

APPENDIX II – BACKGROUND ANALYSIS AND SUPPORTING STUDIES

ECONOMIC ANALYSIS

The study of the economy of Frederick County involves many factors. This chapter examines the change in employment sectors, the role of small **business and top employers.** Change in Frederick County's economy, undoubtedly, is evident in this chapter; however, the strong signs of stability with appropriate diversity are particularly noteworthy.

RECENT EMPLOYMENT COMPARISONS AND TRENDS

An analysis of the employment segments reveals minimal overall change in the Frederick County economy since 2005-2010. While the absolute number of employment change is significant for some of the largest employers, 4 of the top employers in 2005 remain ten years later. Health Care and Social Assistance and Accommodation and Food Services employment are the two new arrivals to the top employer list. The growth of Winchester Medical Center and Frederick County's population remain likely reasons for its rise. Overall, retail trade displayed the largest growth of the top employers (+1,677). Manufacturing's overall net increase is noteworthy given its decrease in the Commonwealth overall.

Sector	2005 # Employed	Sector	2015 # Employed
Manufacturing	4,584	Manufacturing	5,033
Educational Services	2,552	Retail Trade	3,405
Construction	2,322	Educational Services	2,891
Retail Trade	1,728	Accommodation and Food Services	2,217
Wholesale Trade	1,481	Construction	2,004
Administrative and Support and Waste Management and Remediation Services	1,254	Health Care and Social Assistance	1,925

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Looking into the next twenty years, population increase and continued **international economic forces will likely influence Frederick County's economy** and its largest employment sectors. Established clusters in food processing and **plastic manufacturing coupled with the area's sheer logistical advantages** and workforce draw will likely keep manufacturing employment stable. Retail and healthcare growth, fueled by population growth, will gain additional employment and likely rise in its role within the economy. Joining the national and state trends, Frederick County will diversify further via service based employment. Professional service, finance and insurance employment will likely lead this surge.

Although the major employment players remain mostly the same, their impact on the community has clearly changed. Viewing the growth in net new establishments provides an alternative view on the role of largest employment segments. The growth in the number of manufacturing establishments is a prime example. This fact along with overall positive employment growth in this sector demonstrates a very positive evolving **manufacturing sector. The future of Frederick County's economy shines bright given manufacturing's noted large multiplier impact and above average wage.**

Overall, Frederick County added over 397 new establishments in the past ten years. Service based businesses; health care (+265) and accommodation and food services (+56) produced the largest net gain in new establishments since 2005. These sectors, however, collectively employ slightly half the **employees of manufacturing sector. Advancing twenty year's health care and professional service entities will likely continued to add their totals furthering Frederick County's diversification into a manufacturing/service based economy.**

Sector (# of Firms)	2005 # Employed	Sector (# of Firms)	2015 # Employed
Construction (23)	307	Health Care and Social Assistance (62)	313
Retail Trade (44)	163	Construction (23)	217
Other Services (except Public Administration) (81)	117	Retail Trade (44)	195
Professional, Scientific, and Technical Services (54)	102	Professional, Scientific, and Technical Services (54)	132
Administrative and Support and Waste Management and Remediation Services (56)	97	Other Services (except Public Administration) (81)	132
Wholesale Trade (42)	88	Accommodation and Food Services (72)	119

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SMALL BUSINESS

A discussion about any economy would be incomplete without reviewing the role of small businesses. **Their importance to a community’s long term economic success cannot be overstated.** In the United States overall, they employ nearly half of all private sector employees. They generated 60 to 80 percent of net new job annually over the last decade.

The definition of small business varies widely. For this chapter purposes, small business will be identified as those employer with less than 19 employees.

In 2004, 82.2% of all employers in Frederick County had less than 19 employees. Advance 10 years later, Frederick County experience a slight increase to 83.5% of employers with less than 19 employees. Given the number of arrival/increase of large employers like Kraft, HP Hood, Federal Emergency Management Administration (FEMA), and Valley Health Systems, **the ability of small business to hold their role in Frederick County’s economy is impressive.**

Sector	2004 # of Firms	Sector	2014 # of Firms
Health Care and Social Assistance	38	Health Care and Social Assistance	274
Construction	261	Construction	186
Retail Trade	126	Retail Trade	148
Other Services (except Public Administration)	106	Other Services (except Public Administration)	126
Professional, Scientific, and Technical Services	81	Professional, Scientific, and Technical Services	120
Administrative and Support and Waste Management	95	Administrative and Support and Waste Management	97

Small business will retain the vast majority of employment in Frederick County. As such, entrepreneurship/small business development should **remain one of the pinnacles of Frederick County’s economic development.** It is a beacon indicating when a community has an ideal business climate – when all physical and soft infrastructure is in place to allow new companies to grow and the community to self-sustain economic growth. **The community’s**

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undeveloped entrepreneurial culture has often been highlighted in studies as a hurdle to continued economic growth.

CURRENT TOP EMPLOYERS

The section will illustrate the evolution of Frederick County’s economy through the top ten employer rankings.

Over ten years ago (2004), Frederick County’s economy was chiefly led by major manufacturers and local government entities. Manufacturers established deep roots due to the area’s immense access to the East Coast, Virginia’s favorable cost of business and Frederick County’s productive workforce.

Employer	Industry	Size Class
Frederick County School Board	Educational Services	1000 and over employees
County of Frederick	Executive, Legislative, and Other General Government Support	500 to 999 employees
World Wide Automotive LLC	Merchant Wholesalers, Durable Goods	500 to 999 employees
Action Executive Services	Administrative and Support Services	250 to 499 employees
American Woodmark Corporation	Furniture and Related Product Manufacturing	250 to 499 employees
H.P. Hood, Inc.	Food Manufacturing	250 to 499 employees
Lord Fairfax Community College	Educational Services	250 to 499 employees
GE Lighting	Electrical Equipment, Appliance, and Component Manufacturing	250 to 499 employees
Shockey Brothers, Inc.	Nonmetallic Mineral Product Manufacturing	250 to 499 employees
Glaize and Brothers	Wood Product Manufacturing	100 to 249 employees

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Today, the make-up of the largest employers is quite more diverse than 2004. While manufacturers still hold several slots in the top ten, many service base employers, like Navy Federal, Home Depot and Department of Homeland Defense, have provided a more diverse economy than 10 years ago. These new additions provide enhanced stability during instance of plant closures and national economic downturns.

Employer	Industry	Size Class
Frederick County School Board	Educational Services	1000 and over employees
Navy Federal Credit Union	Credit Intermediation and Related Activities	1000 and over employees
U.S. Department of Homeland Defense	Administration of Economic Programs	500 to 999 employees
County of Frederick	Executive, Legislative, and Other General Government Support	500 to 999 employees
Lord Fairfax Community College	Educational Services	500 to 999 employees
Axiom Staffing Group	Administrative and Support Services	500 to 999 employees
H.P. Hood, Inc.	Food Manufacturing	250 to 499 employees
Kraft Foods	Food Manufacturing	250 to 499 employees
The Home Depot	Building Material and Garden Equipment and Supplies Dealers	250 to 499 employees
Trex Company Inc & Subsid	Plastics and Rubber Products Manufacturing	250 to 499 employees

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FUTURE BUSINESS GROWTH

In 20 years, the top employer listing may contain many of the same names, but likely they will be joined by some of employers of tomorrow. Third party analyses have indicated a strong likelihood of success toward other business service operations, life science entities and defense/advance security oriented businesses. The full list follows below.

TARGETED BUSINESSES					
BUSINESS SERVICES	DEFENSE & ADVANCED SECURITY	LIFE SCIENCES	FOOD PROCESSING	ASSEMBLY	EXISTING BUSINESS
Software	Manufacturing	Manufacturing	Manufacturing	Manufacturing	Manufacturing
Back Office	R&D	R&D			Back Office
	Software				
	Back Office				

NICHE INDUSTRY TARGETS					
IT Service Centers	Small & Medium-scale Manufacturing	Medical Device Manufacturing	Packaged Foods	Medical Focus	Plastics
Regional Headquarters	Life Sciences Applications	Biotech & Pharmaceutical Research	Perishable Foods	Computer & Electronic Products	Printing
Data Centers	Software Development		Organic Foods	Plastic Products	Metal Fabrication
Call Centers (high value add)	Business Services		Beverages	Fabricated Metal Products	Food Processing
Back Office Services					Business Services
Software Design					

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CURRENT WORKFORCE DRAW

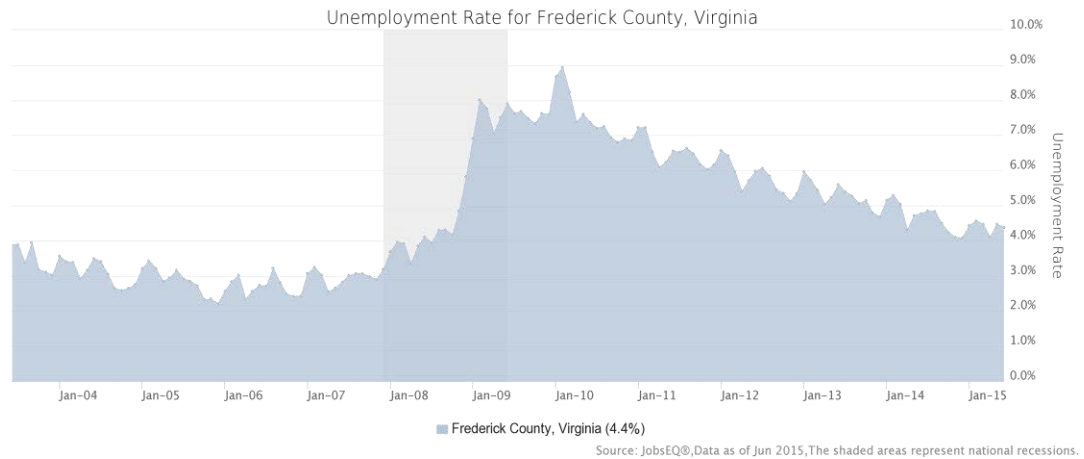
Frederick County’s labor supply is drawn from a 45-mile radius and includes the counties of Shenandoah, Page, Clarke, Warren, Loudoun in Virginia, and the counties of Berkeley, Hampshire, Hardy, Jefferson, and Morgan in West Virginia and Washington County, Maryland

As the table shows below, Frederick County possesses a diverse and ample labor force within its draw area as of 1st quarter 2015.

Title	Employment	Avg. Annual Wages ¹	Unempl	Unempl Rate
Total - All Occupations	253,809	\$42,900	n/a	n/a
Office and Administrative Support Occupations	40,060	\$33,800	3,244	5.9%
Sales and Related Occupations	28,909	\$31,500	2,140	5.7%
Food Preparation and Serving Related Occupations	23,855	\$21,200	2,846	8.4%
Transportation and Material Moving Occupations	20,316	\$33,800	1,697	6.9%
Education, Training, and Library Occupations	16,550	\$50,800	1,079	5.0%
Production Occupations	16,456	\$36,000	1,326	6.7%
Healthcare Practitioners and Technical Occupations	14,704	\$74,700	421	2.5%
Management Occupations	11,573	\$101,900	343	2.2%
Business and Financial Operations Occupations	10,620	\$68,100	531	3.3%
Installation, Maintenance, and Repair Occupations	9,390	\$42,900	588	4.4%
Construction and Extraction Occupations	9,308	\$39,500	1,233	8.4%
Building and Grounds Cleaning and Maintenance Occupations	8,648	\$24,700	1,080	8.0%
Personal Care and Service Occupations	8,297	\$23,800	765	7.0%
Protective Service Occupations	8,130	\$44,400	410	4.2%
Healthcare Support Occupations	7,444	\$28,500	430	4.7%
Computer and Mathematical Occupations	5,331	\$81,100	308	2.6%
Community and Social Service Occupations	3,919	\$43,400	142	3.3%
Architecture and Engineering Occupations	3,166	\$76,600	156	2.9%
Arts, Design, Entertainment, Sports, and Media Occupations	2,852	\$46,800	242	6.0%
Life, Physical, and Social Science Occupations	1,644	\$64,100	89	3.4%
Legal Occupations	1,379	\$87,800	43	2.3%
Farming, Fishing, and Forestry Occupations	1,261	\$25,400	100	7.3%

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Frederick County’s unemployment rate has continued to decrease since the last recession. Currently the rate stands close to full employment rate of 4.0%.



EMPLOYMENT AND BUSINESS

	Value		
	Frederick County, Virginia	Virginia	USA
Labor Force Participation Rate and Size (civilian population 16 years and over) ⁴	41,878	4,188,480	157,113,886
Armed Forces Labor Force ⁴	95	115,131	1,083,691
Veterans, Age 18-64 ⁴	4,694	483,075	11,977,656
Median Household Income ^{3,4}	\$68,424	\$63,907	\$53,046
Poverty Level (of all people) ⁴	5,547	887,595	46,663,433

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	Frederick County, Virginia	Virginia	USA
Labor Force Participation Rate and Size (civilian population 16 years and over) ⁴	67.3%	64.9%	63.8%
Armed Forces Labor Force ⁴	0.2%	1.8%	0.4%
Veterans, Age 18-64 ⁴	9.5%	9.5%	6.2%
Median Household Income ^{3,4}	—	—	—
Poverty Level (of all people) ⁴	7.1%	11.3%	15.4%

COMMUTING PATTERNS

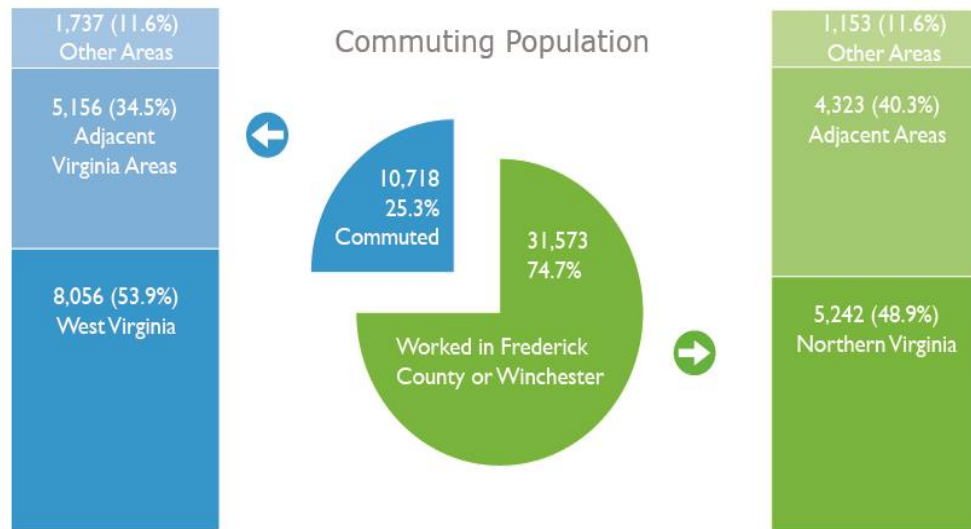
The Winchester-Frederick County community is the regional economic epicenter for the Northern Shenandoah Valley region. One reason for this statement is found in the area’s commuting patterns. The 2000 Census showed just over 4,000 more workers commuted into this community than out-commuted, double the amount from 1990. In 2000, the in-commuting growth (up 5,012) significantly out-paced that of out-commuters (up 2,807) by nearly a 2 to 1 margin.

In addition, the Winchester-Frederick County community remains a “Place to Live and Work.” Nearly 75% (31,573 out of 42,291) of working individuals in either Winchester or Frederick County reported living and working in the Winchester-Frederick County community. Over 4,600 (17.4%) net new workers have chosen to work and live in this community since 1990.

The benefits of our community having a large “live where you work” population is enormous.

- Promotes linkage between employers and community
- **Reduces commuting costs, thus increasing a household’s disposable income**
- Reduces employee turnover, training, and recruitment costs
- Makes our community a more attractive place for businesses to locate and expand

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The out-commuting population also remains a viable labor force for some companies. In 2000, slightly more than 25% (10,718 individuals) of our **community's working population commuted**. **Over 89% of our community's** commuting population works either in an adjacent local area or the Northern Virginia area.

Workforce studies in 2003 and 2006 yielded similar commuting patterns. Specifically, the 2006 study showed that 68.7% of Winchester-Frederick **County's working population live and work in Winchester-Frederick County**, with only 12.4% working in Northern Virginia.

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TAXABLE SALES

The retail sector is important, though, as retail activity reflects the general health of a local economy. Retail sales also produce sales tax dollars, which support municipal service provision. In Frederick County the overall value of taxable sales grew from \$413 million from to just over \$1 billion in unadjusted dollars, currently.

Please note, in the third quarter of calendar year 2005 the Virginia Department of Taxation began tracking quarterly taxable sales using the North American Industry Classification System (NAICS) business categories rather than Standard Industrial Classification (SIC) categories. Consequently, data from the two time periods are not fully compatible for purposes of comparison. Taxable sales reported on this page can be compared from 1995 through the second quarter of 2005 (the quarters using the SIC categories) or from the third quarter of 2005 through the current quarter (quarters using the NAICS categories), but comparing data from between the two periods will carry misleading results.

The evolution of Frederick County’s economy once again became apparent when examining the top taxable sales categories over the past almost 20 years. In 2004, miscellaneous store retail topped all with sales over nearly \$115 million. Fast forward to 2014, the top ranking changes to general merchandise stores taxable sales, which exceeded \$271 million.

Sector	2004	Sector	2014
Gasoline Stations	\$104,881,954	General Merchandise Stores	\$271,764,942.00
Misc Retail	\$115,325,402	Food and Beverage	\$161,493,402.00
Building Materials	\$64,735,846	Merchant Wholesalers, Durable Goods	\$100,667,998.00
Grocery Stores	\$54,407,471	Food Services and Drinking Places	\$82,792,777.00
Food Services and Drinking Places	\$59,059,004	Gasoline Stations	\$60,836,162.00