

**APPENDIX B**  
**ECONOMIC IMPACT ANALYSIS REPORT**



**BRIEF ANALYSIS OF ECONOMIC BENEFITS  
OF THE OPERATION OF THE**

**POSILICO MATERIALS, LLS  
ASPHALT MANUFACTURING PLANT**

**1610 New Highway  
Farmingdale, Town of Babylon, New York**

*Prepared for:* DMJ Associates  
1610 New Highway  
Farmingdale, New York 11735

*For Submission to:* Town of Babylon  
Zoning Board of Appeals  
200 East Sunrise Highway  
Lindenhurst, NY 11757

*Prepared by:* Nelson, Pope & Voorhis, LLC  
572 Walt Whitman Road  
Melville, NY 11747  
(631) 427-5665  
Contact: Charles J. Voorhis, CEP, AICP

*Date:* August 24, 2007

Introduction

The continuing operation of the DMJ Associates/Posilico Asphalt Manufacturing Facility at its current site in the Town of Babylon provide significant economic benefits to both the local community and the regional economy that can be defined in both quantifiable and qualitative terms. The economic benefits include:

- The primary and secondary permanent jobs and payroll generated by the operation of the Asphalt Manufacturing Plant /Road Construction Company and related Re-Cycling Plant and the related impact on local employment.
- The State Income Taxes generated from the primary and secondary jobs and payroll generated by the Asphalt Manufacturing Plant/Road Construction Company and Re-Cycling Plant.
- The State and local sales taxes generated by the economic activity associated with the companies.
- Cost savings to businesses and residents utilizing asphalt.

Primary and Secondary Permanent Jobs and Payroll Generated By Project

The DMJ Associates/Posillico Facility houses the following two companies owned and operated by the project sponsor, and are dependent upon the continued use of the site by the asphalt manufacturing function:

1. Operational Plant/Road Construction Company – This company has employees involved in both the manufacturing of asphalt, maintenance of the facility and road construction. The average number of employees from 2005-2006 was 337, with an average annual payroll of \$20,075,854.
2. Re-Cycling Company – This company averaged eight (8) employees from 2005-2006, with an average annual payroll of \$639,500 during the same time period.

**Table I** and **Table II** summarize the impact that the aforementioned DMJ Associates/Posillico related companies have on the local economy in terms of primary jobs and annual payroll. In addition to the primary jobs and payroll, the subject tables also exhibit the impact the DMJ Associates/Posillico affiliated companies are estimated to have on secondary jobs and annual payrolls. Secondary impacts are estimated by applying nationally recognized economic multipliers to the jobs and payroll directly attributable to the affiliated companies. Theoretically, multipliers are utilized to represent the fact that each primary job and dollar of payroll has a “ripple” effect on the local economy, generating additional dollars to create or support secondary jobs and payroll. The Bureau of Economic Analysis-RIMS Model II regional multipliers for Nassau-Suffolk Counties for the Asphalt Paving and Manufacturing Industries were utilized to estimate secondary job and annual payroll impacts. The secondary job multiplier for the subject industry is 2.6542; the secondary payroll multiplier is 2.0299.

**TABLE I**  
**PRIMARY AND SECONDARY JOB IMPACT OF**  
**THE DMJ ASSOCIATES/POSILICO AFFILIATED COMPANIES**

Companies	Primary Jobs	RIMS II Multipliers	Secondary Jobs
Asphalt Manufacture /Road Construction	337	2.6542	557
PBA/Recycling Company	8	2.6542	13
Totals	345	2.6542	570

*Note: Primary Job data for 2005-2006 received from DMJ Associates/Posillico.*

A review of **Table I** clearly demonstrates the significant impact the existing operation of the affiliated DMJ Associates/Posillico companies has on the local economy in terms of employment. The affiliated companies directly generate three-hundred and forty-five (345) jobs, in addition it is estimated that five-hundred and seventy (570) secondary jobs can be attributed to the operation of the subject companies. The total number of jobs supported by the DMJ Associates/Posillico companies in terms of primary and secondary jobs totals nine-hundred and fifteen (915). It should be noted that company officials estimate that about thirty-five (35) percent of their employees reside in the Town of Babylon. As a result, it is estimated that the DMJ Associates/Posillico companies provide approximately one-hundred and twenty one (121) jobs to local residents. To the extent that secondary jobs generated by the subject companies are based in local service industries, it may be assumed that the impact on jobs for Babylon residents will well exceed the aforementioned one-hundred and twenty-one (121) jobs.

**Table II** presents the impact of the subject companies on primary and secondary payrolls in the local economy.

**TABLE II**  
**PRIMARY AND SECONDARY PAYROLL IMPACT OF**  
**THE DMJ ASSOCIATES/POSILICO AFFILIATED COMPANIES**

Companies	Primary Annual Payroll	RIMS II Multipliers	Secondary Annual Payroll
Asphalt Manufac. /Road Construction	\$20,075,854	2.0299	\$20,676,122
PBA/Recycling Company	\$ 639,500	2.0299	\$ 658,621
Totals	\$20,715,354	2.0299	\$21,334,743

*Note: Primary Job data for 2005-2006 received from DMJ Associates/Posillico.*

In taking into account the secondary impacts, the DMJ Associates/Posillico operations generate an estimated primary annual payroll of \$20,715,354, with a secondary annual payroll of \$21,334,743. In total, it is estimated that the subject companies generate a total payroll of \$42,050,097 for the local economy.

#### State and Local Taxes Generated by the Project

The payroll dollars generated by the primary and secondary jobs associated with the DMJ Associates/Posillico project will provide tax revenue to the State of New York government in the form of income taxes. The NP&V analysis assumes that payroll dollars will be subject to an average State tax rate 4.5%. **Table III** presents the calculation of the estimated State Income tax revenue to be generated by primary and secondary jobs relative to the continued operation of the DMJ Associates/Posillico facility.

**TABLE III**  
**ESTIMATED ANNUAL STATE INCOME TAX**  
**GENERATED BY DMJ ASSOCIATES/POSILLICO FACILITY**

Companies	Primary/Secondary Annual Payroll	State Income Tax Rate	Estimated Total State Income Tax
Asphalt Manufac./Road Construction	\$40,751,976	4.5	\$1,833,839
PBA/Recycling Company	\$ 1,298,121	4.5	\$ 58,415
Totals	\$42,050,097	4.5	\$1,892,254

A review of **Table III** shows that the \$42,050,097 in total payroll generated by the DMJ Associates/Posillico primary and secondary jobs is estimated to generate \$1,892,254 annually in state income taxes. This estimate is in current dollars and will grow over time as payrolls increase.

In addition, DMJ Associates/Posillico company officials reported that during the 2005-2006 time period their companies averaged \$125,000 annually in expenditures subject to State sales tax. Assuming this level of spending continues an additional \$10,781 in sales tax dollars will be generated to support local government services.

The significant economic benefit made to the State income tax rolls by the subject projected annual payrolls will be enhanced when considering State sales tax. The State and local governments collect sales tax based on the purchases of taxable goods and services by consumers. Based on an analysis of the Bureau of Economic 2005 Consumer Expenditures Survey for the Northeast, NP&V has estimated that thirty-five (35) percent of the total payroll of the subject companies will be utilized to purchase taxable goods and services. Applying the thirty-five percent factor to the total annual payroll of \$42,050,097 yields an estimated expenditure of \$14,717,534 for taxable goods and services by employees. Based on the current sales tax rate of 8.625%, the estimated expenditures from the employees of the subject companies will generate approximately \$5,151,137 in state and local sales taxes to support government operations. This analysis assumes that there is no leakage of payroll spending from the Long Island economy. To the extent that such leakage occurs, there will be a corresponding reduction in the generation of sales tax.

#### Cost Savings to Local Business and Residents Utilizing Asphalt

It is also important to note that the location of an asphalt operation in the Town of Babylon provides dollar savings to local businesses and residents that are real, but difficult to quantify. Since asphalt must be transported to project sites in heated trucks, service areas are generally limited to within thirty (30) miles of the plant location. The greater distance this product must be trucked, the greater the costs are for businesses and residents. As a result, the location of the DMJ Associates/Posillico facility within the Town of Babylon produces savings in construction projects ranging from the paving of residential streets to a homeowner paving their driveway.