

The Pikes Peak Region Information Technology Sector Economy

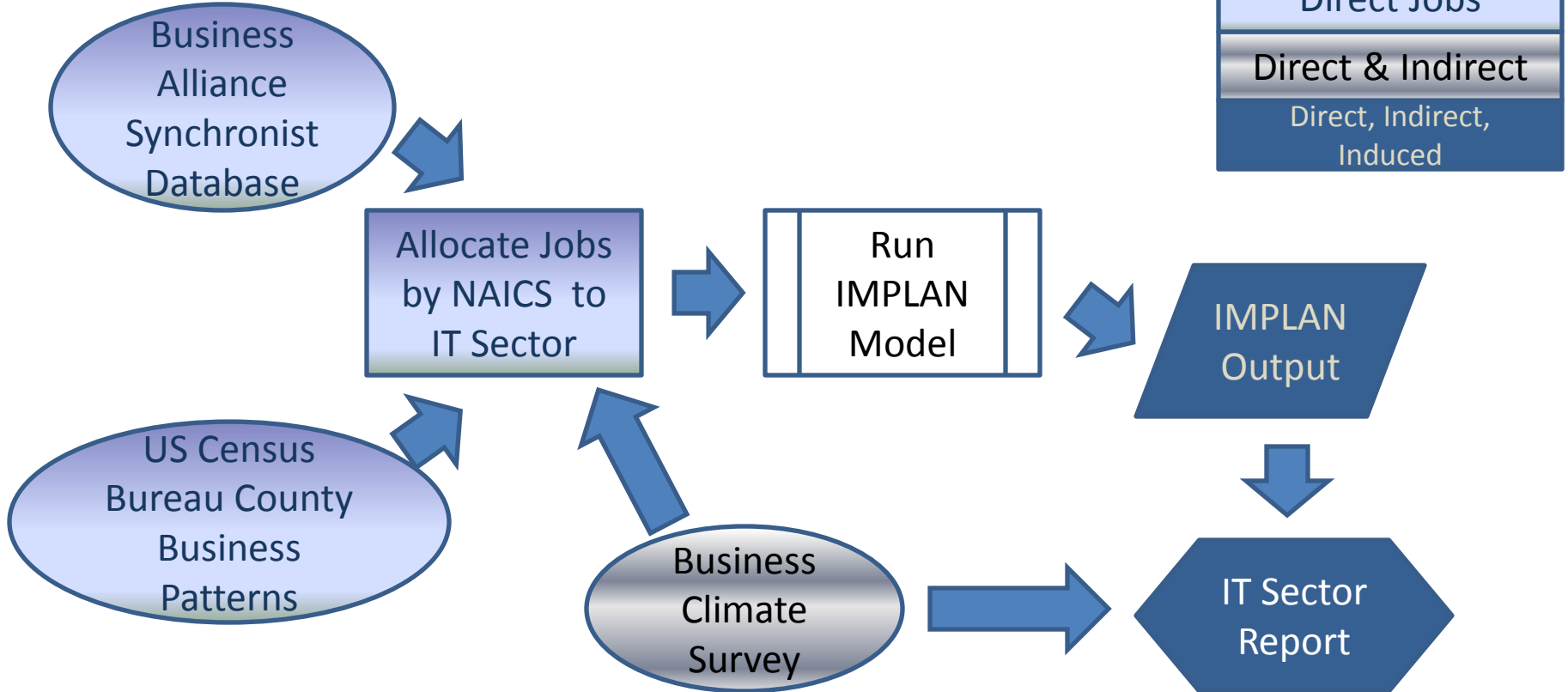
Colorado Springs City Council Work Session

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Sector Detail Analysis - Methodology

Analysis Completed by Summit Economics



Synchronist is database utilized by the Business Alliance for organizational and industry monitoring. **Business Climate Survey** is conducted every other year by Summit Economics for Cheyenne Mountain Civic Solutions. **IMPLAN** is an econometric model proprietary to the Minnesota IMPLAN Group.

Main Components of the IT Sector

- Software Development

Help Desk | Managed Services | Web-based & Mobile Applications | Network Solutions | Space & Intelligence Systems | GPS | Space Operations and Weapons Systems

- Cybersecurity

Western Cyber Exchange | Cyber Resilience Institute

- Data Center / Data Storage & Processing

FedEx | HP | Progressive | Walmart | Verizon Wireless | Agilent Technologies | Data Storage R&D

- Hardware Manufacturing

Atmel | Agilent Technologies | dpiX

Colorado Springs Information Technology Sector

IT activities (Number of Firms):

- Non-Profit 27%
- Defense (non-aerospace) 22%
- Aerospace 15%
- Healthcare 20%
- Medical Innovation & Technology 14%
- Clean Tech (renewable energy, pollution control, etc.) 14%
- Sports Economy 9%

Economic Impact (March 2011)

- Total Pikes Peak Region Economy - \$45.3 billion
- Direct IT Sector Impact - \$6.5 billion
 - 14.5% of the Regional Economy
- Indirect & Induced Impact - \$3.6 billion
 - 7.9% of the Regional Economy
- Total IT Sector Impact - \$10.1 billion
 - 22.4% of the Regional Economy

Information Technology Sector Employment (2013)

- Entities (Businesses): 394
- Employment: 27,078

Payroll

- The IT Sector employs over 27,000 people directly, and is responsible for another 23,600 indirect and induced jobs.
- The direct payroll is approximately \$2.4 billion with average annual earnings exceeding \$87,000.
- The total payroll (direct, indirect & induced) created by this sector exceeds \$3.5 billion, with average earnings of more than \$69,000 per year.

Size of Firms

- 1-9 Employees 53%
- 10-24 Employees 13%
- 25-99 Employees 16%
- 100-499 11%
- 500+ 7%
- IT firms are mostly small businesses: 53% with less than 10 employees, 82% with less than 100 employees.

Sector Outlook

- 4.6% annual growth projected through 2018

	2014	2015	2016	2017	2018
Annual Growth	3.7%	4.7%	4.7%	5.0%	4.7%

Concluded 5 Year Forecast

- Based on national forecasts, the IT sector should see 4.6% per annum growth through 2018 assuming an aggressive competitive posture among current prime employers.
 - Employment could grow at 3.0% to 4.5% per annum.
 - Wages and salaries should show robust growth as well among qualified IT sector employees.
- With the emergence of **cyber warfare** and IT as a critical defense factor, Colorado Springs is projected to become a national cybersecurity center associated with the defense and aerospace sectors.
 - Colorado Springs identified as one of the top 5 cities for cybersecurity jobs – Colorado Springs, Research Triangle North Carolina, Salt Lake City, San Antonio, Washington DC Metro (ClearanceJobs.com, *Defense News*, May 23, 2013)

Forecast (cont'd)

- With rising demand in **healthcare IT** needs nationwide such as electronic health records, medical manufacturing innovations, etc. Colorado Springs expects strong growth within this subsector of IT.
- Colocation Data Centers forecast for 7.1% annual growth.

Proposed 2015 Data Center Bill

What Makes a Location Competitive for Data Centers

1. Availability, cost, and reliability (99.999%) of electric power
2. Risk avoidance of natural disasters or weather events
3. Property tax rates
 - Personal property tax rates, assessment practices, depreciation schedules – most important
 - Ad Valorem (real estate) tax rates – less important
4. Corporate income tax rates & apportionment structure
5. Sales & use tax rates
6. Labor availability
7. Construction costs / construction quality
8. Telecom infrastructure: capacity, reliability, availability, capacity, and costs
9. Economic development incentives