

## **Triumph Gulf Coast, Inc. Trust Fund Application for Funds**

Proposal Instructions: The Triumph Gulf Coast, Inc. Trust Fund Grant Application (this document) must be completed by the entity applying for the grant and signed, as applicable, by either the individual applying for funds, an individual authorized to bind the entity applying for funds, a chief elected official, the administrator for the governmental entity or their designee. Please read the Application carefully as some questions may require a separate narrative to be completed. In addition, please complete all Addendums that may be applicable to the proposed project or program.

Triumph Gulf Coast, Inc. will make awards from available funds to projects or programs that meet the priorities for economic recovery, diversification, and enhancement of the disproportionately affected counties. Triumph Gulf Coast, Inc. may make awards for:

- Ad valorem tax rate reduction within disproportionately affected counties;
- Local match requirements of s. 288.0655 for projects in the disproportionately affected counties;
- Public infrastructure projects for construction, expansion, or maintenance which are shown to enhance economic recovery, diversification, and enhancement of the disproportionately affected counties;
- Grants to local governments in the disproportionately affected counties to establish and maintain equipment and trained personnel for local action plans of response to respond to disasters, such as plans created for the Coastal Impacts Assistance Program;
- Grants to support programs that prepare students for future occupations and careers at K-20 institutions that have campuses in the disproportionately affected counties. Eligible programs include those that increase students' technology skills and knowledge; encourage industry certifications; provide rigorous, alternative pathways for students to meet high school graduation requirements; strengthen career readiness initiatives; fund high-demand programs of emphasis at the bachelor's and master's level designated by the Board of Governors; and, similar to or the same as talent retention programs created by the Chancellor of the State University System and the Commission of Education; encourage students with interest or aptitude for science, technology, engineering, mathematics, and medical disciplines to pursue postsecondary education at a state university or a Florida College System institution within the disproportionately affected counties;
- Grants to support programs that provide participants in the disproportionately affected counties with transferable, sustainable workforce skills that are not confined to a single employer; and
- Grants to the tourism entity created under s. 288.1226 for the purpose of advertising and promoting tourism and Fresh From Florida, and grants to promote workforce and infrastructure, on behalf of all of the disproportionately affected counties.

Pursuant to Florida Law, Triumph Gulf Coast, Inc. will provide priority consideration to Applications for projects or programs that:

- Generate maximum estimated economic benefits, based on tools and models not generally employed by economic input-output analyses, including cost-benefit, return-on-investment, or dynamic scoring techniques to determine how the long-term economic growth potential of the disproportionately affected counties may be enhanced by the investment.
- Increase household income in the disproportionately affected counties above national average household income.
- Leverage or further enhance key regional assets, including educational institutions, research facilities, and military bases.
- Partner with local governments to provide funds, infrastructure, land, or other assistance for the project.
- Benefit the environment, in addition to the economy.
- Provide outcome measures.
- Partner with K-20 educational institutions or school districts located within the disproportionately affected counties as of January 1, 2017.
- Are recommended by the board of county commissioners of the county in which the project or program will be located.
- Partner with convention and visitor bureaus, tourist development councils, or chambers of commerce located within the disproportionately affected counties.

Additionally, the Board of Triumph Gulf Coast, Inc. may provide discretionary priority to consideration of Applications for projects and programs that:

- Are considered transformational for the future of the Northwest Florida region.
- May be consummated quickly and efficiently.
- Promote net-new jobs in the private sector with an income above regional average household income.
- Align with Northwest Florida FORWARD, the regional strategic initiative for Northwest Florida economic transformation.
- Create net-new jobs in targeted industries to include: aerospace and defense, financial services/shared services, water transportation, artificial intelligence, cybersecurity, information technology, manufacturing, and robotics.
- Promote industry cluster impact for unique targeted industries.
- Create net-new jobs with wages above national average wage (*e.g.*, similar to EFI QTI program, measured on graduated scale).
- Are located in Rural Area of Opportunity as defined by the State of Florida (DEO).
- Provide a wider regional impact versus solely local impact.
- Align with other similar programs across the regions for greater regional impact, and not be duplicative of other existing projects or programs.
- Enhance research and innovative technologies in the region.
- Enhance a targeted industry cluster or create a Center of Excellence unique to Northwest Florida.

- Create a unique asset in the region that can be leveraged for regional growth of targeted industries.
- Demonstrate long-term financial sustainability following Triumph Gulf Coast, Inc. funding.
- Leverage funding from other government and private entity sources.
- Provide local investment and spending.
- Are supported by more than one governmental entity and/or private sector companies, in particular proposed projects or programs supported by more than one county in the region.
- Provide clear performance metrics over duration of project or program.
- Include deliverables-based payment system dependent upon achievement of interim performance metrics.
- Provide capacity building support for regional economic growth.
- Are environmentally conscious and business focused.
- Include Applicant and selected partners/vendors located in Northwest Florida.

Applications will be evaluated and scored based on compliance with the statutory requirements of the Triumph Gulf Coast legislation, including but not limited to the priorities identified therein and the geographic region served by the proposed project or program.

**Applicant Information**

Name of Individual (if applying in individual capacity): \_\_\_\_\_

Name of Entity/Organization: City of Panama City, Florida

Background of Applicant Individual/Entity/Organization: Please see attached  
(If additional space is needed, please attach a Word document with your entire answer.)

Federal Employer Identification Number: 59-6000404

Contact Information:

Primary Contact Information: Nevin Zimmerman, Esq.

Title: Counsel

Mailing Address: 221 McKenzie Avenue, Panama City, FL 32401

Phone: 850-769-1414

Email: nzimmerman@pcgov.org

Website: http://www.pcgov.org

Identify any co-applicants, partners, or other entities or organizations that will have a role in the proposed project or program and such partners proposed roles.

Eastern Shipbuilding Group, Inc., Bay District Schools, FL. Dept. Of Transportation;

Bay County Commission; United States Maritime Administration. See attached for additional details.

(If additional space is needed, please attach a Word document with your entire answer.)

Total amount of funding requested from Triumph Gulf Coast: \$20,025,000.00

Has the applicant in the past requested or applied for funds for all or part of the proposed project/program?

☒ Yes

If yes, please provide detailed information concerning the prior request for funding, including:

- the date the request/application for funding was made;
- the source to which the request/application for funding was made,
- the results of the request/application for funding, and
- projected or realized results and/or outcomes from prior funding.

Please see attached

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(If additional space is needed, please attach a Word document with your entire answer.)

Describe the financial status of the applicant and any co-applicants or partners:

**Panama City:** <https://www.pcgov.org/ArchiveCenter/ViewFile/Item/348> ;

**Bay District Schools:** <http://www.bay.k12.fl.us/uploads/Annual%20Financial%20Report%202017-2018.pdf> .

**Eastern Shipbuilding Group** is available to demonstrate its financial status to a qualified agent of the Triumph Board of Directors in a confidential setting. Eastern is not willing to make its financial statements a matter of public record.

In a separate attachment, please provide financial statements or information that details the financial status of the applicant and any co-applicants or partners.

Has the applicant or any co-applicants, partners or any associated or affiliated entities or individuals filed for bankruptcy in the last ten (10) years?

☒ No

If yes, please identify the entity or individual that filed for bankruptcy and the date of filing.

Not Applicable

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(If additional space is needed, please attach a Word document with your entire answer.)

## **Eligibility**

Pursuant to Section 288.8017, Triumph Gulf Coast, Inc. was created to make awards from available funds to projects or programs that meet the priorities for economic recovery, diversification, and enhancement of the disproportionately affected counties. The disproportionately affected counties are: Bay County, Escambia County, Franklin County, Gulf County, Okaloosa County, Santa Rosa County, Walton County, or Wakulla County. *See*, Section 288.08012.

Please See attached

1. From the choices below, please check the box that describes the purpose of the proposed project or program (check all that apply):
  - ( ) Ad valorem tax rate reduction within disproportionately affected counties; Local match requirements of s. 288.0655 for projects in the disproportionately affected counties;
  - (X) Public infrastructure projects for construction, expansion, or maintenance which are shown to enhance economic recovery, diversification, and enhancement of the disproportionately affected counties;
  - ( ) Grants to local governments in the disproportionately affected counties to establish and maintain equipment and trained personnel for local action plans of response to respond to disasters, such as plans created for the Coastal Impacts Assistance Program;
  - (X) Grants to support programs that prepare students for future occupations and careers at K-20 institutions that have campuses in the disproportionately affected counties. Eligible programs include those that increase students' technology skills and knowledge; encourage industry certifications; provide rigorous, alternative pathways for students to meet high school graduation requirements; strengthen career readiness initiatives; fund high-demand programs of emphasis at the bachelor's and master's level designated by the Board of Governors; and, similar to or the same as talent retention programs created by the Chancellor of the State University System and the Commission of Education, encourage students with interest or aptitude for science, technology, engineering, mathematics, and medical disciplines to pursue postsecondary education at a state university or a Florida College System institution within the disproportionately affected counties;
  - (X) Grants to support programs that provide participants in the disproportionately affected counties with transferable, sustainable workforce skills that are not confined to a single employer; and
  - ( ) Grants to the tourism entity created under s. 288.1226 for the purpose of advertising and promoting tourism and Fresh From Florida, and grants to promote workforce and infrastructure, on behalf of all of the disproportionately affected counties.

2. Provide the title and a detailed description of the proposed project or program, including the location of the proposed project or program, a detailed description of, and quantitative evidence demonstrating how the proposed project or program will promote economic recovery, diversification, and enhancement of the disproportionately affected counties, a proposed timeline for the proposed project or program, and the disproportionately affected counties that will be impacted by the proposed project or program.

Please see Attached.

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(If additional space is needed, please attach a Word document with your entire answer.)

3. Explain how the proposed project or program is considered transformational and how it will effect the disproportionately affected counties in the next ten (10) years.

Please see Attached

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(If additional space is needed, please attach a Word document with your entire answer.)

4. Describe data or information available to demonstrate the viability of the proposed project or program.

Please see attached

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(If additional space is needed, please attach a Word document with your entire answer.)

5. Describe how the impacts to the disproportionately affected counties will be measured long term.

Please see attached

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(If additional space is needed, please attach a Word document with your entire answer.)

6. Describe how the proposed project or program is sustainable. (Note: Sustainable means how the proposed project or program will remain financially viable and continue to perform in the long-term after Triumph Gulf Coast, Inc. funding.)

Please see attached.

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(If additional space is needed, please attach a Word document with your entire answer.)

7. Describe how the deliverables for the proposed project or program will be measured.

Please see attached

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(If additional space is needed, please attach a Word document with your entire answer.)

### **Priorities**

1. Please check the box if the proposed project or program will meet any of the following priorities (check all that apply):

- ☐ Generate maximum estimated economic benefits, based on tools and models not generally employed by economic input-output analyses, including cost-benefit, return-on-investment, or dynamic scoring techniques to determine how the long-

term economic growth potential of the disproportionately affected counties may be enhanced by the investment.

Increase household income in the disproportionately affected counties above national average household income.

- ☒ Leverage or further enhance key regional assets, including educational institutions, research facilities, and military bases.

Partner with local governments to provide funds, infrastructure, land, or other assistance for the project.

Benefit the environment, in addition to the economy.

Provide outcome measures.

Partner with K-20 educational institutions or school districts located within the disproportionately affected counties as of January 1, 2017.

- ☒ Are recommended by the board of county commissioners of the county in which the project or program will be located.

Partner with convention and visitor bureaus, tourist development councils, or chambers of commerce located within the disproportionately affected counties.

2. Please explain how the proposed project meets the priorities identified above.

Please see attached. Please also see the Economic Impact Study Report from the Haas Center a copy of which is enclosed with this application.

3. Please explain how the proposed project or program meets the discretionary priorities identified by the Board.

Please see attached.

(If additional space is needed, please attach a Word document with your entire answer.)

4. In which of the eight disproportionately affected county/counties is the proposed project or program located? (Circle all that apply)

Bay

5. Was this proposed project or program on a list of proposed projects and programs submitted to Triumph Gulf Coast, Inc., by one (or more) of the eight disproportionately affected Counties as a project and program located within its county?

☒ Yes

If yes, list all Counties that apply: Bay County

6. Does the Board of County Commissioners for each County listed in response to question 5, above, recommend this project or program to Triumph?

☒ Yes

**\*\*Please attach proof of recommendation(s) from each County identified.**



### **Approvals and Authority**

1. If the Applicant is awarded grant funds based on this proposal, what approvals must be obtained before Applicant can execute an agreement with Triumph Gulf Coast, Inc.?  
No special approvals are required. The applicant has full authority to sign an agreement.  

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(If additional space is needed, please attach a Word document with your entire answer.)
2. If approval of a board, commission, council or other group is needed prior to execution of an agreement between the entity and Triumph Gulf Coast:
  - A. Provide the schedule of upcoming meetings for the group for a period of at least six months.
  - B. State whether that group can hold special meetings, and if so, upon how many days' notice.Not Applicable  

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(If additional space is needed, please attach a Word document with your entire answer.)
3. Describe the timeline for the proposed project or program if an award of funding is approved, including milestones that will be achieved following an award through completion of the proposed project or program.  
Please see attached under caption "**Funding and Budget-Project/Program Budget Narrative**"  

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(If additional space is needed, please attach a Word document with your entire answer.)
4. Attach evidence that the undersigned has all necessary authority to execute this proposal on behalf of the entity applying for funding. This evidence may take a variety of forms, including but not limited to: a delegation of authority, citation to relevant laws or codes, policy documents, etc. In addition, please attach any support letters from partners.

### **Funding and Budget:**

Pursuant to Section 288.8017, awards may not be used to finance 100 percent of any project or program. An awardee may not receive all of the funds available in any given year.

1. Identify the amount of funding sought from Triumph Gulf Coast, Inc. and the time period over which funding is requested.  
\$20,000,025.00: expended approximately during 2019 through the first quarter of 2021  

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(If additional space is needed, please attach a Word document with your entire answer.)
2. What percentage of total program or project costs does the requested award from Triumph Gulf Coast, Inc. represent? (Please note that an award of funding will be for a defined monetary amount and will not be based on percentage of projected project costs.)  
Approximately 29%  

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(If additional space is needed, please attach a Word document with your entire answer.)
3. Please describe the types and number of jobs expected from the proposed project or

program and the expected average wage.  
Please see attached

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(If additional space is needed, please attach a Word document with your entire answer.)

4. Does the potential award supplement but not supplant existing funding sources? If yes, describe how the potential award supplements existing funding sources.

☒ Yes

Please see attached

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(If additional space is needed, please attach a Word document with your entire answer.)

5. Please provide a Project/Program Budget. Include all applicable costs and other funding sources available to support the proposal.

Please see attached.

Note: ~~The total amount requested must equal the difference between the costs in 3.A. and the other project funding sources in 3.B.~~

- C. Provide a detailed budget narrative, including the timing and steps necessary to obtain the funding and any other pertinent budget-related information.

Please see attached

(If additional space is needed, please attach a Word document with your entire answer.)

Applicant understands that the Triumph Gulf Coast, Inc. statute requires that the award contract must include provisions requiring a performance report on the contracted activities, must account for the proper use of funds provided under the contract, and must include provisions for recovery of awards in the event the award was based upon fraudulent information or the awardee is not meeting the performance requirements of the award.

☒ Yes

Applicant understands that awardees must regularly report to Triumph Gulf Coast, Inc. the expenditure of funds and the status of the project or program on a schedule determined by Triumph Gulf Coast, Inc.

☒ Yes

Applicant acknowledges that Applicant and any co-Applicants will make books and records and other financial data available to Triumph Gulf Coast, Inc. as necessary to measure and confirm performance metrics and deliverables.

☒ Yes

Applicant acknowledges that Triumph Gulf Coast, Inc. reserves the right to request additional

information from Applicant concerning the proposed project or program.

☒ Yes

### **ADDENDUM FOR INFRASTRUCTURE PROPOSALS:**

#### **1. Program Requirements**

Please see Attached

A. Is the infrastructure owned by the public?

☒ Yes

B. Is the infrastructure for public use or does it predominately benefit the public?

☒ Yes ☐

C. Will the public infrastructure improvements be for the exclusive benefit of any single company, corporation or business entity?

☒ Yes ☒ No

D. Provide a detailed explanation of how the public infrastructure improvements will connect to a broader economic development vision for the community and benefit additional current and future businesses.

Please see attached.

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(If additional space is needed, please attach a Word document with your entire answer.)

E. Provide a detailed description of, and quantitative evidence demonstrating how the proposed public infrastructure project will promote:

- o Economic recovery,
- o Economic Diversification,
- o Enhancement of the disproportionately affected counties,
- o Enhancement of a Targeted Industry.

Please see attached.

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(If additional space is needed, please attach a Word document with your entire answer.)

#### **2. Additional Information**

A. Is this project an expansion of existing infrastructure project?

☒ Yes

B. Provide the proposed beginning commencement date and number of days required to complete construction of the infrastructure project. Initial phases of the project commenced in early 2018 and earlier. Some phases of the project will be completed in 2019 and others over the several years that follow. Please see attached under caption "Funding and Budget-Project/Program Budget Narrative".

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(If additional space is needed, please attach a Word document with your entire answer.)

- C. What is the location of the public infrastructure? (Provide the road number, if applicable.)

The Project location is 2200 Nelson St. Panama City, FL and nearby Watson Bayou.

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(If additional space is needed, please attach a Word document with your entire answer.)

- D. Who is responsible for maintenance and upkeep? (Indicate if more than one are applicable.)

Eastern Shipbuilding Group, Inc.

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(If additional space is needed, please attach a Word document with your entire answer.)

- E. What permits are necessary for the infrastructure project?

Local building permits. Dredging permits from FL Department of Environmental Protection and US Army Corps of Engineers

(If additional space is needed, please attach a Word document with your entire answer.)

Detail whether required permits have been secured, and if not, detail the timeline for securing these permits. Additionally, if any required permits are local permits, will these permits be prioritized?

All permits have been applied for and are expected to be issued as needed by the Project Schedule. State permits have been obtained and federal permits are expected by the first quarter of 2019.

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(If additional space is needed, please attach a Word document with your entire answer.)

- F. What is the future land use and zoning designation on the proposed site of the Infrastructure improvement, and will the improvements conform to those uses?

The current zoning is Industrial and the project will conform.

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(If additional space is needed, please attach a Word document with your entire answer.)

- G. Will an amendment to the local comprehensive plan or a development order be required on the site of the proposed project or on adjacent property to accommodate the infrastructure and potential current or future job creation opportunities? If yes, please detail the timeline.

☒ No

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(If additional space is needed, please attach a Word document with your entire answer.)

- H. Does this project have a local match amount? If yes, please describe the entity providing the match and the amount.

☒ Yes

Please see attached under caption “**Funding and Budget- Supplement to Existing Funding**”

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(If additional space is needed, please attach a Word document with your entire answer.)

- I. Provide any additional information or attachments to be considered for this proposal.

Please see enclosed Haas Center Economic Impact Study Report

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(If additional space is needed, please attach a Word document with your entire answer.)

I, the undersigned, do hereby certify that I have express authority to sign this proposal on my behalf or on behalf of the above-described entity, organization, or governmental entity:

Name of Applicant: City of Panama City, Florida

Name and Title of Authorized Representative: Nevin Zimmerman, Esq.

Representative Signature: Nevin Zimmerman, City Attorney

Signature Date: February 19, 2019

## **ADDENDUM TO APPLICATION 185**

### **City of Panama City Industrial Complex**

**Introduction.** Panama City (PC) has an industrial complex and seeks to increase employment opportunities. PC and Eastern (ESG) propose a public/private partnership which will enable ESG to directly employ nearly 900 employees in the manufacture, launch and outfitting of ten to twenty-five United States Coast Guard (USCG) Offshore Patrol Cutters (OPC) at its shipyards in PC (Project). Following launches, vessels will be outfitted in the PC Nelson Street yard (ESGNS) which will be used exclusively for manufacturing of government vessels in order to consolidate and better achieve and maintain federal government standards for construction of military vessels on a competitive basis with other government shipyards. PC will be responsible for shipbuilding infrastructure construction and ESG will lease those improvements from PC for a 20-year term at market value. Bay District Schools and ESG will be responsible for workforce training at Rutherford High School and ESGNS.

The amount and identity of other sources of funds for the proposed project or program: PC has maintained Watson Bayou depths for industrial, commercial and residential use as well as invested in transportation infrastructure that services the industrial complex and ESGNS. Eastern has invested, according to 2017 appraised values of the Bay County Property Appraiser's office, over \$11.7M in real estate and tens of millions of dollars in equipment. Additionally, ESG has expended over \$10M in unreimbursed costs over the past 5 years in a national competition for the OPC contract award. In 2016 Eastern applied for and was granted funding in the amount of \$529,868 by the United States Maritime Administration ("MARAD") which was used to help offset the cost of acquiring state of the art precision steel and aluminum cutting machinery to be used in constructing the OPC's. Eastern is in the process of applying for additional grants from MARAD to support the OPC program. The Florida Legislature appropriated in 2017 \$9.5M for shipbuilding infrastructure and dredging. In 2017 the Bay County Commission granted equipment tax exemptions totaling \$834,404. USCG will be investing approximately \$2.38B in the initial construction phase and approximately \$8.12B in the final phase.

2. Beginning in 2011 Eastern embarked on a bold initiative to enter the competition for a United States Coast Guard ("USCG") contract to design and construct up to 25 Offshore Patrol Cutters ("OPC's"). Initially, USCG officials tried to dissuade Eastern from entering the competition because developing a proposal would be very expensive for Eastern and because Eastern would be competing with preferred shipyards which had already been established as part of the Government's preferred shipbuilding industrial base.

Undaunted, Eastern knew that its superior efficiencies and proven performance could meet the USCG's "affordability" objective. In 2016, after a very expensive and intense five year down select competitive process, the US Coast Guard awarded its largest ever vessel procurement contract to Eastern. The contract is to construct a series of 9 OPC vessels over 10 years but the USCG's official procurement plan is to construct at least 25 OPC vessels over 20 years.

In support of Eastern's efforts, Bay District Schools obtained approximately \$1,500,000.00 in legislative appropriations for welding programs. The Haney program enrollment is in August, October and January of each year for a 1,050 hour instructional completion. The program

mission is a planned sequence of courses leading to three occupational completion points. This program offers a broad foundation of knowledge and skills to prepare students for employment in the welding industry. The content includes, but is not limited to: planning, management, technical and product skills, underlying principles of technology, labor issues, community issues and health, safety and environmental issues. Students complete items using gas, shielded metal arc and tungsten welding. These courses are followed by 750 hours of advanced welding courses which provide for additional certifications. Basic welding courses will be offered to Rutherford High School students upon completion of a dedicated training facility on Rutherford's campus. Students will also be trained onsite at Eastern's Nelson Street shipyard.

The City of Panama City has joined the Port of Panama City, Bay County Board of County Commissioners and the Florida Department of Transportation in replacing the East Avenue bridge that is located within the industrial complex. Upon completion of the bridge replacement, the City of Panama City has agreed to take responsibility for operation and maintenance of the bridge. The bridge enables constant daily access from Eastern's Nelson Street yard to its outfitting facility located at Pier 1, adjacent to WestRock and the Panama City Port's Eastern Terminal bulkhead and warehouse.

After the contract for the initial 9 vessels is fulfilled, the USCG can re-open the OPC program to allow other shipyards to compete with Eastern to construct the remaining 16 vessels. In order to ward off the competition, win the award for the next 16 vessels, and ensure that OPC jobs stay in our local economy for 20 years, it is vitally important that Eastern establish its shipyard as part of the Government's shipbuilding defense industrial base.

Federal law requires the Department of Defense to annually evaluate and issue a report to Congress on the status and capabilities of the nation's defense industrial base which is essentially a partnership of private industries and contractors, Government entities, non-profit research entities and public and private universities. "The mission of the manufacturing and industrial base policy is to monitor, preserve, and enhance the national security industrial base of the United States."<sup>1</sup>

In its annual report to Congress for Fiscal Year 2017 (Released in March 2018) the Department of Defense noted that there are relatively few shipyards in the U.S. shipbuilding defense industrial base. The report stated that the "shipbuilding defense industrial base consists primarily of seven shipyards owned by four companies and their suppliers." None of those shipyards are in Florida and all of them compete for Government contracts, including the OPC contract. The Report indicated that while the shipbuilding sector remained stable during fiscal year 2017, the number of domestic shipyards has declined over the last two decades, the increase in Government ship construction demand will strain the current U.S. shipbuilding sector, and that, "one of the challenges for the Department of Defense is to maintain a healthy industrial base capable of supporting the fleet growth." This is accomplished in part by Government decisions to single or

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<sup>1</sup> Honorable Rick Larsen: HEARING BEFORE THE PANEL ON BUSINESS CHALLENGES WITHIN THE DEFENSE INDUSTRY OF THE COMMITTEE ON ARMED SERVICES HOUSE OF REPRESENTATIVES ONE HUNDRED TWELFTH CONGRESS FIRST SESSION



sole source ship construction projects to those limited number of shipyards comprising the defense industrial base in order to ensure that their financial health and long term capabilities remain intact as a matter of national security.

From a shipbuilder's perspective, the only way to become a part of the Government's preferred defense industrial base is to dedicate shipyard facilities exclusively to the Government's shipbuilding needs and invest capital into shipyard infrastructure that is uniquely tailored to the Government's shipbuilding needs. In essence, the shipyard commits its facilities and capital exclusively to the Government's ship construction needs in order to maintain the construction capability needed for national security. In exchange, the Government commits to make Government ship procurement decisions in a manner that preserves the stability and resiliency of the shipbuilding defense industrial base, also for the purpose of meeting national security needs.

While it is not contractually required to do so, and while Eastern could preserve its capital and complete the OPC contract with less cost, Eastern is dedicating its Nelson Facility exclusively to USCG's OPC program and is making state-of-the-art shipyard improvements to increase production efficiencies for meeting the unique requirements of the OPC and other potential Government shipbuilding programs. By doing so, Eastern can establish its shipyard as the single best location to construct the OPC's and significantly enhance its competitive position to win the award for the next 16 OPC vessels.

Eastern therefore made the decision to dedicate its Nelson Street shipyard facility exclusively to Government shipbuilding, starting with the OPC contract under which the yard will construct public assets for the public purpose of national defense. The dedication and improvement of this private facility to this public purpose is expected to last a minimum of 20 years and is the first critical step to establishing Eastern as a member of the Government's shipbuilding defense industrial base. Given the local region's existing presence and support for national defense, the addition of a government shipbuilding facility will strengthen that presence and support even further, thereby facilitating the region's long-term job growth and stability. ESG will manufacture OPC's designed to conduct multiple missions in support of US maritime security and border protection.

**3. Explain how the proposed project or program is considered transformational and how it will effect the disproportionately affected counties in the next ten (10) years.** UWF's Haas Center conducted an economic impact study of the USCG contract awarded to ESG. ESG expects that to fulfill the initial 9 vessel contract, it will directly employ 900-1,000 workers at its peak prior to 2024. The Haas Center estimates that the initial contract will directly and indirectly support over 10,000 full and part time workers in Bay County from 2016 to 2024, which will add \$690 million of personal income for the region. This amounts to \$1.9 billion in total output and a \$940 million increase in the local Gross Domestic Product over this period.

Direct employees will include welders, cutters, shipfitters, plumbers, pipefitters, first-line supervisors of production, operating workers, electricians, mechanical engineers, painters, carpenters, mechanical drafters, construction and related workers, labor helpers, engineering technicians, machinists, construction, maintenance, repair workers, and electronics engineers.

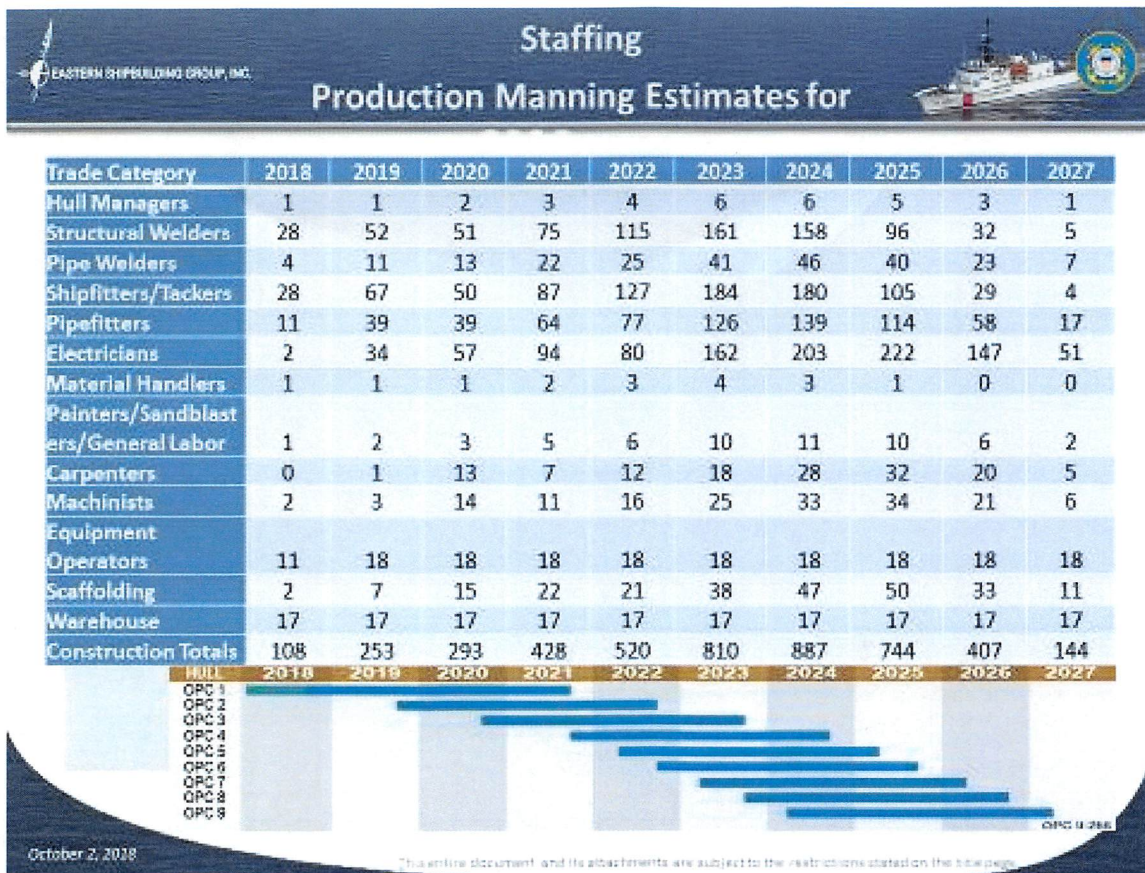
Additionally, sophisticated subcontractors and vendors for state-of-the-art advanced navigation, weapons, propulsion, and communications systems will have a permanent local presence during construction, warranty and repair of these USCG vessels. These elite companies will be available for other missions of ESG, defense contractors and other businesses in or attracted by our region. Based on historic data, employees will commute from inside and outside of Bay County.

**4. Describe data or information available to demonstrate the viability of the proposed project or program.** The Project is supported by a number of public-private partnerships. While the project entails improvement of a shipbuilding facility with private and public capital, as well as the dredging of public waterways, both the facility and the improvements will be dedicated exclusively for 20 years or more to public purpose, namely the construction of Government-owned vessels to support national defense.

The City of Panama City supports an industrial complex which has existed on Watson Bayou for over 80 years. A congressionally designated navigational channel extends from the mouth of Watson Bayou at St. Andrews Bay to U.S. 98. Along the channel, various industrial and commercial uses gain access to the Intracoastal Waterway and the Gulf of Mexico. Recently, the Port of Panama City expanded its eastern terminal with the purchase of WestRock's bulkhead and the construction of new warehousing facilities. In addition to Watson Bayou's navigational channel, the Intracoastal Waterway, rail services and US 98 provide multimodal opportunities to the industrial complex.

Bay District Schools has historically provided workforce training support of this complex and, in 2017, received legislative appropriations to expand and improve its welding programs at Haney Vocational-Technical School as well as Rutherford High School in support of Eastern's OPC project. Eastern has previously committed to providing technical and instructional assistance to Bay District's programs at these schools.

**5. Describe how the impacts to the disproportionately affected counties will be measured long term.** Direct employees hired by eastern to perform the OPC contract will include welders, ship-fitters, pipefitters, first-line supervisors of production, operating workers, electricians, mechanical engineers, painters, carpenters, mechanical drafters, construction and related workers, helpers (production workers, freight, stock, and material movers, hand laborers), engineering technicians, machinists, construction workers, maintenance and repair workers, and electronics engineers. Direct employees will learn transferable, sustainable workforce skills, and gain certifications in their respective trades which are valuable across multiple industries. Below is a chart of the expected number of jobs in each construction job category throughout construction of OPC's 1 through 9:



All of these jobs are expected to earn above minimum wage with the vast majority being compensated at hourly rates of \$11.50 to \$22.50 or more. Annual gross compensation for such jobs will range between \$22,000.00 and \$60,000 or more plus benefits. Below is a chart of the various ship construction job categories and the wage range for each:

**Shipfitter, Structural Welder, & Pipefitter Trainees**

<u>Class/Level</u>	<u>Trng Start Rate</u>	<u>Trng Completion Rate</u>
Trainee	\$10.50/hr.	\$12.00/hr.

**General Labor**

<u>Class/Level</u>	<u>Experience Level</u>	<u>Minimum Rate</u>	<u>Maximum Rate</u>
Helper	0 – 24+ months	\$11.50/hr.	\$14.50/hr.

**Warehouse/Tool Room/Housekeeping**

<u>Class/Level</u>	<u>Experience Level</u>	<u>Minimum Rate</u>	<u>Maximum Rate</u>
Helper – 1 <sup>st</sup> Class	0 – 36+ months	\$11.50/hr.	\$18.50/hr.

**Craft Helpers**

<u>Class/Level</u>	<u>Experience Level</u>	<u>Minimum Rate</u>	<u>Maximum Rate</u>
Helper	0 – 24+ months	\$11.50/hr.	\$12.75/hr.

**Safety & Environmental Reps, OA Inspectors, Shipfitters, Structural & Pipe Welders, Equipment Operators, Pipefitters, Material Processing, Inside & Outside Machinists, Electricians, Painters/Sandblasters, Carpenters, and Mechanics**

<u>Class/Level</u>	<u>Experience Level</u>	<u>Minimum Rate</u>	<u>Maximum Rate</u>
3 <sup>rd</sup> Class	12 – 24 months	\$13.00/hr.	\$15.50/hr.
2 <sup>nd</sup> Class	24 – 36 months	\$15.75/hr.	\$18.00/hr.
1 <sup>st</sup> Class	36+ months	\$18.25/hr.	\$22.50/hr.

**Supervisors & Foreman**

<u>Class/Level</u>	<u>Minimum Rate</u>	<u>Maximum Rate</u>
Supervisor	\$22.75/hr.	\$25.50/hr.
Foreman	\$25.75/hr.	\$29.00/hr.

In addition, Eastern provides an attractive fringe benefits package to its employees. Eastern pays 100% of medical, dental, and group life insurance for its full time employees and pays 65-75% of

an employee's dependent coverage. Eastern offers participation in a 401(k) retirement plan that includes formula matching contributions by the employer. Eastern also provides paid vacation and paid holidays, including paid time off for the employee's birthday.

It should also be noted that in addition to the above construction jobs, Eastern will also directly employ approximately 70 full time personnel in Eastern's OPC Project Management Office and the United States Coast Guard will itself station approximately 90 full time Coast Guardsmen at the Coast Guard's Project Resident Office located at the shipyard. Together these add approximately 160 full time non-construction personnel directly supporting the OPC program.

Through a combination of internal employment records and those filed periodically with the State of Florida throughout each year, Eastern will be able to objectively demonstrate the economic impact of the created and maintained jobs.

**6. Describe how the proposed project or program is sustainable. (Note: Sustainable means how the proposed project or program will remain financially viable and continue to perform in the long-term after Triumph Gulf Coast, Inc. funding.)** The Federal Government does not build its own national security and defense vessels and does not own or operate industrial facilities for that purpose. Rather it turns to private contractors and relies on the nation's privately-owned shipbuilding industrial base. Additionally, the USCG plans to acquire a total of 25 OPC's. If ESG is awarded a contract for the additional 16 OPC's, ESG would need to directly employ an average of approximately 900-1,000 workers per year through 2032 with work extending through 2035. The Haas Center estimates that such an award would indirectly and directly support another 19,000 jobs in the region over this period, bringing the total jobs impact to 29,933 from 2016 to 2035. The total personal income over this period would be \$2.9 billion with an increase in Gross Domestic Product of \$3.0 billion. In order to be competitive and increase the probability of winning the award for the additional 16 vessels, PC and ESG are making significant investment in shipyard infrastructure at ESGNS and will devote that facility exclusively to the OPC and other government shipbuilding programs so that ESGNS becomes part of the Government's preferred defense industrial base.

**7. Describe how the deliverables for the proposed project or program will be measured.** ESG will create 900 full-time equivalent employees specific to the USCG OPC Project. For this purpose, one FTE is equal to 2080 man-hours/year. The beginning date for the job maintenance period will be the earlier of these two events: (1) ESG cuts steel and begins work on assembly of the ship that will be offshore patrol cutter ("OPC") 10, or (2) ESG delivers OPC 9 to the United States Coast Guard ("USCG"). The end of the job maintenance period shall be 3 years after the earlier of two events: (1) ESG delivers OPC 9 to USCG or (2) ESG cuts steel and begins work on assembly of the ship that will be OPC 10.

#### **Addendum for Infrastructure Proposals:**

##### **1. A. Panama City's Real Property Interests**

Eastern will grant to Panama City a temporary non-exclusive easement for the purpose of providing ingress and egress for construction crews, equipment and building supplies upon, over,

under and across the area owned and/or leased by Eastern at the Nelson Street shipyard. The Construction Easement shall be used for the sole purpose of construction staging, ingress and egress to the Public Infrastructure Easement. The Public Infrastructure Easement shall be used for the sole purpose of constructing, owning, and operating the aforesaid public infrastructure improvements with a term of 20 years starting in 2019. The Construction Easement and Public Infrastructure Easement herein granted are each subject to covenants, restrictions, easements, liens and encumbrances of record. The Construction Easement shall terminate immediately and without requirement of further action upon the earlier of: (a) Final Acceptance of the Upland Improvements as described in that certain Comprehensive Agreement for Shipbuilding Infrastructure Development by and between Eastern and the City of Panama City; or (b) delivery by Eastern of written notice of termination to Panama City. The Public Infrastructure Easement will terminate and be of no further force or effect without requirement of further action immediately upon the Expiration Date as stated in the Comprehensive Agreement.

### **5.C. Funding and Budget-Project/Program Budget Narrative**

A number of public entities recognize the public benefit of this project and have established public-private partnerships with Eastern to support the project, invest funds in the project, and otherwise partner with Eastern to complete the project.

The 2017 Florida legislature appropriated \$9.5 Million of public funds for construction of shipbuilding infrastructure on private property and related dredging in Bay County in direct support of the Offshore Patrol Cutter program. In addition to support from the State Legislature, the Florida Department of Transportation and the County Commission of Bay County has entered into partnering agreements with Eastern in support of Eastern's OPC program. The above appropriated funds are being administered through a grant from the Florida Department of Transportation to the Bay County Commission. The Florida Department of Transportation and the Bay County Commission has entered into a Joint Participation Agreement. The Bay County Commission entered into a Sub-Recipient Agreement with Eastern to assist Eastern in executing these projects and administering the grants.

In 2016 Eastern applied for and was granted funding in the amount of \$529,868 by the United States Maritime Administration ("MARAD") which was used to help offset the cost of acquiring precision steel and aluminum cutting machinery to be used in constructing the OPC's. Eastern is in the process of applying for additional grants from MARAD to support the OPC program.

In connection with the dredging portions of the project, Bay County has agreed to absorb \$450,000 of expense for disposal of dredged material. Eastern and Bay County are continuing discussions and Bay County may agree to absorb more cost depending on final dredge spoil test results, commercial value, and approval by the Bay County Commission. Further, the City of Panama City has agreed to contribute a portion of its riparian rights adjacent to City-owned land on Watson Bayou for a perpetual Conservation Easement in Watson Bayou in order to offset some of the environmental impact from the project's dredging activities.

Specifically, the project consists of dedicating Eastern's Nelson Facility exclusively to the OPC

program, constructing and expanding its shipbuilding infrastructure, and dredging adjacent public waterways all for the purposes of: 1) establishing a recognized and preferred Government shipbuilding industrial base in the geography of the disproportionately affected counties; and 2) significantly enhancing Eastern's competitive edge to win the award to construct the 10th through the 25th OPC in order to meet the priorities for economic recovery, diversification, and enhancement of the disproportionately affected counties and sustain that economic growth over the next 20 years.

### **PROJECT DETAILS**

The specific items and their estimated costs which comprise the project, along with the funding source for each item are detailed below:

#### **PANAMA CITY EAST AVENUE BRIDGE IMPROVEMENTS**

The East Avenue Bridge is funded by multiple sources including the ½ cent infrastructure surtax. The estimated cost of the bridge is \$5 million of which \$4 million will be paid by the Florida Department of Transportation and \$1 million will be paid with local funds from Bay County, Panama City, the Port of Panama City and RockTenn. Construction is scheduled to be completed by 2023.

#### **PANAMA CITY SEAGRASS TRANSPLANTATION**

At its regular meeting on February 12, 2019, the Panama City Commission approved a perpetual Conservation Easement with the Florida Department of Environmental Protection and United States Army Corps of Engineers related to Watson Bayou seagrasses. The City's commitment is beneficial to its industrial complex, particularly for Eastern Shipbuilding and the Panama City Port Eastern Terminal projects. The seagrass project is scheduled to be completed prior to the end of the 2021 growing season.

#### **BAY DISTRICT SCHOOLS**

Haney Vo-Tech began its enhanced welding courses at the beginning of the 2018-2019 school year. Rutherford High School's welding program implementation has been delayed due to Hurricane Michael damage to the Rutherford High School campus. Full implementation at Rutherford is scheduled for August 2019 unless campus reconstruction is delayed due to state and federal Hurricane Michael recovery funding delays. Eastern has completed Hurricane Michael damage repairs for the facilities where Rutherford students will be trained at the Nelson St shipyard. Funding for these instructional programs have already been secured and are in place ready for implementation but for the Hurricane Michael delays.

## **NELSON SHIPYARD FACILITY OPC PROJECT**

ITEM	DESCRIPTION	ESTIMATED COST AND FUNDING SOURCES	DETAILS
1	Offshore Patrol Cutter proposal and contract capture costs during the proposal phases prior to award of the OPC contract	\$5,500,000.  EASTERN	Includes all non- reimbursable costs associated with participation in the OPC pre-award proposal phases.
2	Initial dredging in way of Nelson street launchway and outfitting berth and stormwater system mods at Nelson six acre facility	\$1,000,000.  EASTERN	Includes all costs associated with permitting and dredging the area IWO the launch slip and the outfitting berth at Nelson Street shipyard.
3	Value of ESG granting the US Coast Guard exclusive use of the Nelson Street Facility for construction of the 25 USCG Offshore Patrol Cutters.	\$12,500,000.  EASTERN	Valuation of Nelson Street shipyard and equipment.
4	land acquisition and improvements on east side of East Avenue to support expanded employee parking needs for OPC contract	\$200,000.  EASTERN	Includes costs associated with purchasing lots east of East Avenue and performing building demolition and land clearing.



5	Land acquisition to support construction of ESG OPC Program Management Office (OPC PMO) and associated improvements	\$ 875,000.  EASTERN	Includes costs associated with real estate purchases and improvements to same in order to support construction of OPC PMO offices.
6	Purchase and installation of structural roll machine to support construction of the OPC.	\$1,500,000.  EASTERN	Includes all costs associated with purchase, installation and commissioning of Davi structural roll machine including associated tooling.
7	Purchase and installation of two hydraulic pipe bending machines to support construction of the OPC.	\$ 750,000.  EASTERN	Includes all costs associated with purchase, installation and commissioning of Hines pipe roll machines including associated tooling.
8	Purchase and installation of Phase I USCG Project Resident Office (PRO) to later become permanent USCG PCAF/PRECOMD ET facility.	\$ 750,000.  EASTERN	Includes all costs associated with the purchase, installation, and outfitting of the Phase I PRO office.
9	Demolish existing south lean to off Nelson Street new pre-fab building, relocate electrical warehouse and carpenter shop to north lean to, relocate existing electrical service etc. to support enlarged assembly area for OPC	\$ 250,000.  EASTERN	Includes all costs associated with Demolish existing south lean to off Nelson Street new pre-fab building, relocate electrical warehouse and carpenter shop to north lean to, relocate existing electrical service etc.

10	Purchase and install new Messer MPC2030 Multi Process Precision Plate Cutting System to support OPC steel and aluminum plate cutting and marking. Purchase and install 100x300 warehouse facility	\$ 2,850,000.  EASTERN	Includes all costs associated with the removal of the existing plasma cutting machine and associated exhaust filtration system and installation of the new Messer MPC2030 Multi Process Precision Plate Cutting System and exhaust filtration system to support OPC steel plate cutting and marking. Also includes all costs associated with purchasing and installing a 100x300 warehouse.
11	Route power lines underground in Nelson Street right-of-way to support large module moves across Nelson Street	\$ 150,000.  EASTERN	Includes all costs associated with routing the existing Nelson Street overhead power lines underground from East avenue extending approximately 1000' to the west.
12	Construction of additional platens for new vessel module construction - Phase One	\$ 1,000,000.  EASTERN	Includes all costs associated with demolition and relocation of existing platens and associated utilities as well as construction of new platens. Includes relocating platens east of new pre-fab building and expansion of existing platens on east yard.
13	Conversion of existing machine and fabrication shop at Nelson Street to a steel fabrication building to support construction of the OPC.	\$ 250,000.  EASTERN	Includes removal and relocation of existing machining equipment and modifications to building necessary to convert it to a steel fabrication building.

14	Expansion and modification of existing "New Prefab Building" for use as an aluminum fabrication and pre-fabrication building for OPC (phase 1)	\$ 250,000.  EASTERN	Remove existing rails inside of building, demo existing concrete and supports in way of the rails, pour level concrete surface in way of affected area.
15	Watson Bayou Channel Dredging to support water depth requirements for construction of OPC.	\$2,000,000. FDOT/ BAY COUNTY	Includes all costs associated with the permitted dredging at the Nelson Street facility in way of the channel leading from the launch basin to the mouth of Watson Bayou.
16	Construction of permanent office space for USCG Project Resident Team (USCG PRO office).	\$2,750,000. FDOT/ BAY COUNTY	Design/build of a two story approximately 60'x110' metal building with 25' eave. Cost includes all site preparation, foundation work, utilities, outfitting of the buildings with communications systems, and needed electronics
17	Construction of a production facility building at Allanton facility to support C4ISR automation and electronics testing for OPC.	\$ 3,000,000. FDOT/ BAY COUNTY	Design/build metal building. Approximate facility dimensions are 135' wide, 260' long, eave height of 24'. Cost includes design criteria package (DCP) preparation, engineering, site preparation, utility adjustments, permitting and inspection cost.
18	Construction of additional platens for OPC module construction at Nelson Street shipyard - Phase One	\$ 250,000. FDOT/ BAY COUNTY	Includes all costs associated with demolition and relocation of existing platens and associated utilities as well as construction of new platens.  Includes relocating platens east of new pre-fab building and expansion of existing platens on east yard.

19	Construction of additional warehouse space at Nelson Street Facility to support construction of OPC.	\$ 1,500,000.  FDOT/ BAY COUNTY	Design/build metal climate controlled warehouse building with dimensions of approximately 70' wide, 200' long, 35' eave. Warehouse to have an internal mezzanine level with approximate dimensions of 70' x 140'. Cost includes design criteria package (DCP) preparation, engineering, site preparation, utility adjustments, permitting and inspection cost.
20	Dredging and infrastructure improvements to ESG's Port Saint Joe vessel outfitting facility	\$ 6,000,000.  FDOT/ GULF COUNTY	Includes all costs associated with bulkhead dredging and disposal of spoils as well as upland improvements necessary to make ESG's Port Saint Joe facilities suitable for OPC vessel repair.
21	Dredge spoils disposal fees for initial dredging in way of Nelson Street launchway and outfitting berth.	\$ 450,000.  BAY COUNTY	Includes the costs associated with disposal of the dredge spoils in an approved landfill.
22	Purchase and install new Messer MPC2030 Multi Process Precision Plate Cutting System to support OPC steel and aluminum plate cutting and marking.	\$ 530,000.  U.S. MARITIME ADMIN.	Includes all costs associated with the removal of the existing plasma cutting machine and associated exhaust filtration system and installation of the new Messer MPC2030 Multi Process Precision Plate Cutting System and exhaust filtration system to support OPC steel plate cutting and marking.

23	Dredging in way of the east yard expansion at the Nelson Street Facility to support construction of an outfitting berth for OPC.	\$ 9,000,000.  TRIUMPH	Includes all costs associated with the permitted dredging at the Nelson Street facility in way of the east yard expansion. Also includes all costs associated with demolition of existing whitaker pier.
24	Expansion and modification of existing "New Prefab Building" for use as an aluminum fabrication and pre-fabrication building for OPC (phase2).	\$ 5,000,000.  TRIUMPH	Design/build metal building with overhead cranes. Approximate facility dimensions are 68' wide, 162' long, eave height of 55' with a 43' wide x 162' long lean to. Extension of existing pipe shop and associated lean to by up to 100 feet to the east. Extension of existing tool room lean to by up to 90 feet to the west. Cost includes design criteria package (DCP) preparation, engineering, site preparation, utility adjustments, permitting and inspection cost.
25	Demolition of the existing Nelson/Whitaker upland bulkhead and replacement with steel bulkhead to support enlarged vessel assembly area for OPC construction - Phase One	\$ 2,550,000.  TRIUMPH	Includes all cost to demolish and replace existing upland bulkhead and tie-back system as needed in the vessel erection area and the east end of the shipyard. Cost includes design criteria package (DCP) preparation, engineering, site preparation, utility adjustments, permitting and inspection cost, excavation and soil relocation costs. Demolition and replacement of existing upland bulkhead can be accomplished in phases. Phase one will include approximately 1000' of the total 1400' of bulkhead. Includes costs associated with stormwater modifications.

26	Demolition of the existing Nelson/Whittaker upland bulkhead and replacement with steel bulkhead to support enlarged vessel assembly area for OPC construction - Phase Two	\$ 1,250,000.  TRIUMPH	Includes all cost to demolish and replace existing upland bulkhead and tie-back system as needed in the vessel erection area and the east end of the shipyard. Cost includes design criteria package (DCP) preparation, engineering, site preparation, utility adjustments, permitting and inspection cost, excavation and soil relocation costs. Demolition and replacement of existing upland bulkhead can be accomplished in phases. Phase two will include the remaining approximately 400' of the total 1400' of bulkhead. Includes costs associated with stormwater modifications.
27	Extension of the Nelson/Whittaker bulkhead along the shoreline to support enlarged OPC launch area and outfitting berth - Phase One	\$ 1,250,000.  TRIUMPH	Includes all costs associated with extending the existing shoreside bulkhead to the eastern edge of the property line and installing associated tie-back system. Extension of the bulkhead may be up to 875' in overall length and can be lengthened in phases. Phase One to include first 290' of wall extension to the east. Includes costs associated with stormwater modifications.

28	Extension of the Nelson/Whittaker bulkhead along the shoreline to support enlarged OPC launch area and outfitting berth - Phase Two	\$ 2,250,000.  TRIUMPH	Includes all costs associated with extending the existing shoreside bulkhead to the eastern edge of the property line and installing associated tie-back system. Extension of the bulkhead may be up to 875' in overall length and can be lengthened in phases. Phase Two to include the remaining 585' of bulkhead extension at the east yard expansion. Includes costs associated with stormwater modifications.
29	Construction of additional platens at Nelson Street shipyard for OPC module construction - Phase Two	\$ 800,000.  TRIUMPH	Includes all costs associated with construction of new platens. Includes addition of one platen south end of east yard and addition of one platen in existing parking lot. Also includes all costs associated with demolition of existing structures and subsequent ground leveling and site preparation. This includes but is not limited to the Whitaker production office, and Whitaker shoreside warehouses. Demolition of upland structures can be accomplished in phases.
30	Conversion of existing Nelson Street launch ways to rocker beam type launch ways, installation of additional transfer rails for vessel transfer	\$ 4,000,000.  TRIUMPH	Includes all costs associated with modifying the existing launch ways from a fixed skid system to a rocker beam system, lengthening the existing launch ways, constructing a transverse transfer rail system, and lengthening the existing longitudinal transfer system.

	Project Total	\$70,405,000.	
		<b>SUMMARY OF PROJECTED FUNDING SOURCES:</b>	
		\$27,825,000.	Share of the project already funded by ESG
		\$ 9,500,000.	FLDOT/Bay County Share to be spent towards Bay County shipbuilding infrastructure and dredging
			\$2 mil from FLDOT for Bay County Dredging
			\$7.5 mil from FLDOT for Bay County Infrastructure
		\$ 6,000,000.	FLDOT/Gulf County Share to be spent towards Gulf County dredging and infrastructure
			\$1 mil from FLDOT for Gulf County dredging
			\$5 mil from FLDOT for Gulf County Infrastructure
		\$ 450,000.	Share of the project already funded by Bay County for dredge spoils disposal
		\$ 530,000.	Share of the project already funded by the United States Maritime Administration
		\$ 26,100,000.	Remaining Share of the project: Triumph \$20,000,000. Eastern/Other Sources \$6,075,000



### **EASTERN'S TIMELINE**

In September, 2018, the Government exercised its option to build the first OPC which will be delivered in 2021 and also exercised its option to acquire Long Lead Time Material for the second OPC. It is expected that the Government will exercise its option to build the second OPC in September 2019 as well as the option for Long Lead Time Material for the third OPC. Subsequent options for subsequent OPC's are expected to be exercised at least as often as annually thereafter. Because the construction of each OPC vessel is structured as an option held by the Government, it is necessary that Eastern continue to induce the Government to exercise each option. To accomplish this, Eastern has decided to dedicate its Nelson Street shipyard facility exclusively to Government shipbuilding, make all shipyard improvements that are attractive to the Government, and firmly establish the Nelson Street shipyard as the single best location to continue constructing OPC's.

To accommodate this schedule and provide this continual inducement, Eastern plans to complete the above shipyard infrastructure improvements and dredging activities as well as other items of the project on the following schedule:

<b>Item</b>	<b>Description</b>	<b>Projected Start</b>	<b>Projected Finish</b>
1	Offshore Patrol Cutter proposal and contract capture costs during the proposal phases prior to award of the OPC contract	September 2012	September-18
2	Initial dredging in way of Nelson street launchway and outfitting berth and stormwater system mods at Nelson six acre facility	January-18	April-18
3	Grant to the US Coast Guard exclusive use of the Nelson Street Facility for construction of the 25 USCG Offshore Patrol Cutters.	September-18	September-18
4	Land acquisition and improvements on east side of East Avenue to support expanded employee parking needs for OPC contract	March-16	August-18

5	Land acquisition to support construction of ESG OPC Program Management Office (OPC PMO) and associated improvements	May-14	December-18
6	Purchase and installation of structural roll machine to support construction of the OPC.	December-17	August-18
7	Purchase and installation of two hydraulic pipe bending machines to support construction of the OPC.	November-17	August-18
8	Purchase and installation of Phase I USCG Project Resident Office (PRO) to later become permanent USCG PCAF/PRECOMDET facility.	December-16	June-17
9	Demolish existing south lean to off Nelson Street new pre-fab building, relocate electrical warehouse and carpenter shop to north lean to, relocate existing electrical service etc. to support enlarged assembly area for OPC	January-18	June-18
10	Purchase and install new Messer MPC2030 Multi Process Precision Plate Cutting System to support OPC steel and aluminum plate cutting and marking. Purchase and install 100x300 warehouse facility	April-15	September-17
11	Route power lines underground in Nelson Street right-of-way to support large module moves across Nelson Street	February-18	December-18

12	Construction of additional platens for new vessel module construction - Phase One	June-18	October-18
13	Conversion of existing machine and fabrication shop at Nelson Street to a steel fabrication building to support construction of the OPC.	February-18	October-18
14	Expansion and modification of existing "New Prefab Building" for use as an aluminum fabrication and pre-fabrication building for OPC (phase 1)	August-18	September-18
15	Watson Bayou Channel Dredging to support water depth requirements for construction of OPC.	October-18	February-19
16	Construction of permanent office space for USCG Project Resident Team (USCG PRO office).	September-17	September-19
17	Construction of a production facility building at Allanton facility to support C4ISR automation and electronics testing for OPC.	January-18	May-19
18	Construction of additional platens for OPC module construction at Nelson Street shipyard - Phase One	June-18	September-18
19	Construction of additional warehouse space at Nelson Street Facility to support construction of OPC.	January-18	May-19
20	Dredging and infrastructure improvements to ESG's Port Saint Joe vessel outfitting facility	June-17	June-19

21	Dredge spoils disposal fees for initial dredging in way of Nelson Street launchway and outfitting berth.	January-18	April-18
22	Purchase and install new Messer MPC2030 Multi Process Precision Plate Cutting System to support OPC steel and aluminum plate cutting and marking.	April-15	September-17
23	Dredging in way of the east yard expansion at the Nelson Street Facility to support construction of an outfitting berth for OPC.	June-17	December-19
24	Expansion and modification of existing "New Prefab Building" for use as an aluminum fabrication and pre-fabrication building for OPC (phase2).	January-18	December-19
25	Demolition of the existing Nelson/Whitaker upland bulkhead and replacement with steel bulkhead to support enlarged vessel assembly area for OPC construction - Phase One	January-18	February-19
26	Demolition of the existing Nelson/Whitaker upland bulkhead and replacement with steel bulkhead to support enlarged vessel assembly area for OPC construction - Phase Two	January-18	May-19
27	Extension of the Nelson/Whittaker bulkhead along the shoreline to support enlarged OPC launch area and outfitting berth - Phase One	February-18	March-19

28	Extension of the Nelson/Whittaker bulkhead along the shoreline to support enlarged OPC launch area and outfitting berth - Phase Two	February-18	June-19
29	Construction of additional platens at Nelson Street shipyard for OPC module construction - Phase Two	October-21	March-22
30	Conversion of existing Nelson Street launch ways to rocker beam type launch ways, installation of additional transfer rails for vessel transfer	January-18	April-19

### **BUDGET AND FUNDING INFORMATION**

Eastern and its public partners have continued to invest their share of the project budget and make contributions of committed capital toward completion of the project. As can be seen from the schedules and budgets above, portions of the project have been completed and funded by sources other than Triumph funds. Triumph funds will be the last funds expended.

Further as a result of the US Government's imposition of tariffs on steel and aluminum Eastern's costs for these materials and component parts made from these materials have increased substantially, in some cases as much as twice the cost before the tariffs were imposed.

As a result, the costs for completing portion of the project have increased.

All waterways that are to be dredged as part of the project are owned by the State of Florida and accessible to the public. The improvements will be owned by the City pursuant to an easement held by the City and will be built for exclusive use by the USCG under the Department of Homeland Security for the construction of the OPC's. The improvements will be dedicated exclusively for a 20 year period of time or more to the construction of OPC vessels for the Government so that the USCG can perform missions of border protection, offshore rescue, drug interdiction, and other missions of the US Department of Homeland Security.

### **Funding and Budget:**

Pursuant to Section 288.8017, awards may not be used to finance 100 percent of any project or program. An awardee may not receive all of the funds available in any given year.

1. Identify the amount of funding sought from Triumph Gulf Coast, Inc. and the time period over which funding is requested. \$20,025,000.00: expended approximately during 2019

through 2020

(If additional space is needed, please attach a Word document with your entire answer.)

2. What percentage of total program or project costs does the requested award from Triumph Gulf Coast, Inc. represent? (Please note that an award of funding will be for a defined monetary amount and will not be based on percentage of projected project costs.)  
Approximately 28%

(If additional space is needed, please attach a Word document with your entire answer.)

3. Please describe the types and number of jobs expected from the proposed project or program and the expected average wage.

Please see attached

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(If additional space is needed, please attach a Word document with your entire answer.)

4. Does the potential award supplement but not supplant existing funding sources? If yes, describe how the potential award supplements existing funding sources.



Yes

Please see attached

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(If additional space is needed, please attach a Word document with your entire answer.)

5. Please provide a Project/Program Budget. Include all applicable costs and other funding sources available to support the proposal.

A. Project/Program Costs: Construction      \$ 17,550,000  
Reconstruction      \$  
9,700,000 Dredging

\$

18,450,000

Example Costs (Note: Not exhaustive list of possible  
Cost categories.) Construction      \$

Reconstruction	\$	Design, Engineering,
and Proposal Development	\$ 5,500,000	
Land Acquisition	\$13,575,000	
Land Improvement	\$	
Equipment	\$ 5,630,000	
Supplies	\$	

US Maritime Administration	\$ 530,000
Private Sources	\$33,925,000

Total Other Funding	<u>\$50,405,000</u>
<b>Total Amount Requested:</b>	<b><u>\$ 20,000,000</u></b>

Other (specify)	\$ _____
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Total Project Costs:	\$70,405,000
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B. Other Project Funding Sources:

Salaries	Example Funding Sources (Note: Not an exhaustive list of possible Funding Sources.)	
City/County	\$450,000	State Legislature \$15,500,000

USCG Offshore Patrol Cutter Shipyard Infrastructure Improvements Project Budget  
**Cost Estimates**

10/1/18

Item	Description	Estimated Cost		Projected Start Design/Construction	Projected Finish Construction	Funding Source
1	Offshore Patrol Cutter proposal and contract capture costs during the proposal phases prior to award of the OPC contract	\$ 5,500,000.00	Includes all non-reimbursable costs associated with participation in the OPC pre-award proposal phases.	September 2012	September-16	ESG
2	Initial dredging in way of Nelson street launchway and outfitting berth and stormwater system mods at Nelson six acre facility	\$ 1,000,000.00	Includes all costs associated with permitting and dredging the area IWO the launch slip and the outfitting berth at Nelson Street shipyard.	January-18	April-18	ESG
3	Value of ESG granting the US Coast Guard exclusive use of the Nelson Street Facility for construction of the 25 USCG Offshore Patrol Cutters.	\$ 12,500,000.00	Valuation of Nelson Street shipyard and equipment.	September-18	September-38	ESG
4	land acquisition and improvements on east side of East Avenue to support expanded employee parking needs for OPC contract	\$ 200,000.00	Includes costs associated with purchasing lots east of East Avenue and performing building demolition and land clearing.	March-16	August-18	ESG
5	Land acquisition to support construction of ESG OPC Program Management Office (OPC PMO) and associated improvements	\$ 875,000.00	Includes costs associated with real estate purchases and improvements to same in order to support construction of OPC PMO offices.	May-14	December-18	ESG
6	Purchase and installation of structural roll machine to support construction of the OPC.	\$ 1,500,000.00	Includes all costs associated with purchase, installation and commissioning of Davi structural roll machine including associated tooling.	December-17	August-18	ESG
7	Purchase and installation of two hydraulic pipe bending machines to support construction of the OPC.	\$ 750,000.00	Includes all costs associated with purchase, installation and commissioning of Hines pipe roll machines including associated tooling.	November-17	August-18	ESG
8	Purchase and installation of Phase I USCG Project Resident Office (PRO) to later become permanent USCG PCAF/PROCOMDET facility.	\$ 750,000.00	Includes all costs associated with the purchase, installation, and outfitting of the Phase I PRO office.	December-16	June-17	ESG
9	Demolish existing south lean to off Nelson Street new pre-fab building, relocate electrical warehouse and carpenter shop to north lean to, relocate existing electrical service etc. to support enlarged assembly area for OPC	\$ 250,000.00	Includes all costs associated with Demolish existing south lean to off Nelson Street new pre-fab building, relocate electrical warehouse and carpenter shop to north lean to, relocate existing electrical service etc.	January-18	June-18	ESG
10	Purchase and install new Messer MPC2030 Multi Process Precision Plate Cutting System to support OPC steel and aluminum plate cutting and marking. Purchase and install 100x300 warehouse facility	\$ 2,850,000.00	Includes all costs associated with the removal of the existing plasma cutting machine and associated exhaust filtration system and installation of the new Messer MPC2030 Multi Process Precision Plate Cutting System and exhaust filtration system to support OPC steel plate cutting and marking. Also Includes all costs associated with purchasing and installing a 100x300 warehouse.	April-15	September-17	ESG
11	Route power lines underground in Nelson Street right-of-way to support large module moves across Nelson Street	\$ 150,000.00	Includes all costs associated with routing the existing Nelson street overhead power lines underground from East avenue extending approximately 1000' to the west.	February-18	December-18	ESG
12	Construction of additional platens for new vessel module construction - Phase One	\$ 1,000,000.00	Includes all costs associated with demolition and relocation of existing platens and associated utilities as well as construction of new platens. Includes relocating platens east of new pre-fab building and expansion of existing platens on east yard.	June-18	October-18	ESG
13	Conversion of existing machine and fabrication shop at Nelson Street to a steel fabrication building to support construction of the OPC.	\$ 250,000.00	Includes removal and relocation of existing machining equipment and modifications to building necessary to convert it to a steel fabrication building.	February-18	October-18	ESG
14	Expansion and modification of existing "New Prefab Building" for use as an aluminum fabrication and pre-fabrication building for OPC (phase 1)	\$ 250,000.00	Remove existing rails inside of building, demo existing concrete and supports in way of the rails, pour level concrete surface in way of affected area.	August-18	September-18	ESG
15	Watson Bayou Channel Dredging to support water depth requirements for construction of OPC.	\$ 2,000,000.00	Includes all costs associated with the permitted dredging at the Nelson Street facility in way of the channel leading from the launch basin to the mouth of Watson Bayou.	October-18	February-19	FLDOT/Bay County
16	Construction of permanent office space for USCG Project Resident Team (USCG PRO office).	\$ 2,750,000.00	Design/build of a two story approximately 60'x110' metal building with 25' eave. Cost includes all site preparation, foundation work, utilities, outfitting of the buildings with furniture, communications, and needed electronics	September-17	September-19	FLDOT/Bay County
17	Construction of a production facility building at Allenton facility to support CAISR automation and electronics testing for OPC.	\$ 3,000,000.00	Design/build metal building. Approximate facility dimensions are 135' wide, 260' long, eave height of 24'. Cost includes design criteria package (DCP) preparation, engineering, site preparation, utility adjustments, permitting and inspection cost.	January-18	May-19	FLDOT/Bay County
18	Construction of additional platens for OPC module construction at Nelson Street shipyard - Phase One	\$ 250,000.00	Includes all costs associated with demolition and relocation of existing platens and associated utilities as well as construction of new platens. Includes relocating platens east of new pre-fab building and expansion of existing platens on east yard.	June-18	September-18	FLDOT/Bay County
19	Construction of additional warehouse space at Nelson Street Facility to support construction of OPC.	\$ 1,500,000.00	Design/build metal climate controlled warehouse building with dimensions of approximately 70' wide, 200' long, 35' eave. Warehouse to have an internal mezzanine level with approximate dimensions of 70' x 140'. Cost includes design criteria package (DCP) preparation, engineering, site preparation, utility adjustments, permitting and inspection cost.	January-18	May-19	FLDOT/Bay County
20	Dredging and infrastructure improvements to ESG's Port Saint Joe vessel outfitting facility	\$ 6,000,000.00	Includes all costs associated with bulkhead dredging and disposal of spoils as well as upland improvements necessary to make ESG's Port Saint Joe facilities suitable for OPC vessel repair.	June-17	June-19	FLDOT/Gulf County
21	Dredge spoils disposal fees for initial dredging in way of Nelson Street launchway and outfitting berth	\$ 450,000.00	Includes the costs associated with disposal of the dredge spoils in an approved landfill.	January-18	April-18	Bay County
22	Purchase and install new Messer MPC2030 Multi Process Precision Plate Cutting System to support OPC steel and aluminum plate cutting and marking.	\$ 530,000.00	Includes all costs associated with the removal of the existing plasma cutting machine and associated exhaust filtration system and installation of the new Messer MPC2030 Multi Process Precision Plate Cutting System and exhaust filtration system to support OPC steel plate cutting and marking.	April-15	September-17	United States Maritime Administration
23	Dredging in way of the east yard expansion at the Nelson Street Facility to support construction of an outfitting berth for OPC.	\$ 9,000,000.00	Includes all costs associated with the permitted dredging at the Nelson Street facility in way of the east yard expansion. Also includes all costs associated with demolition of existing whittaker pier.	June-17	December-19	Triumph
24	Expansion and modification of existing "New Prefab Building" for use as an aluminum fabrication and pre-fabrication building for OPC (phase 2).	\$ 5,000,000.00	Design/build metal building with overhead cranes. Approximate facility dimensions are 68' wide, 162' long, eave height of 55' with a 43' wide x 162' long lean to. Extension of existing pipe shop and associated lean to by up to 100 feet to the east. Extension of existing tool room lean to by up to 90 feet to the west. Cost includes design criteria package (DCP) preparation, engineering, site preparation, utility adjustments, permitting and inspection cost.	January-18	December-19	Triumph
25	Demolition of the existing Nelson/Whittaker upland bulkhead and replacement with steel bulkhead to support enlarged vessel assembly area for OPC construction - Phase One	\$ 2,550,000.00	Includes all cost to demolish and replace existing upland bulkhead and tie-back system as needed in the vessel erection area and the east end of the shipyard. Cost includes design criteria package (DCP) preparation, engineering, site preparation, utility adjustments, permitting and inspection cost, excavation and soil relocation costs. Demolition and replacement of existing upland bulkhead can be accomplished in phases Phase one will include approximately 1000' of the total 1400' of bulkhead. Includes costs associated with stormwater modifications.	January-18	February-19	Triumph



	Demolition of the existing Nelson/Whittaker upland bulkhead and replacement with steel bulkhead to support enlarged vessel assembly area for OPC construction - Phase Two	\$	1,250,000.00	Includes all cost to demolish and replace existing upland bulkhead and tie-back system as needed in the vessel erection area and the east end of the shipyard. Cost includes design criteria package (DCP) preparation, engineering, site preparation, utility adjustments, permitting and inspection cost, excavation and soil relocation costs. Demolition and replacement of existing upland bulkhead can be accomplished in phases Phase two will include the remaining approximately 400' of the total 1400' of bulkhead. Includes costs associated with stormwater modifications.	January-18	May-19	Triumph
26							
27	Extension of the Nelson/Whittaker bulkhead along the shoreline to support enlarged OPC launch area and outfitting berth - Phase One	\$	1,250,000.00	Includes all costs associated with extending the existing shoreside bulkhead to the eastern edge of the property line and installing associated tie-back system. Extension of the bulkhead may be up to 875' in overall length and can be lengthened in phases. Phase One to include first 290' of wall extension to the east. Includes costs associated with stormwater modifications.	February-18	March-19	Triumph
28	Extension of the Nelson/Whittaker bulkhead along the shoreline to support enlarged OPC launch area and outfitting berth - Phase Two	\$	2,250,000.00	Includes all costs associated with extending the existing shoreside bulkhead to the eastern edge of the property line and installing associated tie-back system. Extension of the bulkhead may be up to 875' in overall length and can be lengthened in phases. Phase Two to include the remaining 585' of bulkhead extension at the east yard expansion. Includes costs associated with stormwater modifications.	February-18	June-19	Triumph
29	Construction of additional platens at Nelson Street shipyard for OPC module construction - Phase Two	\$	800,000.00	Includes all costs associated with construction of new platens. Includes addition of one platen south end of east yard and addition of one platen in existing parking lot. Also includes all costs associated with demolition of existing structures and subsequent ground leveling and site preparation. This includes but is not limited to the whittaker production office, and whittaker shoreside warehouses. Demolition of upland structures can be accomplished in phases.	October-21	March-22	Triumph
30	Conversion of existing Nelson Street launch ways to rocker beam type launch ways, installation of additional transfer rails for vessel transfer	\$	4,000,000.00	Includes all costs associated with modifying the existing launch ways from a fixed skid system to a rocker beam system, lengthening the existing launch ways, constructing a transverse transfer rail system, and lengthening the existing longitudinal transfer system.	January-18	April-19	Triumph
Project Total		\$	70,405,000.00				
		\$	27,825,000.00	Share of the project already funded by ESG			
		\$	9,500,000.00	FLDOT/Bay County Share to be spent towards Bay County shipbuilding infrastructure and dredging \$2 mil from FLDOT for Bay County Dredging \$7.5 mil from FLDOT for Bay County Infrastructure			
		\$	6,000,000.00	FLDOT/Gulf County Share to be spent towards Gulf County dredging and infrastructure \$1 mil from FLDOT for Gulf County dredging \$5 mil from FLDOT for Gulf County Infrastructure			
		\$	450,000.00	Share of the project already funded by Bay County for dredge spoils disposal			
		\$	530,000.00	Share of the project already funded by the United States Maritime Administration			
		\$	26,100,000.00	Share of the project for which Triumph funding will be utilized			

Eastern will, under the City's supervision, manage and control the design, permitting and construction of the Upland Improvements and the permitting and completion of the Dredging Work. The City, at Eastern's sole cost and expense, may engage any and all architects, engineers and other professionals as necessary to complete the Project, including any and all design and engineering services that may be reasonably required throughout the period in which the City is engaged in the completion of the Project. The City Design Professionals will be selected and hired by the City for the Project using the City's normal procurement procedures. Eastern, with input and approval from the City, shall oversee the permitting and completion of the Dredging Work.

Eastern, at its sole cost and expense, will provide the City with the Upland Conceptual Design, which the City will incorporate as part of the scope of work for the City Design Professionals. Eastern, under supervision from the City, will direct the City Design Professionals to prepare, to the extent necessary, the Upland Preliminary Design and the Upland Final Design in a manner consistent in all material respects with the Upland Conceptual Design.

Upon completion, Eastern will provide the City for their approval the Upland Design.

Eastern, under the City's supervision, will be responsible for managing, directing, supervising, coordinating and controlling the construction of the Project in the manner set forth in an agreement. The City will select a qualified contractor to perform the work related to the Project using the City's normal bid procedures. The City shall cause the contractor to take all reasonably required actions necessary to ensure that the construction of the Project complies with Applicable Laws and the applicable provisions of an agreement.

Prior to the commencement of any work related to the Project, the City shall cause its contractor(s) to execute and record in the public records of City a payment and performance bond, and/or alternate form of security in compliance with the requirements of Section 255.05, Florida Statutes, in the amount of the contract price for the performance of the Project, to assure completion of the Project and payment of the costs, free and clear of all claims of subcontractors, laborers, mechanics, suppliers and materialmen. The payment and performance bond shall be issued through a surety authorized to do business in the State of Florida as a surety and be otherwise in compliance with the requirements set forth in Section 255.05, Florida Statutes, and Applicable Laws.

Eastern will grant to the City the following easements over the Property: (i) an access easement for ingress and egress to the Project, (ii) a temporary construction easement to use portions of the Property as specified in such easement for construction staging for construction of the Project, and (iii) any other easements that are reasonably necessary to complete the construction or operation of the Project. The Parties shall take such necessary steps as are required to give proper effect to such easements and to ensure that such easements and the Project qualify as "public infrastructure" within the meaning of the Job Growth Fund section of chapter 288, Florida Statutes. Such easements shall have a term of 20 years beginning in 2019.

The Parties shall be given a reasonable opportunity (i) to inspect the construction of the Upland Improvements and materials incorporated into such work and (ii) to review construction documents as reasonably necessary to verify that the work related to the Upland Improvements and materials incorporated therein is in general conformity with the Upland Final Design.

During the Term, Eastern will diligently perform Maintenance Work on the Project as necessary to ensure that each component is maintained consistent with agreed upon Maintenance Standards. Eastern will carry out the Maintenance Work in accordance with: (i) Best Management Practice; (ii) the requirements, terms and conditions set forth in this Agreement; and (iii) the requirements, terms and conditions set forth in all permits and approvals received by the City for the Project. Prior to January 1<sup>st</sup> of each year during the Term, Eastern will file with the City an annual maintenance report certified by Eastern and setting forth the following: (i) a list of the activities required, during the corresponding year, necessary to ensure that the Project is maintained consistent with the Maintenance Standards; (ii) the budget for the corresponding year to undertake the referenced list of maintenance activities; and (iii) a report setting forth the Maintenance Work performed during the previous year and evidencing the funds expended by Eastern related to such Maintenance Work.

Commencing as of the date of Final Completion, Eastern shall carry and maintain, at its expense, insurance policies (in such amounts and under such terms as generally maintained in the industry) covering: (1) Comprehensive general liability insurance in the form of a terminal and marine operator's policy including wharfingers liability (or the equivalent thereof), and including insurance against assumed or contractual obligations under this Agreement against any liability arising out of the use of the Property and the Project, to afford protection with limits of not less than Five Million Dollars (US \$5,000,000) per occurrence aggregate with respect to personal injury, death and property damage; (2) All-risk property insurance, including theft and flood coverage (if available), written at replacement cost value and with replacement cost endorsement, covering the Upland Improvements; (3) Comprehensive business automobile liability insurance, with limits for each occurrence, combined single limit coverage, of not less than One Million Dollars (\$1,000,000) with respect to personal injury, death and property damage; (4) Legal liability insurance insuring against damage to property in the care of Eastern with limits of not less than One Million Dollars (\$1,000,000); and (5) If and to the extent required by law, Worker Compensation, and any other coverage (if applicable) or similar insurance in form and amounts required by law.

The maximum that the City shall be authorized to expend for the construction of the Project will be Twenty Million Twenty-Five Thousand Dollars (\$20,025,000.00). The City's obligation to design, permit, undertake or construct the Project is contingent upon the City receiving all of the funds granted by Triumph under the Grant Award Agreement. If Triumph fails, for any reason, to deliver any portion of such funds, the City shall have no obligation to commence or complete the Project.

Eastern shall keep and maintain all books, records, and documents of all kinds in any way related to Eastern's performance of its obligations and exercise of its rights under this Agreement separate and identifiable from its other books, records and documents, including appropriate financial statements and records of costs that pertain to the Project. Eastern shall permit, and shall require its contractors and subcontractors to permit, the City and Triumph the opportunity to review any and all documents reasonably necessary to verify compliance with this Agreement and the Grant Award Agreement and shall the right to audit the books and records of Eastern relating to this Agreement, the construction of the Project, and compliance with the goals set for Certified New Jobs. Eastern shall use commercially reasonable efforts to comply with any audit requirements set forth in the Grant Award Agreement and assist the City in preparation of any audits required under the Grant Award Agreement. Eastern shall also require in its construction contracts, that construction contractors and trade subcontractors keep and maintain all books, records and documents of any kind related to their respective obligations in connection with construction of the Project, and that the City and the Department shall have the right to audit those books and records solely for the purpose of determining compliance with the applicable provisions, as applicable, of this Agreement or the Grant Award Agreement. By no later than March 31st of each year, Eastern shall file with the City appropriate financial statements, which shall contain such information as reasonably required by the City in order to ensure compliance with the requirements of Section 255.065(7)(a)6., Florida Statutes, pertaining to the Project. The records of costs incurred in connection with the Project shall be maintained and made available upon request to the City and Triumph during the Term and for a period of five (5) years after final payment is made for the applicable fiscal year for the State of Florida. If any litigation, claim, or audit is started before the expiration of the five (5) year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved.

Eastern will allow public access to all documents, papers, letters, or other material subject to the provisions of Chapter 119, Florida Statutes, and made or received by Eastern in conjunction with this Agreement. Failure by Eastern to grant such public access shall constitute a material breach of this Agreement and grounds for immediate unilateral termination of this Agreement by Triumph.



# Economic Impact of Eastern Shipbuilding Group, Inc. November 2017





# UNIVERSITY *of* WEST FLORIDA

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## Haas Center

### RESEARCH TEAM

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## About us

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The Haas Center is a research and consulting arm of the University of West Florida that engages in applied research and strategy development in economics and across the social sciences. Housed within the Division of Research and Strategic Innovation, the Haas Center in partnership with the Office of Economic Development and Engagement has played a prominent role in economic development efforts across the Northwest Florida region and around the state for over two decades.

Our staff is composed of economists, political scientists, community developers, multi-media specialists and GIS analysts, as well as database and IT experts. We have access to other Division resources such as marketing specialists, the Florida Small Business Development Center Network (FSBDCN), the Innovation Institute, the Office of Career and Professional Education, and Research and Sponsored Programs. Additional University staff and subject matter experts are available as needed.

Our staff's diverse backgrounds and unique work experiences enable us to tailor each project to meet the individual needs of our clients.

# Table of Contents

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About us.....	i
<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>INTRODUCTION.....</b>	<b>3</b>
Project Background.....	4
Industry Overview.....	5
Shipbuilding Industry in Bay County .....	7
Workforce .....	10
<b>MANUFACTURING SECTOR COMMUTING PATTERN ....</b>	<b>13</b>
Eastern Shipbuilding Group .....	13
<b>ECONOMIC IMPACT ....</b>	<b>ERROR! BOOKMARK NOT DEFINED.</b>
Methodology .....	<b>Error! Bookmark not defined.</b>
Regional Impact.....	<b>Error! Bookmark not defined.</b>

## EXECUTIVE SUMMARY

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In September 2016, the largest contract in the United States Coast Guard's 226 year history was awarded to Eastern Shipbuilding Group. The contract is for the design and production of nine Offshore Patrol Cutters for the service. The contract is currently valued at up to \$2.38 billion over a 12 year period. The Haas Center was engaged by Eastern Shipbuilding Group to estimate the impact of this contract on Bay County.

Eastern expects that to fulfil the contract, it will directly employ approximately 900 workers at its peak prior to 2024. Using the REMI PI+ Version 2.1.1 econometric simulation model, the Haas Center estimated the impact of the contract award and the ripple effect as the spending flows through the local economy from Eastern, through its suppliers, service providers, employees and owners and ultimately benefitting the region's economy. In total, the Haas Center estimates that the contract will directly and indirectly support over 10,000 full and part time workers in Bay County from 2016 to 2024, which will add \$690 million of Personal Income for the region. This amounts to \$1.9 billion in total output and a \$940 million increase in the local Gross Domestic Product over this period. Bay County workers across all industry sectors are expected to see an annual wage increase of approximately \$200 per year as a result of the contract.

Additionally, the Coast Guard plans to acquire a total of 25 Cutters. If Eastern is awarded a contract for the additional sixteen Cutters, Eastern would need to directly employ an average of approximately 900 workers per year through 2032 with work extending through 2035. The Haas Center estimates that such an award would indirectly and directly support another 19,000 jobs in the region over this period, bringing the total jobs impact to 29,933 from 2016 to 2035. The total personal income over this period would be \$2.9 billion with an increase in Gross Domestic Product of \$3.0 billion.

*Economic Impact of Eastern Shipbuilding Group's  
US Coast Guard Contract*

	2016 to 2024 9 Cutters	2025 to 2035 Additional 16 (potential)	Total Contract Impact
<i>Total Employment</i>	10,304	19,629	29,933
<i>Gross Domestic Product (Billions)</i>	\$ 0.94	\$ 2.04	\$ 2.98
<i>Output (Billions)</i>	\$ 1.94	\$ 4.24	\$ 6.18
<i>Personal Income (Billions)</i>	\$ 0.69	\$ 2.22	\$ 2.91
<i>Avg. Annual Wage Increase (2017\$)</i>	\$ 198 (0.5%)	\$ 271 (0.8%)	\$ 233 (0.7%)

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## INTRODUCTION

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## Project Background

The United States Coast Guard (Coast Guard) is the nation's leading maritime law enforcement agency, with responsibilities for drug interdiction, protecting U.S. fishing interests and agreements, and enforcement of immigration law at sea. On September 15, 2016 it awarded a detail and design contract to Eastern Shipbuilding Group in Panama City, Florida. Eastern Shipbuilding Group is currently finalizing its design to construct Offshore Patrol Cutters to replace the Medium Endurance Cutters currently in service. The contract includes options for production of up to nine (9) vessels and has a potential total value of \$2.38 billion dollars. The Coast Guard plans to acquire a total of twenty-five (25) Offshore Patrol Cutters.



# Industry Overview

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The US Ship Building and Repairing industry (NAICS code 336611) comprises establishments primarily engaged in operating a shipyard. Shipyards are fixed facilities with dry docks and fabrication equipment capable of building a ship, defined as watercraft typically suitable or intended for other than personal or recreational use. Activities of shipyards include the construction of ships, their repair, conversion and alteration, the production of prefabricated ship and barge sections, and specialized services, such as ship scaling.

Key buying industries include oil and gas extraction companies (cargo ships), iron ore mining (cargo ships), ocean & coastal transportation (container ships, ferry boats, passenger ships and patrol ships), sightseeing transportation (passenger ships), port & harbor operations (towboats and tugboats), stevedoring & marine cargo handling (container ships) and national security and international affairs (submarines, patrol boats, and naval ships).

In the United States, the military is the major source of revenue for the industry, absorbing nearly 80% of its products and services. The US Navy only buys from domestic shipbuilders and the federal Jones Act prohibits the use of foreign built vessels on routes between US ports. While past industry performance has been mixed, the five year forecast is for the industry to grow at an annualized 4.6% to \$34.2 billion due to increased military and oil and gas production demand (source IBISWorld, "Staying Afloat: Despite a Decline in Orders, Military Shipbuilding and Updates Will Bolster Revenue." Industry Report 33661a, June 2017).

According to the Maritime Association (MARAD), in 2013 the operations of private shipbuilding and repairing industry directly provided 110,390 jobs, indirectly supported another 277,320 jobs and generated a total economic impact of \$37.3 billion in Gross Domestic Product (GDP).

United States Shipbuilding Industry (2008 – 2022)								
	Revenue (\$m)	Establishments	Employment	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand	Defense Funding (\$b)
<b>2008</b>	24,848.70	679	105,397	590.9	327.5	6,310.1	24,585.3	617.1
<b>2009</b>	25,690.70	649	106,602	384.5	637.8	6,417.0	25,944.0	656.7
<b>2010</b>	25,685.90	634	101,306	605.2	891.4	6,209.5	25,972.1	680.6
<b>2011</b>	25,215.80	637	100,325	539.7	261.4	6,342.9	24,937.5	677
<b>2012</b>	26,934.60	689	108,311	1,495.9	768.0	6,909.5	26,206.7	637.3
<b>2013</b>	27,299.30	683	106,627	702.8	1,238.9	6,799.8	27,835.4	585.3
<b>2014</b>	25,973.60	678	106,734	1,242.2	403.4	6,904.0	25,134.8	548.1
<b>2015</b>	25,621.00	684	106,856	990.6	948.2	7,046.0	25,578.6	530.4
<b>2016</b>	26,132.30	699	109,192	843.3	327.8	7,211.4	25,616.8	523.8
<b>Projected</b>								
<b>2017</b>	27,302.60	710	112,714	874	346.6	7,494.4	26,775.2	537.1
<b>2018</b>	28,021.40	726	115,684	912.1	364.6	7,711.6	27,473.9	573.4
<b>2019</b>	30,688.10	752	123,534	937.3	374.5	8,350.3	30,125.3	591.0
<b>2020</b>	33,273.50	790	131,789	961.6	382.6	9,007.8	32,694.5	605.2
<b>2021</b>	34,867.30	806	136,499	983.2	389.4	9,394.8	34,273.5	619.2
<b>2022</b>	34,222.00	812	135,843	1,009.8	397.9	9,306.5	33,610.1	638.0
<b>Source: IBISWorld</b>								

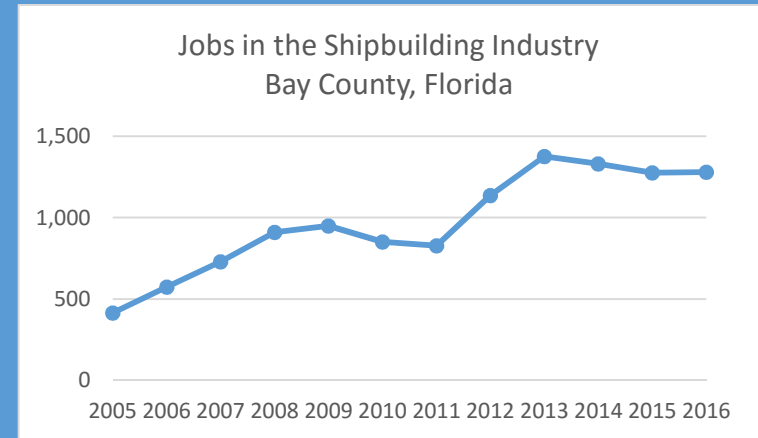
## Shipbuilding Industry in Bay County

Shipbuilding as an industry became a major factor in Bay County in World War II. Responding to the wartime shipping needs of Great Britain, the United States Maritime Commission selected the J. A. Jones Construction Co. to build and operate a yard for construction of Liberty ships in Panama City. One of nineteen American shipyards used for this purpose, the five slipways of the Wainwright Yard saw 108 ships constructed from 1943 to the end of the war.

Named for General Jonathan Wainwright, the impact of the yard on the local economy was significant. With as many as 15,000 employees at any one time, the company provided housing, stores, and restaurant and laundry facilities within the property. Panama City population increased from 20,000 in 1940 to a wartime peak of 60,000 residents. With the construction of the last ships in late 1945, removal of the slipways and shops then occurred and the site came under operation of the Panama City Port Authority. (Source: Museum of Florida History).

The present day industry as a whole employs approximately 1,280 workers in 9 establishments with average earnings of \$69,804 per job. The size of the industry has more than tripled since 2005. This level of employment places the industry as the 15<sup>th</sup> largest industry Bay County and the largest manufacturing industry in the county. Additionally, it is also the eighth largest export industry in the county, bringing in over \$237.7 million dollars in out of state monies into the local economy.

Shipbuilding is also a significant part of the larger regional economy, employing residents of adjacent counties and making supply chain purchases throughout the region and state.



Source: EMSI Q3 2017 Data

### Top Industries by Employment in Bay County

<i>Description</i>	<b>2016 Jobs</b>
<i>Total Employment</i>	<b>87,132</b>
<i>Restaurants and Other Eating Places</i>	9,774
<i>Education and Hospitals (Local Government)</i>	4,962
<i>Federal Government, Military</i>	4,293
<i>Federal Government, Civilian</i>	3,825
<i>Local Government, Excluding Education and Hospitals</i>	2,698
<i>General Medical and Surgical Hospitals</i>	2,334
<i>Offices of Physicians</i>	2,066
<i>Services to Buildings and Dwellings</i>	2,048
<i>Other General Merchandise Stores</i>	1,796
<i>Traveler Accommodation</i>	1,700
<i>Grocery Stores</i>	1,669
<i>Business Support Services</i>	1,614
<i>Architectural, Engineering, and Related Services</i>	1,473
<i>Building Equipment Contractors</i>	1,425
<b><i>Ship and Boat Building</i></b>	<b>1,279</b>
<i>Department Stores</i>	1,254
<i>Activities Related to Real Estate</i>	1,216
<i>Other Amusement and Recreation Industries</i>	1,130
<i>State Government, Excluding Education and Hospitals</i>	1,111
<i>Religious Organizations</i>	967

### Top Export Industries in Bay County

<i>Industry</i>	<b>Exports</b>
<i>Federal Government, Civilian, Excluding Postal Service</i>	\$4,975,150,829
<i>Federal Government, Military</i>	\$1,763,907,376
<i>State Government, Excluding Education and Hospitals</i>	\$578,651,322
<i>All Other Basic Organic Chemical Manufacturing</i>	\$449,264,020
<i>Full-Service Restaurants</i>	\$342,402,458
<i>Offices of Physicians (except Mental Health Specialists)</i>	\$257,809,347
<i>Paper (except Newsprint) Mills</i>	\$239,146,673
<b><i>Ship Building and Repairing</i></b>	<b>\$237,733,341</b>
<i>Limited-Service Restaurants</i>	\$200,065,476
<i>Residential Property Managers</i>	\$183,585,872
<i>Hotels (except Casino Hotels) and Motels</i>	\$158,283,539
<i>Iron and Steel Pipe and Tube Manufacturing from Purchased Steel</i>	\$142,480,007

Note: An export industry in this context is an industry that brings dollars into a region and is not limited to those industries that are producing and shipping a product. Source: EMSI Q3 2017 Data.

Between 2010 and 2016, the Ship Building Industry was the fastest growing manufacturing industry in Bay County. Ship Building was also the most competitive industry in manufacturing and the fifth most competitive industry overall during the same time.<sup>1</sup>

Industry	Job Change	Ind Mix Effect	Nat Growth Effect	Expected Change	Competitive Effect
Ship Building and Repairing	411	(64)	82	18	393
Welding and Soldering Equipment Manufacturing	138	4	2	6	131
Iron and Steel Pipe and Tube Manufacturing from Purchased Steel	104	(5)	8	3	101
All Other Miscellaneous General Purpose Machinery Manufacturing	60	0	0	0	60
Sign Manufacturing	58	4	6	10	48
Truss Manufacturing	41	0	0	0	41
Search, Detection, Navigation, Guidance, Aeronautical, and Nautical System and Instrument Manufacturing	35	(3)	1	(2)	38
Rendering and Meat Byproduct Processing	36	(1)	1	0	37
All Other Miscellaneous Chemical Product and Preparation Manufacturing	35	0	0	0	35
Scale and Balance Manufacturing	40	(5)	12	7	33
Wood Container and Pallet Manufacturing	29	0	1	1	29
Gypsum Product Manufacturing	25	0	0	0	25
Steel Foundries (except Investment)	19	0	0	0	19
Household Furniture (except Wood and Metal) Manufacturing	18	0	0	0	18
Other Commercial and Service Industry Machinery Manufacturing	19	(4)	5	1	17
Surgical and Medical Instrument Manufacturing	14	0	0	0	14

<sup>1</sup> Source: EMSI Q3 2017 Data - In shift share analysis, competitive effect reflects the regional growth that cannot be explained by either overall national growth or industry/occupation-specific trends. This is the growth (or decline) that is unique to the region



# Workforce

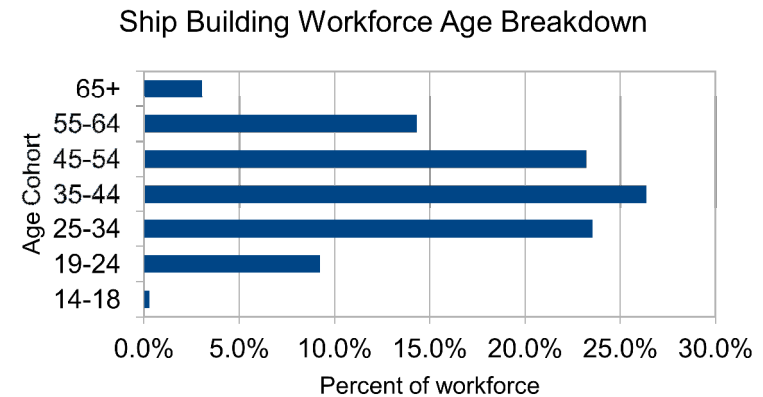
Ship building and support services are labor intensive, with large ships often requiring over 1,000 workers to complete. Laborers tend to have specialized skill such as heavy equipment operation, welding and naval engineering. As a result, industry wages are relatively high compared to the same occupations in other industries.

Workforce issues facing the industry include an aging workforce, lack of individuals entering the trades, a dearth of training opportunities and the rapidly rising cost of recruiting, hiring, testing, and training.

Most occupations within the industry require high school or equivalent levels of education, with moderate term on the job training or apprenticeships.

Currently the ship building industry the largest employer of Welders, Cutters, Solderers, and Brazers in the broader Bay County region, with nearly 44 percent of workers in that classification residing in Bay, Walton and Gulf counties working in that occupation. The industry is also by far the largest employer of Structural Metal Fabricators and Fitters, with nearly 55% of the occupation in the three counties working in it.

## SHIPBUILDING WORKFORCE BY AGE



Source: EMSI Q3 2017 Data

## STAFFING PATTERNS – TOP 20 OCCUPATIONS EMPLOYED IN THE SHIPBUILDING INDUSTRY

The table shows the major occupations working in the industry, their job growth within the county since 2007, the percentage of total industry employment the occupation represents, and the median hourly earnings for the occupation.

The next table shows the average wages of occupations employed within the ship building industry, with an estimate of how many of those types of workers reside in Bay County and how many commute from other areas.

	Employed in Industry (2016)	% Change (2007 - 2016)	% of Total Jobs in Industry (2016)	Median Hourly Earnings
<i>Welders, Cutters, Solderers, and Brazers</i>	150	76%	11.9%	\$15.76
<i>Structural Metal Fabricators and Fitters</i>	84	87%	6.6%	\$19.14
<i>Plumbers, Pipefitters, and Steamfitters</i>	70	79%	5.6%	\$11.99
<i>Fiberglass Laminators and Fabricators</i>	69	77%	5.4%	\$14.67
<i>First-Line Supervisors of Production and Operating Workers</i>	62	77%	4.9%	\$22.87
<i>Team Assemblers</i>	59	74%	4.7%	\$12.51
<i>Electricians</i>	57	78%	4.5%	\$19.76
<i>Mechanical Engineers</i>	49	88%	3.8%	\$47.10
<i>Painters, Transportation Equipment</i>	35	75%	2.8%	\$12.50
<i>Carpenters</i>	29	71%	2.3%	\$16.85
<i>Mechanical Drafters</i>	24	60%	1.9%	\$26.79
<i>Construction and Related Workers, All Other</i>	19	90%	1.5%	\$15.63
<i>Helpers--Production Workers</i>	16	60%	1.2%	\$10.75
<i>Laborers and Freight, Stock, and Material Movers, Hand</i>	16	78%	1.2%	\$10.52
<i>Engineering Technicians, Except Drafters, All Other</i>	16	100%	1.2%	\$33.10
<i>Machinists</i>	16	60%	1.2%	\$23.79
<i>Painters, Construction and Maintenance</i>	15	88%	1.2%	\$12.96
<i>Maintenance and Repair Workers, General</i>	12	71%	1.0%	\$15.49
<i>Riggers</i>	12	50%	1.0%	\$19.78
<i>Electronics Engineers, Except Computer</i>	11	57%	0.9%	\$50.12

Source: EMSI Q3 2017 Data

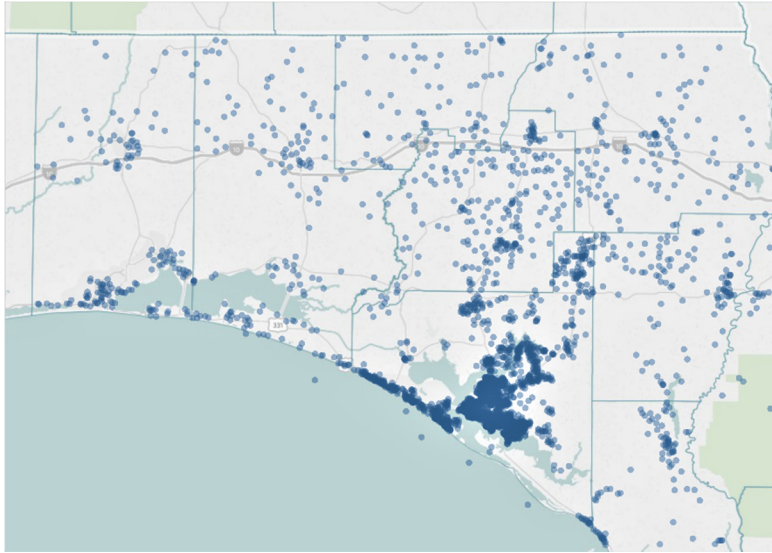
## AVERAGE WAGES OF BAY COUNTY SHIPBUILDING OCCUPATIONS

	<b>Avg. Hourly Earnings</b>	<b>2016 Resident Workers</b>	<b>2016 Net Commuters</b>
<i>Electronics Engineers, Except Computer</i>	\$47.66	193	79
<i>Mechanical Engineers</i>	\$45.88	222	100
<i>Mechanical Drafters</i>	\$28.09	42	13
<i>Engineering Technicians, Except Drafters, All Other</i>	\$32.17	99	33
<i>Carpenters</i>	\$17.23	531	72
<i>Electricians</i>	\$19.76	356	47
<i>Painters, Construction and Maintenance</i>	\$13.29	241	31
<i>Plumbers, Pipefitters, and Steamfitters</i>	\$13.89	405	103
<i>Construction and Related Workers, All Other</i>	\$16.17	114	10
<i>Maintenance and Repair Workers, General</i>	\$15.86	933	93
<i>Riggers</i>	\$21.03	21	1
<i>First-Line Supervisors of Production and Operating Workers</i>	\$23.59	228	52
<i>Structural Metal Fabricators and Fitters</i>	\$18.80	111	32
<i>Fiberglass Laminators and Fabricators</i>	\$14.96	64	8
<i>Team Assemblers</i>	\$12.81	261	24
<i>Machinists</i>	\$24.50	61	7
<i>Welders, Cutters, Solderers, and Brazers</i>	\$16.52	244	66
<i>Painters, Transportation Equipment</i>	\$13.48	56	15
<i>Helpers--Production Workers</i>	\$11.60	86	16
<i>Laborers and Freight, Stock, and Material Movers, Hand</i>	\$12.11	827	113

Source: EMSI Q3 2017

## MANUFACTURING SECTOR COMMUTING PATTERN

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*Bay County Goods Producing Workers by Place of Residence*

In general, nearly 28% of all types of workers who work in Bay County reside elsewhere, with 11% of the “Goods Producing” workforce residing outside of Bay County.

According to U.S. Census Bureau’s 2014 LEHD Origin-Destination Employment Statistics, Bay County had a net inflow of 478 workers in the manufacturing sector. The net inflow indicates that 478 more workers who live outside of Bay County have a manufacturing job in Bay County as compared to Bay County residents who have manufacturing jobs outside the county. The map indicates the place of residence for those who work in Bay County in “Goods Producing” industry sectors<sup>2</sup>. For those who work in Bay County Goods Producing industries, approximately 51% work in Construction and 40% in Manufacturing.

As the map illustrates, increases in demand for employment in the ship building will draw workers from both within and outside of Bay County.

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<sup>2</sup> For privacy reasons, the Census Bureau only provides three industry groups when reporting data that includes both origin (home) and destination (work) of workers: “Goods Producing;” “Trade, Transportation, and Utilities;” and “All Other Services.” Goods Producing includes NAICS codes 11, 21, 23 and 31-33. Approximately 40% of the industry group are Manufacturing (NAICS 31-33) and 51% are Construction (NAICS 23), with the remaining 10% in NAICS codes 11 and 21.

## Eastern Shipbuilding Group

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Founded in 1976 and based in Panama City, Florida, Eastern Shipbuilding Group, Inc. (Eastern) specializes in commercial steel and aluminum vessel construction and repair services. It builds offshore supply vessels and tugs, inland towboats, SWATH vessels, passenger vessels, Ro-Ro/passenger ferries, specialty vessels, inland transport vessels, barges, fireboats, research vessels, offshore construction vessels, dredges, high speed passenger vessels, fishing vessels, and more.

Eastern's Allanton Road facility sits on 300 acres with multiple launch ways of 1,500 linear feet and more than 6,000 feet of waterfront leading out to the Gulf of Mexico. A 60,000-square-foot building houses steel-fabrication equipment, shot-blasting and painting machines, three ten-ton overhead cranes, a plasma plate-burning machine, two 500-ton apron press brakes and fourteen crawler cranes with up to 660 tons of capacity. It also has a 58,580-square-foot warehouse that includes electrical, pipe and carpenter shops along with sandblasting and paint facilities. A 7,000-square-foot office building houses the engineering, project management, purchasing, safety, and quality assurance and control departments.

The Nelson Street Shipyard is home to the corporate offices and sits on 24 acres with more than 2,000 feet of waterfront. Adjacent to the yard is a six-acre fabrication facility where most of the modular work is done. It has a 23,400-square-foot machine shop and a 17,000-square-foot warehouse with concrete fab platens. There are six crawler cranes with up to 300-ton capacity, two marine railways, over 900 linear feet of steel bulkheaded, side-launch capability, and shipping and receiving buildings.

In September 2016, the largest contract in the US Coast Guard's 226 year history was awarded to Eastern Shipbuilding. The contract is for the design and production of a new cutter for the service. The contract is currently valued at up to \$2.38 billion over a 12 year period.

# ECONOMIC IMPACT

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# Methodology

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There are several types of models typically used to calculate economic impacts. Input-output models use financial flow data generated from businesses' accounting data, and spending patterns for households of particular income levels, to describe the economic linkages that exist within a regional economy. These models begin with U.S. government-generated county level data on business purchases and receipts in order to model the inputs that are used from across the many sectors of the economy in the production of particular goods and services. The level of geographic and commodity detail can vary from production of printing ink, to storage batteries, to banking services in a geographic area as small as a zip code or as large as the national economy. The most commonly reported and useful level of detail is county-level geography at the 1 to 6 digit North American Industry Classification System (NAICS) level of commodity detail. Examples of these models include the RIMSII modeling system from the US Department of Commerce and the IMPLAN modeling system from MIG, Inc. of St. Paul, MN.

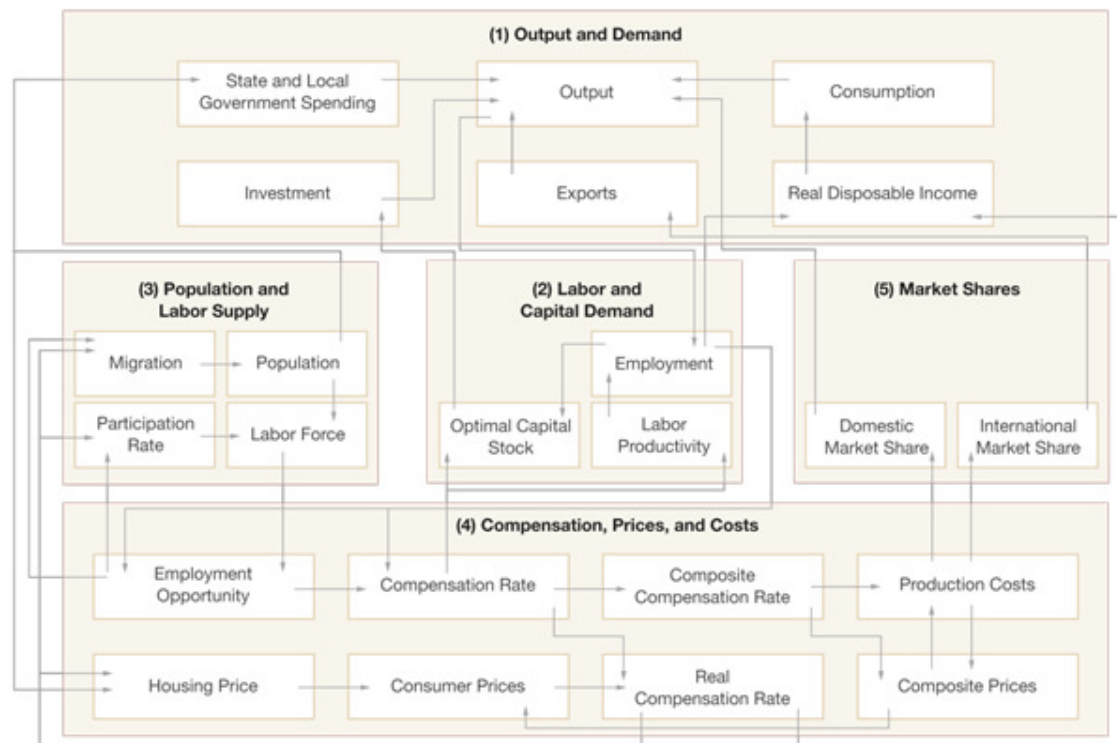
Econometric simulation models combine the sector detail and geography detail of input/output models but provide for functioning economic linkages between sectors and regions over time. The current study uses data provided by Eastern entered into REMI PI+ Version 2.1.1 (Regional Economic Models Inc.), in a 67 county structural econometric model for the state of Florida. It incorporates the basic input/output linkages, but also uses a number of econometrically estimated parameters, for example, interregional migration in response to changes in economic opportunities, in generating impact results. Because of these between-sector linkages, the model incorporates general equilibrium tendencies as the economy responds to shocks over time. That is, changes in spending in a region affect not just conditions in that market, but also in other markets within the region (economists term this a "general equilibrium") and outside the region (via trade and also via migration in response to changes in economic opportunities).

This contrasts with traditional input-output models that are both static (all effects are assumed to occur simultaneously, so there is no adjustment path over time) and partial equilibrium (e.g. changes in employment do not change wage rates) in nature. This describes the phenomenon whereby, for example, a manufacturing facility opens in a region and pays wages higher than the area's average wage. Because of the increased demand for workers with that skill set, the region's manufacturers and possibly construction industry may have to increase their wages or benefits to retain existing workers or attract new workers. A traditional input-output model simulation of the economic impact holds everything else fixed (including manufacturing wages across the county) and simply documented the employment and job creation effects resulting directly at the new manufacturing facility and indirectly via businesses in its supply chain, as well as household spending induced by the new income flows.

A simulation model such as REMI captures not only the spending effects flowing from the manufacturing facility and its local suppliers and employees and owners, but also the spillover effects into other markets as wages and prices change due to competition for the same employees and other resources. These are the general equilibrium (equilibrium across all markets simultaneously) tendencies of the model. It also

simulates the adjustment path over time of these market responses, using historical parameters estimated specifically for that county (the dynamic component). In an input-output model, impacts are usually measured as gross impacts, or additions to the area's economy without consideration of the extent to which, for example, a project's use of labor force may make labor more expensive to other businesses, or require additional infrastructure investment. The use of REMI attenuates this problem and so comes closer to an estimate of net, rather than gross, economic impacts because of the feedback effects present in this simulation model.

### REMI Model Linkages (Excluding Economic Geography Linkages)





## Regional Impact

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In estimating economic impact, we quantify the economic contribution to Bay County of the major capital investment expenditures projected for fulfilling the Coast Guard contract. Because funds within the region circulate throughout it, the impact of the spending activity associated with Eastern is a multiple of the initial, or first, round of spending, minus the leakages that occur from sources of supply residing outside of the county boundaries. Employment, gross domestic product, output, personal incomes and labor force are the measures used for economic contribution. The data used to estimate the economic contribution are from projected construction and investment costs in year 2017 dollars. Major capital investment is considered a one-time expenditure.

The inputs for the analysis were provided by Eastern yearly over the project life of the contract. The analysis included spending and hiring for construction of the first 9 ships through year 2024 and projected hiring and spending costs for construction of ships 10 through 25 through year 2035.

It should be noted that all REMI output is shown as a deviation from a baseline forecast. This deviation is reported on an annual basis by the model, but total effects are reported as a cumulative impact of multiple years of such deviation from the baseline. Once shocks to an economy are absorbed, their impacts lessen or even cease over time as the economy achieves a new equilibrium.

**Jobs.** Spending as a result of the new Coast Guard contract will be responsible for 10,304 direct, indirect and induced jobs from 2016 to 2024, and an additional 19,629 jobs from 2025 to 2035 if all vessels are constructed. Impacts from this job creation will be felt throughout the NWF region. Sectors most effected will include manufacturing and retail trade. Occupations effected will include all types of production workers and sales.

**Wages.** The econometric model estimates that without the Eastern contract, the average annual wage in Bay County will grow an average of 1.2% per year from 2016 to 2035. As a result of the increased demand stimulated by the contract, the average wage of all workers in Bay County are expected to see an additional increase of 0.5-0.7% in annual wages, which amounts to approximately \$198-233 per year. During the peak years of employment<sup>3</sup>, the average annual wage for Bay County workers will increase by more than 1% (\$300-\$385) as a result of the Eastern contract.

<sup>3</sup> Beginning in 2023 for the first nine vessels, and continuing through 2033 for vessels ten through twenty-five

**Gross Domestic Product.** GDP represents the total value of all goods and services produced within a geographic area. The REMI model estimates that the initial ship build under the contract will represent an increase of GDP of over \$940 million in Bay County from 2016 to 2024 over the baseline forecast. An additional \$2 billion dollars of increased GDP will be generated if the remaining contracted vessels are completed.

**Output.** Output from the econometric model may be looked at as increased sales within the selected region. The model estimates that output will increase in Bay County from 2016 to 2024 by almost \$2 billion because of the Coast Guard contract. If all ships are ultimately constructed, total increased output will reach over \$6 billion.

*Table 1: Bay County Economic Impact Summary*

	<b>2016 to 2024</b>	<b>2025 to 2035</b>	<b>Total</b>
<i>Employment</i>	10,304	19,629	29,933
<i>Gross Domestic Product (Billions 2017\$)</i>	\$ 0.94	\$ 2.04	\$ 2.98
<i>Output (Billions 2017\$)</i>	1.94	4.24	6.18
<i>Personal Income (Billions 2017\$)</i>	\$ 0.69	\$ 2.22	\$ 2.91
<i>Labor Force</i>	5,739	18,321	24,061
<i>Avg. Annual Wage Increase (2017\$)</i>	\$ 198 (0.5%)	\$271 (0.8%)	\$233 (0.7%)

*Table 2: Impact by Industry Sector (jobs)*

<b>Industry</b>	<b>2016 to 2024</b>	<b>2025 to 2035</b>	<b>Total Contract Impact</b>
<i>Natural Resources and Utilities</i>	37	46	83
<i>Construction</i>	1,445	1,424	2,870
<i>Manufacturing</i>	4,463	8,759	13,222
<i>Wholesale Trade</i>	107	187	294
<i>Retail Trade</i>	752	1,600	2,352
<i>Transportation and Warehousing</i>	82	84	166
<i>Information</i>	37	62	99
<i>Finance and Insurance</i>	153	254	407
<i>Real Estate and Rental and Leasing</i>	193	407	600
<i>Professional, Scientific, and Technical Services</i>	463	990	1,452
<i>Management of Companies and Enterprises</i>	50	90	140

<i>Administrative and Waste Management Services</i>	718	1,372	2,090
<i>Educational services; private</i>	5	10	15
<i>Health Care and Social Assistance</i>	368	925	1,294
<i>Arts, Entertainment, and Recreation</i>	58	86	144
<i>Accommodation and Food Services</i>	557	1,293	1,850
<i>Other Services, except Public Administration</i>	259	425	684

Table 3: Impact by Occupation Category (jobs)

<i>Occupation</i>	<i>2016 to 2024</i>	<i>2025 to 2035</i>	<i>Total Contract Impact</i>
<i>Management, business, and financial occupations</i>	1,005	1,895	2,900
<i>Computer, mathematical, architecture, and engineering occupations</i>	615	1,238	1,852
<i>Life, physical, and social science occupations</i>	74	155	229
<i>Community and social service occupations</i>	53	131	184
<i>Legal occupations</i>	49	105	154
<i>Education, training, and library occupations</i>	215	608	823
<i>Arts, design, entertainment, sports, and media occupations</i>	89	170	258
<i>Healthcare occupations</i>	300	735	1,035
<i>Protective service occupations</i>	142	329	470
<i>Food preparation and serving related occupations</i>	533	1,227	1,760
<i>Building and grounds cleaning and maintenance personal care and service occupations</i>	482	957	1,438
<i>Sales and related, office and administrative support occupations</i>	2,046	3,948	5,994
<i>Farming, fishing, and forestry occupations</i>	15	27	42
<i>Construction and extraction occupations</i>	1,038	1,151	2,189
<i>Installation, maintenance, and repair occupations</i>	521	933	1,455
<i>Production occupations</i>	2,451	4,764	7,215
<i>Transportation and material moving occupations</i>	676	1,256	1,932

REMI Model Annual Output for Vessels 1-9(not inflation adjusted)

Category	Units	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Employment	Thousands (Jobs)	0.05	0.14	0.38	0.9	1.36	1.44	1.65	2.07	2.33
Private Non-Farm Employment	Thousands (Jobs)	0.05	0.13	0.36	0.86	1.3	1.36	1.55	1.95	2.19
Labor Force	Thousands	0.01	0.05	0.14	0.35	0.62	0.8	1	1.26	1.5
Gross Domestic Product	Billions of Fixed (2009) Dollars	0	0.01	0.03	0.07	0.11	0.11	0.13	0.17	0.2
Output	Billions of Fixed (2009) Dollars	0.01	0.02	0.05	0.14	0.22	0.23	0.27	0.35	0.4
Value Added	Billions of Fixed (2009) Dollars	0	0.01	0.03	0.07	0.11	0.11	0.13	0.17	0.2
Personal Income	Billions of Current Dollars	0	0.01	0.02	0.05	0.08	0.09	0.11	0.15	0.18