

INTRODUCTION

Recognizing the potential shortfall in County revenue we are preparing reduction scenarios, however, it is important to understand the County budget for the EDC is not a typical expense to deliver a service. Rather, it is an investment necessary to sustain current and generate new County revenue.

Direct new jobs developed by the EDC during the period FY 03-04 through FY 06-07 yield \$5.1M annually in local tax revenue; a significant return on the County investment. Additionally, companies supported and sponsored through the County AVT program added \$2.9M incremental tax during this five year period.

Sixty percent of the increased budget from the County is dedicated to Space initiatives. Retirement of the shuttle occurs in just over two years with a potential \$2.7b economic impact including 13,000 Brevard jobs lost. The funding from Brevard County funding is being used to aggressively meet this monumental challenge.

The investment by the County is leveraged by nearly an additional \$700k (FY 07-08) of private sector investment.

The nature of the EDC's County funding, a flat three year budget, inherently has a built in annual reduction. The EDC is obligated to meet the challenges while absorbing the effects of increasing inflation. The EDC continues to implement on-going strategic improvement and cost efficiencies relying not only on paid staff, but experienced industry representatives to improve the organizational returns.

Brevard is faced with enormous economic challenges for the next several years. As all other parts of Florida and the nation, the County is experiencing an economic slowdown. Exacerbating the general problem in Brevard is the shuttle retirement. Nearly 6% of Brevard's workforce may lose jobs or face dramatic career changes. If County funding can be held available this may, more than normal, be a time to support investment to sustain the necessary tax base in the next few years.

Detailed analyses follow.

OVERVIEW

The Economic Development Commission of Florida's Space Coast (EDC) is a private, not-for-profit 501c6 Corporation created in 1989 to foster economic development in Brevard County, Florida. In our current FY 07-08, we operate within a \$2.9m budget structure, that of which Brevard County contributes nearly \$1.6m.

The primary role of the EDC is to seek out new economic opportunities and retain and expand our existing business wealth. We also are tasked with projecting potentially negative impacts to the economy and working to mitigate or eliminate those threats. Daily, we face intense competition from other communities, states and nations all searching for new economic projects.

Economic development in its simplest form is the creation of economic wealth for all citizens within the diverse layers of society so that all people have access to potential increased quality of life. Job creation, economic output and increase in taxable basis are the most common measurement tools.

Our stakeholders are made up of local businesses who contribute their private corporate funds, the Brevard County Commission, grants programs and several other partners. We are governed by a Board of Directors whose members are high ranking leaders in our business community.

Within this document, you will find a historical perspective from 2003-2008 of the enhancements to our programs and funding justifications, the impacts to our community from our programs, the current economic situation and what lies ahead for our community.

INVESTMENT IN THE EDC PAYS THE COUNTY

Unlike the majority of departments and outside agencies funded by Brevard County, the efforts and outcomes of the EDC produce substantial financial gain to the County's revenues. In fact, according to a recently commissioned, independent study by NCDS, Inc., the **4,181 total direct and indirect jobs** created by the EDC currently contribute approximately **\$5.1 million per year in local tax revenue (FY 03-07)** to Brevard County.

FISCAL IMPACT – TAXES GENERATED BY EDC-CREATED JOBS

Fiscal impact is a measurement of the potential tax revenue generated to local, state and federal governments by the expenditures stimulated via the attractions and expansions assisted by the EDC. NCDS used the IMPLAN model to estimate that approximately \$5.1 million in local tax revenue is generated annually from the results of the EDC's job creation activities over the period FY 2003 through FY 2007 (once all jobs are in place). An additional \$18.7 million in tax revenue accrues to the state of Florida, and almost \$51.1 million per year to the Federal government.

The estimated tax impacts are summarized below:

ESTIMATED ANNUAL TAX REVENUE

	Attraction	Expansion	TOTAL
Federal*	\$30,341,652	\$20,739,283	\$51,080,935
State/Local	\$10,482,871	\$8,233,306	\$18,716,177
State**	\$7,728,433	\$5,881,031	\$13,609,464
Local***	\$2,754,438	\$2,352,275	\$5,106,713
TOTAL	\$40,824,523	\$28,972,589	\$69,797,112

*The federal tax revenue includes corporate profit tax, income tax, excise tax, estate and gift tax, and other fees and fines

**The state tax revenue includes corporate profit tax, sales tax, motor vehicle tax and other fees and fines

***The local tax revenue includes commercial and personal property tax for company and employees.

The above data should be viewed as an approximation, rather than a detailed fiscal analysis. The estimates of local tax revenue are conservative, and reflect a process of aggregation which assigns a greater share of revenues to the state.

Tax revenues accruing from the existence of jobs retained by the EDC are not included, under the assumption those monies were already being collected. However, it should be noted that had those (1,893) jobs indeed left the area a **significant loss in local tax revenue** would have almost certainly resulted.

RETURN ON INVESTMENT – JOB CREATION & RETENTION

Overall, the EDC's job **creation** activities during the FY03 – FY07 period generated a total economic impact of:

- 4,181 total jobs (direct, indirect & induced)
- Earnings that totaled \$191.2 million
- Total output of \$818.2 million

The EDC's job **retention** activities during the FY03 – FY07 period generated a total economic impact of:

- 1,893 total jobs (direct, indirect & induced)
- Earnings that totaled \$112.4 million
- Total output of \$424.9 million

JOB CREATION RATE

The EDC's total job creation cost during FY03 – FY07 period is estimated at \$1,037 per new job created (including indirect and induced jobs.)

EARNINGS ROI

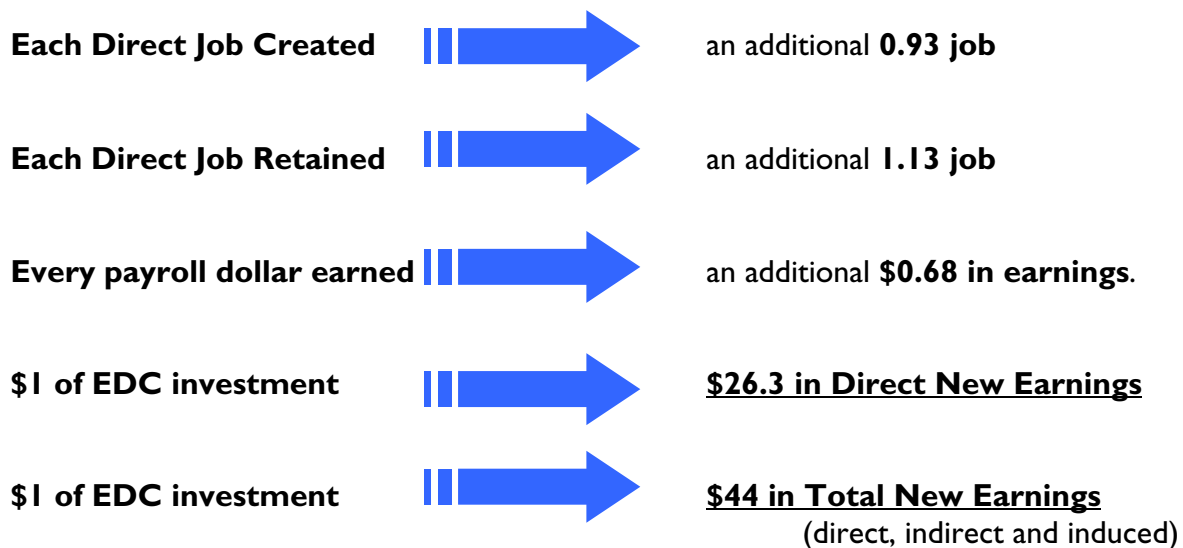
The new jobs led to increased personal income for the county's residents. The ratio was approximately \$1 of EDC investment in attraction, expansion and retention activities to \$44 of earnings.

TOTAL CAPITAL INVESTMENT ROI

Overall, for every EDC dollar spent on attraction, expansion and retention activities, there was approximately \$30 of new capital investment generated in Brevard County.

KEY PERFORMANCE MATRIX

Beyond employment, income, and output impacts, the report from NCDS explored the EDC's impact in increasing the region's overall competitiveness. As the data below indicates, the EDC's aggressive actions during the FY 03-07 period yielded positive returns for its investors.



In addition, the creation of **each new job (direct, indirect and induced)** will generate the following impact for the local industries based on average personal consumption expenditures.

IMPACT OF EACH NEW JOB TO LOCAL INDUSTRIES

INDUSTRY	REVENUES
Financial Institutions	\$29,926
Food	\$8,098
Alcoholic Beverages	\$510
Housing	\$20,723
Apparel	\$2,487
Vehicle Purchases	\$5,225
Health Care	\$3,953
Entertainment	\$2,997
Personal Care Products	\$829
Insurance & Pensions	\$6,759
Cash Contributions	\$2,551
Reading	\$128
Education	\$1,020
Tobacco /Smoking Supplies	\$510
Miscellaneous	\$1,020

TAXES PAID TO BREVARD COUNTY FROM AVT PARTICIPATING COMPANIES

Brevard County has received over **\$2.9m** in actual taxes paid from **client projects announced by the EDC from 2003 through 2007.**

In 2007 alone, over \$740,056.04 was paid by the above clients participating in the AVT program.

Tax Year	County Real Estate Actual Tax	County Real Estate Abated Tax	County Tangible Property Actual Tax	County Tangible Property Abated Tax	TOTAL COUNTY ACTUAL TAX
2003	\$351,172.54	\$19,944.46	\$435,811.28	\$3,209.70	\$786,983.82
2004	\$365,449.97	\$25,154.69	\$404,938.97	\$5,021.90	\$770,388.94
2005	\$202,755.94	\$12,749.11	\$62,508.00	\$19,816.03	\$265,263.94
2006	\$228,976.85	\$15,601.86	\$123,497.23	\$47,968.33	\$352,474.08
2007	\$258,987.94	\$20,600.37	\$481,068.10	\$39,691.70	\$740,056.04
TOTAL	\$1,407,343.24	\$94,050.49	\$1,507,823.58	\$115,707.66	\$2,915,166.82

The tax benefits from the EDC's efforts do not appear on the County Tax register during the year of the project announcement, company plans for capital investment and tangible goods is managed over a period of time. As such, the above tax information does not include companies that have recently announced their intentions to expand or relocate.

EDC FUNDING

The EDC budget supports the continued growth of the economic development program for Brevard County and new job opportunities for our citizens.

Significant changes to the EDC strategic program of work, staffing requirements, personnel related expenses, insurance and facilities cost have contributed to the EDC's yearly budget and the increases.

The pending job losses due to the space shuttle transition continue to be a driving factor in the development of our strategies. We are focusing on new markets, expanding our existing industries and reducing the workforce gap imminent in 2010.

BREVARD COUNTY FUNDING FOR EDC – FY 03-04 THROUGH FY07-08

Fiscal Year	Funding Amount	Increase	Description
2003/2004	\$795,000	\$55,000	Additional funding supported increase in operational expenses and marketing program.
2004/2005	\$795,000	\$0	No increase was requested from the County.
2005/2006	\$990,000	\$195,000	County Commission launches new Space Initiative and issues the EDC an additional \$195,000 in funding to execute the new program. (See page 7 for details.)
2006/2007	\$1,579,000	\$589,000	\$280,000 dedicated to Space Initiative; \$309,000 funded increased program, staff, operational expenses and marketing. Three year, no increase contract signed with the County.
2007/2008	\$1,579,000	\$0	2 nd year of three year, no increase contract. Having a flat budget implicitly built in a 5% reduction in real cost.

PRIVATE SECTOR INVESTOR FUNDING

On a daily basis, the EDC works to secure funds outside the County Commission, via private sector funds, to enhance our program of work. We realize the necessity of long term sustainability of our program and the need to have a balanced approach to economic development between public and private entities.

Fiscal Year	Funding Amount
2003/2004	\$318,000
2004/2005	\$477,000
2005/2006	\$502,000
2006/2007*	\$524,808
2007/2008**	\$667,000

*Audited **Projected

LEVERAGED FUNDING RESOURCES

The EDC supplements Investor and County funding through partner resources and state grants. Examples of past leveraged funding partners include:

- Brevard Workforce Development Board
- Florida High Tech Corridor Council
- Florida MEP
- Space Florida
- State of Florida / Enterprise Florida
 - Office of Tourism, Trade and Economic Development (OTTED)
 - Defense Reinvestment Grants
 - Defense Infrastructure Grants
 - International Trade Grant

Funding Source	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08
Brevard County	61%	48%	40%	56%	55%
Investors, Partners, Grants	39%	52%	60%	44%	45%

PROGRAM ENHANCEMENTS

To stay on the cutting edge of economic development takes time, talent and a vast array of contacts throughout the world. It is a people-intensive business. Knowing intimately the key industries your community can rightfully attract takes hard work and a tenacity to uncover details that will lead you to plans for a new product, a new facility, new capital investment and ultimately, new jobs for our neighbors.

Nothing hits home right now more than the changing landscape of our nation's space program right here in our back yard. The EDC is faithfully dedicated on a daily basis to working every lead necessary to uncover opportunities that match the Space Coast's unique attributes. The following are some key initiatives:

SPACE INITIATIVE

Since 2004, in an effort to mitigate the impending retirement of the Space Shuttle program, the EDC has aggressively promoted Brevard County to aerospace companies worldwide as a prime location for business and the ideal site for the development of the next generation of space exploration, the Crew Exploration Vehicle (CEV). Our strategic plan encompasses tactics to enhance space development activities through the retention and attraction of jobs at NASA/KSC and the aerospace community of Brevard.

Related Expenses:

- Three, industry specialized, dedicated consultants working to keep abreast of the many strategic, business and personnel changes related to the commercial space industry and KSC. They are focusing on opportunities, threats and joint venture opportunities whereby the community, EDC and business can respond effectively.
- Travel expenses related to consultant activities and one-on-one meetings with appropriate company representatives.
- Marketing materials designed to promote and enhance our strategic advantages.
- Increase in staff responsibilities to support flood of additional inquiries and required professional responses.

The EDC currently has leads from companies interested in Brevard totaling over 700 potential jobs. Successful efforts could result in work in Brevard by companies utilizing the Space Launch Complex facilities at KSC, Space Tourism, Research and Development, KSC technologies for commercial usage, CEV avionics integration and other related industries.

With the initial financial support of the County Commission, the EDC launched a very strategic Space Initiative program of work to strengthen partnerships with key industry leaders, increase local awareness of national space industry issues, and identify new space-related development opportunities.

The EDC was instrumental in the creation of a “capture” team with participation by county, state and federal agencies, along with industry representation. This team developed a number of strategic elements intended to increase the likelihood that the competing industry teams select Florida and Brevard County as the location of choice for all or large portions of their contracted efforts. The most significant team conclusion to date has been the identification of an immediate need for approximately **\$3 million** to initiate work relative to facilities and infrastructure associated with attracting the CEV and SE&I contractors to Brevard. A direct success of this program and financial investment was the decision by Lockheed Martin to locate their Final Assembly and Checkout for the CEV at Kennedy Space Center.

One of the most discussed challenges facing the Space Coast in the coming years is the 4-year gap between the end of the Shuttle Program in 2010 and the official dawn of its replacement in 2014. NASA estimates have predicted approximately 6,400 jobs could potentially be lost between 2007 and 2010 as the Shuttle program winds down.

The following chart showcases the potential economic situation of these job cuts:

ESTIMATED ECONOMIC IMPACT OF PROPOSED KSC JOB LOSSES				
	Direct	Indirect	Induced	TOTAL
Employment	700	301	419	1,420
Labor				
Income	\$44,800,000	\$14,224,290	\$12,236,400	\$71,260,690
Output	\$210,693,460	\$48,808,770	\$37,767,010	\$297,269,240
Employment	900	387	538	1,825
Labor				
Income	\$57,600,000	\$18,288,370	\$15,732,520	\$91,620,890
Output	\$270,891,580	\$62,754,130	\$48,557,590	\$382,203,300
Employment	4,800	2,062	2,871	9,733
Labor				
Income	\$307,200,000	\$97,537,960	\$83,906,760	\$488,644,720
Output	\$1,444,755,070	\$334,688,630	\$258,973,790	\$2,038,417,490
Employment	6,400	2,750	3,828	12,978
Labor				
Income	\$409,600,000	\$130,050,620	\$111,875,680	\$651,526,300
Output	\$1,926,340,110	\$446,251,530	\$345,298,390	\$2,717,890,030

Source: Internal EDC analysis using IMPLAN econometric software.

All numbers negative; analysis assumes average annual wage of \$64,000, per EDC Space Consultants.

KSC DOWNSIZING - SPIN OFF JOB LOSSES - SAMPLE

Sector	Projected Job Loss
Restaurants / bars	683
Hospitals	247
Offices of physicians / dentists	236
Architectural / engineering services	226
Grocery stores	153
Accounting / bookkeeping services	110
Hotels / motels	64
Gas stations	32
Dry cleaning / laundry services	24

SPACE - STRATEGIC PREPARATION

The EDC has been preparing for the transition in several ways.

Our first effort on approaching the gap was to successfully recruit Lockheed Martin's CEV (Crew Exploration Vehicle) to the Space Coast. Once the bid was established, our staff, including a team of veteran space consultants, worked to convince Lockheed Martin that Brevard County was the right choice for this project. Production and assembly of the CEV and the associated engineering, assembly, administration, technical services, supplies, production, consulting, manufacturing, materials, design, maintenance, and other required activities in the supply chain will take place, or have a chance to take place, on the Space Coast for the very first time. The resources and infrastructure that will evolve as a result of CEV will establish Florida as a center for space vehicle production for the future.

We have also been working closely with the Brevard Workforce Development Board to address workforce issues as related to the shuttle transition. Efforts are underway to take a complete inventory of the existing skill mix we have now at KSC, identify those new skills and occupations that will be required under the new exploration program and establish programs that will be needed to realistically transfer existing skills to needed skills. These are well paying jobs and the entire community is working together to ensure effected workers are able to transition smoothly and continue to work in Brevard County.

The EDC is also looking to identify gaps in the local supply chain as a promotion for recruiting companies, bringing business opportunities to our local resident companies and preparing local companies for required certificates. One such program we implemented to facilitate local relationships for smaller companies is the NASA Constellation Small Business Forum, an interactive program for FHTCC (Florida High Tech Corridor Council) 8A disadvantaged businesses interested in learning about NASA Constellation program set aside manufacturing opportunities with prime contractors. The results proved beneficial with several companies making definitive business connections with large contractors they might not have otherwise been exposed to with this program.

Finally, our business development team is working a multitude of angles both nationally and internationally potentially leading to a mutually beneficial pairing for both our community and the companies involved. Although projects are confidential in manner, we are currently working on several compelling ventures. Our goal is to diversify within the space industry, in that we are looking for new opportunities that have not been present on the Space Coast in the past. With a readily accessible launch facility in our own backyard, we are working to match emerging commercial launch companies with our available resources.

One recent success story is that of SpaceX (Space Exploration Technologies), a commercial launch company based out of El Segundo, California. Officials from the EDC as well as from the state of Florida were able to assist company officials with the approval process to launch its Falcon 9 rocket from Launch Complex 40 at KSC. SpaceX has since started refurbishment of the launch complex and has opened a satellite office locally. This entire deal is a win for all parties involved and is yet another example of putting jobs in the pipeline that will offset future shifts.

INCREASED MARKETING

Since 2005, the EDC has been addressing the need for increased marketing and business recruitment activity to increase our competitive edge as identified by the new standards being seen in the economic development arena. We developed a robust national marketing campaign to “brand” our community to decision makers across the globe.

NATIONAL CAMPAIGN

The EDC launched a comprehensive two-year marketing campaign revolving around an all-encompassing theme – CONTACT. Through this campaign, the EDC increased their CONTACT with and industry leaders worldwide in an effort to increase overall awareness the opportunities for business growth and investment and the quality of our outstanding labor force.

A primary goal of the CONTACT campaign was to establish one primary point of contact for targeted industries interested in exploring the opportunities on Florida’s Space Coast.

Campaign Goals:

- To “brand” Brevard County / Florida’s Space Coast to targeted companies
- To encourage manufacturing and high tech companies outside of Brevard County to consider our community for their next investment, expansion and job creation.

LOCAL CAMPAIGN

Through this portion of the local campaign, the EDC increased their CONTACT with potential Investors, partners and members of the local business community.

Campaign Goals:

- To “brand” the EDC, it’s services and need to businesses and the community as a whole.
- To encourage local manufacturing and high tech companies to contact the EDC for assistance with their expansion plans, business development plans, etc.
- To make local companies interested in leaving the area aware of the services provided by the EDC in an effort to mitigate layoffs, etc.
- To encourage local businesses to financially support the EDC to ensure the long term sustainability of our economy and to supplement our budget.

INCREASED BUSINESS DEVELOPMENT

The addition of a Director of Business Recruitment served two purposes; in addition to a dedicated high level, experienced staff member for our recruitment efforts, our current Director of Business Retention & Expansion was able to increase the support being provided to our existing industry. This combination resulted in a significant increase in the number of projects the EDC has been managing over the past five years.

INCREASED TRADE MISSIONS

The EDC targets our efforts to promote Brevard County through staff participation in national and international trade shows, targeted trade missions, participation in Enterprise Florida Site Selection Consultant events, along with other targeted conferences where we can target potential clients and remain current in the changes occurring in our targeted industries. Increased staff participation was realized in all of these sectors.

RESULTS FROM INCREASED MARKETING

CLIENT PROJECT ACTIVITY INCREASE

As with any new program of work, results are not immediate. While not all projects lead to a company expansion or relocation, the number of client projects we manage is a direct correlation to the number of announced projects.

The following chart demonstrates the correlation between our increased marketing, trade show participation, client project activity and project announcements.

Fiscal Year	Marketing Budget	Client Projects	Company Announcements	Direct Wage Impact	Indirect Wage Impact
FY02/03	\$150,643	8	3	\$19,455,500	\$13,019,180
FY 03/04	\$168,589	6	2	\$13,992,000	\$7,506,283
FY 04/05	\$273,733	4	3	\$9,140,400	\$5,431,929
FY05/06	\$308,606	20	9	\$15,430,804	\$8,318,552
FY06/07	\$466,836	35	14	\$15,376,618	\$12,014,930

TARGETED EFFORTS LEAD TO SUCCESS

PROTECTING OUR MILITARY INSTALLATIONS FROM BRAC

With **seed money provided by the County Commission**, the EDC initiated a campaign to support our military installations. Knowing that Patrick Air Force Base and Cape Canaveral Air Force Station contributed **\$1.4 billion into the local economy in 2002** and with **13,000 Military 292 million dollars annually**, the EDC embarked on a robust agenda to protect our military installations from the Department of Defense Base Realignment and Closure (BRAC) 2005 process.

The 2005 Base Realignment and Closure recommendations were released May 13, 2005 by the Department of Defense. Although Patrick Air Force Base and Cape Canaveral Air Force Station were protected, the recommendation called for the realignment of the Naval Ordnance Test Unit (NOTU) to Kings Bay, Georgia. Knowing that the stakes were high, and **given a less than a 10% chance to overturn the recommendation**, the EDC and its committee quickly compiled data and facts to present to the BRAC Commission. The results of our efforts were realized when an 8-1 vote by the BRAC Commission was passed to **overturn the Department of Defense's recommendation** to relocate NOTU. Being able to overturn the recommendation to move the Naval Ordnance Test Unit (NOTU) out of Florida was definitely a huge win for our community and the **over 1,000 personnel, with a \$70,000 average wage, directly and indirectly supporting that mission.**

ATTRACTING LOCKHEED MARTIN POST PRODUCTION CENTER OF EXCELLENCE

Lockheed Martin Corporation chose Brevard County for the establishment of its Post Production Center of Excellence (PPCE), which will consolidate the company's Fleet Ballistic Missile (FBM) work performed for the United States Navy.

The threat of significant job losses for Brevard was great as Lockheed Martin strongly considered two additional locations, including Kings Bay, Georgia and Bangor, Washington. The EDC worked diligently on this highly competitive project with company officials, Congressman Dave Weldon's office, the Governor's Office of Tourism, Trade & Economic Development, Enterprise Florida and Brevard County Commissioners, to convince Lockheed Martin to choose Brevard County, Florida. In addition, the EDC rallied the support of local and state officials resulting in the compilation of a significant incentives package.

This project will provide 30 new jobs over the next five years with average salaries far exceeding Brevard County's average wage, this project will result in the preservation of more than 200 high-wage jobs. The project also includes a renovation of a 70,000 square-foot facility located on Cape Canaveral Air Force Station.

STAY THE COURSE

While Brevard has celebrated significant economic expansion this decade - adding almost 27,000 jobs since 2000, being named America's Best Performing Metro and experiencing GDP growth that placed us in the top 10% of all areas nationwide - clouds are gathering over the local economy. A number of issues – some national, some unique to Florida, some unique to Brevard – are conspiring to put the county in a particularly perilous situation.

The need for a proactive, aggressive economic development program has never been greater.

THE PAST FIVE YEARS

From the tech bust in 2001 and the tragedy of the Columbia disaster in 2003, Brevard reemerged as an economy of note over the past several years, with several key industries playing a disproportionate role in the progress.

Always buoyant – residential permitting activity went on a 10-year run of consecutively increasing growth starting in 1996 - Brevard's construction industry truly exploded in 2003. Local employment in the sector increased from 12,500 in early 2003 to a peak of 18,800 in mid-2006, with an average of 275 new companies joining the sector each year over the same period. Of the total 6.7% GDP growth delivered by the county in 2005 (the most recent data available), fully two percentage points were contributed by expansion in the construction industry.

Despite a well-documented decline nationally, Brevard's manufacturing sector likewise served as an agent of positive economic change, recording employment growth of 8% between 2003 and 2006 and accounting for almost one-and-a-half percentage points of that same 6.7% GDP growth. Gains in manufacturing output were undoubtedly assisted by wars in Afghanistan and Iraq, which sent defense spending spiraling in the years afterwards. Locally, the total value of military procurement in the county jumped some 62% between 2001 and 2006.

Continued population growth – Brevard gained almost 60,000 net residents between 2000 and 2007 – also meant continued expansion for Brevard's service economy in the years under review. Employment growth in the retail, education, health and tourism fields all proved least susceptible to disruption over the period.

OUTLOOK AND CHALLENGES

Entering April 2008, we have reason to be less bullish on the Brevard economy. The local unemployment rate has crept up to 5.1% from 3.9% a year prior, and 2,100 jobs have been lost in the last 12 months alone.

Admittedly, much of the difficulty is associated with an economic slowdown gripping the entire nation. Consumer confidence, and ultimately spending, is falling dramatically; in Brevard, for example, taxable sales have fallen 10% year-on-year for each of the last 2 months.

While luxury-goods providers have been the first to show the strain, it is a slowdown that will ultimately permeate all sectors and every economy in the nation. ***Brevard County has reason to fear that the unsustainability of the very drivers that contributed to recent growth will combine with existing challenges in historical anchors to place the area in a position of extreme vulnerability.***

SPACE

Much discussed the end of the Shuttle Program in 2010 poses significant challenges for the area. NASA's most recent job loss estimates – released April 1, 2008 – offer more concrete insight into the potential impact on the local economy. Approximately 6,400 positions are estimated to be eliminated by 2010, with internal EDC analyses suggesting the same again in trickle-down losses.

CONSTRUCTION

Like much of the country, Brevard's real estate boom came to a halt in late 2006. A net loss of approximately 1,800 construction jobs in the last year was by far the greatest decline of any sector and the largest contributor to Brevard's negative jobs picture today. 2,033 fewer residential building units were authorized in 2007 than in 2006 (a 41% decrease).

Against a backdrop of falling home prices (a 16% year-on-year drop in median sales price through February) and sticky sales environment (1,250 fewer sales of existing, single family homes in 2007 than in 2006), residents are likewise feeling the fallout. The highest-ever volume of foreclosure filings in Brevard was recorded in February 2008 (766); through March, the 2,189 foreclosures filed so far in 2008 already exceed the annual total for each year from 2002 through 2006.

Brevard faces a contraction in construction activity and a subsequent decrease in the sector's contribution to growth.

DEFENSE UNCERTAINTY

Brevard's military contractors – for so long the benefactors of increased defense spending – are facing a period of readjustment.

The difficulties have little, if anything, to do with current economic difficulties. Defense markets, subject to less volatility in times of economic uncertainty, are somewhat insulated from weakened retail spending and faltering consumer confidence.

Rather, the realignment has everything to do with political developments. Brevard's defense contractors are increasingly being met by widespread projections of a sustained decline in U.S. military spending and the very real possibility of political change in Washington comes January 20, 2009. Dwindling defense needs have already manifested themselves in a 5% decrease in the total value of local DoD procurement in 2006 (the most recent year available).

In the near future, we have reason to be fearful of a reversal in the manufacturing expansion of recent years.

SLOWING POPULATION GROWTH

A primary driver of demand for Florida's service economy (at 88.5% of all employment, as of February 2008), recent population growth in the state has masked some serious structural flaws, creating positive jobs reports for almost every county month after month.

That population growth is now sputtering. Brevard added just 4,200 residents in 2007, compared to over 13,000 in 2004, continuing a trend of growth deceleration in the county. From 2.6% in 2004, to 2.0% in 2005, 1.0% in 2006 and now 0.8% in 2007, Brevard's population has now grown at an increasingly slower rate since 2005. If the situation continues, the prognosis is evident. Fewer new people will be arriving each year to support local businesses; if the national economy fails to improve, they'll also be spending less money.

EXTERNAL PERCEPTIONS OF FLORIDA

Image problems plaguing the entire state continue to blight Brevard's prospects. Rising insurance costs, as well as a lingering fear of hurricanes in coastal locations, is impacting external perceptions of the area as an excellent place to do business.

Site Selection's 2007 State Business Climate Rankings places, among others, Georgia, North Carolina, Tennessee, Alabama, Kentucky and Texas all above Florida as a desirable place to locate operations. Historically, Florida has competed with other areas of the South for the same economic development targets, in light of perceived cost savings from locating in the South.

That represents a significant problem for economic developments efforts in the state. Already suffering from the fallout of a contracting economy (almost every major publication projects a decline in relocation / expansion activity in the coming years) Florida is increasingly considered less competitive for those projects which do arise.

SUMMARY OF ECONOMIC SITUATION

Brevard finds itself in an uncertain economic situation. A national slowdown and layoffs in the area's space industry loom large; the catalysts of recent growth – abnormal construction activity that is grinding to a halt, population growth that is waning, defense spending that is uncertain – are proving unsustainable; and perception of the area as a business location is being met by psychological difficulties.

CLOSING

While we are providing you with a 10% (\$157,900) budget cut scenario, we must caution you of the long-term ramifications of a decrease in the EDC's budget.

With this scenario, our community will see immediate cut-backs in key business development initiatives including the elimination of one director-level position; targeted outreach campaigns to site selection consultants across the country and decreased presence at several targeted trade shows. Each of these activities has been proven to provide economically favorable results.

The ramifications of such an action – in the form of missed opportunities to capture an increasing share of the changing space economy at its inception, lost corporate relocations and expansions that brought almost 4,200 jobs and close \$131m in new capital investment to our area over the last five years, and a waning ability to follow through on the significant pipeline of projects already in place - will prove significant.

What has also been clearly mapped out in this submission is the unquestionably positive fiscal impact these efforts have on the tax base of Brevard County. With the addition of an estimated \$5.1 million per year in local tax revenue, it is obvious the financial contribution made in the EDC is paying great dividends for both public administration and residents.

Yet economic development is about more than creating new jobs and adding to the tax base. It is about the mitigation of challenges and foresight in the face of adversity – areas in which the EDC has proven particularly adept in recent years. We fought and successfully reversed a proposal to close the Naval Ordnance Test Unit that would have seen an estimated 1,000 jobs lost from the area, and secured a major project in the CEV that will both reduce immediate job losses and put in place resources and infrastructure that will establish Florida as a center for space vehicle production for the future.

Challenges in the space industry remain to the tune of approximately \$2.7 billion over the next three years but have been joined by a series of economic issues that put Brevard in a delicate position. Now, more than ever before, is the time to invest in an organization that has shown a commitment to evolve and seek opportunity, not decrease its momentum.

This county has made significant and admirable investment in economic development in years past; in the face of massive challenges in the immediate future, it is absolutely imperative that we stay the course.

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