grant program provides payments per new position created based on the three (3) tier payment system shown on the following chart:

Category	Amount per Job
75% to 99.99% of county average wage	\$3,000
100% to 149.99% of county average wage	\$5,000
150% or more of the county average wage	\$7,000

Grant payments are made over a three (3) year time period by phase for up to three (3) phases (potential of nine (9) separate payments) after county staff verifies actual wages paid. The start of each phase date is based upon proposed employee hire dates and proposed phase commencement dates supplied by the company.

The current method of verifying a company’s employment and determining the amount of job grant payments is complicated, takes a lot of staff time, and makes it hard to explain to companies how staff arrived at a payment amount. Currently, staff tracks each employee individually. With the hiring, firing, promoting, and replacing of individuals that takes place in companies, it is difficult to track from quarter to quarter each company employee or combination of time served by more than one person that makes up a qualifying year long position. Please see Attachment 1 for a detailed explanation of the current methodology.

Based on feedback from companies that have used the jobs grant program, staff has found that companies appreciate the real benefits of the program but find the methodology overly complicated. Staff’s own experience with the time-intensive current method, together with feedback from companies and the Chamber of Commerce prompted staff to investigate alternative methodologies. As a result, staff has coordinated with the County Administrator, Commissioner O’Byran (BCC liaison to the EDC), and the Chamber and has developed and tested a simplified

methodology that is consistent with the existing program and yields similar award amounts calculated under the current methodology.

ANALYSIS

The current methodology of shifting and re-shifting employees and their wages over time can be difficult to track and explain to companies. While County staff makes decisions to ensure that each company is properly awarded for each new job, the current methodology requires staff to make many decisions to “piece together” time served by employees and to track every individual position over time. As a result, staff time involved in administering the program can become extensive. For those reasons, a simpler methodology of verifying the number of new jobs and using average wages is proposed to verify local jobs grant wage compliance and number of full time jobs to calculate local jobs grant payments.

The proposed average wage method (detailed in Attachment 2) focuses on identifying the average wage paid to all existing and new employees that live in the Indian River County area (excluding CEOs and owners) and calculating local jobs grant payments based on where a company’s overall adjusted average wage falls within the County’s existing local jobs grant payment tier categories (\$3,000, \$5,000, or \$7,000). Under the new methodology, the amount of a job grant payment will be based on the number of net new eligible employees for the time phase being tracked and the company-wide average wage level adjusted by excluding wages for the CEOs and owners. All other aspects of the jobs grant program will remain unchanged, including the methodology for calculating and establishing a maximum total payment cap (payment cap dollar amount would remain the same).

The proposed average wage methodology has been tested by County staff using employment data from four companies that received local jobs grant payments from the County in the past. As shown in the table on the next page, under the proposed methodology, the total local jobs grant payments could increase between five percent (5%) and eighteen percent (18%), with an average increase of eleven percent (11%). The increase is mainly due to the fact that the new methodology recognizes wages paid for full time jobs that do not run for an entire year. While the computations show a potential increase, in actuality that increased amount would not be paid out in total if the payment cap threshold established at the time of grant approval were reached. The local jobs grant payment cap is based on information supplied on the applicant’s application, including the number of proposed jobs and the proposed wages for each of those jobs. The payment cap establishes the upper limit of what the County will pay.

Based on the tests conducted, staff recommends using the new methodology for calculation of jobs grant payments. Use of the new methodology will provide for simplifying the payment calculations while providing an economic development incentive consistent with the number of new full time jobs created and non-CEO/owner wages paid.

Comparison of Existing Local Jobs Grant Program Payments to Alternative Average Wage Local Jobs Grant Payments for four Companies that Received Local Jobs Grants						
Company	Average Wage Level	Average # of Employees	Existing Jobs Grant Payment Amount	Proposed Jobs Grant Payment Amount Using Average Wage and Average # of Employees	Difference in Payment Amounts*	Percent Difference*
OcuCue	\$68,045	10	\$54,999.99	\$63,333.33	\$8,333*	15%*
INEOS	\$75,767	47	\$297,000.00	\$350,000.00	\$53,000*	18%*
NetBoss	\$99,781	40	\$267,999.98	\$281,166.67	\$13,167*	5%*
Boston Barricade	\$45,982	26	\$126,000.00	\$133,333.33	\$7,333*	6%*
TOTALS	NA	123	\$745,999.97	\$827,833.33	\$81,833*	11%*

*The difference would be \$0 (0%) for companies that meet or exceed their projected employment and wages listed in their jobs grant agreements. This is due to the payment cap established at time of jobs grant approval.

Company Feedback

Since the August 15, 2017 BCC meeting, county staff reached out to existing jobs grant companies to obtain feedback on the proposed new methodology. Based on those outreach efforts, the following conclusions were drawn:

1. Current methodology is overly complicated for applicants.
 - a. Tracking individual jobs becomes complicated because of the potential for a high employee turnover rate (especially for new companies). The high employee turnover rate is related to a limited available talent pool in the area/region that can result in hiring people new to a particular industry that are not the right fit and leave on their own or are later terminated. Also, for new start-ups, some new employees may leave after they realize the commitment level involved with a start-up company.
 - b. There are wage changes for employees after a probationary period. Under the current jobs payment methodology, those jobs might not initially qualify for a local jobs grant payment but under the proposed methodology their rising wages could be captured by wage averaging.
2. The proposed jobs grant tracking and payment computation methodology simplifies things for applicants.
 - a. Eliminates need for detailed tracking spreadsheet.
 - b. Easier to understand and follow.
 - c. Less time to review.

The county received feedback that the proposed payment computation methodology is much better than the old payment computation methodology. Also, the county received some feedback that was not related to the jobs grant payment computation methodology. That feedback included the need for more help in finding good qualified employees beyond using existing methods such as

jobs fairs and having assistance from traditional area/regional job finding assistance agencies. Assistance with recruiting out of area employees and promoting employment opportunities available here in the county was suggested.

Also, while the proposed methodology offers some streamlining, it still requires submittal of quarterly wage reports and an employee census (wage reports allow staff to verify wages paid and the employee census allows staff to verify that jobs are going to employee that live in area/region). Thus, the proposed methodology uses the same reliable source for job and wage level verification.

Funding

For the local jobs grant program, funding comes from County General Fund contingences over multi-year time periods covered by each local jobs grant award agreement.

CONCLUSION

Based on the analysis conducted, staff has determined that the proposed modified local jobs grant payment calculation methodology of using average wages paid will:

1. Slightly increase potential local jobs grant payouts to companies by recognizing wages paid for full time jobs lasting less than an entire year.
2. Simplify the payment calculation.
3. Reduce staff time involved in administering the program.
4. Make it easier for a company receiving a jobs grant to understand how staff calculated the payment amount.

RECOMMENDATION

Staff recommends that the Board of County Commissioners approve the use of the proposed new methodology for calculating jobs grant payments.

ATTACHMENT

1. Current Methodology to Verify Compliance with Local Job Grant Wage Requirements
2. Proposed New Methodology
3. Unapproved minutes from the June 20, 2017 EDC Meeting
4. August 9, 2017 BCC Memo from Commissioner Solari
5. Unapproved Minutes from the August 15, 2017 BCC Meeting