

Lake County: CED Economic and Demographic Profile

Lakeport, CA

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Introduction

- Global issues
 - Effects of global economy on Lake County
- National issues
 - We are in recovery (really?): for how long?
- State issues
 - California a driver of Lake County: many links
- Local issues
 - Demography, economy and future
 - The economic drivers in Lake County: what are the possibilities?

Deleveraging

- “Deleveraging” recession
 - Reduction of leverage use \Rightarrow reduction of risk taking?
- Slow recovery a function of
 - Labor market tentativeness (who is hiring en masse?)
 - Financial market uneasiness (where is the safety to juxtapose against risks?)
 - Uncertainty that policies have worked (has the stimulus helped?)
- Local and state governments
 - Prepare for services shift to non-profits and private sector

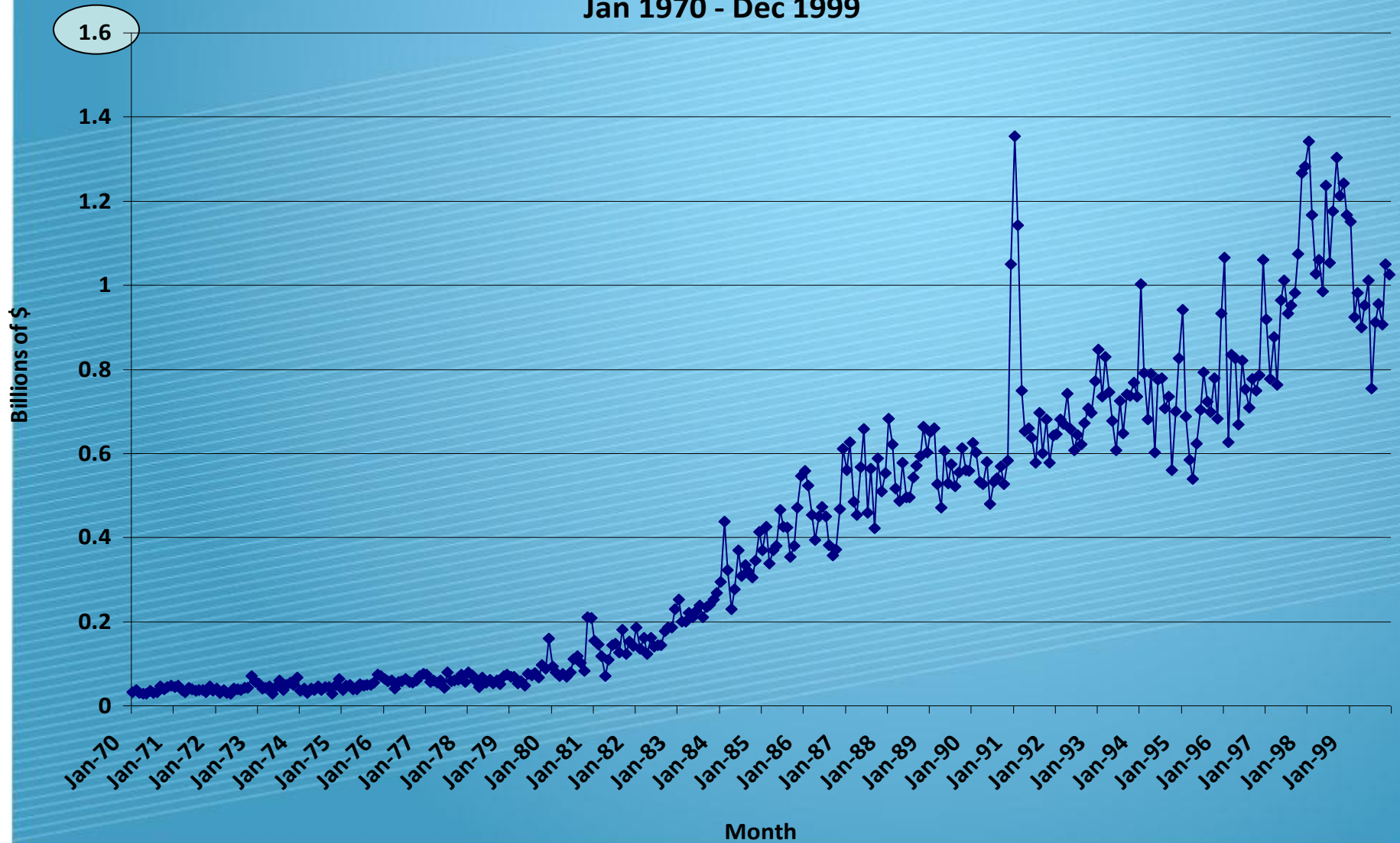
International

- The rise of BRICs countries to continue
- The Euro Area
 - Euro bailout a repeat of US from Sept. 2008 – Mar 2009
 - Pick a date and buy Euro stock indices
 - Euro to continue its fall, though gradually
- What this means
 - California now faces heightened Euro competition
 - Demand for commodities rising: good for Lake County?
 - Alternative fuels or sources a global market opportunity

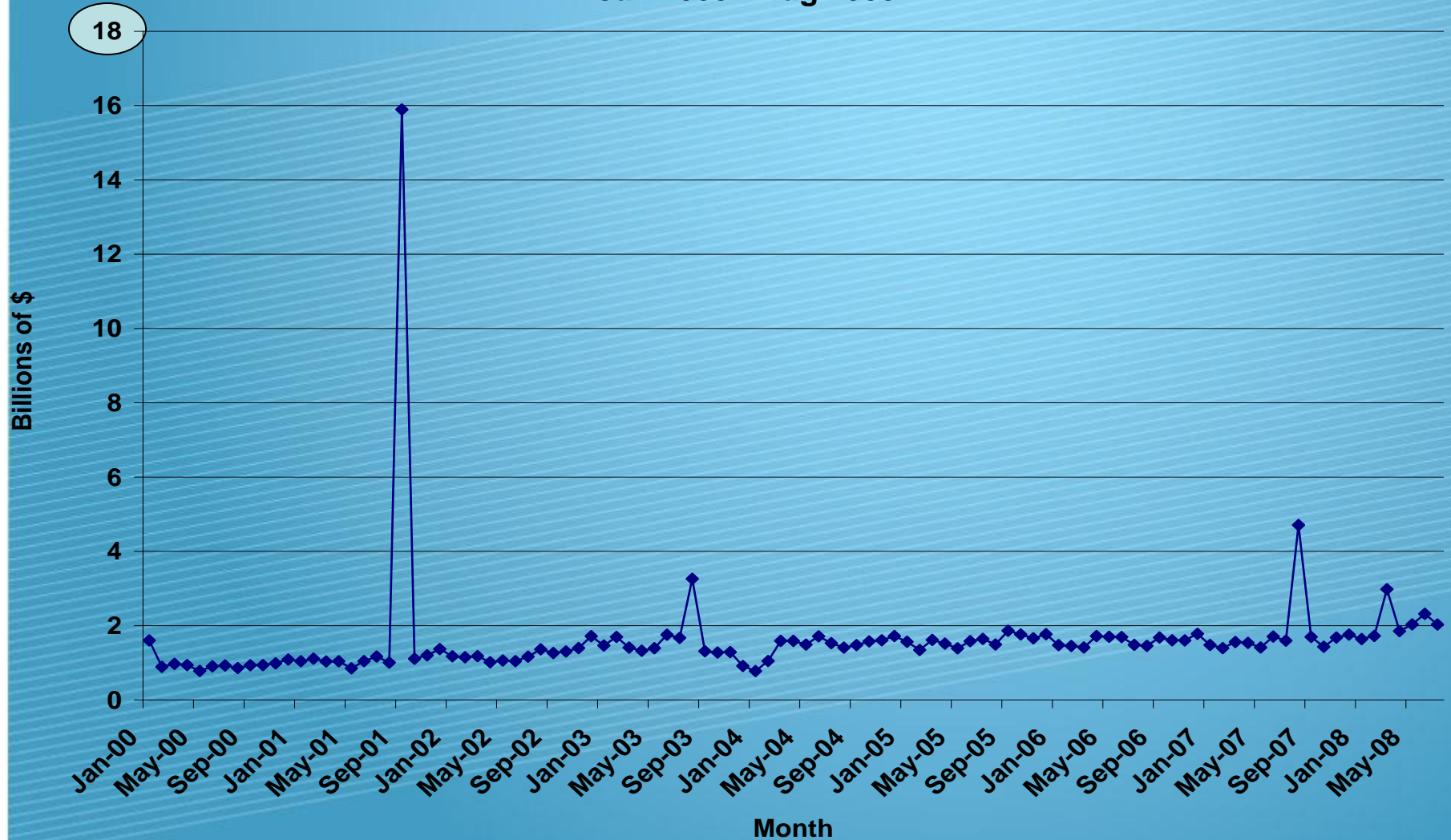
Domestic National Economy

- Continued slow movement at national level
 - National recession likely declared over soon
 - Labor markets not yet recovered in trend
 - Where and what are the new industries?
- Technical recession ended because:
 - Expanded fiscal stimulus creates GDP
 - Job creation through innovation, not through consumption
 - Need to be concerned with a double dip
- Why are banks not lending (community banks are!)?
 - Inflation in wait for these funds to flow

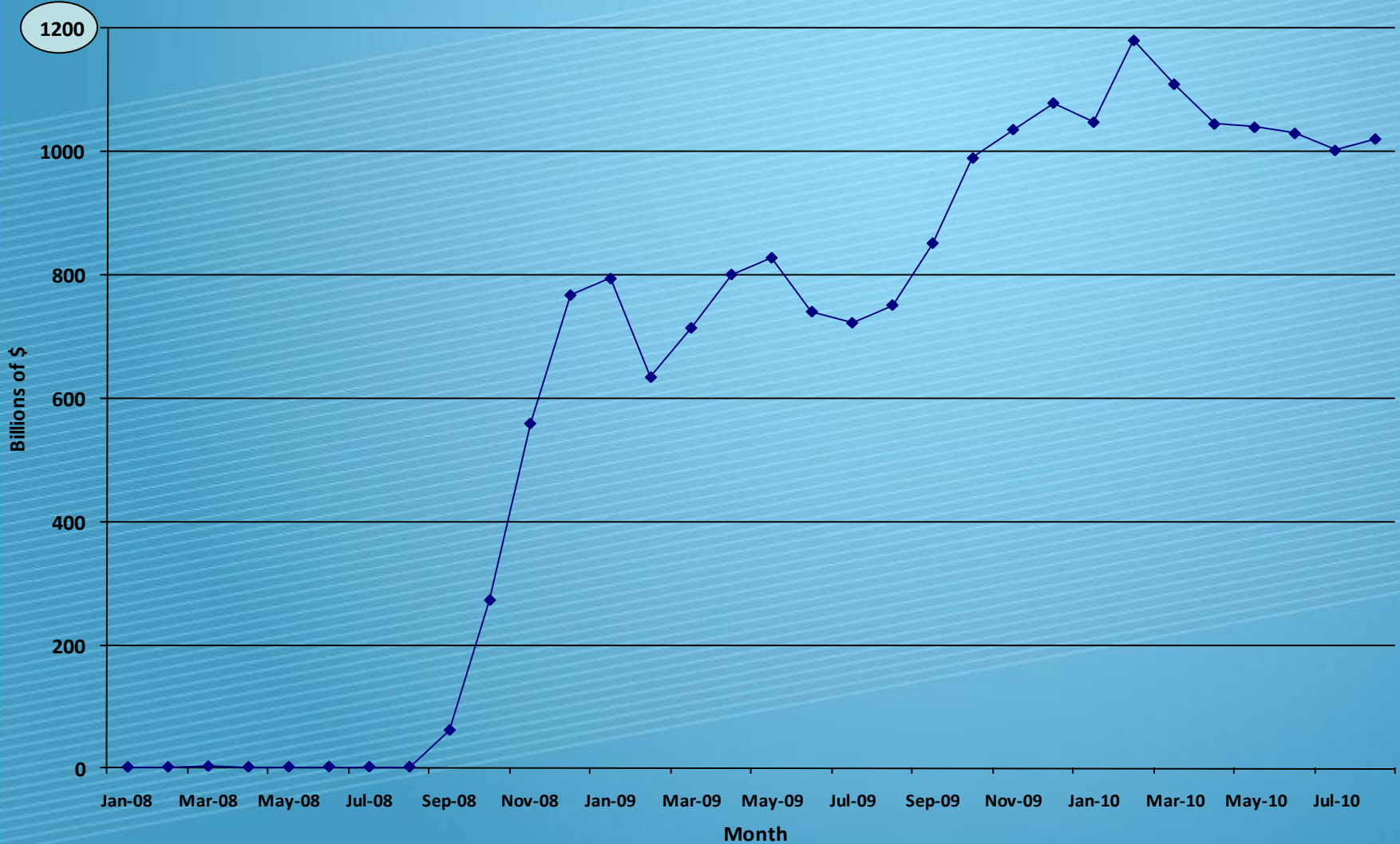
Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008\$ Jan 1970 - Dec 1999



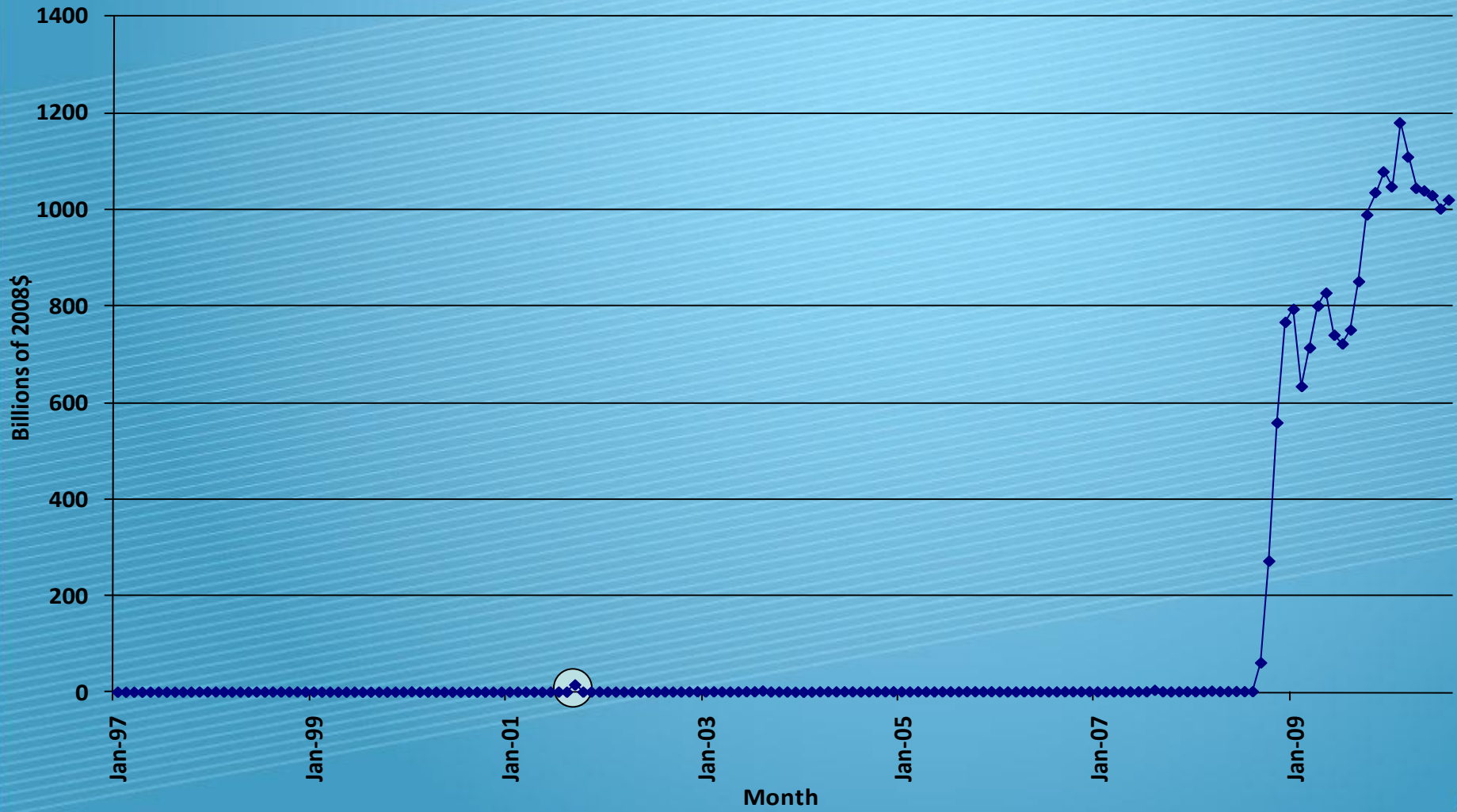
Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008\$ Jan 2000 - Aug 2008



Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008\$ Jan 2008 - Present

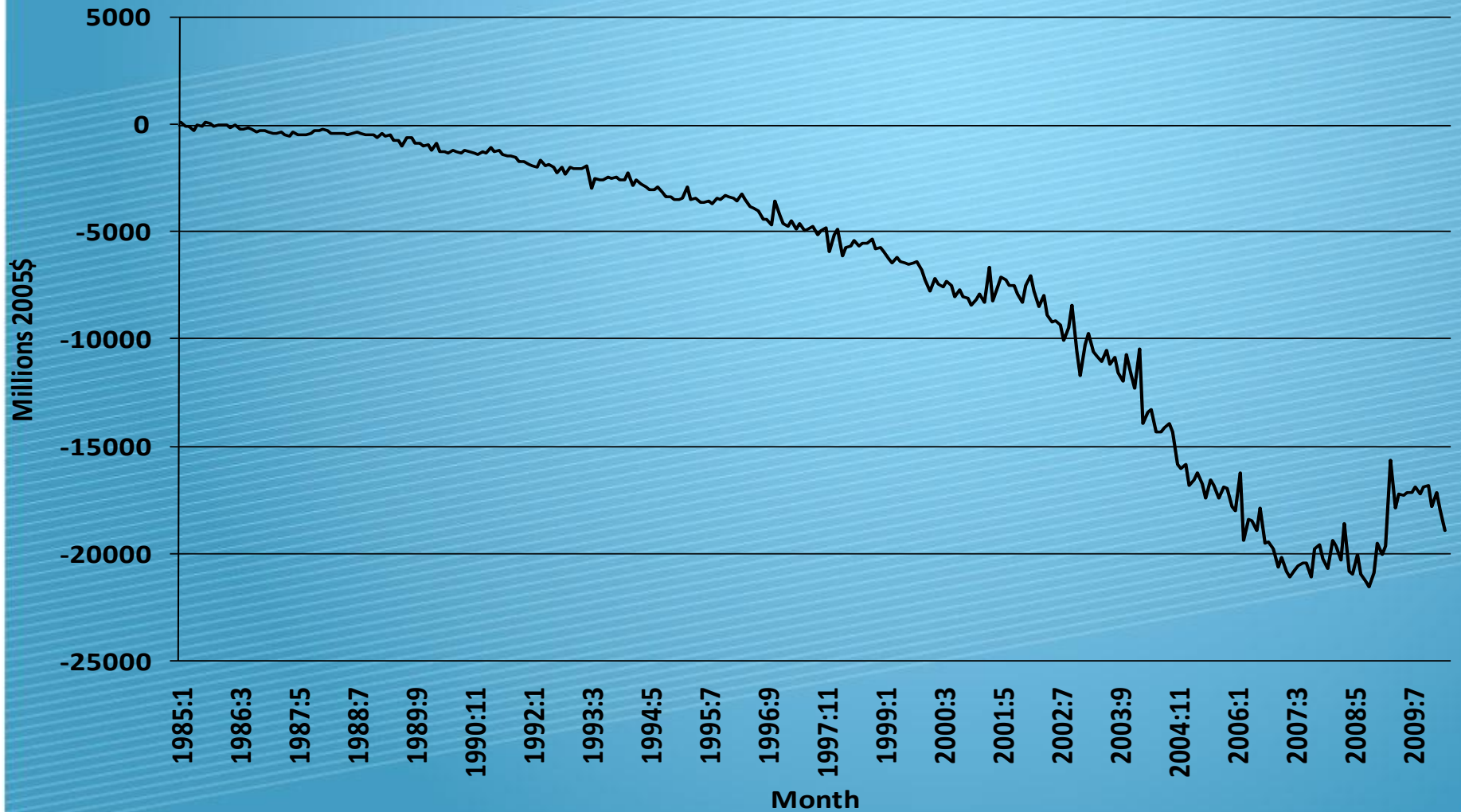


Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008\$ Jan 1997 - Present

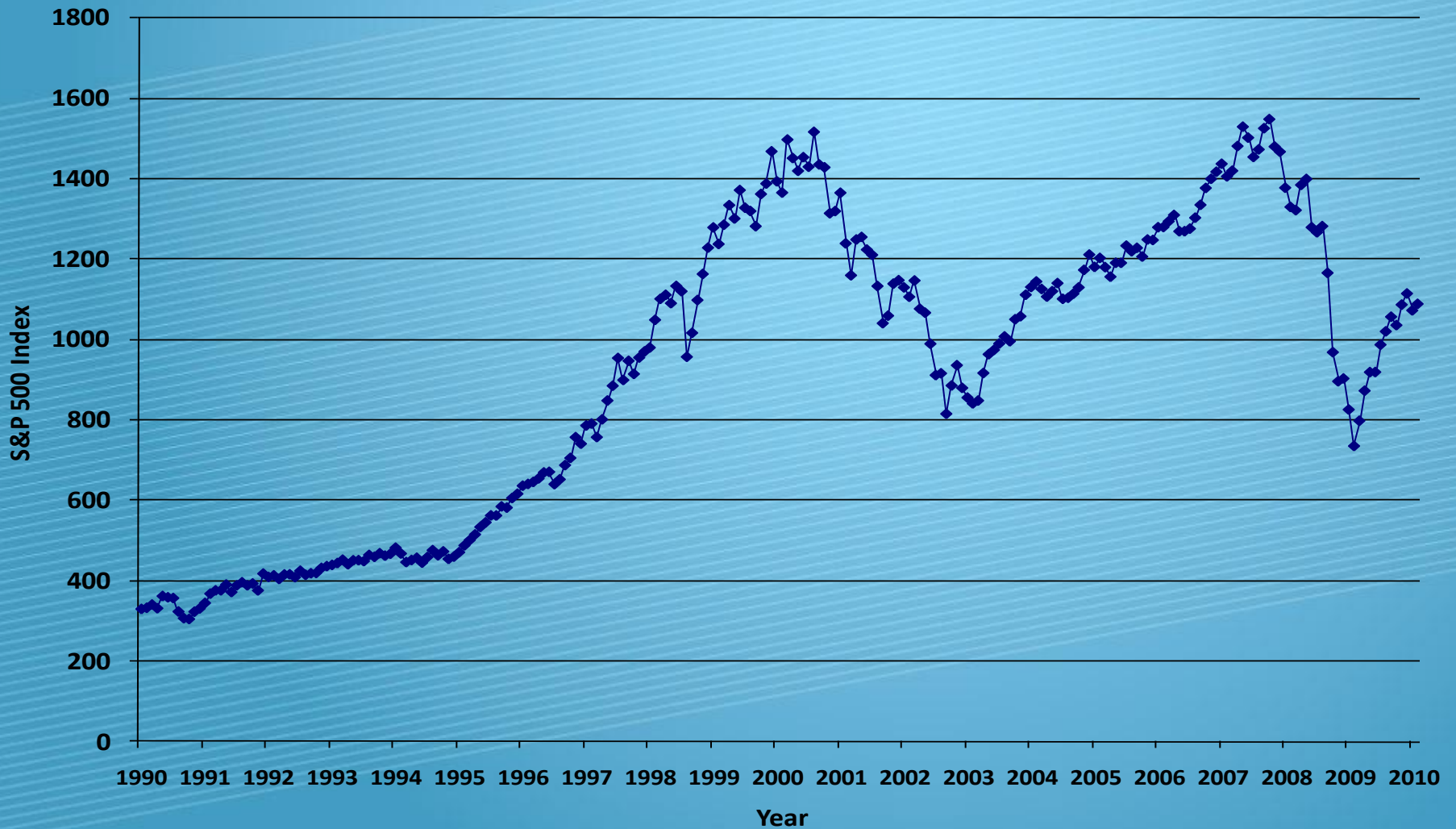


Three Macro Stats to Watch

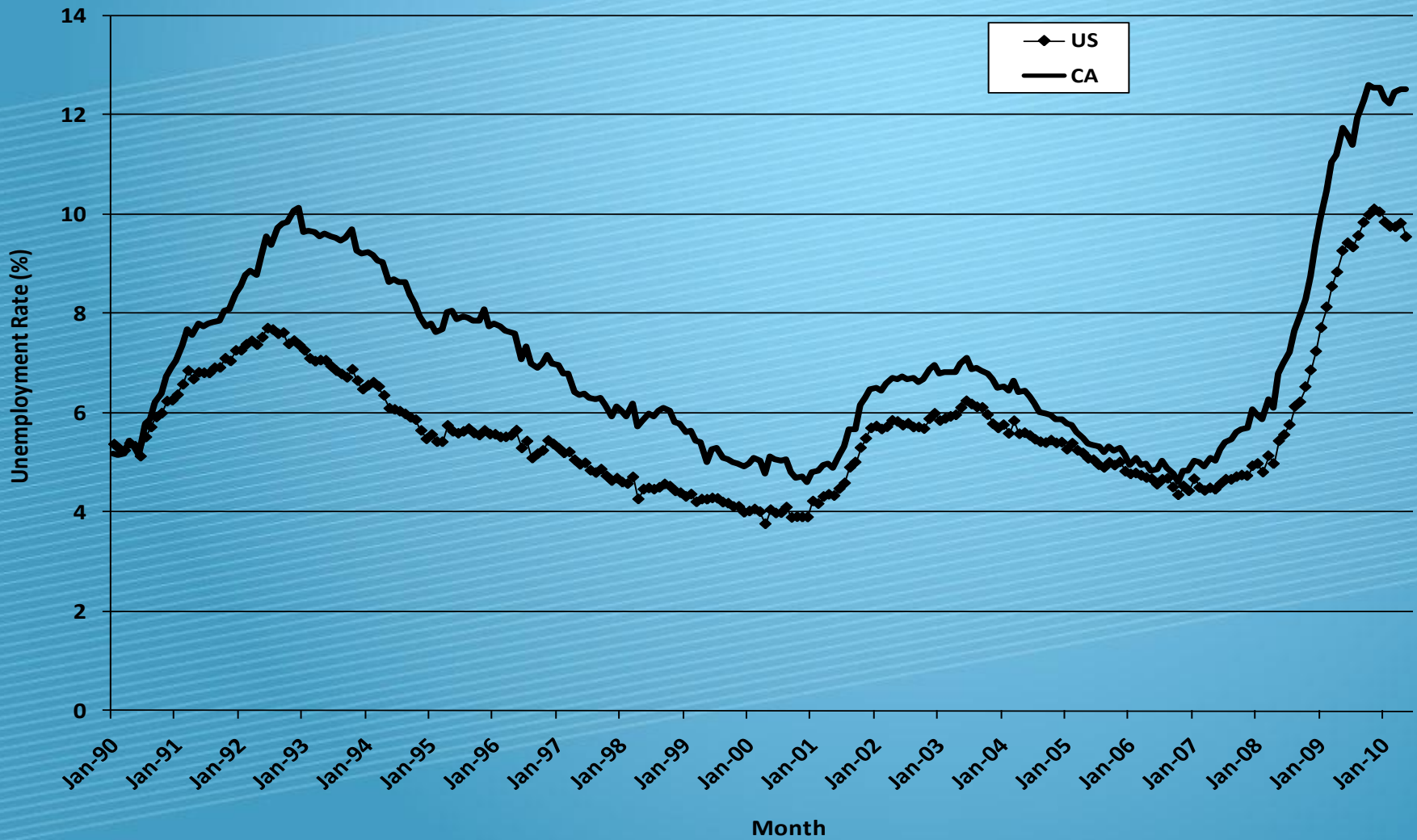
Trade Balance, US with China, 1985 – Present, Millions 2005\$



S&P 500 Index, 1990 - Present



Unemployment Rates: US & CA, Seasonally Adjusted



California, Elections and Reality

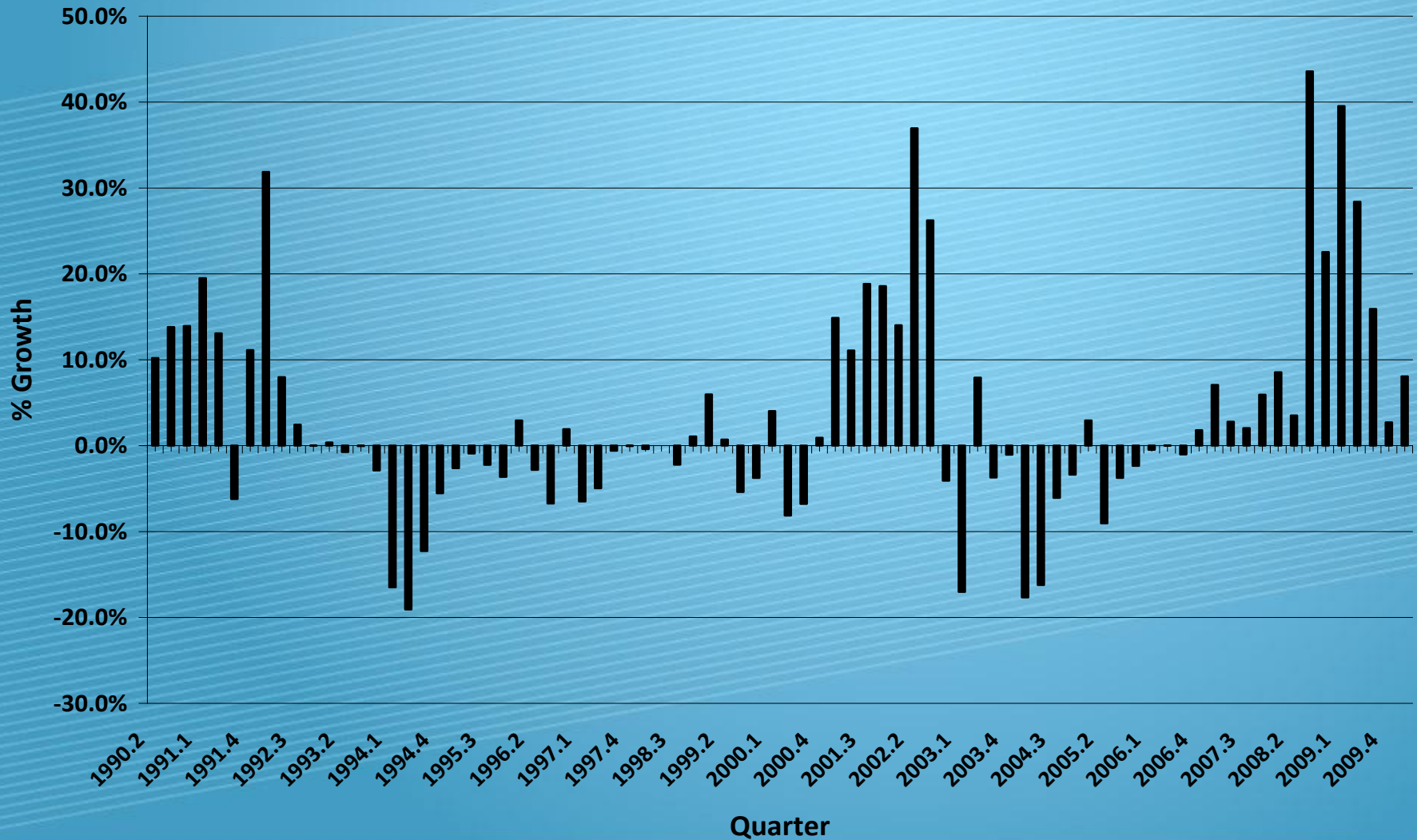
- 2010-11 likely to be worse
 - No change in core budget process or tax code
- Federal spending may stimulate CA economy
 - This is short lived in current form of support
- Labor Markets
 - California to continue to lag national employment
- Elections will do little to change the basics
 - Prisons, education, social services the foci

California Solutions

- Cannot rely on current model
 - Pension systems to be stretched soon
 - Reserves not in place for this: tax up, benefits down or both
- Use of AB 811 to reduce energy/water use
 - Programs rising in use (Sonoma County a good example)
 - Federal government has stopped funding
- Do not expect it, but we need reform
- Current budget soon to be passed
 - According to your local state senator

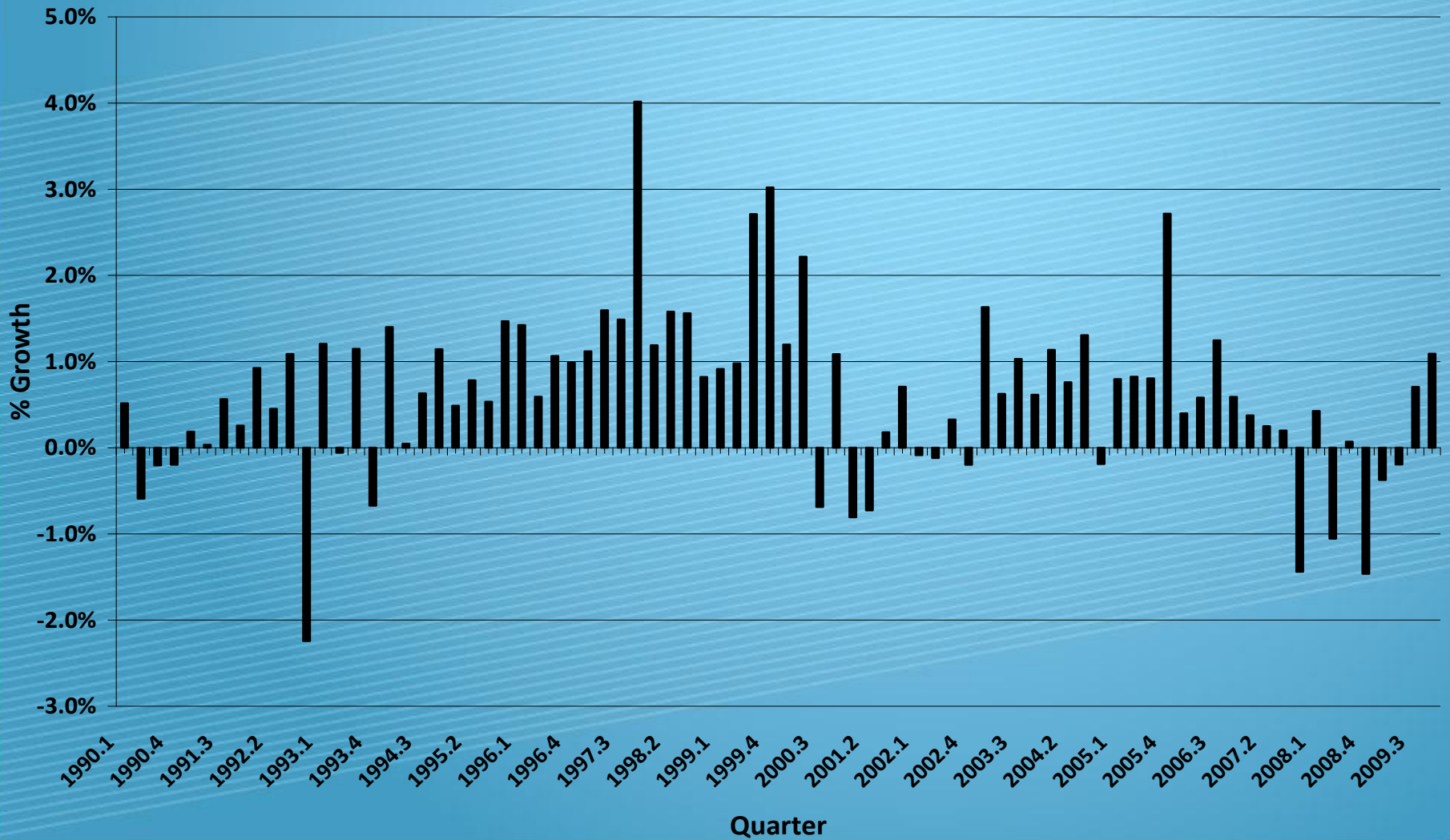
CA Stats to Watch

CA Unemployment Insurance Payments, Real 2003\$



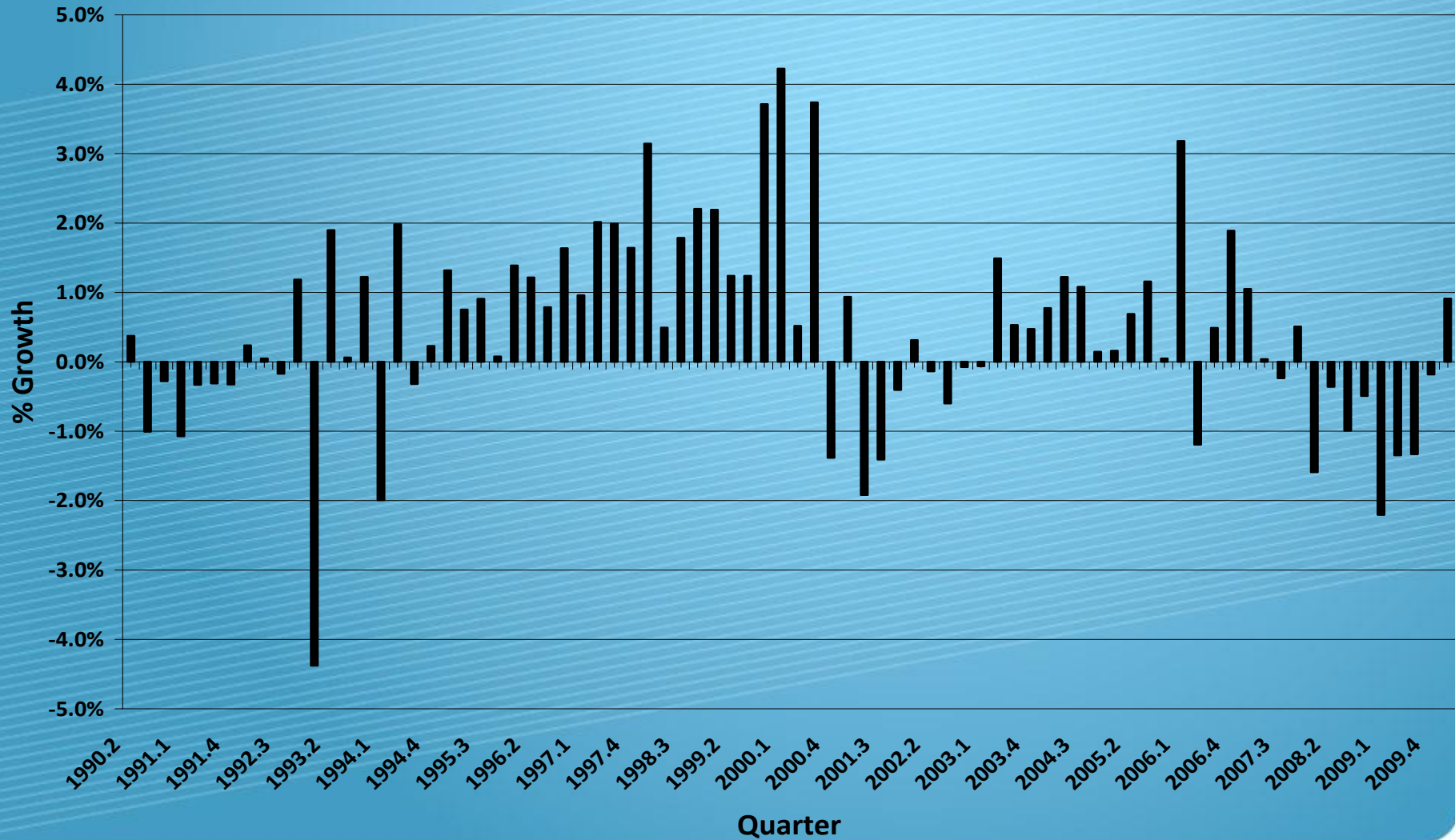
Source: BEA (www.bea.gov)

CA Personal Income Growth, Real 2003\$



Source: BEA (www.bea.gov)

CA Wage and Salary Growth, 1990-2010



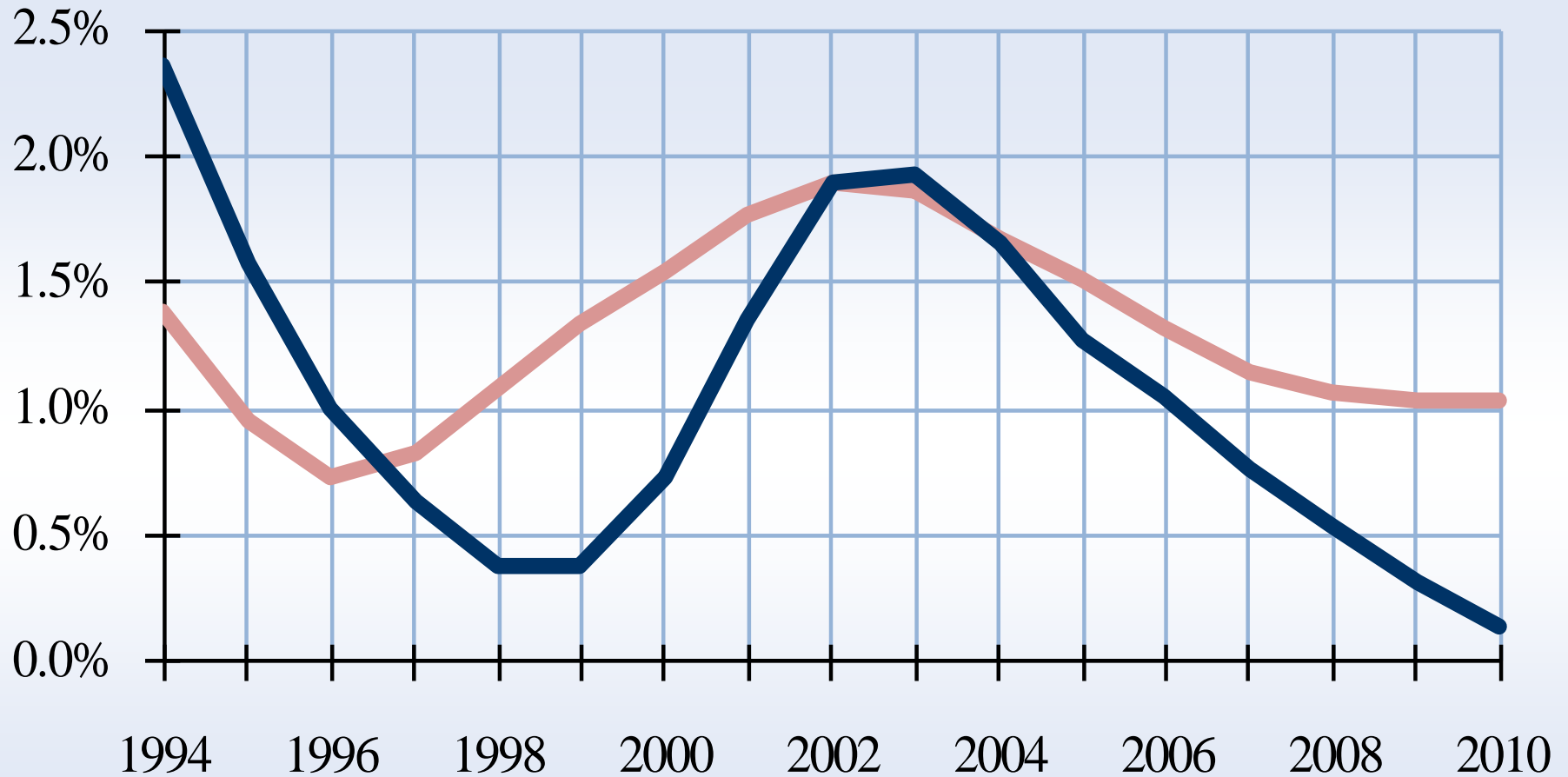
Source: BEA (www.bea.gov)

Lake County Stats Update

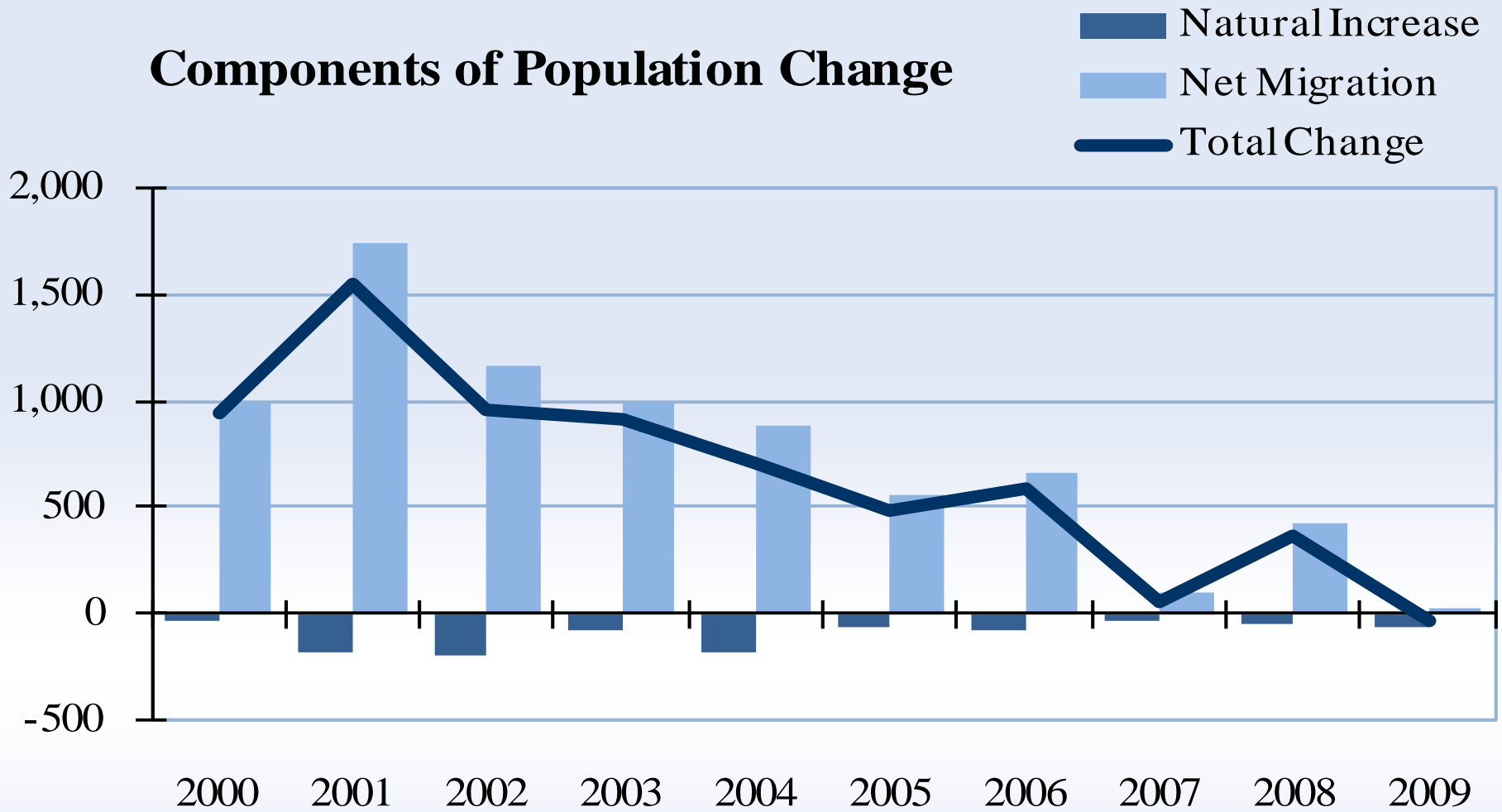
- Demography
 - Aging: older population driven by retirees
 - Ethnicity: continuing to become more Latino
 - Health care needs to rise
 - Government services an issue with contracting budgets
- Economy
 - No tech industry has driven local economy since 2001
 - Exposure to ag both a problem and a blessing
 - Can the wine industry be expanded?
 - Can high tech/green tech come here?
 - Is there an economic development effort?

Population Annual Percent Change (Three-Year Average)

California
Lake County

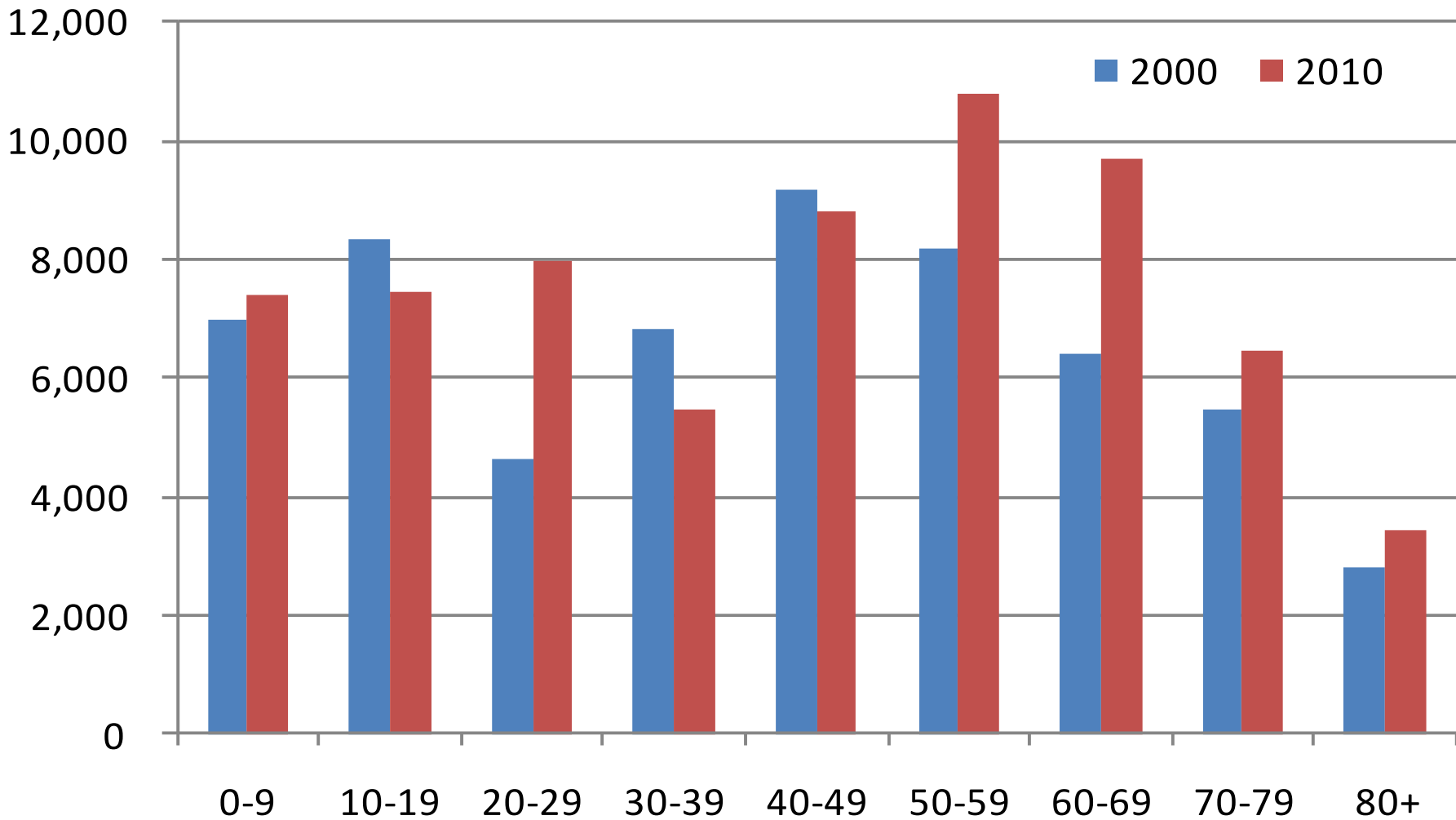


Components of Population Change



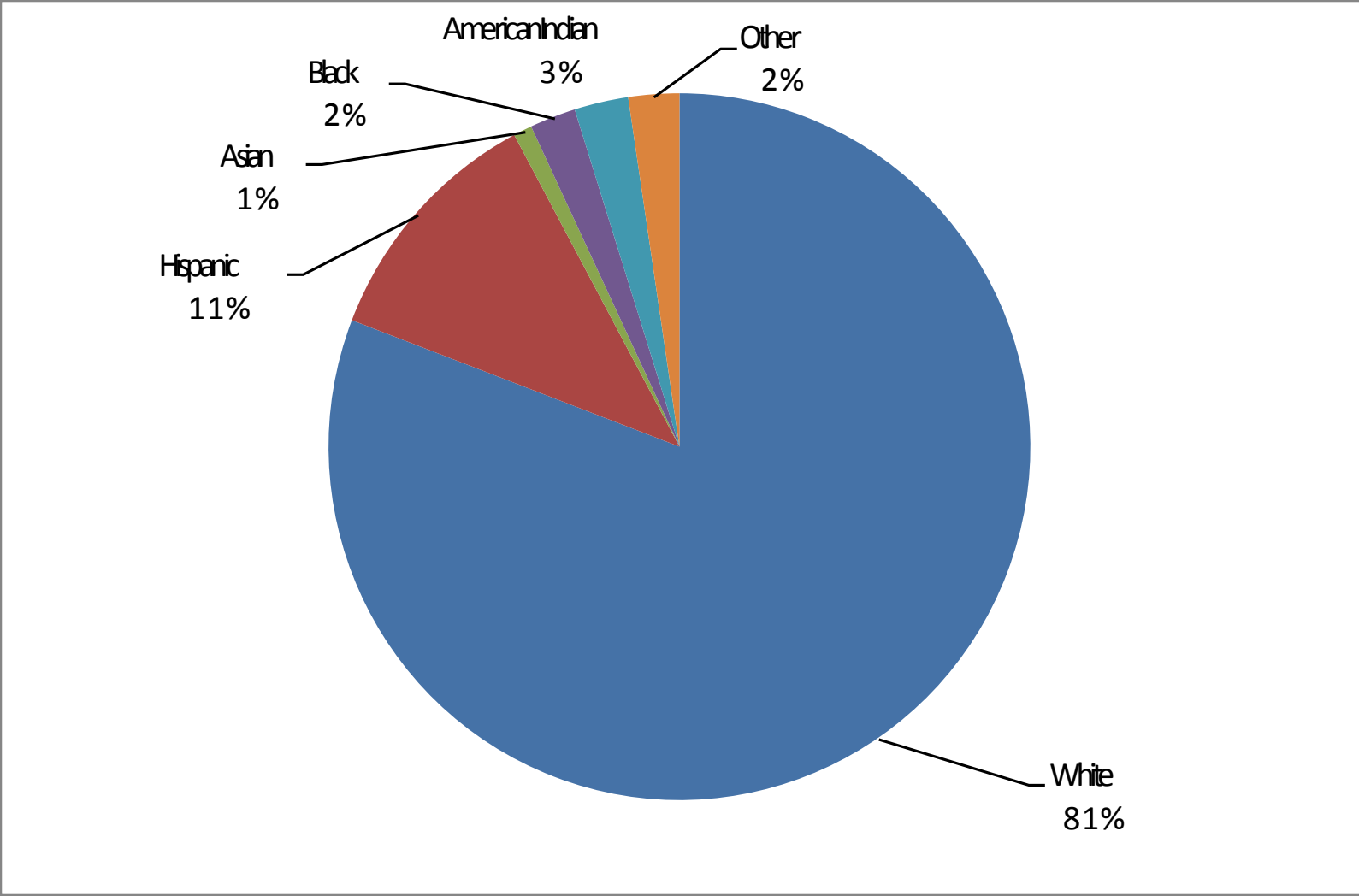
Created by: Center for Economic Development,
California State University, Chico

Lake County Age Profile, 2000 vs. 2010

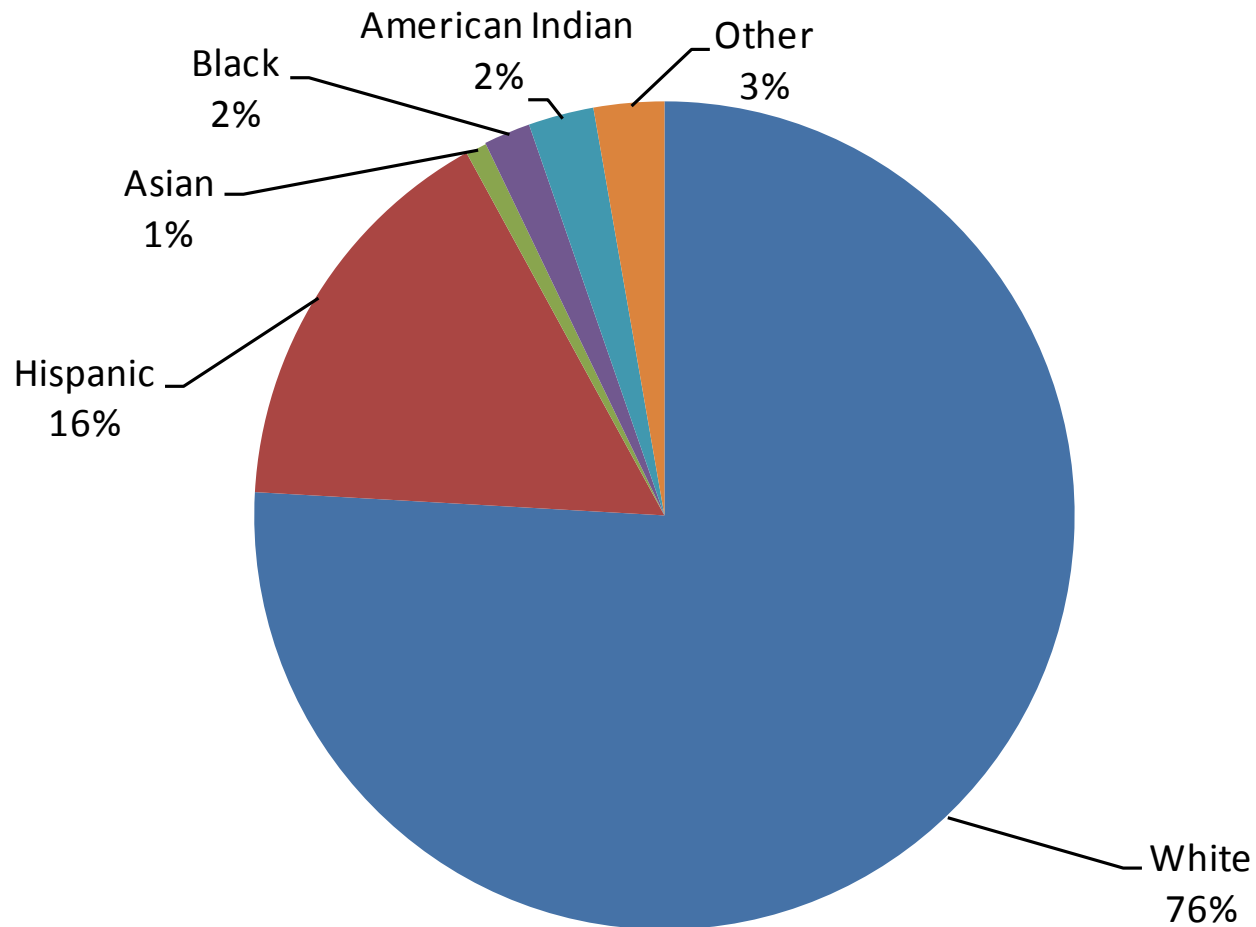


Source: CED at CSU, Chico

Lake County Ethnicity Profile, 2000

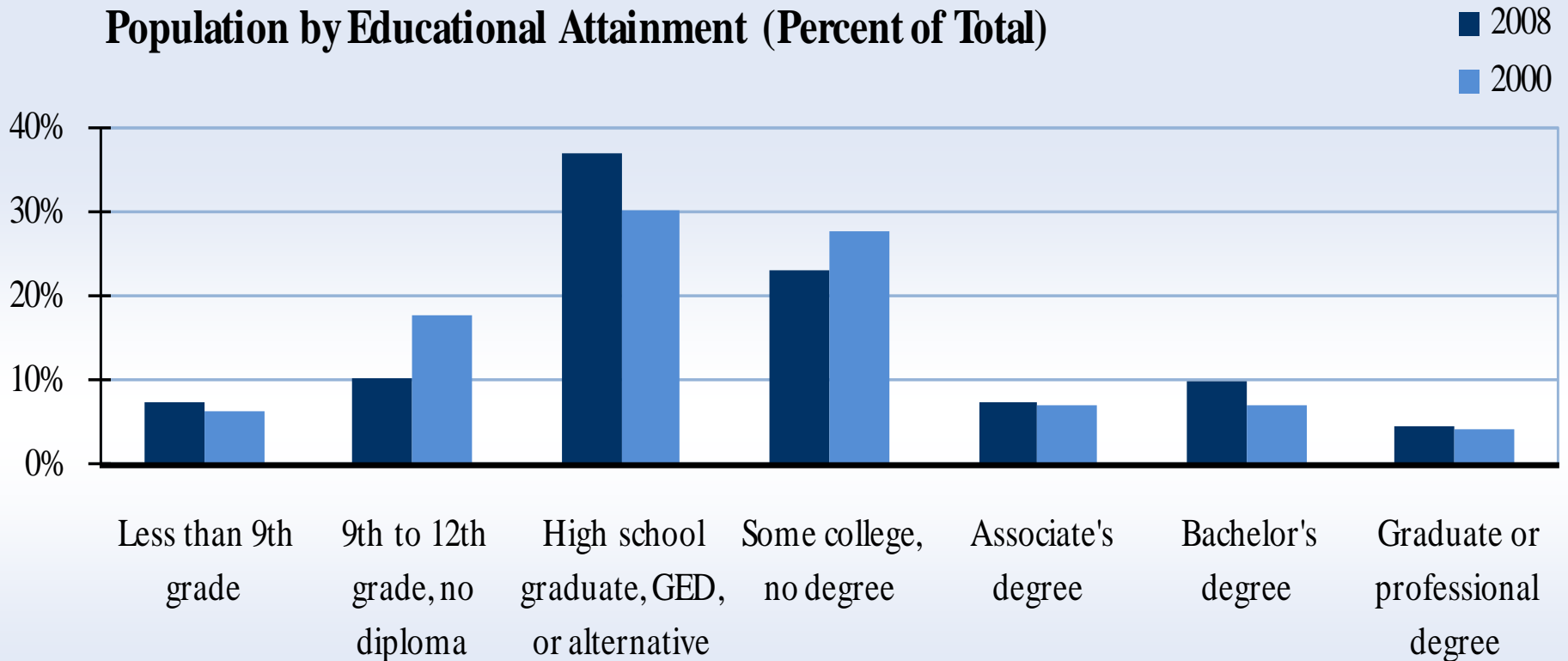


Lake County Ethnicity Profile, 2010

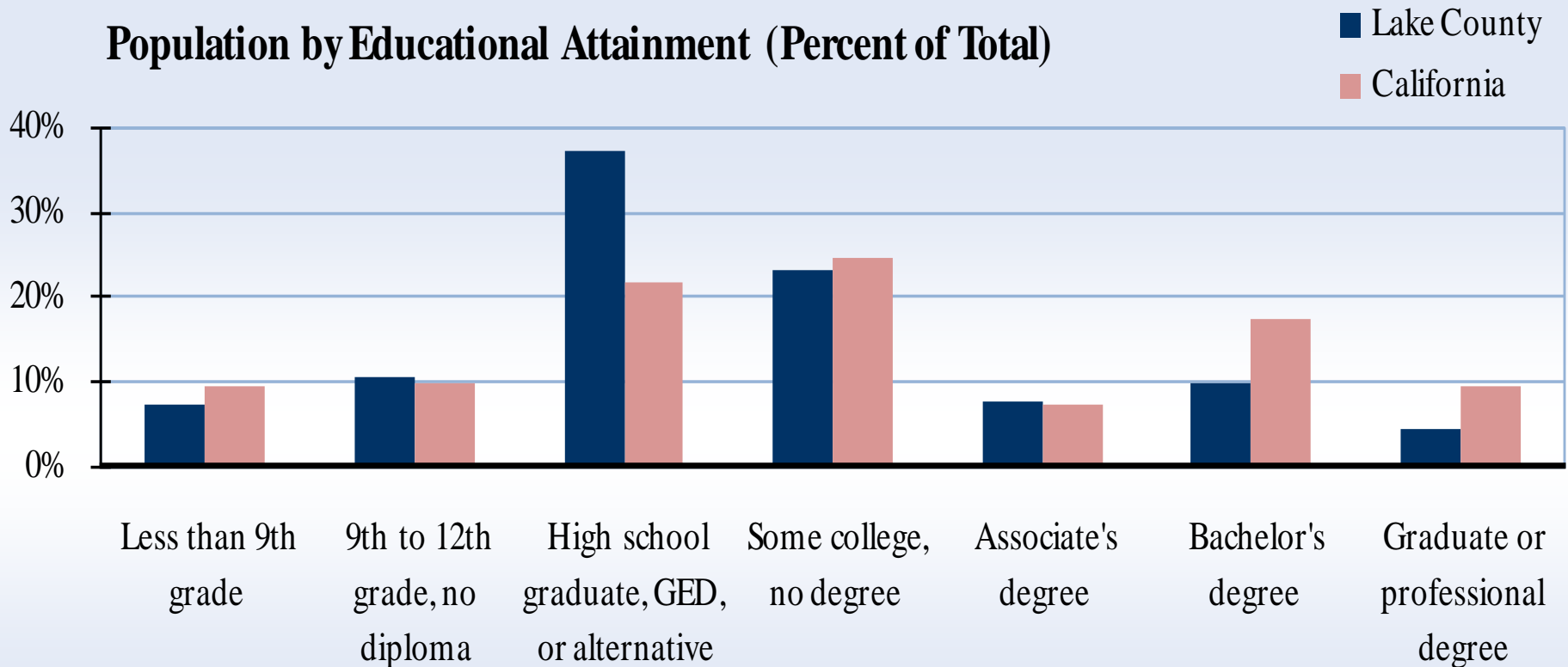


Source: CED at CSU, Chico

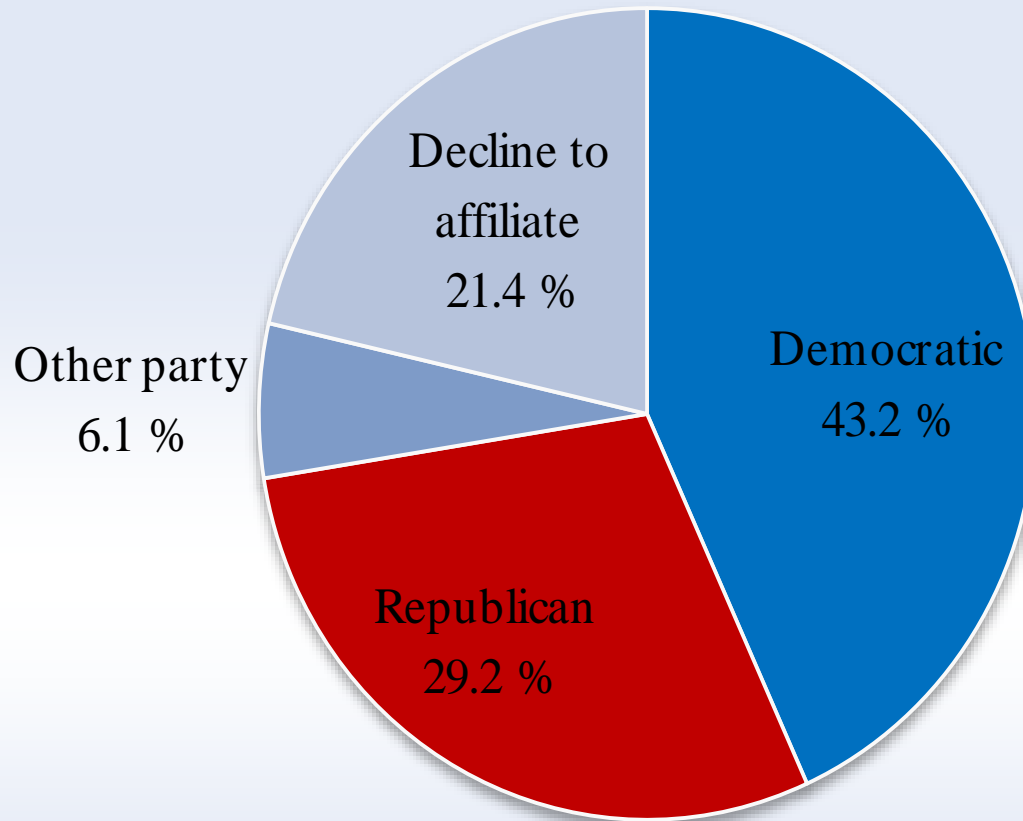
Population by Educational Attainment (Percent of Total)



Population by Educational Attainment (Percent of Total)

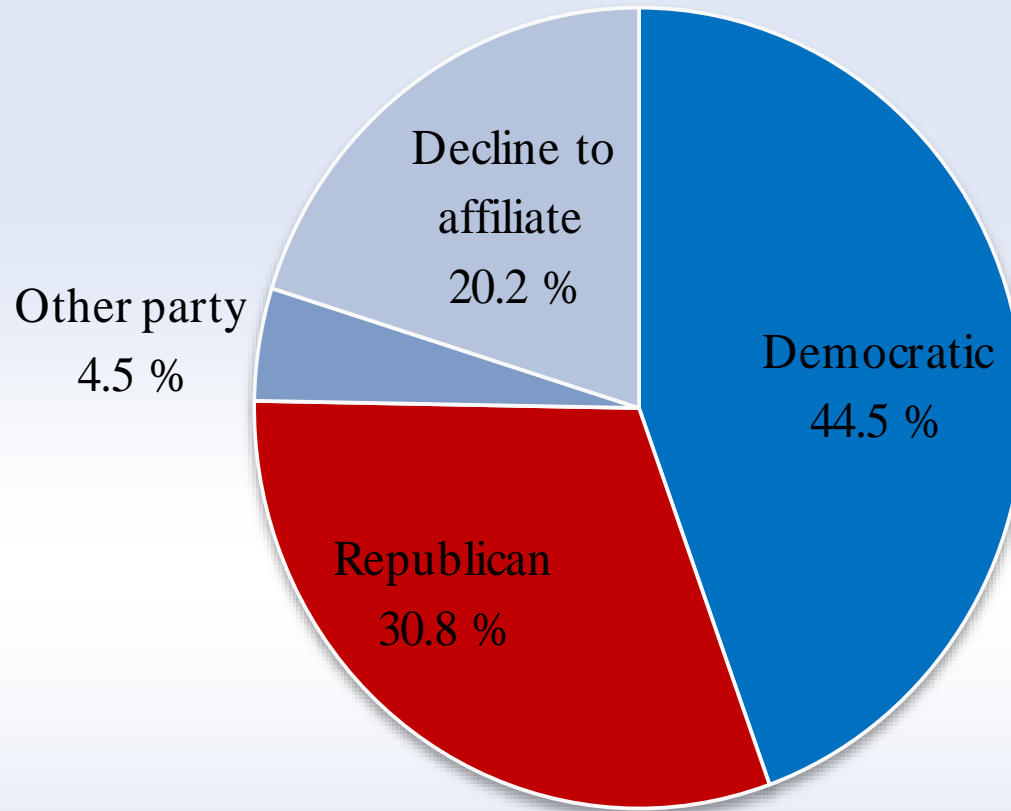


County Political Party Membership, 2010



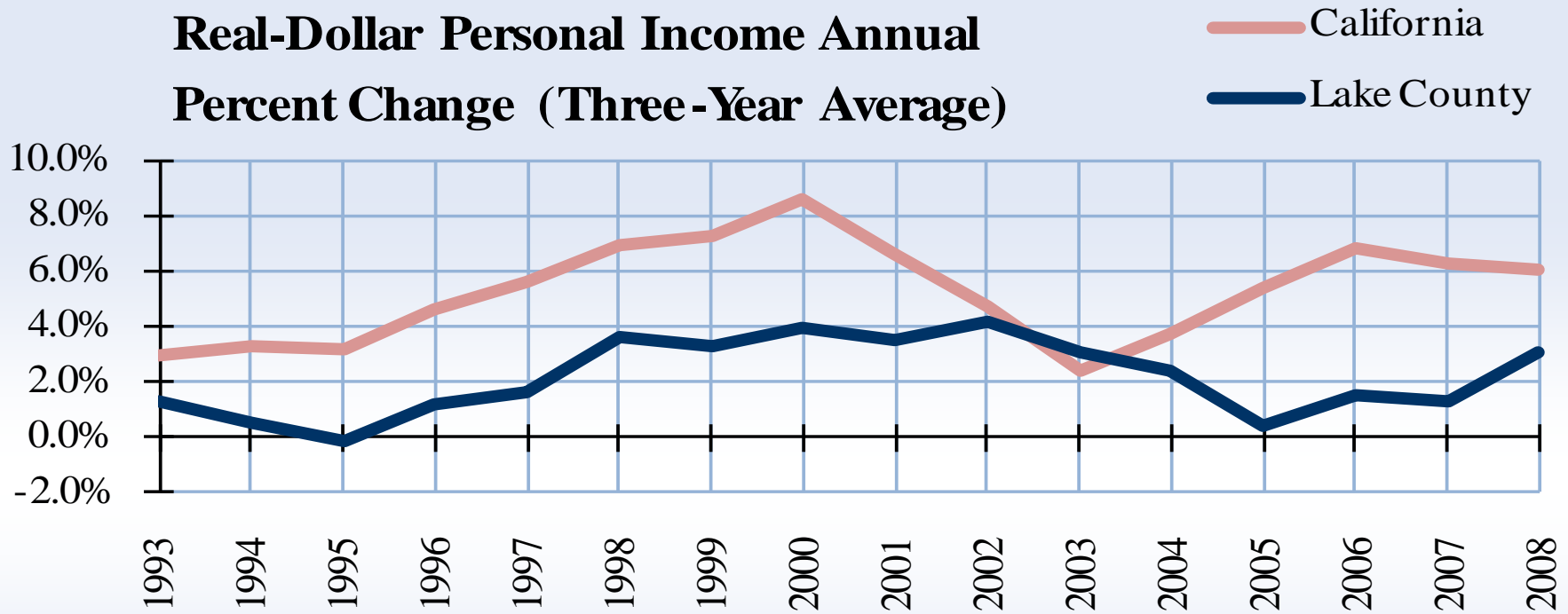
Source: CED at CSU, Chico

California Political Party Membership, 2010



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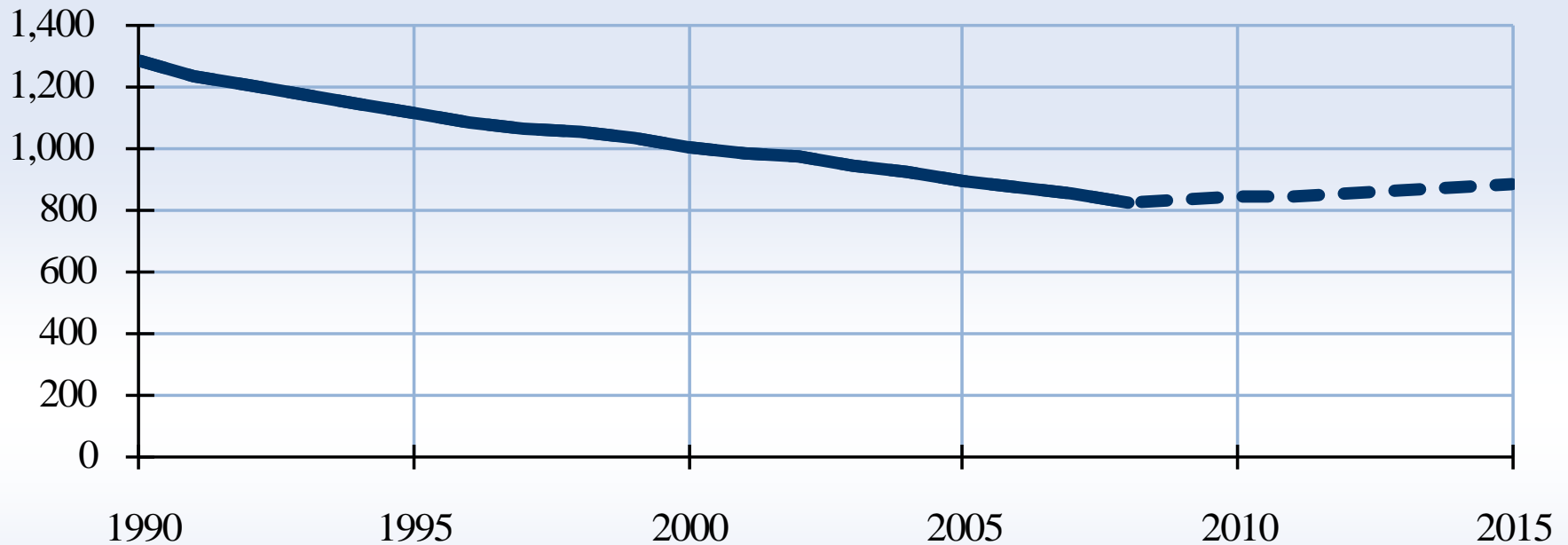
Real-Dollar Personal Income Annual Percent Change (Three-Year Average)



Created by: Center for Economic Development,
California State University, Chico

Source: CED at CSU, Chico

Inflation-Adjusted Per Capita Income (Thousands, 2004\$)



Created by: Center for Economic Development,
California State University, Chico

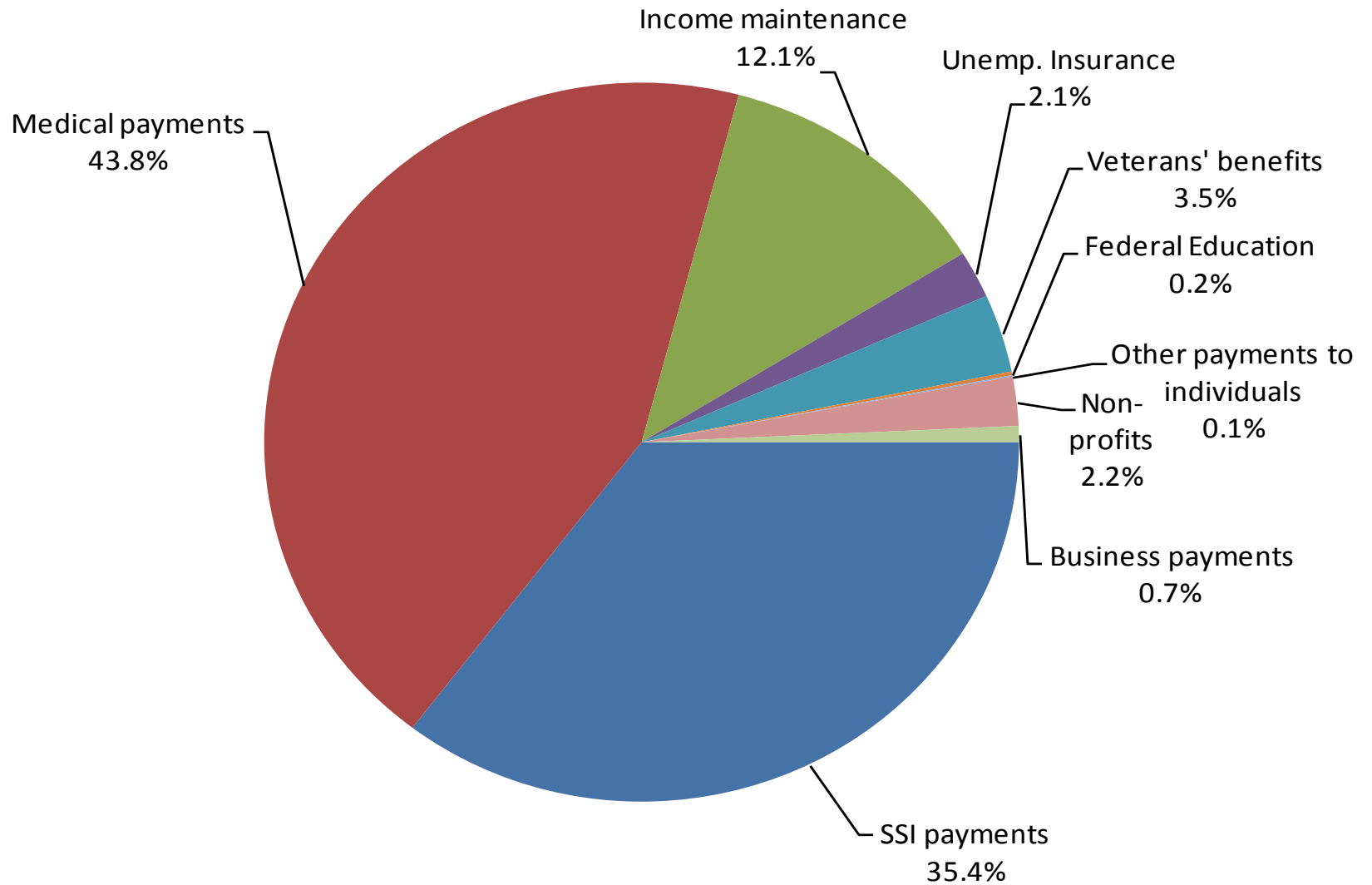
Components of Total Personal Income (Percent of Total), 2008



Created by: Center for Economic Development,
California State University, Chico

Source: CED at CSU, Chico

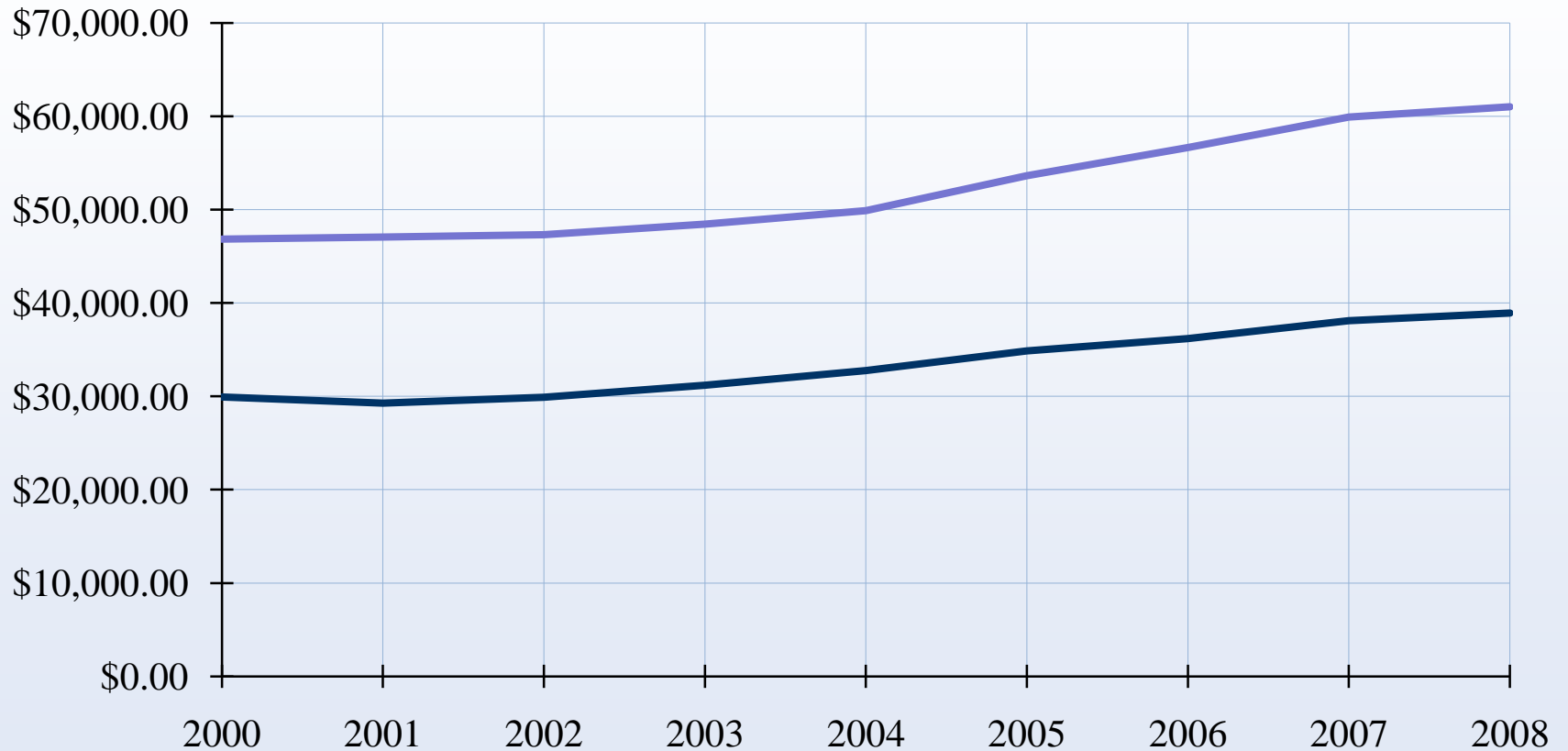
Lake County Government Transfer Payments, 2007



Source: CED at CSU, Chico

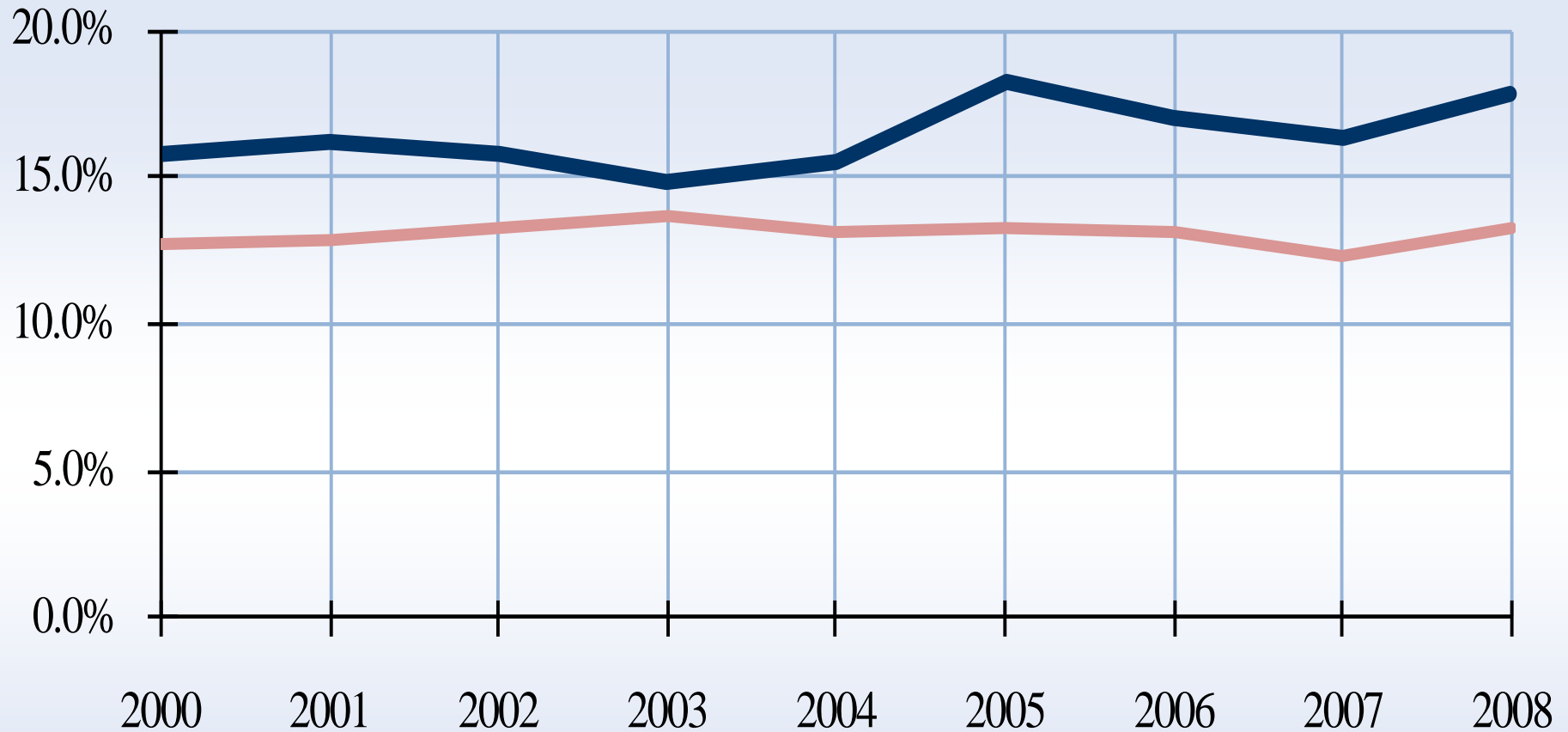
Median Household Income, 2000-2008

— Lake County — California



Poverty Rates, 2000-2008

— Lake County
— California



Source: CED at CSU, Chico

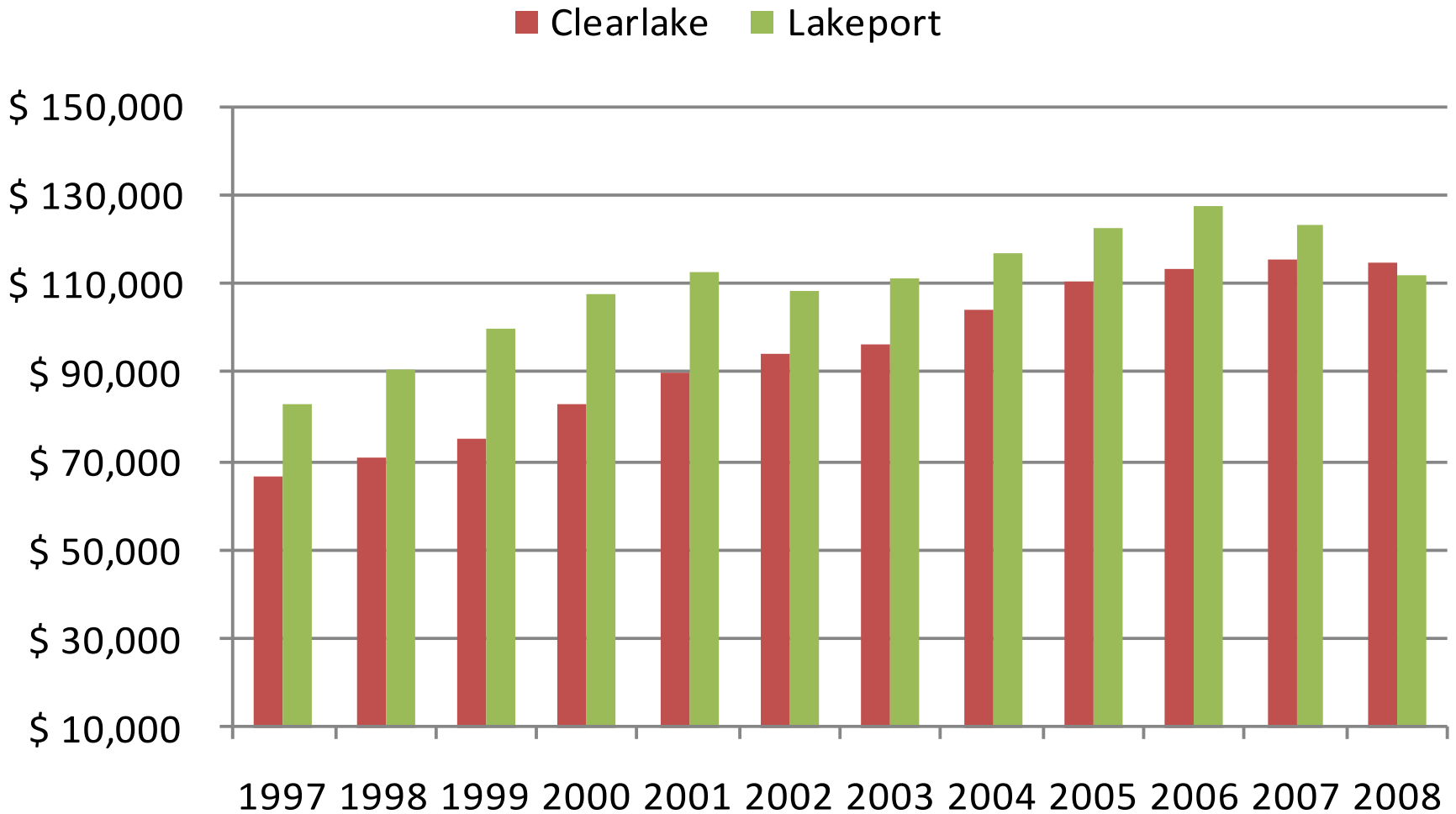
County Total Taxable Retail Sales and Total Taxable Sales (Thousands)

Year	Taxable retail sales	Total taxable sales
1997	\$ 373,238	\$ 472,228
1998	\$ 397,189	\$ 499,230
1999	\$ 433,141	\$ 558,400
2000	\$ 469,911	\$ 599,601
2001	\$ 511,895	\$ 643,939
2002	\$ 517,936	\$ 647,248
2003	\$ 534,266	\$ 666,378
2004	\$ 575,837	\$ 728,750
2005	\$ 609,434	\$ 772,223
2006	\$ 628,390	\$ 807,129
2007	\$ 620,421	\$ 809,129
2008	\$ 586,338	\$ 799,659

Source: California Board of Equalization

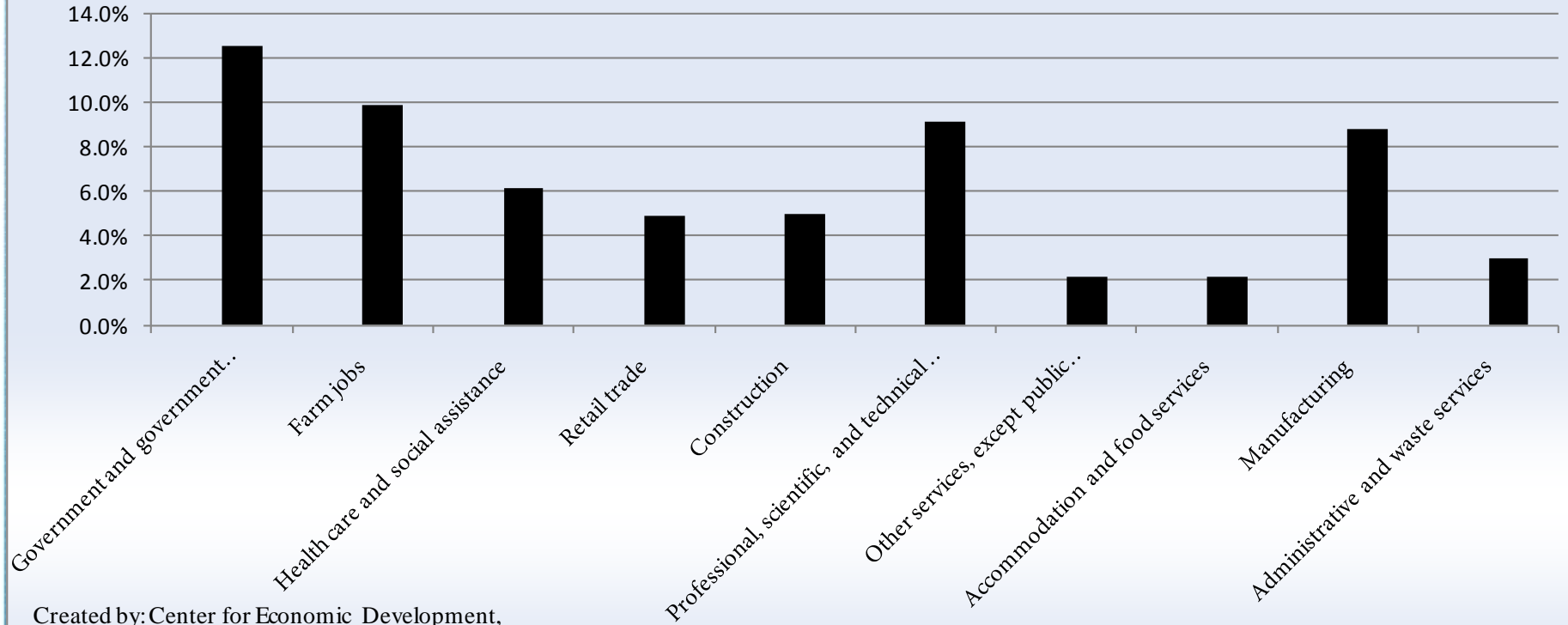
Compiled by: Center for Economic Development, California State University, Chico

Lake County Taxable Sales by City, 1997 - 2008



Earnings by Industry (Percent of Total), 2007

■ Lake ■ California



Created by: Center for Economic Development,
California State University, Chico

The Drivers of Change

- Job growth + business growth
 - Need there to be opportunities
 - Need to monitor how they affect local economies and living space
- Government cooperation that is overt for business
 - Need to have local government recognize economics as a major factor
 - Marin and Napa challenged here: wealth meets demography meets geography

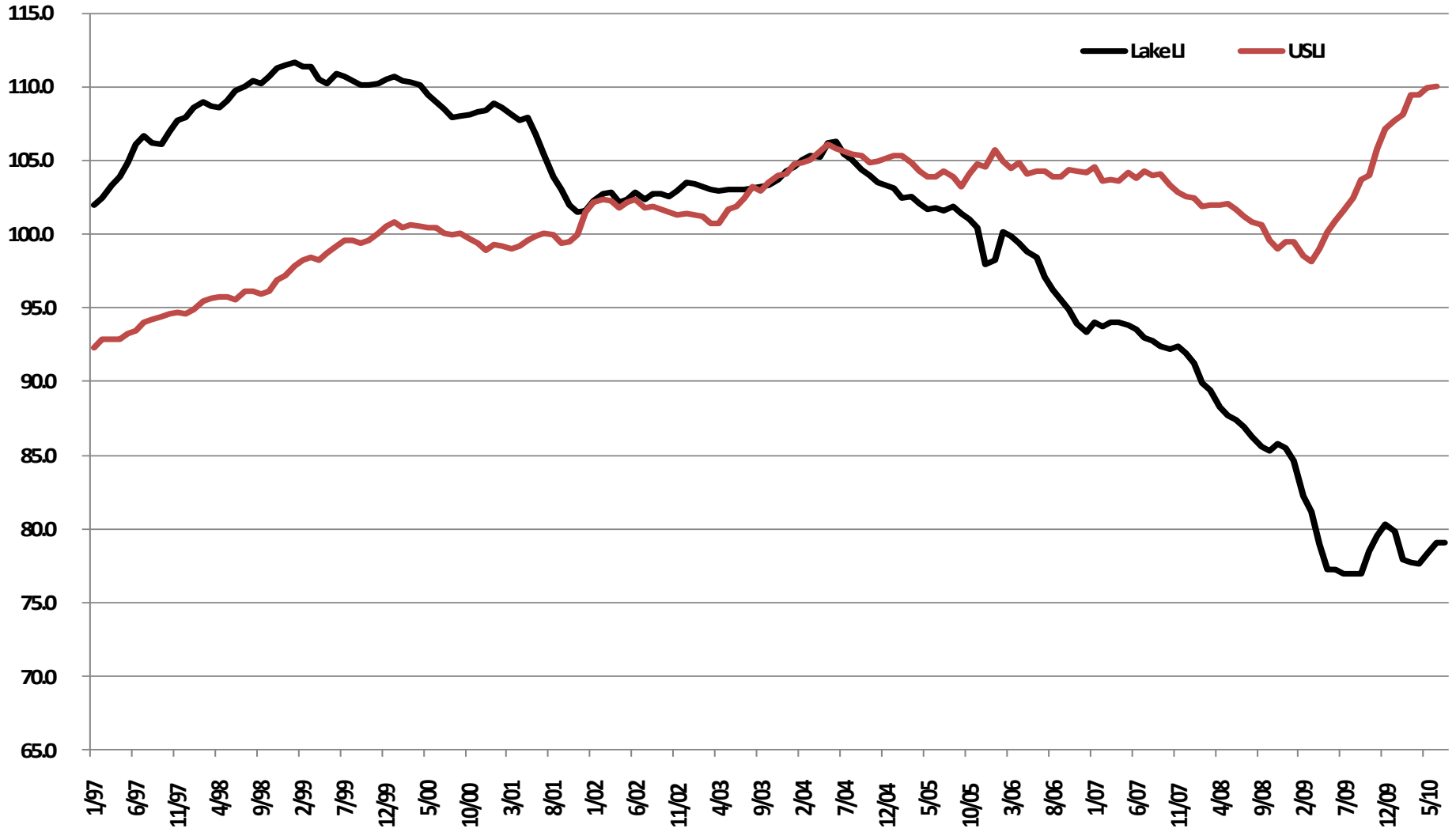
Real Estate

- Regional and currently slow moving
- Residential: who will live in Lake County in five years?
- Commercial
 - Construction of new commercial property likely to be project-specific rather than anticipatory
 - **\$1.4 trillion to face refinance or foreclosure in next 3 years**
- **Economic development must link commercial real estate to business opportunities**
 - Need to have a regional development plan
 - **Need to think beyond city and county borders**

Leading Indicator

- Weighted average of macroeconomic variables for all counties (SSU Alum methodology).
- Leading variables tell us where we are headed
 - Default Notices: As defaults ↑, economy ↓
 - Building Permits: As permits ↑, economy ↑
 - New UI Claims: As new claims ↑, economy ↓
 - US Leading Index: As USLI ↑, economy ↑
 - Help-Wanted Ads: As ads ↑, economy ↑
 - Ag Price Index **** : As ag prices ↑, economy ↑
 - Assumes demand not costs causing the price increase

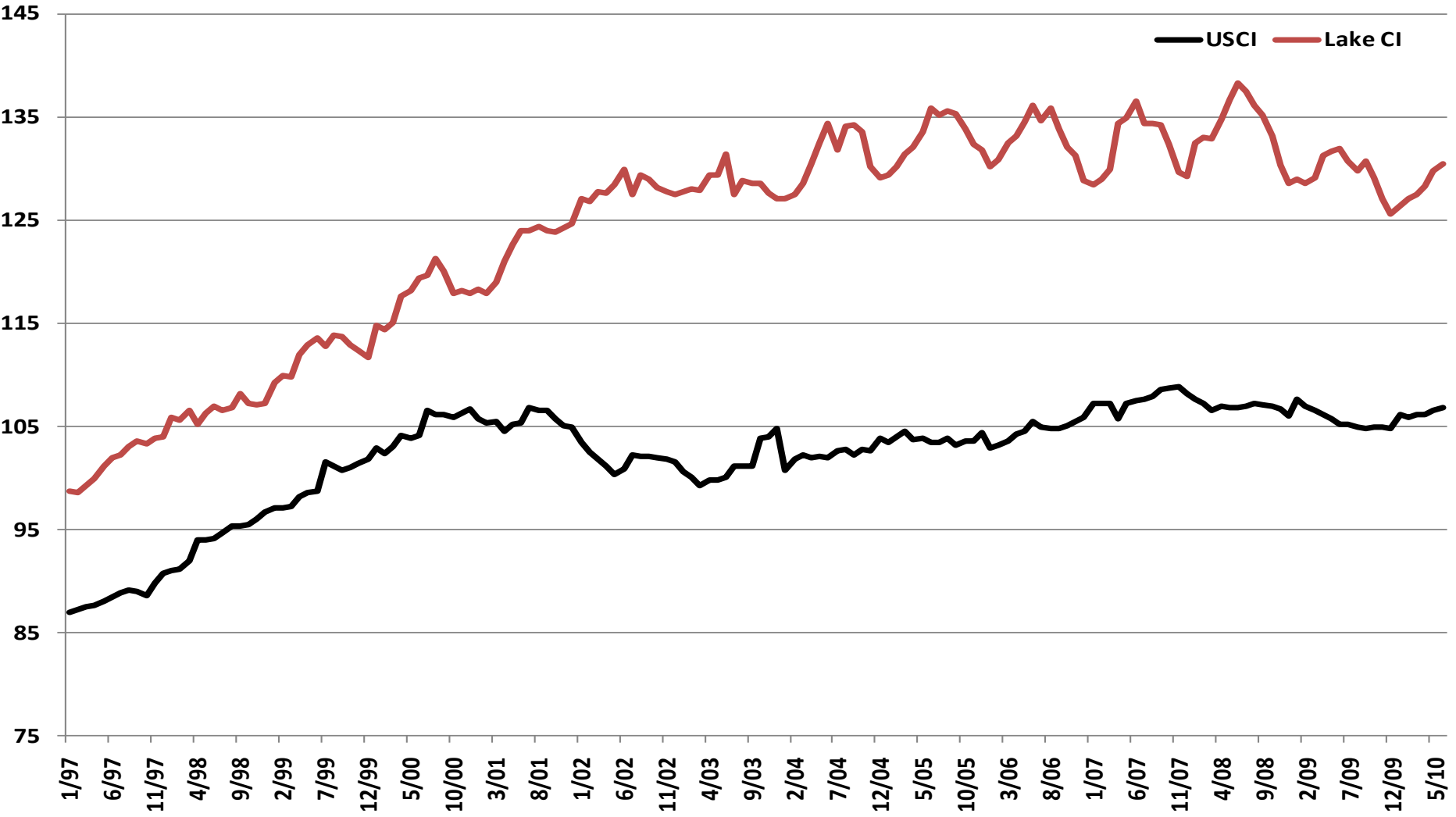
Lake Leading Indicator and USLI



Coincident Indicator

- Coincident Indicator tell us where we are (all components positively related with economy):
 - **Non-agricultural employment**
 - **Retail Sales**
 - **Personal Income**
- The leading indicator drives the coincident.
 - Outlook showing signs of hitting bottom in 2009
 - 2010 a year of recovery, albeit slow and tentative

USCI and Lake County CI



The Politics of Economic Growth

- Cost of businesses leaving
 - What is a job worth?
- Regulatory streamlining
- Prioritize how any funding is focused
 - Should government “distribute” federal stimulus?
- Must think as investment not cost recovery
 - Must break the old way of looking at how government and business work together
- “Anti-business” stance a troubling, vocal minority

Economic Development

- Economic development must link commercial real estate to business opportunities
- Three “E’s” the current mantra
 - Economic Vitality
 - Social Equity
 - Environmental Balance
- Get involved!
 - Sonoma State starting a regional economic development center soon
 - Need to be a bridge between the politics and action

Where are we headed?

- Recession into mid-2010 concerning labor markets
 - Need to attack in tech and foreign markets before they converge
- State economy will lag
 - Elections will not change the fundamental issues
- Recognize regional connections and economies
 - **Economic development a need now and into the future**
- **Economic solutions can help ease social pains**
 - **What is to be done?**