

Jaxon Engineering and Maintenance Economic Development Agreement

Colorado Springs City Council
Regular Session
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Presentation Overview



- Jaxon Engineering and Maintenance Overview
- Proposed EDA
- Financial Analyses
- Staff Recommendation
- Questions

Jaxon Engineering Overview



Jaxon Engineering designs, constructs, tests, and maintains military grade Electromagnetic Pulse (EMP) hardening and survivability structures for government and commercial clients.

EMPs can be caused by natural or man-made events, from lightning strikes to nuclear warfare, and can be disruptive or damaging to electronic equipment. EMP hardening is the process of making this equipment resistant to damage or malfunction should an EMP event occur.

Jaxon Engineering Overview



- EMP Full Service Provider
 - Engineering Design, Development and Maintenance
 - EMP Fabrication and Construction
 - EMP Testing and Evaluation
 - Maintenance and Hardening Surveillance
 - Corrosion Control on Mission Critical Equipment

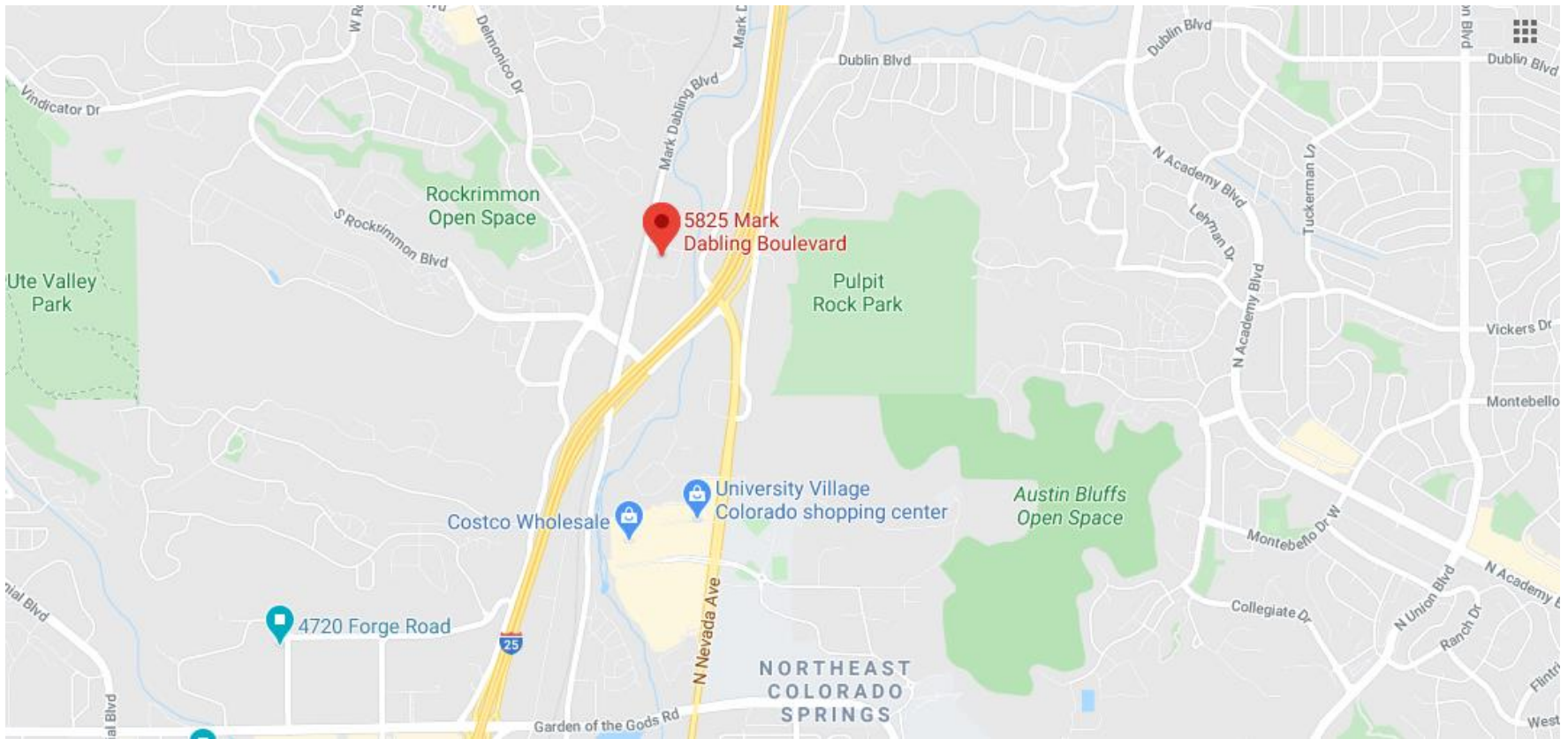


Jaxon Engineering Overview



- Expanding facility from 21,000 sf to 56,000 sf
 - 5825 Mark Dabling Blvd
- Currently has 65 employees company wide
- Business expansion efforts in collaboration with Colorado Springs Chamber & EDC

Jaxon Engineering Overview



Jaxon Engineering Overview



- Investment plans for expansion and job creation
 - \$1.78 million capital investment
 - 35 jobs over 4 years; 45 over 5 years
 - Average wage: \$75,000

Proposed EDA



- Provide certain performance-based incentives in an effort to enable greater company investment and job growth
- Incentives provided through an Economic Development Agreement

Proposed EDA



- Recommended Economic Development Agreement:
 - Sales & Use Tax Rebate on Annual Purchases of Business Personal Property (50% of the City's 2% General Fund Rate, or 1% Total Rebate)
 - Sales and Use Tax Rebate on Purchases of Construction Materials (50% of the City's 2% General Fund Rate, or 1% Total Rebate)
 - Four Year Agreement – 35 new jobs over lifetime of agreement

Financial Implications



Expansion – New Community Benefits (Economic Impacts)

New Community Benefits from Expansion	4 Year Analysis	10 Year Analysis
Jobs	61	89
Total Value Added (Gross Metropolitan Product)	\$10 Million	\$62 Million

Financial Implications



Expansion – New City Revenue (Fiscal Impacts), No Sunset

New City Revenue from Expansion	4 Year Analysis	10 Year Analysis
Sales Tax – General Fund	\$2.3 Million	\$2.5 Million
PSST	\$468,000	\$509,000
TOPS*	\$117,000	\$127,000
PPRTA* (70%)	\$26,000	\$98,000
2C*	\$724,000	\$782,000
Total Sales Tax Revenue	\$3.6 Million	\$4 Million
Total New City Revenue (Gross)	\$3.6 Million	\$4 Million

*Indicates item scheduled to sunset

Financial Implications



Expansion – New City Revenue (Fiscal Impacts) – With Sunset

New City Revenue from Expansion	4 Year Analysis	10 Year Analysis
Sales Tax - General Fund	\$2.3 Million	\$2.5 Million
PSST	\$468,000	\$508,000
TOPS	\$117,000	\$120,000
PPRTA	\$26,000	\$65,000
2C	\$724,000	\$743,000
Total Sales Tax Revenue	\$3.6 Million	\$3.9 Million
Total New City Revenue (Gross)	\$3.6 Million	\$3.9 Million

Financial Implications



City Sales and Use Tax Rebates Over 4 Year Agreement

Rebate	Total
Business Personal Property (Machinery and Equipment)	\$13,250
Construction Materials	\$1,625
Total Estimated Rebate	\$14,875

Financial Implications



Expansion - Net City Revenue, No Sunset

Net City Revenue from Expansion	4 Year Analysis	10 Year Analysis
Total New City Revenue (Gross)	\$3.6 Million	\$4 Million
City Incentive	\$14,875	\$14,875
Net City Revenue	\$3,585,125	\$3,985,125

Financial Implications



Expansion - Net City Revenue, With Sunset

Net City Revenue from Expansion	4 Year Analysis	10 Year Analysis
Total New City Revenue (Gross)	\$3.6 million	\$3.9 Million
City Incentive	\$14,875	\$14,875
Net City Revenue	\$3,585,125	\$3,885,125

Financial Implications



Retention – Community Benefits (Economic Impacts)

New Community Benefits from Retention	4 Year Analysis	10 Year Analysis
Jobs	129	129
Total Value Added (Gross Metropolitan Product)	\$41 Million	\$119 Million

Financial Implications



Retention – City Revenue (Fiscal Impacts), No Sunset

New City Revenue from Retention	4 Year Analysis	10 Year Analysis
Sales Tax – General Fund	\$2.4 Million	\$2.7 Million
PSST	\$486,000	\$545,000
TOPS*	\$121,000	\$136,000
PPRTA* (70%)	\$57,000	\$162,000
2C*	\$750,000	\$837,000
Total Sales Tax Revenue	\$3.8 Million	\$4.4 Million
Total New City Revenue (Gross)	\$3.8 Million	\$4.4 Million

*Indicates item scheduled to sunset

Financial Implications



Retention – City Revenue (Fiscal Impacts), With Sunset

New City Revenue from Retention	4 Year Analysis	10 Year Analysis
Sales Tax - General Fund	\$2.4 Million	\$2.7 Million
PSST	\$486,000	\$545,000
TOPS	\$121,000	\$126,000
PPRTA	\$57,000	\$115,000
2C	\$750,000	\$777,000
Total Sales Tax Revenue	\$3.8 Million	\$4.3 Million
Total New City Revenue (Gross)	\$3.8 Million	\$4.3 Million

Financial Implications



Combined – Community Benefits (Economic Impacts)

Combined Community Benefits	4 Year Analysis	10 Year Analysis
Jobs	190	218
Total Value Added (Gross Metropolitan Product)	\$51 Million	\$181 Million

Financial Implications



Combined – City Revenue (Fiscal Impacts), No Sunset

Combined City Revenue	4 Year Analysis	10 Year Analysis
Sales Tax – General Fund	\$4.7 Million	\$5.2 Million
PSST	\$954,000	\$1.05 Million
TOPS*	\$238,000	\$263,000
PPRTA* (70%)	\$83,000	\$260,000
2C*	\$1.47 Million	\$1.6 Million
Total Sales Tax Revenue	\$7.4 Million	\$8.4 Million
Total New City Revenue (Gross)	\$7.4 Million	\$8.4 Million

*Indicates item scheduled to sunset

Financial Implications



Combined – City Revenue (Fiscal Impacts), With Sunset

Combined City Revenue	4 Year Analysis	10 Year Analysis
Sales Tax - General Fund	\$4.7 Million	\$5.2 Million
PSST	\$954,000	\$1.05 Million
TOPS	\$238,000	\$246,000
PPRTA	\$83,000	\$180,000
2C	\$1.47 Million	\$1.5 Million
Total Sales Tax Revenue	\$7.4 Million	\$8.2 Million
Total New City Revenue (Gross)	\$7.4 Million	\$8.2 Million

Financial Implications



Combined - Net City Revenue, No Sunset

Combined Net City Revenue	4 Year Analysis	10 Year Analysis
Total New City Revenue (Gross)	\$7.4 Million	\$8.4 Million
City Incentive	\$14,875	\$14,875
Net City Revenue	\$7,385,125	\$8,385,125

Financial Implications



Combined - Net City Revenue, With Sunset

Combined Net City Revenue	4 Year Analysis	10 Year Analysis
Total New City Revenue (Gross)	\$7.4 Million	\$8.2 Million
City Incentive	\$14,875	\$14,875
Net City Revenue	\$7,385,125	\$8,185,125

Financial Safeguards



- Incentive structure incurs no financial risk to the City
 - Strictly performance-based
 - Rebates are made to the company only after revenue has been collected

Other Considerations



- EDA is consistent with the City of Colorado Springs Strategic Plan
 - Promoting Job Creation

Staff Recommendation



Approval of the proposed Economic Development Agreement

Questions?

