

A Report of the Economic Impact of the Freestone Medical Center in Fairfield, Texas During Fiscal Year 2018

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Executive Summary

This report presents the results of an economic impact analysis performed by Impact DataSource, an Austin, Texas economic consulting and research firm. The purpose of the analysis was to determine the impact that Freestone Medical Center had on the economy of the Fairfield, Texas area during fiscal year 2018 and the related revenues during the year for the City of Fairfield, Freestone County and other local taxing districts.

The Hospital

Freestone Medical Center is 37-Bed acute care hospital with integrated rural health clinic in Fairfield and a primary care clinic in Teague, Texas all under the umbrella of the Fairfield Hospital District. The hospital offers inpatient hospital services, a full service laboratory and radiology suite, 24/7 emergency department, designated as a Level IV Trauma facility, respiratory therapy, cardiac rehabilitation, outpatient surgery, visiting specialist physicians and inpatient rehabilitation (post-acute care).

During 2018, the center had total revenues of \$47,707,000 in total revenues, 125 employees with a total payroll of \$5,980,000.

Economic Impact During 2018

The hospital's operations have a significant impact on the Fairfield area economy. The hospital's revenues and spending and its employees and their salaries provided direct economic benefits to the area. In addition, this activity rippled through the area's economy supporting indirect benefits including revenues in other local businesses and organizations, including doctors, as well as supported indirect and induced jobs and salaries.

Overall, the hospital had a \$63.4 million economic impact on the Fairfield area during 2018. The hospital supported 156 area jobs and salaries of \$74 million during the year.

This economic activity and related jobs and salaries were also responsible for taxable retail sales in the area and supported residential property owned or occupied by hospital employees and related indirect and induced workers. These taxable sales and the value of residential property supported on local tax rolls are shown below.

Taxable Retail Sales and Residential Property on Tax Rolls As a Result of Freestone Medical Center in 2018	
Annual taxable retail sales -- largely by the spending of workers	\$1,010,649
Residential property owned or occupied in the area by hospital employees and related indirect and induced workers	\$19,196,072

The economic activity generated by the hospital translated into revenues for local taxing districts as discussed below

Revenues for the City, County, and Other Local Taxing Districts During 2018

The hospital, its employees, related indirect and induced workers generated the following revenues for the City of Fairfield, Freestone County and other local taxing districts during 2018.

Revenues in 2018 for the City, County and Other Local Taxing Districts as a Result of Freestone Medical Center's Presence in the Community	
City of Fairfield	\$150,528
Freestone County	\$44,163
Fairfield ISD	\$166,788
Fairfield Hospital Board	\$14,309
Total	\$375,788

Details of the economic impact of Freestone Medical Center are shown on the following pages in the full report.

A Report of the Projected Economic Impact of the Freestone Medical Center

Introduction

This report presents the results of an economic impact analysis performed by Impact DataSource, an Austin, Texas economic consulting and research firm. The purpose of the analysis was to determine the impact that Freestone Medical Center had on the economy of the Fairfield, Texas area during fiscal year 2018 and the related revenues during the year for the City of Fairfield, Freestone County and other local taxing districts.

The following information is presented:

- Types of economic impacts provided by the hospital,
- The economic impact of the hospital, its employees, and workers in spin-off jobs in 2018,
- Revenues for City of Fairfield, Freestone County and other local taxing districts in 2018, and
- An explanation of how the analysis was conducted and some information on Impact DataSource, the firm that conducted this analysis.

A description of the hospital is next.

Description of the Hospital

Freestone Medical Center is 37-Bed acute care hospital with integrated rural health clinic in Fairfield and a primary care clinic in Teague, Texas all under the umbrella of the Fairfield Hospital District. The hospital offers inpatient hospital services, a full service laboratory and radiology suite, 24/7 emergency department, designated as a Level IV Trauma facility, respiratory therapy, cardiac rehabilitation, outpatient surgery, visiting specialist physicians and inpatient rehabilitation (post-acute care).

During 2018, the center had total revenues of \$47,707,000 in total revenues, 125 employees with a total payroll of \$5,980,000.

The types of economic impacts that the hospital's operations provide are discussed next.

Types of Economic Impacts that the Hospital's Operations Provide

The Fairfield area receives substantial economic benefits from activities at the hospital and from its employees. These include the following:

- Revenues at the hospital and at other local businesses and organizations, including doctors, and

- Jobs,
- Worker salaries or personal income, and
- Local worker spending.

Direct, Indirect and Induced Economic Impacts

Economic benefits are provided by the facility’s operations and spending by its workers. These economic impacts may be characterized as direct, indirect and induced.

The direct economic impact comes from the operations of the hospital and its employees. From the spending of hospital and its employees, indirect and induced benefits or spin-off benefits are created in the community.

Indirect sales, jobs and salaries are supported in area businesses and organizations, such as construction companies, air conditioning service firms, office supply firms, doctors, etc. that may supply goods and services to the hospital. In addition, induced sales, jobs and salaries are supported in area businesses or organizations, such as restaurants, gas stations, banks, book stores, grocery stores, apartment complexes, convenience stores, computer stores, service companies, etc. that supply goods and services to the hospital’s employees and their families and, in turn, to workers in indirect jobs and their families.

To estimate the indirect and induced economic impact of the hospital and its employees on the Corpus Christi area, regional economic multipliers were used. Regional economic multipliers for Freestone County are included in the US Department of Commerce’s Regional Input-Output Modeling System (RIMS II).

Three types of regional economic multipliers were used in this analysis:

- Output,
- Employment, and
- Earnings.

An output multiplier was used to estimate the amount of indirect and induced revenues generated in the area -- revenues in other businesses or organizations in the area, including doctors.

An employment multiplier was used to estimate the number of indirect and induced jobs supported in the area by the hospital’s spending and spending by its employees.

Similarly, an earnings multiplier was used to estimate the amount of salaries paid to workers in indirect and induced jobs.

The following multipliers were used in this analysis:

Output multiplier	0.3480
Earnings multiplier	0.2485
Employment multiplier	0.3534

This means that for every dollar in revenues at the hospital, there is \$.3480 in revenues generated for other

businesses and other organizations, including doctors in the area.

In addition, for every dollar paid to employees of the hospital, there is \$.2485 paid to workers in spin-off jobs supported in the area. Further, for every employee at the hospital there is an additional .3434 spin-off jobs supported in the area.

The economic impact of the hospital is presented next.

The Economic Impact of the Hospital's Operations during 2018

The hospital, its employees, and workers in spin-off jobs supported in the area have a significant economic impact on the Fairfield area.

Jobs and Salaries

The hospital supported the following economic output (money pumped into the area's economy), jobs in the in the area and workers' salaries:

Economic Output, Jobs and Salaries Supported by Freestone Medical Center During 2018			
	Economic Output	Jobs	Annual Salaries
Direct	\$47,070,000	125	\$5,980,000
Indirect and induced	\$16,378,007	31	\$1,486,180
Total	\$63,448,007	156	\$7,466,180

Taxable Purchases at the Hospital

During 2018, the facility purchased goods and services from the following number of local businesses and had the following amount of purchases subject to sales tax:

Number Vendors and Taxable Purchases by the Facility during 2018	
Number of local vendors from which the hospital made purchases	17
Taxable purchases	\$40,046

Local Spending by Workers

In total, the hospital supported 156 direct, indirect and induced jobs in the area in 2018 along with an estimated \$7,466,180 in annual salaries for direct, indirect and induced workers. The spending of these workers generated the following spending and taxable sales in in local businesses:

Spending in Local Businesses Workers Supported by the Hospital During 2018	
Salaries of workers supported by the hospital	\$7,466,180
Estimated percent of salaries spent in local businesses	50%
Total spending in local businesses	\$3,733,090
Percent of salaries spent on taxable purchases	26%
Taxable spending in the community by workers	\$970,603

Taxable Sales In the City

The hospital, employees of the hospital, and workers in spin-off jobs in the community spent the following amounts in Fairfield that were subject to sales tax:

Local Taxable Retail Sales Supported by Freestone Medical Center in 2018	
Taxable sales at the hospital	\$40,046
Local taxable spending by direct and indirect workers	\$970,603
Total taxable sales	\$1,010,649

Residential Property Owned or Occupied by Workers

Although the hospital's property is not on local tax rolls, the hospital employees and workers in spin-off jobs in the community own or occupy residential property valued at about \$19.6 million on local tax rolls. These workers are directly or indirectly responsible for paying property taxes on this property as shown on the following page.

Taxable Value of Residential Property Owned or Occupied by Freestone Medical Center Workers and Indirect Workers	
Number of workers living in the area supported directly or indirectly by the hospital	156
Estimated average taxable value of single or multi-family owned or occupied by workers supported by the hospital	\$123,000
Total residential owned or occupied by Freestone Medical Center direct and indirect workers and workers in visitor created jobs in the area	\$19,196,072
Percent total workers living in Fairfield	45%
Percent total workers living in Freestone County	64%

How the economic activity of Freestone Medical Center translates into revenues for the City of Fairfield, Freestone County and other local taxing districts in the area is discussed next.

Revenues for the City of Fairfield, Freestone County, and Other Local Taxing Districts During 2018

The City of Fairfield, Freestone County and other local taxing districts received revenues from the hospital, its employees, and workers in indirect jobs.

Sales and property tax rates for the City, County and other local taxing districts are shown below:

Local Sales and Property Tax Rates		
	Sales Tax Rate	Property Tax Rate
City of Fairfield	2.00%	0.432105
Freestone County		0.359470
Fairfield ISD		1.357606
Fairfield Hospital Board		0.116469

Utility Payments to the City

During 2018 the hospital made the following utility payments to the City:

Utility Payments to the City Freestone Medical Center in 2018	
Water and wastewater	\$13,987

In addition, workers in living in the City made the following estimated utility payments to the City in 2018:

Utility Payments to the City by the Workers Support by the Hospital in 2018	
Number of workers supported in the area by the hospital	156
Percent of workers living in Fairfield	45%
Average annual utility payments per worker	\$924
Total utility payments to the city by workers	\$64,892

In total, the City's utilities had the following revenues from the hospital and workers supported by the facility:

Utility Payments to the City by the Hospital and Workers Supported by the hospital in 2018	
Utility payments by the hospital	\$13,987
Utility payments by workers supported by the hospital	\$64,892
Total utility payments to the City	\$78,879

Utility Franchise Fees Paid to the City

During 2018 the hospital made the following utility payments to service providers on which the city collected utility franchise fees:

Utility Payments made to Other Services Providers by Freestone Medical Center in 2018	
Electricity, natural gas, solid waste, and cable	\$183,161
Number of phone lines	23

In addition, workers living in the City made the following estimated payments to other service providers in 2018:

Estimated Payments to Other Utility Providers by Workers Supported by the Hospital in 2018	
Number of workers supported in the area by the hospital	156
Percent of workers living in Fairfield	45%
Average annual payments per worker to other utility providers	\$1,800
Total utility payments by workers	\$126,413
Average number of land lines per worker	0.15

Estimated City utility franchise fees are shown below:

Payments to Other Utility Providers by Workers Supported by the Hospital in 2018	
Estimated utility franchise fees collected from other service providers as a percent	4%
Estimated telephone line access charge:	
Residential	\$1.88
Non-residential	\$4.29

In total, the City collected the following estimated utility franchise from other service providers:

Utility Franchise Fees Collected from Utility Providers to the Hospital and Workers Supported by the Hospital in 2018	
Fees on utility services provided to the hospital:	
Electricity, natural gas, solid waste, and cable	\$7,326
Telephone line access charge	\$1,184
Fees on utility services provided workers supported by the hospital:	
Electricity, natural gas, solid waste, and cable	\$5,057
Telephone line access charge	\$542
Total utility franchise fees collected by the city	\$14,109

Total Revenues for the City of Fairfield during 2018

During 2018 the City of Fairfield received the following revenues from the economic activities supported by the Freestone Medical Center:

Annual Revenues from the Hospital for the City of Fairfield	
Sales taxes	\$20,213
Property taxes collected on residential property	\$37,326
Utility revenues	\$78,879
Utility franchise fees	\$14,109
Total Revenues	\$150,528

Revenues for Other Local Taxing Districts during 2018

In addition to revenues for the City of Fairfield, scheduled above, the county and other local taxing districts collected the following property taxes on residential property owned or occupied by direct, indirect and induced workers supported by the hospital:

Annual Property Taxes for the County and Other Local Taxing Districts on the Residential Property of Workers Supported by the Hospital	
Freestone County	\$44,163
Fairfield ISD	\$166,788
Fairfield Hospital Board	\$14,309
Total	\$225,260

Total Revenues the City, County Other Local Taxing Districts during 2018

A summary of annual revenues received by all local taxing districts are shown below.

Annual Revenues in 2018 for All Local Taxes Districts as a Result of Freestone Medical Center's Presence in the Community	
City of Fairfield	\$150,528
Freestone County	\$44,163
Fairfield ISD	\$166,788
Fairfield Hospital Board	\$14,309
Total	\$375,788

Conduct of the Analysis

Impact DataSource conducted this analysis using information supplied by the Fairfield Medical Center. In addition, Impact DataSource used local tax and other rates and some estimates and assumptions.

Using this data, the annual economic impact during 2018 of the hospital and related annual revenues for the City of Fairfield, Freestone County and other local taxing districts were calculated.

In addition to the direct economic impact of the hospital and its employees, spin-off or indirect and induced benefits were also calculated, as discussed earlier in this report.

Impact DataSource is a 25-year-old Austin, Texas economic consulting, research and analysis firm. The firm has conducted economic impact analyses of numerous projects in Texas and 39 other states. In addition, the firm has developed economic impact analysis computer programs for several clients, including the New Mexico Economic Development Department. The firm's principal, Jerry Walker, performed this economic impact analysis. He is an economist and has Bachelor of Science and Master of Business Administration degrees in accounting and economics from Nicholls State University, Thibodaux, Louisiana.