

Economic Development Performance Evaluation Calendar Year 2018

St. Lucie County, Florida

prepared for the

**Economic Development Council of
St. Lucie County, Inc.**

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prepared by

POLICOM Corporation

POLICOM Corporation

POLICOM Corporation analyzes local and state economies, determines if they are growing or declining, identifies what is causing this to happen, and offers ideas and solutions to communities to improve the situation.

William H. Fruth, its president and researcher for this study, has analyzed the data for more than 800 local economies, created more than 200 community economic studies, and has provided economic presentations and workshops in 40 states.

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Economic Development Performance Evaluation St. Lucie County, Florida 2018 Calendar Year

Introduction

Local economies grow and expand, decline and fall in direct proportion to the amount of money flowing into the economy. For the most part, money is imported to a local economy by way of the primary or contributory enterprises, those that sell their goods or services outside the area, thus importing wealth to the local economy.

Economies grow in size based upon the volume of money flowing into an area. Economies grow in quality based upon what individuals earn each year as what they earn determines their “economic quality of life.”

Local economic development organizations are charged with the task of increasing the flow of money into an area. For the most part, this is accomplished by helping to cause an increase in the number of individuals working for primary employers, as the wages paid to these workers is the principal source of money flowing into the economy.

In February of 2016, POLICOM Corporation created an Economic Development Goal Study for the St. Lucie County, Florida.

The purpose of the study was to provide a path to follow to increase the size and improve the quality of the St. Lucie County economy.

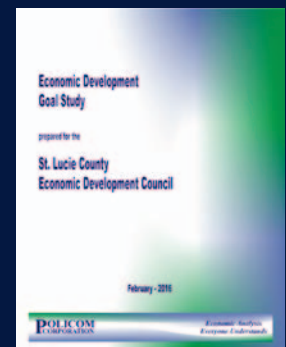
The 2016 Economic Development Goal Study projected the condition of the St. Lucie County economy to the year 2031 if there was no effort by the community to influence economic growth. Then, three economic growth scenarios (Minimum, Good, and Strong) were created based upon the formation of new primary jobs. For each growth scenario, annual primary job milestones were established.

The purpose of this study is to determine if St. Lucie County achieved in creating the number of primary industry jobs in 2018 as determined by the 2016 Economic Development Goal Study.¹

¹ The database used for this analysis is called “ES-202” or Covered Workers data. Published by the Bureau of Labor Statistics, the data is gleaned from the quarterly employment reports filed by all employers in the United States that are covered by the unemployment compensation program. It is the most comprehensive data set relative to industrial sub-sectors (six digit NAICS), which are necessary for this analysis. Not included are proprietors that typically comprise less than 20% of total employment.



To learn how a local economy works, please review the “Flow of Money” found at www.policom.com.



2018 - Evaluation

In 2018, the county had an increase of 381 primary jobs, which exceeded the Strong Effort in the Annual Milestones.

The average annual wage for the new jobs was only \$37,479, much lower than the Minimum milestone.

The first chart compares the three milestone scenarios to what actually happened in 2018.

**Performance - 2018
Primary Jobs and Wages**

	Jobs	Wages
Minimum	132	49,401
Good	185	54,256
Strong	228	55,055
Actual	381	37,479

The 2016 Goal Study projected the economic impact of each milestone scenario. The second chart shows the estimate for Projections, each scenario, and what actually happened in 2018.

**Performance - 2018
Economic Impact**

	Employment	Worker Earnings	Wages
Projections	74,560	2,962,936,350	39,739
Minimum	75,100	3,017,371,889	40,178
Good	75,321	3,047,146,106	40,455
Strong	75,435	3,065,165,244	40,633
Actual	77,214	3,175,243,579	41,123

The economic impact is the cumulative total of previous years of the Goal Study which includes 2017. In 2017 the county also exceeded the Strong Effort in the creating of new primary jobs.

The third chart identifies the gain or loss from 2017 for all wage and salaried workers and the total for primary jobs in each industrial sector in 2018. As an example, in 2018 there were 3,458 primary jobs in Manufacturing, 223 more than in 2017.

2018	St. Lucie County, Florida	Employment	Worker Earnings	Wages	Job Gain/Loss
10	Total, all industries	77,214	3,175,243,579	41,123	2,771
10	Total, all industries Private	64,155	2,524,278,080	39,346	2,588
10	Total Primary	9,338	429,375,560	45,980	381
		Average Wage New Primary			37,479
	Portion of sector primary				
31	Manufacturing	3,458	172,569,916	49,905	223
42	Wholesale trade	2,112	111,468,050	52,785	-120
44	Retail trade	116	6,139,435	52,926	6
48	Transportation and warehousing	732	30,394,730	41,497	82
51	Information	50	2,869,584	56,936	-1
52	Finance and insurance	60	2,984,232	49,862	3
54	Professional and technical	178	9,527,740	53,401	-74
55	Management of companies	203	11,054,616	54,456	-21
56	Administrative services	1,845	54,165,895	29,360	398
62	Healthcare	584	28,201,362	48,322	-115

Note the large number of new Primary jobs in Administrative Services. These positions are mainly in the "call center" subsector for which the annual earnings

are relatively low. This subsector “brought down” the average annual wage for new primary jobs in 2018.

Also note the decline in the number of primary Wholesale Trade jobs. This occurred mainly in NAICS 423450 - Medical equipment merchant wholesalers. Employment in this sub-sector in 2017 was 827 but it fell to 484 in 2018.

One of the most impressive growth sub-sectors over the last two years is NAICS 336612 – Boat Building.

In 2016, there were 702 people employed in Boat Building but in 2018 the number increased to 855, a gain of 153 jobs. The annual payroll increased by \$11 million.

NAICS 336612

Boat Building

Jobs

Earnings

Annual Wage

2016	702	29,910,745	42,603
2017	734	33,509,536	45,684
2018	855	40,933,504	47,894

Overall, the county did very well in creating new primary jobs in 2018.

Cumulative Performance - Evaluation

While annual milestones were created for the county in the 2016 Goal Study for each year beginning in 2017 and through 2031, it is not expected that each year the area will meet the milestone. there will be more, some fewer. What is important is achieving the cumulative total over a series of years.

In 2017, the county had an increase of 334 primary jobs, which exceeded the Strong Effort. The average annual wage for the new jobs was \$45,679, less than the Minimum milestone.

Cumulative Total Primary Job/Wage Annual Milestones

	Minimum		Good		Strong		Actual	
	Jobs	Wage	Jobs	Wage	Jobs	Wage	Jobs	Wage
2017	120	48,829	170	53,565	180	54,902	334	45,679
2018	132	49,401	185	54,256	228	55,055	381	37,479
Total/Average	252	49,115	355	53,910	408	54,979	715	41,579

While only two years into the Goal Milestone process, the county far exceeds the two-year total in the formation of new primary industry jobs but is behind in the wage level.

However, the annual wage for the two largest primary sectors, manufacturing and wholesale trade (mainly durable goods) has increased significantly. Between 2017 and 2018, wages in manufacturing increased 6.2% and wholesale trade 8.9%. In the background, this has given a lift to other industries in the county.

Keep in mind that the businesses which are addressed in the economic development program only represent about 1/3 of the St. Lucie County economy as the retirement industry and outbound commuters account for about 1/3 each. A discussion on that issue appears later in this report.

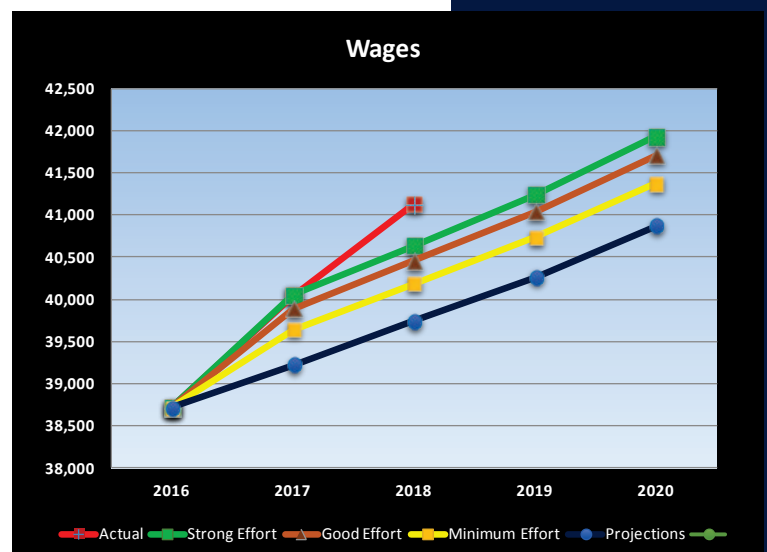
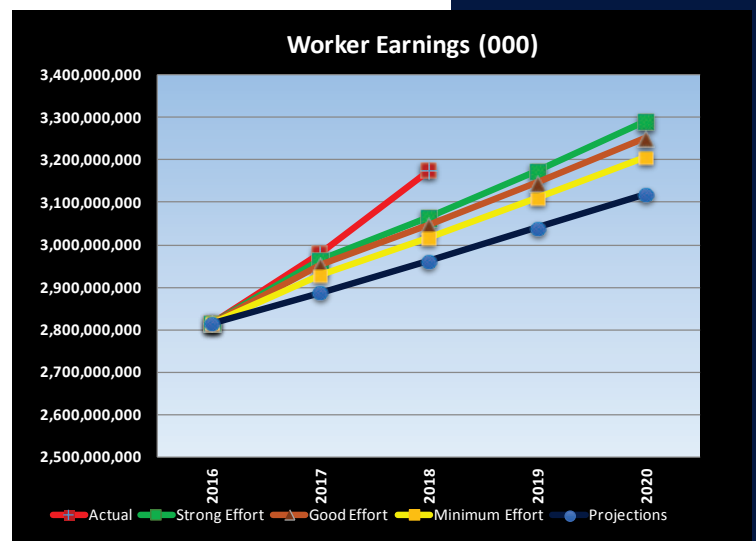
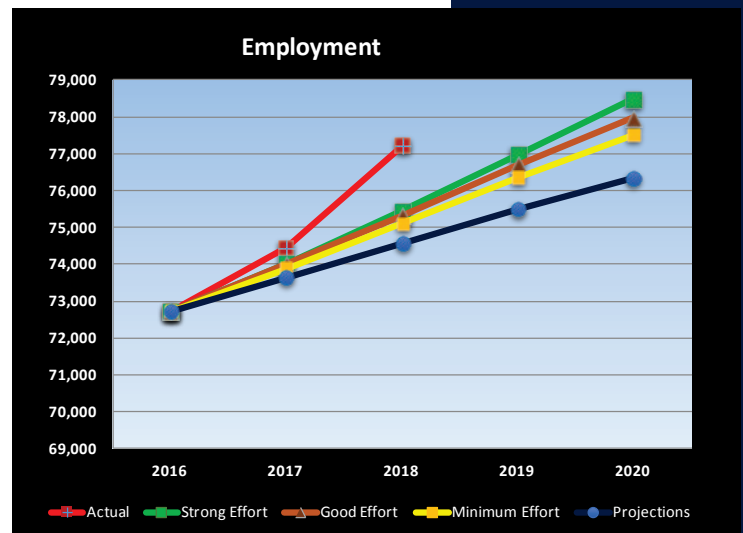
The graphs show the relative growth of the economy based upon what actually happened relative to the Goal Milestones and the Projections and each of the three growth scenarios.

The actual growth in Employment exceeds all scenarios.

The actual growth in Total Worker Earnings exceeds all scenarios.

The actual growth in Annual Earnings per Worker exceeds all scenarios.

Aside from the wage level of the new primary industry jobs, the county has exceeded the milestones created in the 2016 Economic Development Goal Study.



The following appeared in the 2017 Evaluation. It explains the nature of the St. Lucie County economy and process and result of creating the Annual Milestones.

Economic Projections and Milestones

In 2016, the Researcher projected the condition of the St. Lucie County economy from 2017 through 2031. The projections were based upon several issues relative to the structure of the St. Lucie County economy.

The economic structure of most local economies is similar in that about 80% of the economy is driven by “traditional primary industries.” These include private sector enterprises which sell their goods or services outside the area.

However, St. Lucie County has a completely different structure as it has three distinct parts.

Commuting Residents:

The Bureau of Census (BC), U.S. Department of Commerce estimates that 34% of the people who have a job and live in St. Lucie County commute to another county for their employment. This is about 30,000 people.

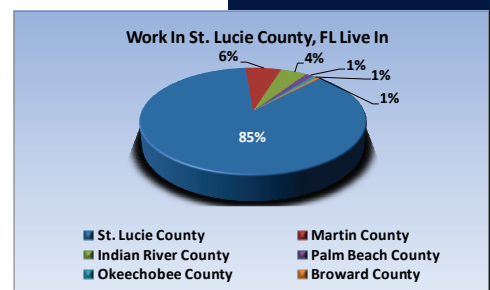
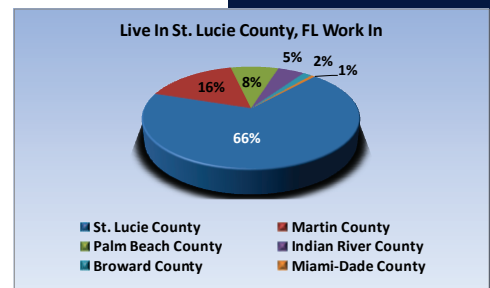
While there is a spending trail between the place of employment and place of residence, a bulk of the earnings by these individuals are spent in St. Lucie County.

Currently, about 10,000 people commute to St. Lucie County from another county. Consequently, a bulk of their earnings are taken from St. Lucie County and spent where they live.

The Bureau of Economic Analysis (BEA), U.S. Department of Commerce estimates that \$5.6 billion was earned (including Other Labor Income) by individuals living in St. Lucie County in 2016.

Of this amount, \$2.5 billion was earned by individuals commuting to another county. Additionally, about \$700 million was earned by people working in St. Lucie County but living in another.

Because of commuting, there was an estimated net inflow of wealth to the county of about \$1.8 billion in 2016. This makes “outward commuters” the largest single source of imported money to the economy.



Spending by outbound commuters is mainly in the consumptive portion of the economy. This includes the lower-wage employment sectors.

Retirement Industry:

The word “industry” suggests labor activity, but in this case it is used to define a source of “primary” money entering the economy.

The percentage of the population over the age of 65 nationally is 15.6%. However, a full 23.6% of the population of St. Lucie County is over the age of 65.

As a result, the money flowing into the county for Social Security, Medicare, and private retirement programs is significantly greater than the money being extracted from the county from wages for contributions made to these programs.

Therefore, there is a net inflow of wealth of about \$1 billion. POLICOM estimates the retirement industry accounts for about 44% of the imported wealth to the county (excluding that of commuting residents). The resulting spending by the retirement industry causes the formation of jobs in the healthcare industry and the lower-wage sectors of retailing, general services, and restaurants.

Traditional Primary Industries:

When combined, the commuting residents and retirement industry account for about 70% of all of the jobs created in St. Lucie County. The balance is attributed to traditional primary industries.

Traditional primary industries include enterprises, both private and public, for which the payroll for their workers comes from a source outside of the county. Some of these include manufacturing, wholesaling, corporate headquarters, and technology.

The mission of the Economic Development Council of St. Lucie County is to foster economic development principally by increasing the number of primary employers and their corresponding workforce.

Projections

When creating the Projections, POLICOM took into consideration the structure of the St. Lucie County Economy, each of its three distinct parts.

Most important, the Projections assumed the community would do nothing to influence economic growth, not have an economic development program, and just let nature take its course.

Projections were created for total private and public sector employment, total workers earnings, and annual wages for wage and salaried workers. The year “2016” served as the data basis year.

Annual Milestones

To increase the size and improve the quality (wages) of the St. Lucie economy over what was projected, POLICOM created annual milestones for new primary wage and salaried jobs.

One of the most important issues in creating the milestones was consideration of the “wage” for the new jobs created.

Typically, the average wage in an area will approach but cannot exceed the wages paid by the traditional primary employers.

As previously noted, the outward commuters and the retirement industry cause the formation of lower-wage jobs in the consumptive sector.

As a result, there is an abnormally high percentage of the workforce employed in the low-wage sectors.

Since primary employers only influence about 30% of the job formation in St. Lucie County, they are not significant enough to pull the average wage upward at this time.

Consequently, the average wage in St. Lucie County is relatively very low ranking 371st among the 383 metropolitan areas in the United States in 2016.

The milestones are designed to be “reasonable and achievable.” In order to raise the area average wage, the wage for new primary jobs needs to be much higher than the average for the area, yet still be reasonably attainable. One cannot simply say all new primary jobs need to pay \$100,000, as the marketplace will not allow that to happen.

The new jobs wage levels in the milestones are achievable but reaching the Strong Effort wage will be difficult given the wage basis is so low.

Primary Job/Wage Annual Milestones

	Minimum Jobs	Wage	Good Jobs	Wage	Strong Jobs	Wage
2017	120	48,829	170	53,565	180	54,902
2018	132	49,401	185	54,256	228	55,055
2019	144	50,351	200	55,154	276	55,555
2020	156	51,343	215	56,119	324	56,308
2021	168	52,408	230	57,185	354	57,440
2022	180	53,510	245	58,311	384	58,665
2023	192	55,134	263	59,975	414	61,020
2024	204	56,446	281	61,344	444	62,755
2025	216	57,758	299	62,729	474	64,458
2026	228	59,105	317	64,172	504	66,231
2027	240	60,495	335	65,683	534	68,098
2028	252	62,020	353	67,363	564	70,161
2029	264	63,608	371	69,138	594	72,364
2030	276	65,251	389	70,997	624	74,699
2031	288	66,950	407	72,939	654	77,168
Total/Average	3,060	56,841	4,260	61,929	6,552	63,659

Three economic growth scenarios were created based upon how aggressive the community addresses the issue of economic growth. These include a Minimum Effort, Good Effort, and Strong Effort.

The chart to the right shows the annual milestones for the formation of new primary industry jobs and the associated average wage for the new positions.

The jobs for the milestones are those that are of concern or influenced by the economic development program and not all primary jobs.

Specifically not included in the milestones are primary jobs associated with tourism, the retirement industry, commuting residents, Federal and State government employment, or government entitlement programs. The economic development program does not focus upon these.

The annual milestones are a “net” gain in primary jobs. As an example, if one primary company increased employment by 500 workers but four other companies reduced employment by 100 workers, there is a net gain of only 100 primary jobs.

Economic Impact of New Primary Jobs			
Employment	2016	2031	Gain
Projections	72,724	86,161	13,437
Minimum Effort	72,724	92,723	19,999
Good Effort	72,724	95,297	22,573
Strong Effort	72,724	100,212	27,488
Worker Earnings	2016	2031	Gain
Projections	2,815,424,964	4,174,530,688	1,359,105,724
Minimum Effort	2,815,424,964	4,608,449,248	1,793,024,284
Good Effort	2,815,424,964	4,821,203,644	2,005,778,680
Strong Effort	2,815,424,964	5,190,919,716	2,375,494,752
Wages	2016	2031	Gain
Projections	38,714	48,450	9,736
Minimum Effort	38,714	49,701	10,987
Good Effort	38,714	50,591	11,877
Strong Effort	38,714	51,799	13,085

While the number of new primary jobs grows consistently in each scenario, actual annual growth will likely not.

In one year the area might increase by 400 jobs but the next only 100 jobs and the next it might lose 200 jobs. What is important is the community, over a period of four or five years, will average a growth in one of the scenarios, hopefully the Strong Effort.

When creating the milestones, the economic impact on; 1) total employment; 2) total worker earnings; and 3) average area wage of the addition of the new primary jobs was estimated.

The charts and graphs show the difference in the impact among the Projections and each growth scenario.

Economic impact is the influence or effect the new primary jobs have on the economy as a whole. As an example, one high-wage manufacturing job can cause the formation of three other jobs in the economy.

When estimating the impact, consideration was given to the impact of the retirement industry and outbound commuters.

It is assumed that if the county is able to meet the annual milestones, the impact will be reflected in corresponding economic growth over a period-of-time.

The graphs visually compare each growth scenario and the Projections for Employment, Total Worker Earnings, and Wages from 2006 (History) through 2031 on an annual basis if the annual milestones are achieved. 2017 is the first year for the milestones.

Performance

The economic growth scenarios depend on the community having a net gain in the number of primary industry jobs.

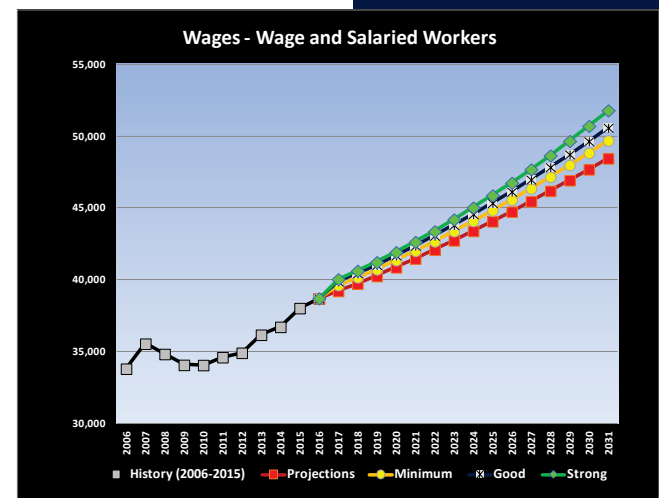
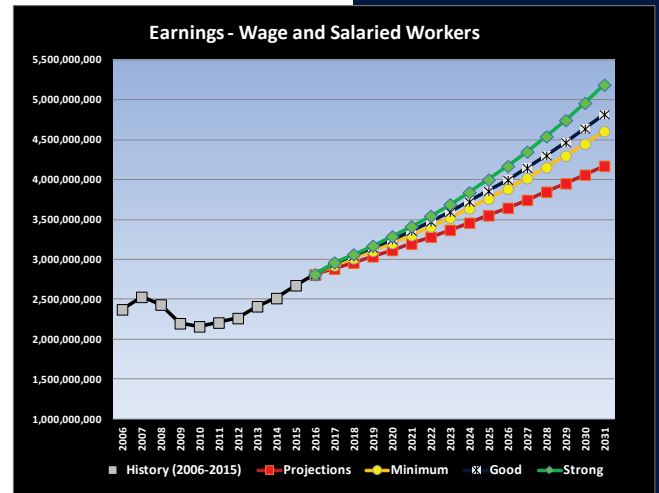
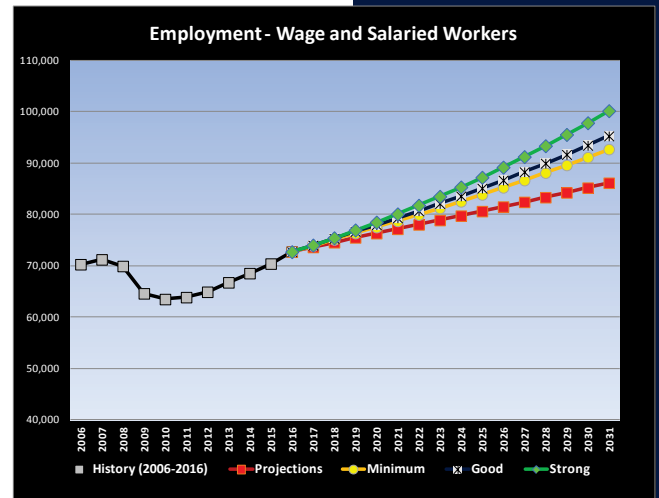
Primary employers and the number of their employees are not identified in labor - economic data. As a result, POLICOM created a mathematical matrix, which extracts from general industry data the number of primary industry jobs and their associated average wage by industrial subsector.

Once again, a primary – contributory employer is one that sells its goods or services outside the economy.

Manufacturing is inherently primary in nature but not all manufacturers are contributory. A local printer is considered a manufacturer but typically does not sell outside the local economy.

Retailing is consumptive and depends upon the money imported to the area and therefore is not primary. However, in retail data is the sub-sector “non-store retailers.” These are principally internet-based enterprises, which could sell worldwide and are therefore primary.

Healthcare many times is the biggest employer in an area but typically its marketplace is the local population. However, some major



hospitals, such as the Mayo Clinic in Rochester, MN have a worldwide patient draw. The portion from outside the area is primary.

POLICOM has developed a mathematical matrix, which sifts through general labor – earnings data by industry sub-sector detecting primary jobs.

A special matrix was developed for St. Lucie County when the Economic Development Goal Study was created in 2016. The matrix is now fixed in time and is used to determine if the area has reached its annual milestones in a consistent manner.

2016 - Baseline

In order to determine the net gain of primary jobs each year, in 2016 the total number of primary jobs by industrial sector was determined using the formulas created for St. Lucie County.

Not included in the total number of Primary Jobs are about 700 workers employed at the St. Lucie Nuclear Power Plant. Data for “Utilities” is suppressed and not available. Consequently, these jobs are not in the total.

2016	St. Lucie County, Florida	Employment	Worker Earnings	Wages
10	Total, all industries	72,724	2,815,424,964	38,714
10	Total, all industries Private	59,908	2,203,721,934	36,785
10	Total Primary	8,623	360,193,500	41,769
	Portion of sector primary			
31	Manufacturing	3,099	143,497,705	46,305
42	Wholesale trade	2,300	104,204,296	45,316
44	Retail trade	110	4,200,413	38,186
48	Transportation and warehousing	615	23,653,614	38,483
51	Information	53	2,667,019	50,512
52	Finance and insurance	86	5,256,634	61,481
54	Professional and technical	281	11,983,681	42,675
55	Management of companies	225	12,712,688	56,501
56	Administrative services	1,428	32,192,448	22,549
62	Healthcare	428	19,825,003	46,270

The chart identifies the total for all wage and salaried workers, private sector workers, and primary jobs in each industrial sector.

Manufacturing, Wholesale Trade, and Administrative Services include the largest number of primary jobs. Administrative Services includes the sub-sector NAICS 56142 Telephone Call Centers. While primary in nature, the wages paid in this subsector are relatively low.