

Four Exceptionally “People-Friendly” Economic Models



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‘Value for Money Review’: Quantifying the Performance and Payback of your Economic Development Organization ©

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‘What If Analysis’: Predicting and Measuring any Change as it Impacts and Trickles Down Through Every Economic Sector in Your Community ©

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Quantifying a Region’s ‘Wealth Generator’ or ‘Wealth Consumer’ Capabilities in an Input/ Output Economic Snapshot ©

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Best Opportunities: Rating Opportunities in Terms of Their Realizability and Implementation Practicality©

Synergy Management Group Ltd.

Business & Economic Development Consultants Opportunity Implementation Specialists

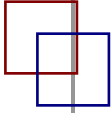
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Four Exceptionally “People-Friendly” Economic Models

Infinitely useable, repeatable, practical, and incalculably valuable Proprietary Economic Models and Planning Tools for those involved in Economic Development with a Community, Region or Government Ministry.

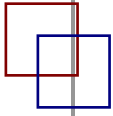
Developed in simple user - friendly presentation styles, that concisely measure and quantify performance, trends and the impact of change. These models are often cited by clients and government as some of the very best and innovative resource tools available.

In the highly competitive domain of Regional / Community Economic Development, the results created by these models allow you to stand apart when it comes to:

- providing insight, unique perspectives and information for economic developing planning
- negotiating with government and funders, and leveraging alternate funding sources
- predicting and measuring overall change, where the change in any one sector trickles down throughout the entire community or region, touching upon every sector
- providing superior strategic information to outside investors
- quantifying the contributions and payback of your economic development efforts

This brief handout cannot possibly encompass the depth and full details of these Models, other than providing a thumbnail sketch. We would be pleased to meet with you, at no cost or obligation, to gameplan how Synergy’s “Exceptionally People - Friendly Economic Models” might work for you. Give us a call. Let’s talk.





(1) Quantifying the Performance and Payback of your Economic Development Organization ('Value for Money Review')

- Understanding the quantitative and qualitative contributions of your Economic Development Organization, and identifying 'where to from here'?
- Reporting to Mayor and Council, and to the community

There is an inherent challenge in generating a review of the effectiveness, or 'value for money' of any economic development organization, particularly when community and government stakeholders expect quantifiable results in the form of 'xx' jobs, or '\$ xx' investment attracted into the community /region.

Assessing the 'value for money' based purely on deliverables is over-simplistic. If your organization sent out 2,457 information kits, was involved in helping to generate 200 new jobs, responded to 412 e-mails from interested outside parties, attended 12 conferences and workshops, worked with 15 local businesses, provided consulting to 3 First Nations communities, and participated in 9 regional and provincial trade missions and marketing initiatives, is the allocation of a dollar per event' really of any merit? No.

An Economic Development Organization, both quantitatively and qualitatively, is expected to deliver higher level strategic planning; carry out marketing, branding and awareness building outside the community / region; assist in creating employment, retain business; attract investment; work closely with the Municipal government, and community stakeholders; create goodwill and; and encourage economic development. How do you measure all of that?

At the 'end of the day', the answer to 'Is there Value for Money in the Economic Development Organization?' is a collection of critical review and assessment results encompassing all aspects of perceived and real deliverables of the Organization, its role within the community, its expectations from the community, its status and relative importance within the community, its level of support, its ability to deliver, and an account of what it has actually succeeded in delivering.

In this (Proprietary ©) "Economic Development Organization Review, Assessment, and Gaps Analysis", Synergy reviews and scores over one hundred 'value for money' features within nine key 'Economic Development Organization Areas of Responsibility / Delivery';

1. Program Development
2. Marketing
3. Community and Stakeholder Relations / Liaison
4. Reporting and Communications
5. Regional Involvement
6. International Economic Development Efforts
7. Funding of Services
8. Quantitative Measures (Actual Deliverables Reported)
9. Organizational and Governance



The “Economic Development Organization Review, Assessment, and Gaps Analysis” employs a rating system approach in its statistical modeling. Based on the input of information and opinion, and analysis of same, and research carried out, each and every feature within the above nine key ‘Economic Development Organization Areas of Responsibility / Delivery’ are scored, using a 1 to 5 rating system, and the results are tallied. The proprietary model used is a demanding scorecard, encompassing every conceivable aspect and delivery expectation of your organization.

| <i>Rating System</i> | <i>Score</i> |
|---|--------------|
| Non existent | 1 |
| Ineffective in delivery | 2 |
| Moderately or 'selectively' effective in delivery | 3 |
| Effective in delivery | 4 |
| Very effective in delivery | 5 |

‘Weighting of deliverables’ is next. Of the nine key ‘Economic Development Organization Areas of Responsibility / Delivery’, some are deemed more important insofar as contributing to the priorities and milestones set for the economic development function. As such, in the weighting process, more priority is given to scoring the results of one over the other.

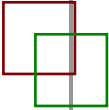
In the final analysis, ‘value for money’ is represented by a score that is clearly understood.

| <i>Significance of the Final Score: Rating the Economic Development Organization</i> | | <i>Score</i> |
|--|--|--------------|
| Rated as an "unqualified success" in all aspects of its mandate, service delivery and results achieved | | 80-100 |
| Rated as a "qualified success", effective, but with gaps and areas open to improvement / enhancement | | 60-79 |
| Rated as "qualified non - success", salvageable, but with major shortfalls and areas needing improvement | | 40-59 |
| Rated as an "unqualified non - success" in all aspects of its mandate, service delivery and results achieved | | 0-39 |

This is easily understandable, and serves as a repeatable yardstick for re-measuring the ‘value for money’ downstream, at any future time.

In the process, this review also delivers a **‘Gaps Analysis’**. Those features of your economic Development Organization’s review that garner low scores, clearly have some room for improvement, change or enhancement. This can be utilized by the planning group involved in directing the activities and priorities of the Organization.





(2) 'What If Analysis': Predicting and Measuring any Change as it Impacts and Trickles Down Through Every Economic Sector in Your Community

Synergy's model has been developed to measure the impact of job change in one or more sectors, and how these changes interact and impact upon all other economic sectors.¹

The purpose of the 'What If Analysis' is to make specific predictions about the effects on the entire local or regional economy, as caused by employment changes occurring in any one sector.

This proprietary model uses the economic base method, which represents the economy of a community by income flows that are basic or non-basic.

The model utilizes the four well - recognized tools for the Region;- the top five Community Income Dependency Ratios; the Regional Diversity Index, ; the Employment Impact Analysis; and The Direct Tourism Ratio.

Any sector can be assessed as to how it impacts change (positive or negative) throughout all other sectors within your own region. This is referred to as 'trickle down impact'.

Changes calculated by the model account for the full 'trickle - down' impact to all other sectors ('basic indirect' and 'non - basic') within a community or Region when any direct ('basic') direct jobs are gained or lost. There is also an impact quantification for a stable, or in-migrating or out-migrating workforce. All options are presented within the generated 'what if' charting.

Example: Forestry

For example, a change of 100 jobs in forestry would impact a total of 147 to 177 jobs within a community, all sectors taken into account.

| Job | No Migration | | | | Average Migration | | | | Migration | | | |
|--------|--------------|----------|---------|--------|-------------------|----------|---------|--------|-----------|----------|---------|--------|
| | Change | Indirect | Induced | Total | Change | Indirect | Induced | Total | Change | Indirect | Induced | Total |
| 25.00 | 25.00 | 5.30 | 6.50 | 36.80 | 25.00 | 5.30 | 10.30 | 40.60 | 25.00 | 5.30 | 14.00 | 44.30 |
| 100.00 | 100.00 | 21.00 | 26.00 | 147.00 | 100.00 | 21.00 | 41.00 | 162.00 | 100.00 | 21.00 | 56.00 | 177.00 |
| 250.00 | 250.00 | 52.50 | 65.00 | 367.50 | 250.00 | 52.50 | 102.50 | 405.00 | 250.00 | 52.50 | 140.00 | 442.50 |

Example: Construction

For example, a change of 250 jobs in construction would impact a total of 357 to 417 jobs within a community, all sectors taken into account.

| Job | No Migration | | | | Average Migration | | | | Migration | | | |
|--------|--------------|----------|---------|--------|-------------------|----------|---------|--------|-----------|----------|---------|--------|
| | Change | Indirect | Induced | Total | Change | Indirect | Induced | Total | Change | Indirect | Induced | Total |
| 50.00 | 50.00 | 14.50 | 7.00 | 71.50 | 50.00 | 14.50 | 13.00 | 77.50 | 50.00 | 14.50 | 19.00 | 83.50 |
| 100.00 | 100.00 | 29.00 | 14.00 | 143.00 | 100.00 | 29.00 | 26.00 | 155.00 | 100.00 | 29.00 | 38.00 | 167.00 |
| 250.00 | 250.00 | 72.50 | 35.00 | 357.50 | 250.00 | 72.50 | 65.00 | 387.50 | 250.00 | 72.50 | 95.00 | 417.50 |

¹ The 'What If' model developed by Synergy © applies predicted changes in employment and how they impact the inter-relationship of economic indices. The model utilizes the data / ratios provided in "British Columbia Local Area Economic Dependencies and Impact Ratios", Ministry of Finance and Corporate Relations as a starting point.

| Term | Definition |
|---------------------------------|---|
| | <i>Change in Employment</i> |
| <i>Change</i> | The number of direct jobs gained or lost as a result of a new economic opportunity, or economic setback (mill closure, etc.). |
| <i>Indirect</i> | For every direct job, gained or lost, 'indirect' represents the number of indirect or secondary jobs gained or lost, based on pre-set 'trickle down' employment impact ratios determined for each sector. |
| <i>Induced</i> | This represents the impact of 'basic' resource sector jobs lost or gained within only the local 'non basic' economy. For every direct or indirect job gained or lost, the local economy is impacted by people spending more or less for local goods and services, and therefore these local jobs are impacted with more, or less staff to support local sales, or government offices to service an increasing or decreasing workforce. |
| | <i>The Impact of a Migrating Workforce</i> |
| <i>No Migration</i> | <p>All of the above scenarios regarding changes in employment must also be measured by movement of the workforce.</p> <p>No migration indicates that, in a gain situation, the local or Regional workforce will take up the employment slack and provide all the labour pool to supply new jobs being created.</p> <p>In a job loss scenario, the implication here is that people will not migrate out of the area, but will seek other employment, undertake entrepreneurship or live on government transfer payments (Employment Insurance, Social Assistance), or simply retire.</p> |
| <i>Average Migration</i> | As the above, but an impact factor is built in to reflect some migration into the community to take advantage of job opportunities, or, in the case of negative economic events, some residents will migrate out in search of alternate employment. |
| <i>Migration</i> | <p>The indication herein is that new jobs being created by an economic opportunity will be filled, to a significant degree, by newcomers migrating into the Region.</p> <p>Alternatively, most workers impacted by a negative event will leave the Region seeking other employment.</p> |

(3) 'Net Wealth Balance Sheet': Quantifying a Region's 'Wealth Generator' or 'Wealth Consumer' Capabilities in an Input / Output Economic Snapshot

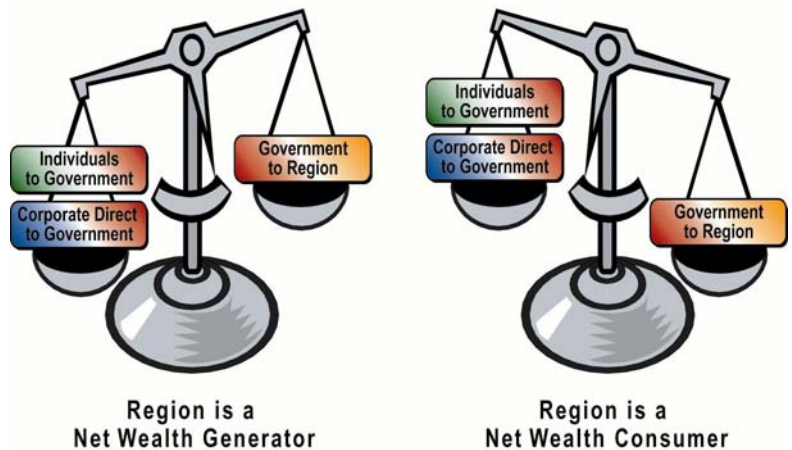
The Net Wealth Balance Sheet ('NWBS') model encompasses all reasonable, identifiable and measurable inflow and outflow of funds to assure that the impact of all 'basic' and 'non - basic' economic sectors are integrated.

The model accesses over 150 sources of hard data to quantify the flow of funds into, and out of a study Region. The net of the inflow / outflow leaves a net balance, measured in dollars.

Where the inflow of funds from government (i.e. transfer payments to individuals such as EI and Social Assistance, etc., and transfer payments to deliver education, justice, health care, etc.) exceeds the outflow of funds to government (PST, GST, corporate taxes, etc.), then the Region is deemed a **Net Wealth Consumer**.

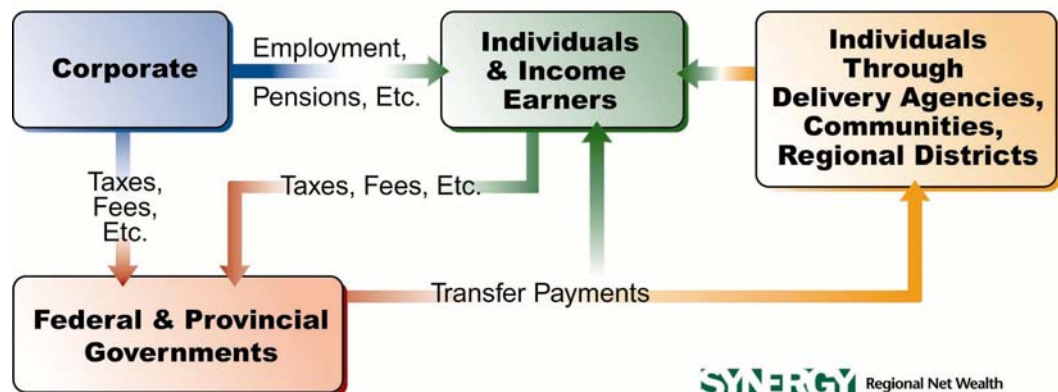
Where the inflow of funds from government is less than the outflow of funds to government, then the Region is deemed a **Net Wealth Generator**.

NET WEALTH BALANCE SHEET - REGIONAL INFLOW AND OUTFLOW OF FUNDS
Balance Sheet: Wealth Consumer or Wealth Generator?



SYNERGY Regional Net Wealth
Management Group Ltd. Balance Sheet Model ©2000

NET WEALTH BALANCE SHEET - REGIONAL INFLOW AND OUTFLOW OF FUNDS
Simplified Overview



SYNERGY Regional Net Wealth
Management Group Ltd. Balance Sheet Model ©2000

Example of Results

| <i>Two Snapshots, Several Years Apart</i> | <i>Snapshot 1</i> | <i>Snapshot</i> |
|--|-------------------|-----------------|
| Inflow of Funds from Government to Region | \$518,322,260 | \$645,256,152 |
| Outflow of Funds from Region to Government | \$1,096,710,205 | \$1,252,428,269 |
| Net Wealth Generation (or, Wealth Consumption) | \$578,387,945 | \$607,172,117 |

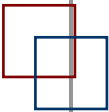
In **Snapshot 1**, the Region received \$518.3 million from government while, at the same time, generated \$1,096.7 million for government. The Region was a Net Wealth Generator of \$578.4 million.

In **Snapshot 2**, using the exact same data model, the Region received \$645.2 million from government, while generating \$1,252.4 million in funding for government. As such, the Region was a Net Wealth Generator of \$607.2 million.

The results of this Net Wealth Balance Sheet, present a quantified economic snapshot of the Region in a very unique style, and one that is statistically sound, and can be used in decision - making, at all levels, for strategic economic development, program and policy planning, and remedial strategies for the Region's economic recovery / growth and economic activity action planning.

What Does an Analysis of Two Successive Time Periods Tell Us?

- ✓ Growth, or shrinkage, of the overall Regional economy
- ✓ Growth, or shrinkage, of key economic sectors
- ✓ Predominance of certain economic sectors, and changes over time
- ✓ Employment levels
- ✓ Demographics growth, or shrinkage
- ✓ Levels of unemployment and social assistance
- ✓ Reliance on key employers
- ✓ Reliance on government transfer payments and support
- ✓ Changes in health care, education and other key services
- ✓ The ability of a Region to generate wealth and contribute towards the BC economy, or vice versa
- ✓ Economic dependence on BC and Federal funding and services
- ✓ Changes to the makeup of a Regional economy as precipitated by major events (mill or plant closures or openings, economic downturns, etc.)
- ✓ Presents economic snapshots for the Region, and changes within the Region over time, that go far beyond the normal SWOT analysis and strategic planning.



(4) 'Best Opportunities': Rating Opportunities in Terms of Their Realizability and Implementation Practicality

The sheer numbers of opportunities and recommendations from hundreds of thousands of dollars of Consultant Reports makes the task of sorting the 'real' versus the 'wishful thinking' all the more difficult.

This Model has been developed to assist in the prioritizing of opportunities and strategies, focusing on those that are far more realistic, implementable and achievable.

Based on a review and compilation of opportunities and strategies proposed in Reports and studies conducted over the years, all identified specific opportunities are first compiled / catalogued, and then assessed and scored.

A rating of '1' (lowest) to '5' (highest) is applied to eighteen key opportunity business case characteristics. Each opportunity analysis is carried out several times, independently, and the scores are then averaged. A perfect score is 90. The 'Opportunity Ranking System' is presented below.



| <i>If An Opportunity Scored</i> | <i>.... Then the Opportunity Was Considered As.....</i> |
|---------------------------------|---|
| 0-20 | Not worth pursuing, too little potential or too difficult to implement. |
| 21-40 | Idea still needs refinement or research. Worth re-visiting and expanding. |
| 41-65 | Reasonably strong opportunity. Certainly worth recommending. |
| 66-90 | Highest priority initiative worth working to implement. |

Eighteen Business Case Features Utilized

| <i>Feature</i> | <i>Scoring / Rating Criteria</i> |
|---------------------------------|--|
| <i>Strengths</i> | Are there a number of strong positive selling and 'realizability' features of the initiative? |
| <i>Weaknesses</i> | Can the project deal with objections and hurdles, and can they probably be mitigated? |
| <i>Potential Profitability</i> | Is this a 'for profit' initiative? Can it possibly provide returns to government / partners / investors? Is it likely that someone will reach for their cheque book? |
| <i>Champion</i> | Is there a local group, company or organization who will support it? Implement it? Run it? |
| <i>Outside Partner Required</i> | Other than for funding, are outside partners required for marketing, distribution, technical expertise, access to resources and markets, etc.? |
| <i>Evidence of Demand</i> | Are there positive market research indicators? Is there a demonstrated demand? Is this a sector that has 'staying power'? |
| <i>Benefits to Region</i> | Are there identified and quantifiable economic paybacks? Jobs? Economic stability? Growth? |

| <i>Feature</i> | <i>Scoring / Rating Criteria</i> |
|---|--|
| <i>Raw Materials</i> | Availability and cost effectiveness of raw materials? |
| <i>Infrastructure Needs identified?</i> | Have the initiatives' infrastructure needs been identified? |
| <i>Infrastructure in Place</i> | Land, power, roads, transport, environmental, shipping facilities, other? |
| <i>Least Risks and Hurdles</i> | Are there a large number of parties to bring to the table to make this opportunity happen (if so, this reduces the score)? |
| <i>Competitive Advantages</i> | Does the region offer competitive advantages (cost effective land, infrastructure in place, support services, etc)? |
| <i>Ability to Grow</i> | Based on all of the above, does this initiative have the opportunity to grow and diversify over an extended period of time? |
| <i>Diversification of the Economy</i> | Will this diversify the local or regional economy? New sectors? Build on existing sectors? |
| <i>Skilled Labour</i> | Is there a pool of skilled labour in light of the needs of the initiative? |
| <i>Ability to Succeed</i> | Based on all of the above, is there a likelihood that the initiative can; a) successfully be brought on stream, b) be funded, c) be partnered, d) be championed, e) diversify / stabilize the economy? |
| <i>Implementation Plan</i> | Is there an 'implementation - ready' plan developed? |
| <i>Implementation Timelines</i> | With the right conditions and support in place, can this initiative be implemented short term (high score), medium term (mid score), long term (low score)? |

A 'Funneled - Down' Opportunity Prioritization Report is typified by the chart on the following page.

As can be seen, the value of cataloguing, scoring and then rating the sheer volume of opportunities helps save time and money.

Key information is accessible quickly.

Further, the catalogued studies represent an exceptional database and resource for economic development planners.

The chances of funding duplicate reports is also reduced dramatically.



A 'Funneled - Down' Opportunity Prioritization Report (Example)

| | <i>Reasonably strong opportunity. Certainly worth recommending.</i> | <i>Highest priority initiative worth working to implement.</i> |
|----------------------------------|--|---|
| | <i>(Score = 41-65 out of 90)</i> | <i>(Score = 66 - 90 out of 90)</i> |
| <i>Agriculture</i> | Greenhouses Value-added Food Processing/Shared Use/Marketing Produce for Local Markets | None |
| <i>Aquaculture and Fisheries</i> | Commercial Fisheries Harvesting and Processing Finfish Aquaculture | Shellfish Aquaculture Value-added Processing |
| <i>Energy and Mining</i> | Mineral Exploration and Development Sand and Gravel Production Energy Intensive Industry/Value-added Metal Processing Offshore/Onshore Oil and Gas Coalbed Methane Petrochemical Value-added Processing Cogeneration Small Scale Energy Production/Wind and Hydro | None |
| <i>Forestry</i> | Forest Council Timber Sources/Woodlot Expansion/Pulp Logs Commercial Thinning Silviculture Opportunities First Nation Forest Tenure/Company/JV Primary Processing Revitalization/Small Sawmills | Community Forest Tenure Log Yard/Log Store Western Red Cedar Oil |
| <i>Marine Tourism</i> | Waterfront Development/Marine Cruising/Boat Moorage Scuba Diving | Ocean Kayaking River Kayaking |
| <i>Land - Based Tourism</i> | Casino Campgrounds/Hardened Campsites Destination or Theme Lodge/Resort Trail Development Tourism and Marketing Association | Pocket and Cruise Ship Development - Services and Products Outdoor/Adventure Tourism |
| <i>Winter Tourism</i> | Winter Tourism | None |
| <i>Cultural Tourism</i> | Cultural & Heritage Expositions and Events/Tours Guided Fishing and Hunting Artists' Centre Traditional Native Village | Ecotourism/Nature Tours / Wildlife Viewing First Nations Cultural Tourism |
| <i>Touring: Tourism</i> | Road and Air/4x4/ATV Tours Hut - to - hut wilderness camping Guided Tour Development | None |
| <i>Transportation</i> | Connection Bridges Trans-shipment Facilities/Holding Tanks General Port and Tidewater Industrial Development Shipyard and Related Marine Activity | Container Terminal |

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