

# Project Fusion

## Economic Development Agreement

Colorado Springs City Council  
Regular Session  
June 11, 2019



# Presentation Overview



- Project Fusion Overview
- Proposed EDA
- Financial Analyses
- Staff Recommendation
- Questions

# Project Fusion Overview



Advanced engineering and Original Equipment Manufacturer (OEM) that provides specialized hardware and software solutions to the Department of Defense and commercial customers associated with advanced satellite communications and assured position, navigation, and timing.

# Project Fusion Overview



- Mission Areas
  - Software Defined Radio Technology
  - Advanced Satellite Communications & Equipment
  - Electronic Warfare
  - Technical Support Services & Sustainment



# Project Fusion Overview



- 24 Active Contracts & Subcontracts
  - Overall Value: \$377 Million



# Project Fusion Overview



- Recently moved Corporate Headquarters to Colorado Springs from New Mexico for improved access to workforce and region's space operations industry
  - Launch of Space Operations & Sustainment Facility
  - Over 120,000 square feet of space across multiple Colorado Springs locations
  - Currently has 128 employees company wide
- State Approved Job Growth Incentive Tax Credits

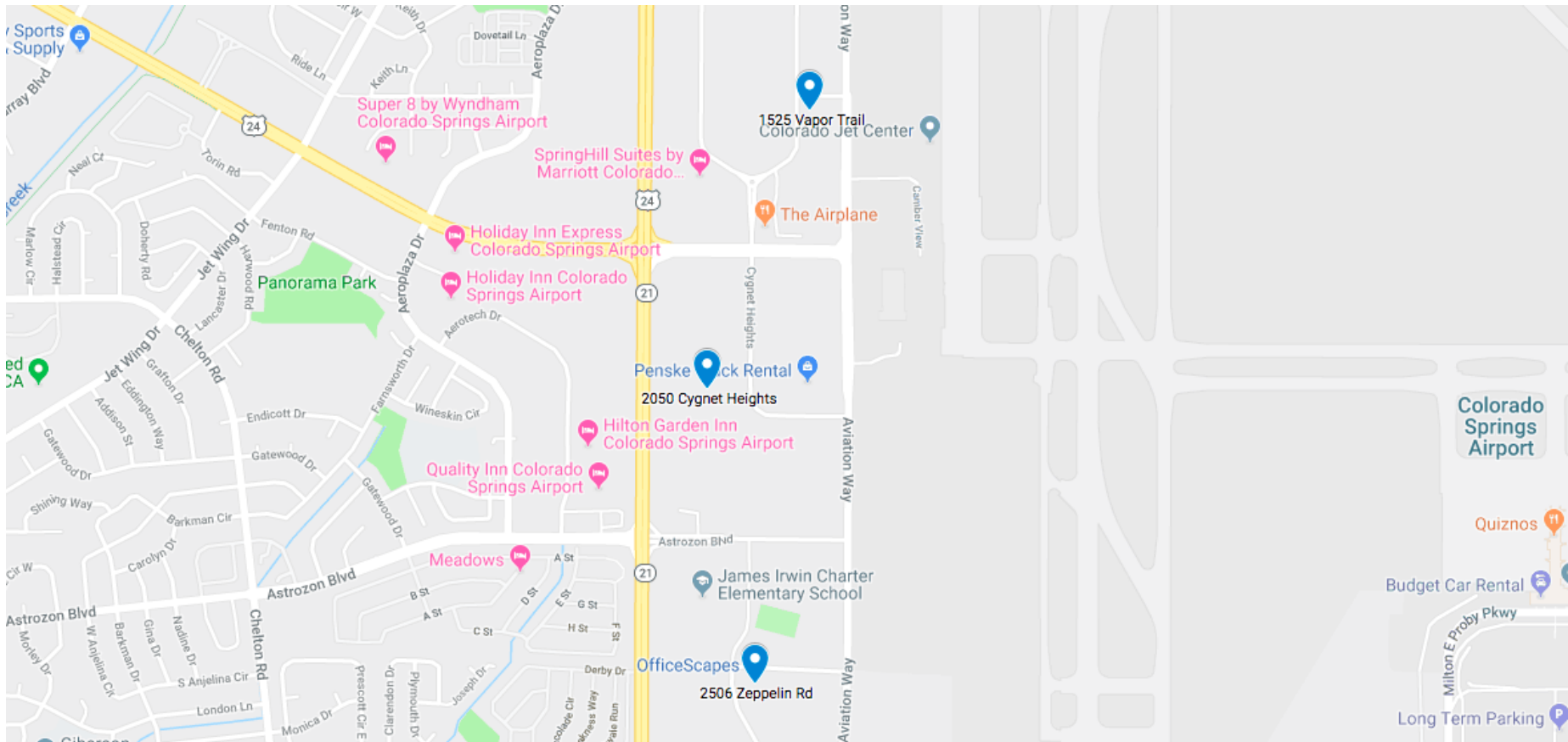
# Project Fusion Overview



- Investment plans for expansion and job creation
  - \$13.5 million capital investment
  - 59 jobs over 4 years; 92 over 7 years
  - Average wage: \$98,554



# Project Fusion Overview





# 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 (100% of the City's 2% General Fund Rate, or 2% Total Rebate on first \$5 Million in investments)
  - Sales and Use Tax Rebate on Purchases of Construction Materials (50% of the City's 2% General Fund Rate, or 1% Total Rebate of remaining investments)
  - Four Year Agreement – 59 new jobs over lifetime of agreement

# Financial Implications



## City Sales and Use Tax Rebates Over 4 Year Agreement

<b>Rebate</b>	<b>Total</b>
Business Personal Property (Machinery and Equipment)	\$16,500
Construction Materials	\$77,800
<b>Total Estimated Rebate</b>	<b>\$94,300</b>

# Financial Implications



## Expansion – New Community Benefits (Economic Impacts)

New Community Benefits from Expansion	4 Year Analysis	10 Year Analysis
Jobs	173	271
Total Value Added (Gross Metropolitan Product)	\$59.6 Million	\$230 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	\$303,000	\$813,000
PSST	\$61,000	\$163,000
TOPS*	\$15,000	\$41,000
Real Property Tax	\$18,000	\$108,000
PPRTA* (70%)	\$106,000	\$284,000
2C*	\$94,000	\$252,000
Total Sales Tax Revenue	\$597,000	\$1.66 Million
Total New City Revenue (Gross)	\$597,000	\$1.66 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	\$303,000	\$813,000
PSST	\$61,000	\$163,000
Real Property Tax	\$18,000	\$108,000
PPRTA	\$106,000	\$128,000
Total Sales Tax Revenue	\$488,000	\$1.2 Million
Total New City Revenue (Gross)	\$488,000	\$1.2 Million

# Financial Implications



## Expansion - Net City Revenue, No Sunset

Net City Revenue from Expansion	4 Year Analysis	10 Year Analysis
Total New City Revenue (Gross)	\$597,000	\$1.66 Million
City Incentive	\$94,300	\$94,300
Net City Revenue	\$502,700	\$1.57 Million



# Financial Implications



## Expansion - Net City Revenue, With Sunset

Net City Revenue from Expansion	4 Year Analysis	10 Year Analysis
Total New City Revenue (Gross)	\$488,000	\$1.2 Million
City Incentive	\$94,300	\$94,300
Net City Revenue	\$393,700	\$1.1 Million

# Financial Implications



## Retention – Community Benefits (Economic Impacts)

New Community Benefits from Retention	4 Year Analysis	10 Year Analysis
Jobs	218	218
Total Value Added (Gross Metropolitan Product)	\$75.6 Million	\$226.7 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	\$223,000	\$644,000
PSST	\$45,000	\$129,000
TOPS*	\$11,000	\$32,000
Real Property Tax	\$0	\$0
PPRTA* (70%)	\$78,000	\$225,000
2C*	\$69,000	\$200,000
Total Sales Tax Revenue	\$426,000	\$1.23 Million
Total New City Revenue (Gross)	\$426,000	\$1.23 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	\$223,000	\$644,000
PSST	\$45,000	\$129,000
Real Property Tax	\$0	\$0
PPRTA	\$78,000	\$101,000
Total Sales Tax Revenue	\$346,000	\$874,000
Total New City Revenue (Gross)	\$346,000	\$874,000

# Financial Implications



## Combined – Community Benefits (Economic Impacts)

Combined Community Benefits	4 Year Analysis	10 Year Analysis
Jobs	391	489
Total Value Added (Gross Metropolitan Product)	\$135.2 Million	\$456.7 Million

# Financial Implications



## Combined – City Revenue (Fiscal Impacts), No Sunset

Combined City Revenue	4 Year Analysis	10 Year Analysis
Sales Tax – General Fund	\$526,000	\$1.46 Million
PSST	\$106,000	\$292,000
TOPS*	\$26,000	\$73,000
Real Property Tax	\$18,000	\$108,000
PPRTA*	\$184,000	\$509,000
2C*	\$163,000	\$452,000
Total Sales Tax Revenue	\$1.02 Million	\$2.89 Million
Total New City Revenue (Gross)	\$1.02 Million	\$2.89 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	\$526,000	\$1.46 Million
PSST	\$106,000	\$292,000
Real Property Tax	\$18,000	\$108,000
PPRTA	\$184,000	\$229,000
Total Sales Tax Revenue	\$834,000	\$2.09 Million
Total New City Revenue (Gross)	\$834,000	\$2.09 Million



# Financial Implications



## Combined - Net City Revenue, No Sunset

Combined Net City Revenue	4 Year Analysis	10 Year Analysis
Total New City Revenue (Gross)	\$1.02 Million	\$2.89 Million
City Incentive	\$94,300	\$94,300
Net City Revenue	\$925,700	\$2.79 Million

# Financial Implications



## Combined - Net City Revenue, With Sunset

Combined Net City Revenue	4 Year Analysis	10 Year Analysis
Total New City Revenue (Gross)	\$834,000	\$2.09 Million
City Incentive	\$94,300	\$94,300
Net City Revenue	\$739,700	\$1.99 Million

# 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 Council Strategic Plan
  - Job Creation and Stimulate Economic Development
  - Support Regional Workforce Development to Enhance City’s Appeal to Technology and Manufacturing Businesses
- EDA is consistent with the Executive Branch Strategic Plan
  - Promoting Job Creation

# Staff Recommendation



Approval of the proposed Economic Development Agreement

# Questions?

