

# Mendocino County: CED Economic and Demographic Profile

Ukiah, CA

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# Introduction

- Global issues
  - Effects of global economy on Mendocino County
- National issues
  - We are in recovery: for how long?
- State issues
  - California forecast a driver of Mendocino County
- Local issues
  - Demography, economy and future
  - The economic drivers in Mendocino County
    - Thinking beyond tourism and retail

# 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

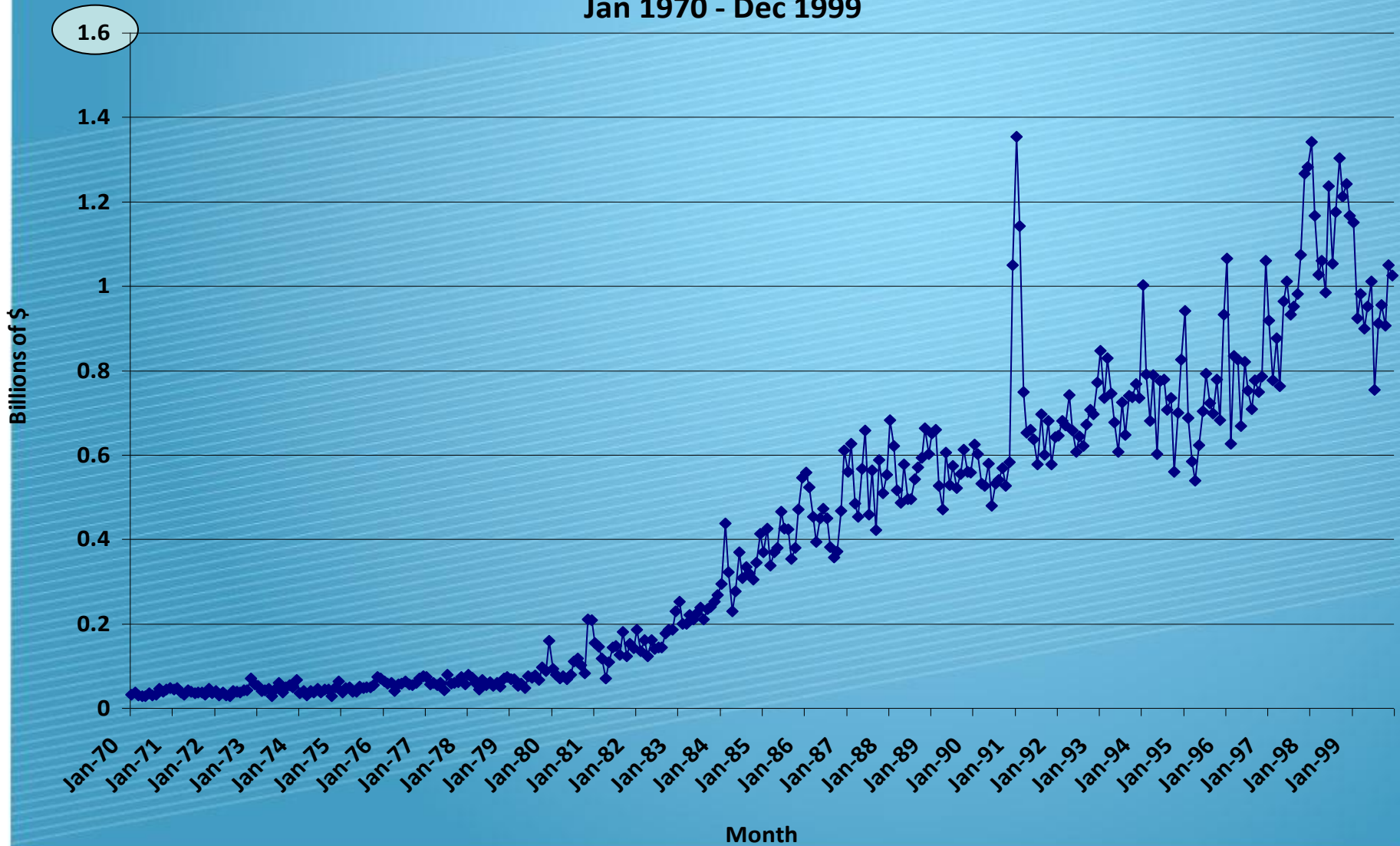
# International

- 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: travel
  - Demand for commodities rising: good for Mendocino?
  - Alternative fuels or sources a global market opportunity

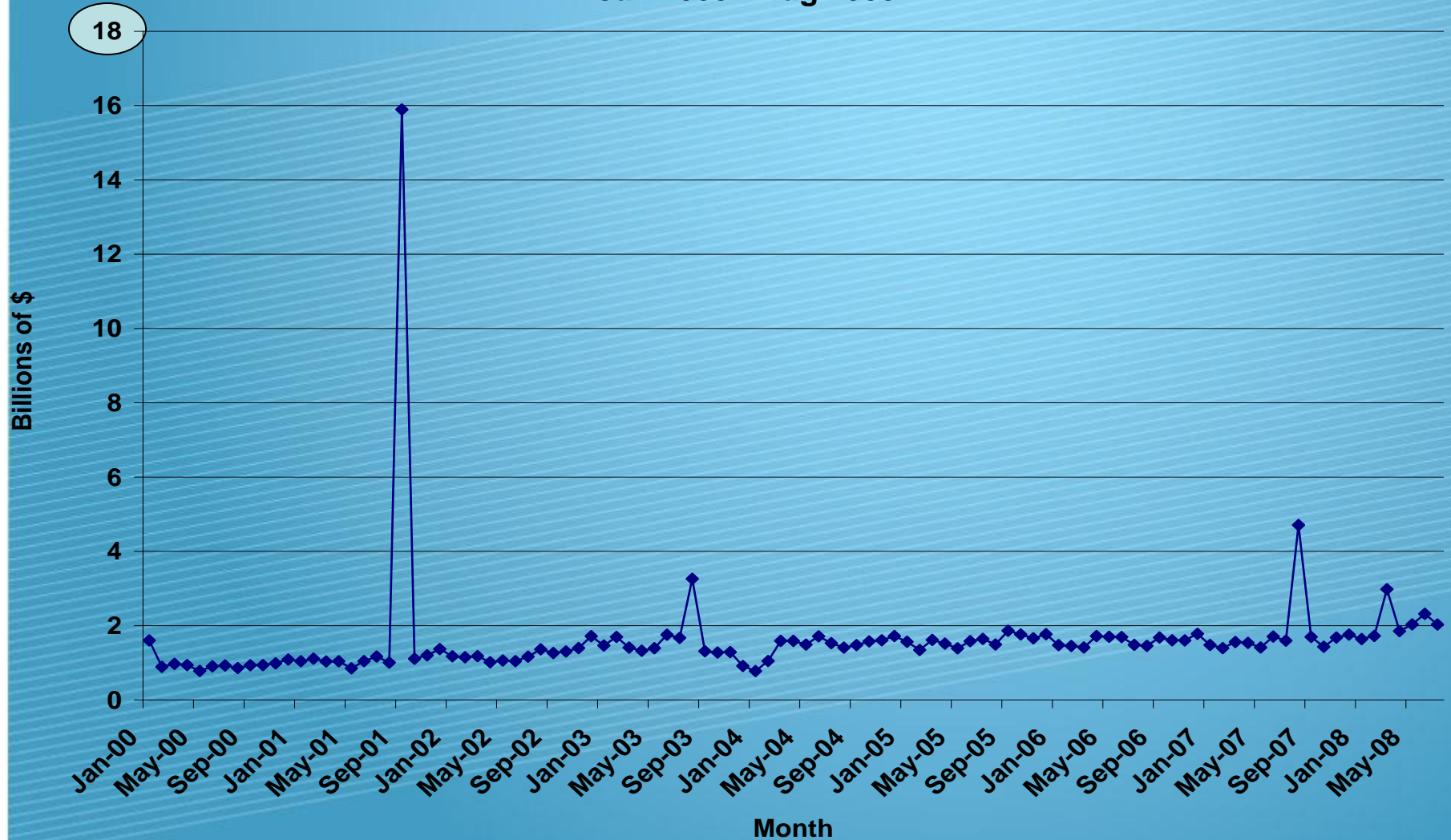
# Domestic National Economy

- 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

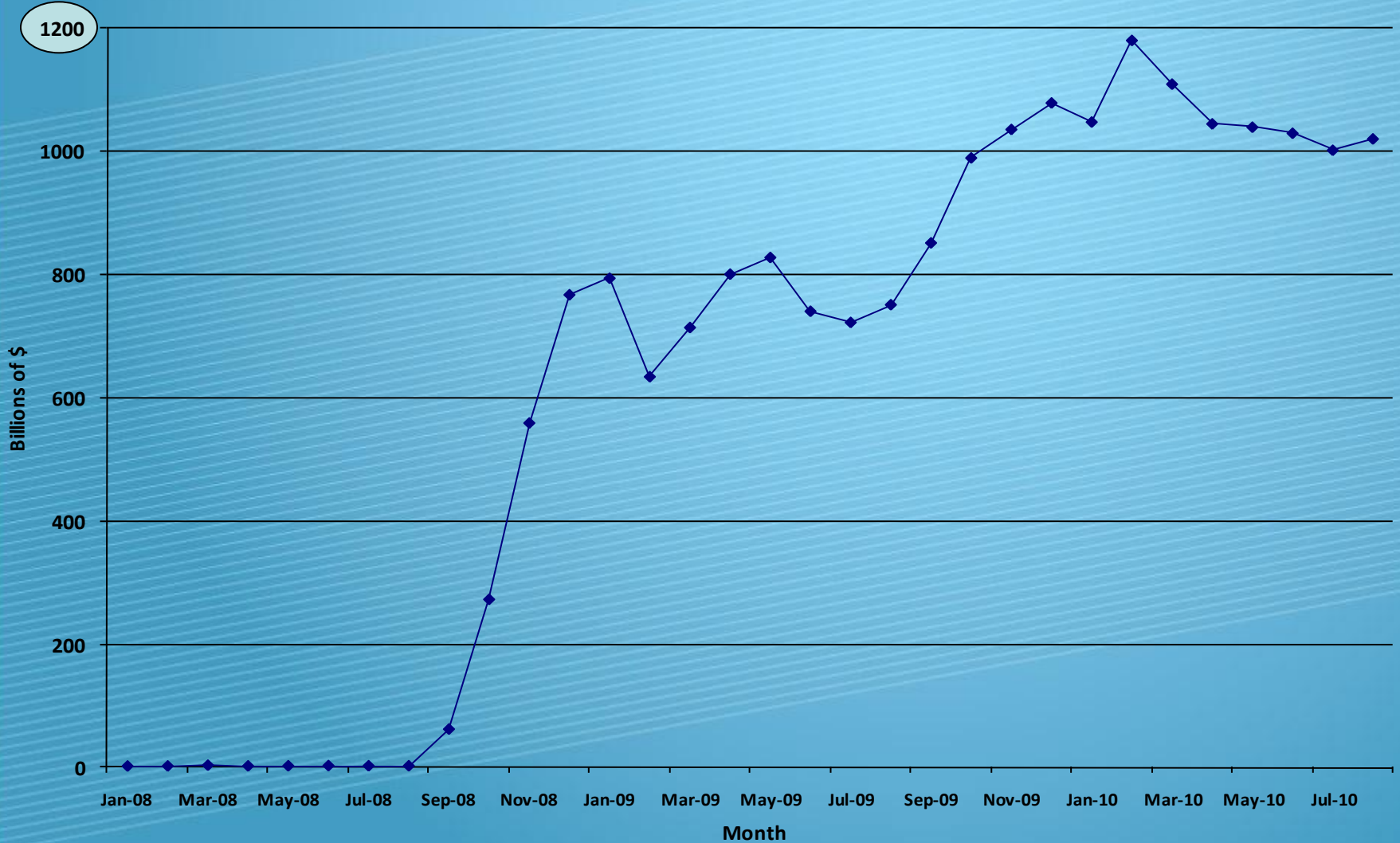
## Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008\$ Jan 1970 - Dec 1999



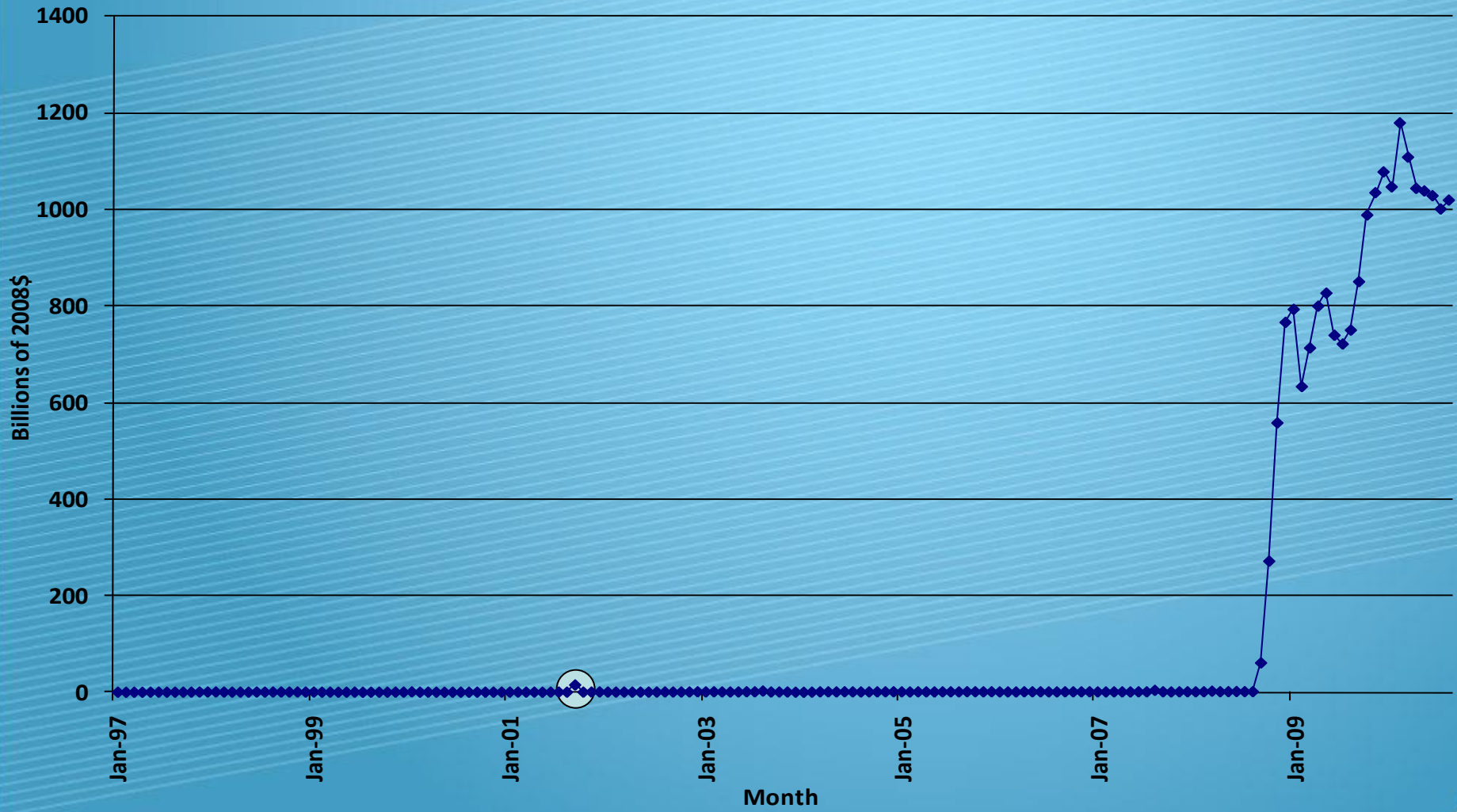
## Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008\$ Jan 2000 - Aug 2008



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

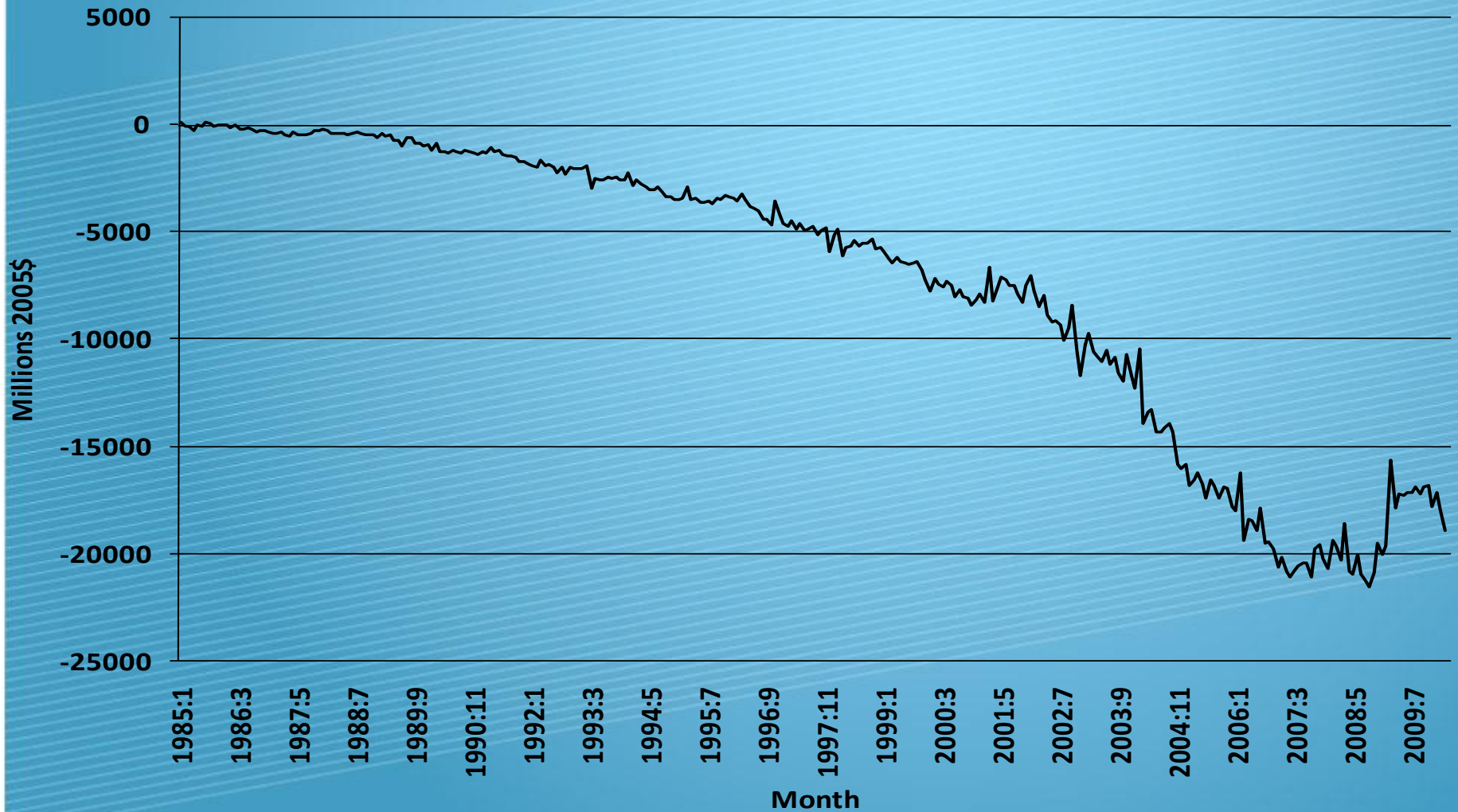


## Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008\$ Jan 1997 - Present

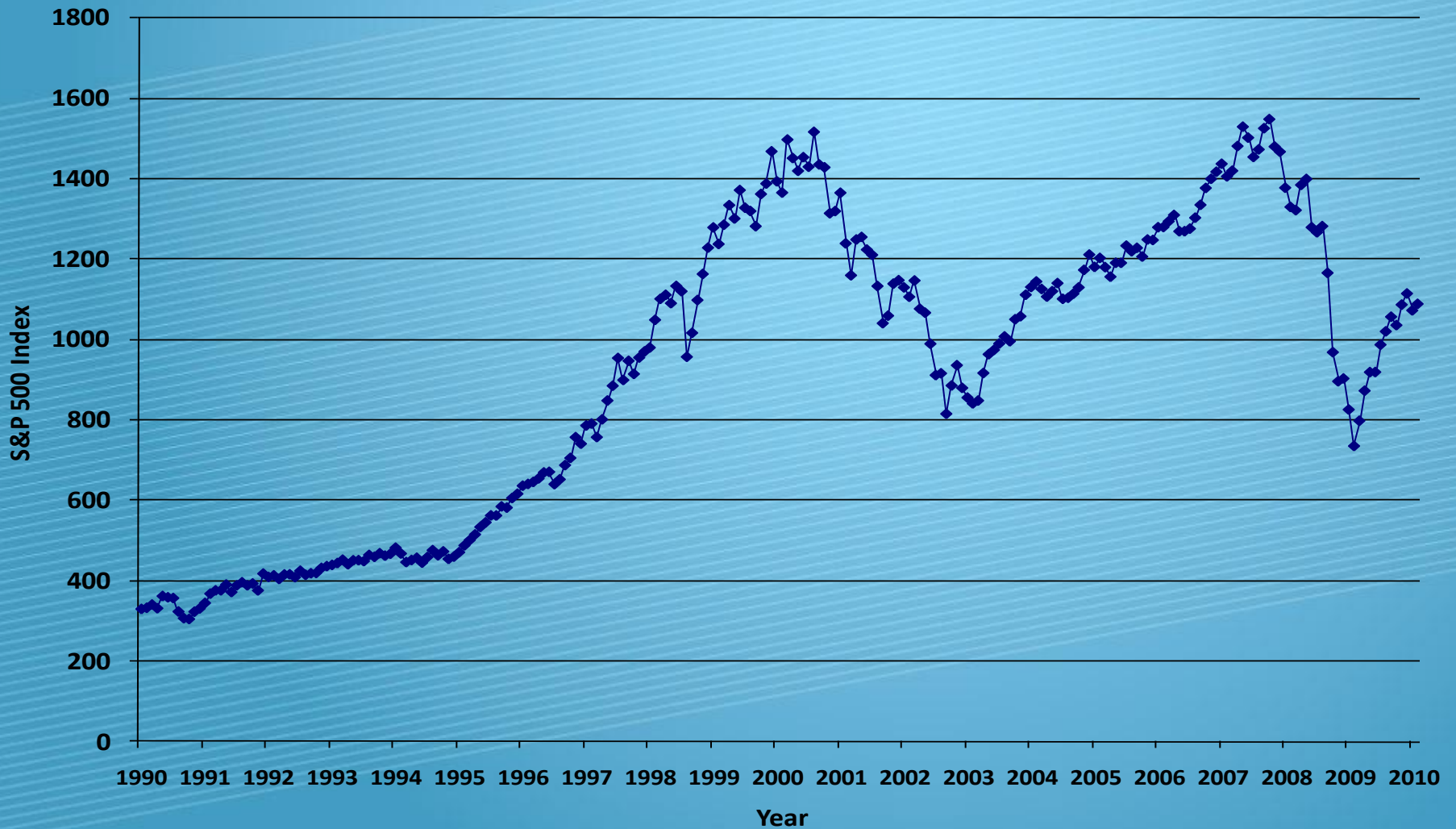


# Three Macro Stats to Watch

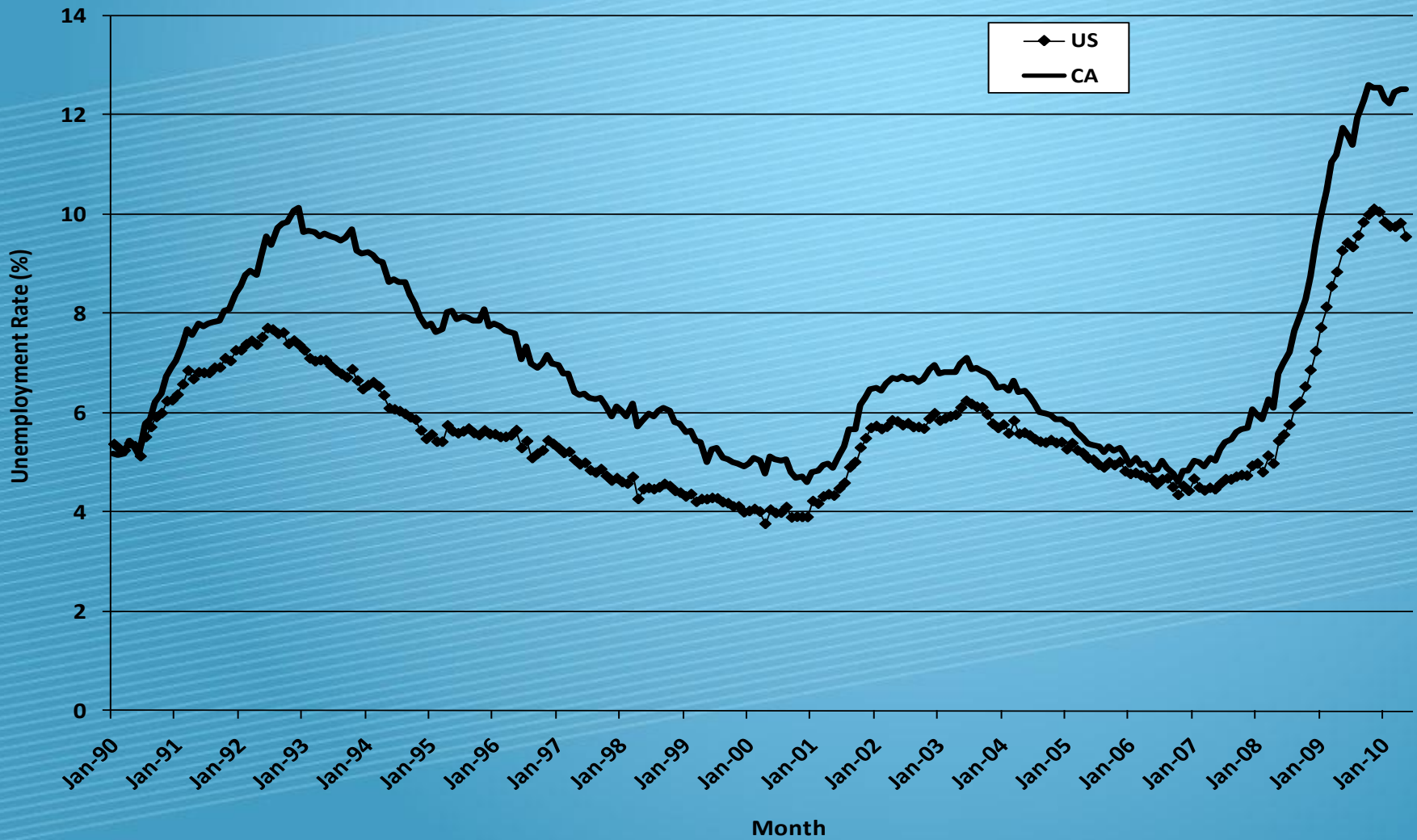
# Trade Balance, US with China, 1985 – Present, Millions 2005\$



# S&P 500 Index, 1990 - Present



# Unemployment Rates: US & CA, Seasonally Adjusted



# California, Elections and Reality

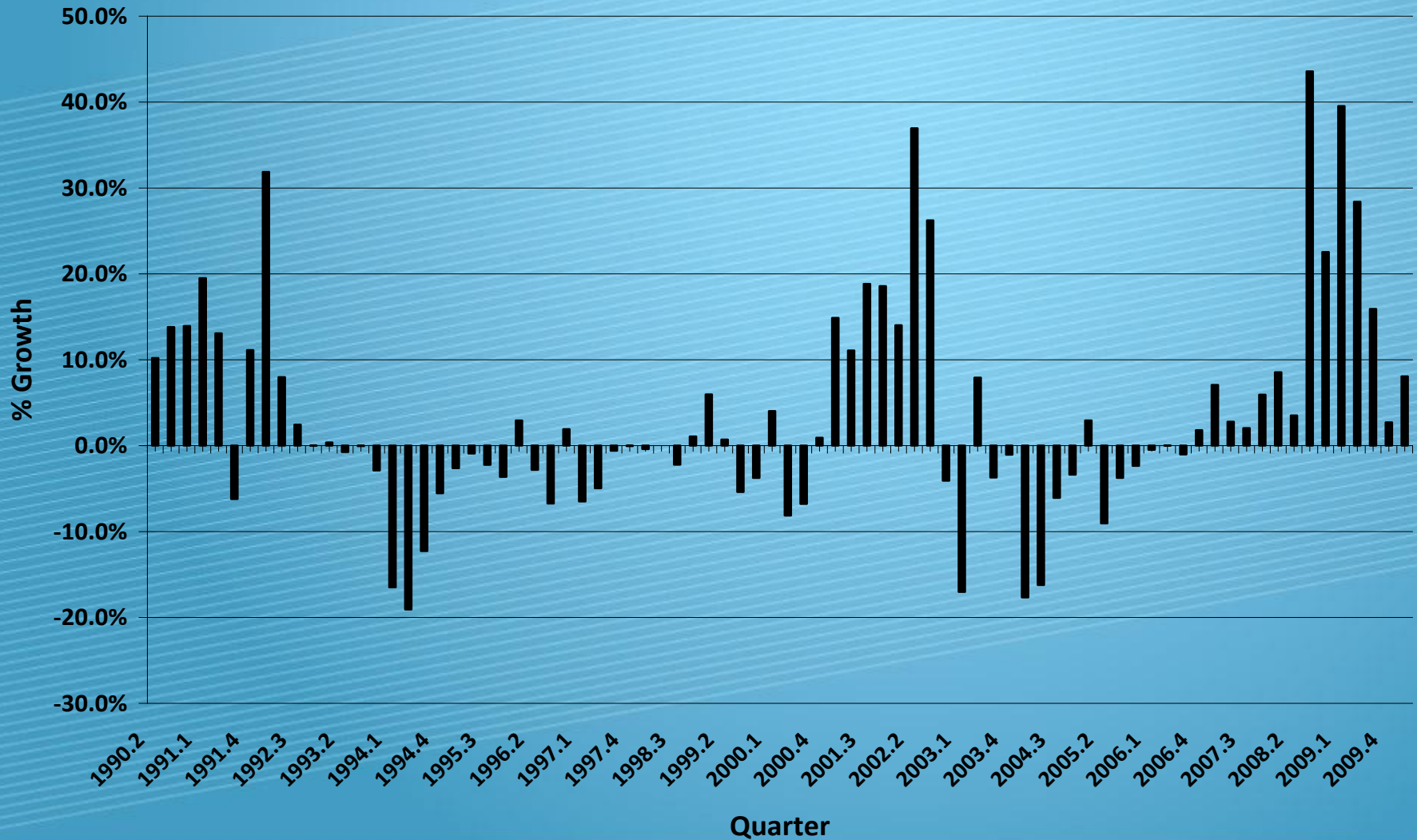
- 2010-11 likely to be worse
  - No change in core budget process or tax code
- Federal spending may stimulate CA economy
  - This is short lived in current form of support
- Labor Markets
  - California to continue to lag national employment
- Elections will do little to change the basics
  - Prisons,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

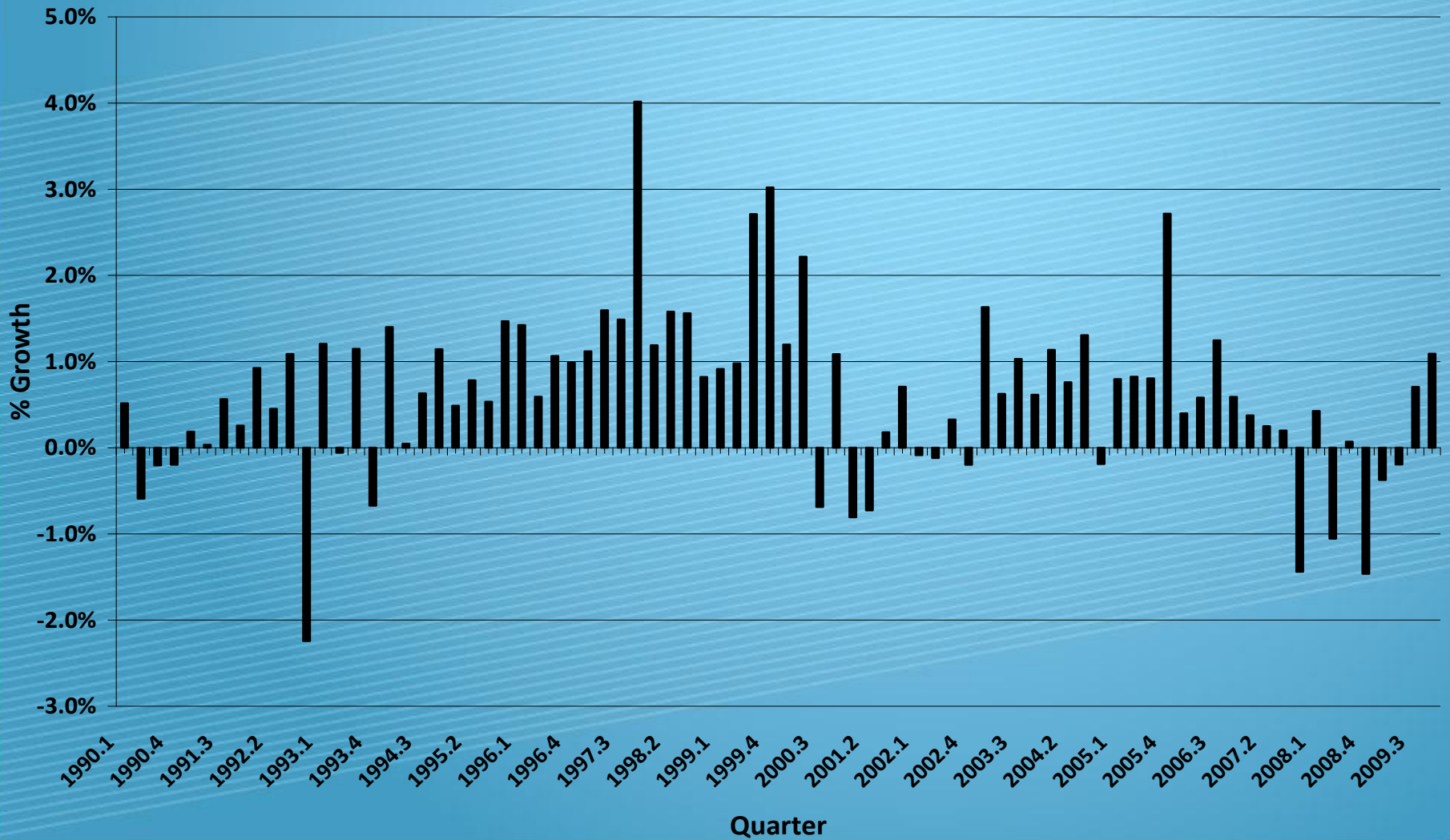
# CA Stats to Watch

## CA Unemployment Insurance Payments, Real 2003\$



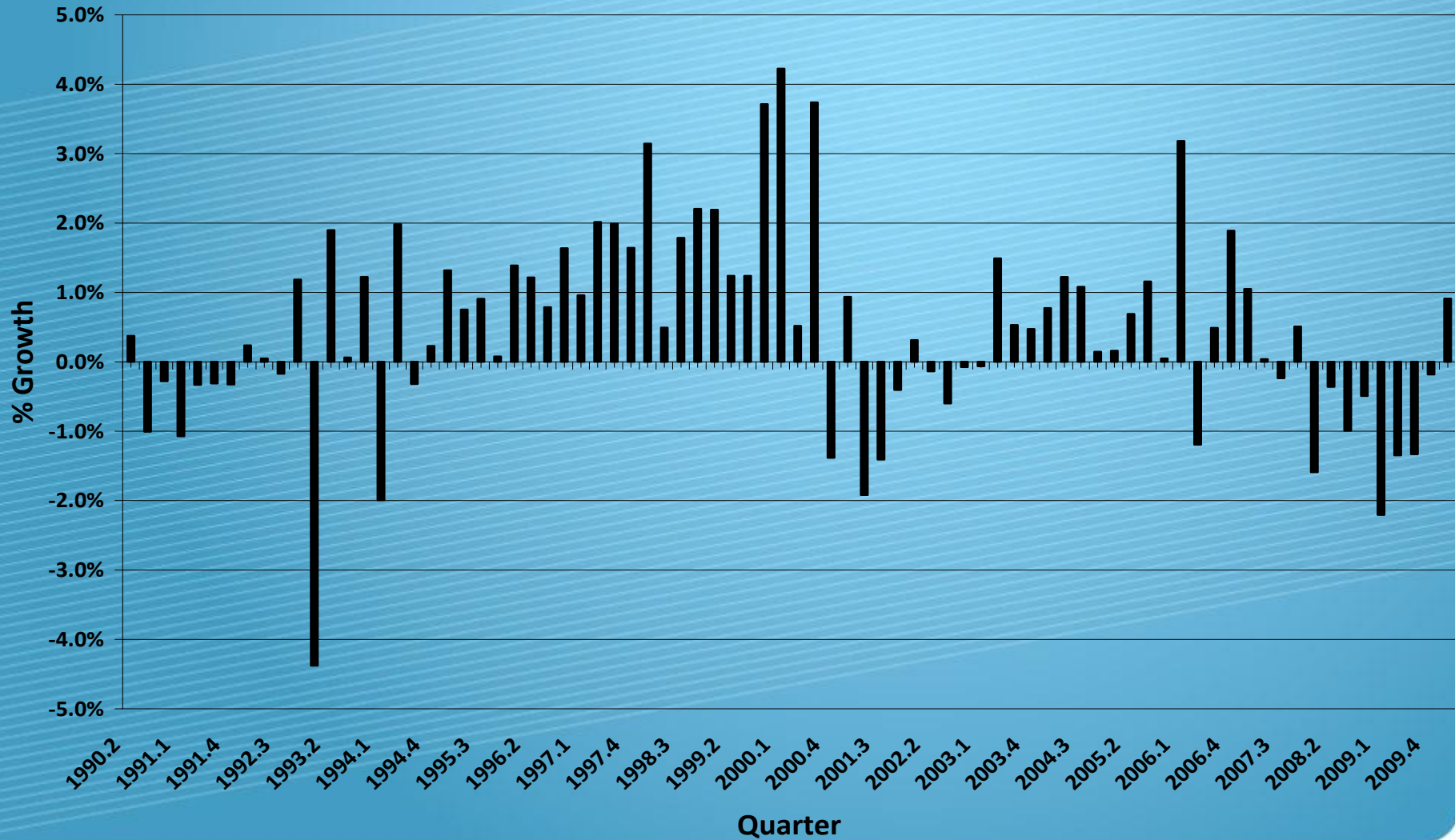
Source: BEA ([www.bea.gov](http://www.bea.gov))

# CA Personal Income Growth, Real 2003\$



Source: BEA ([www.bea.gov](http://www.bea.gov))

# CA Wage and Salary Growth, 1990-2010



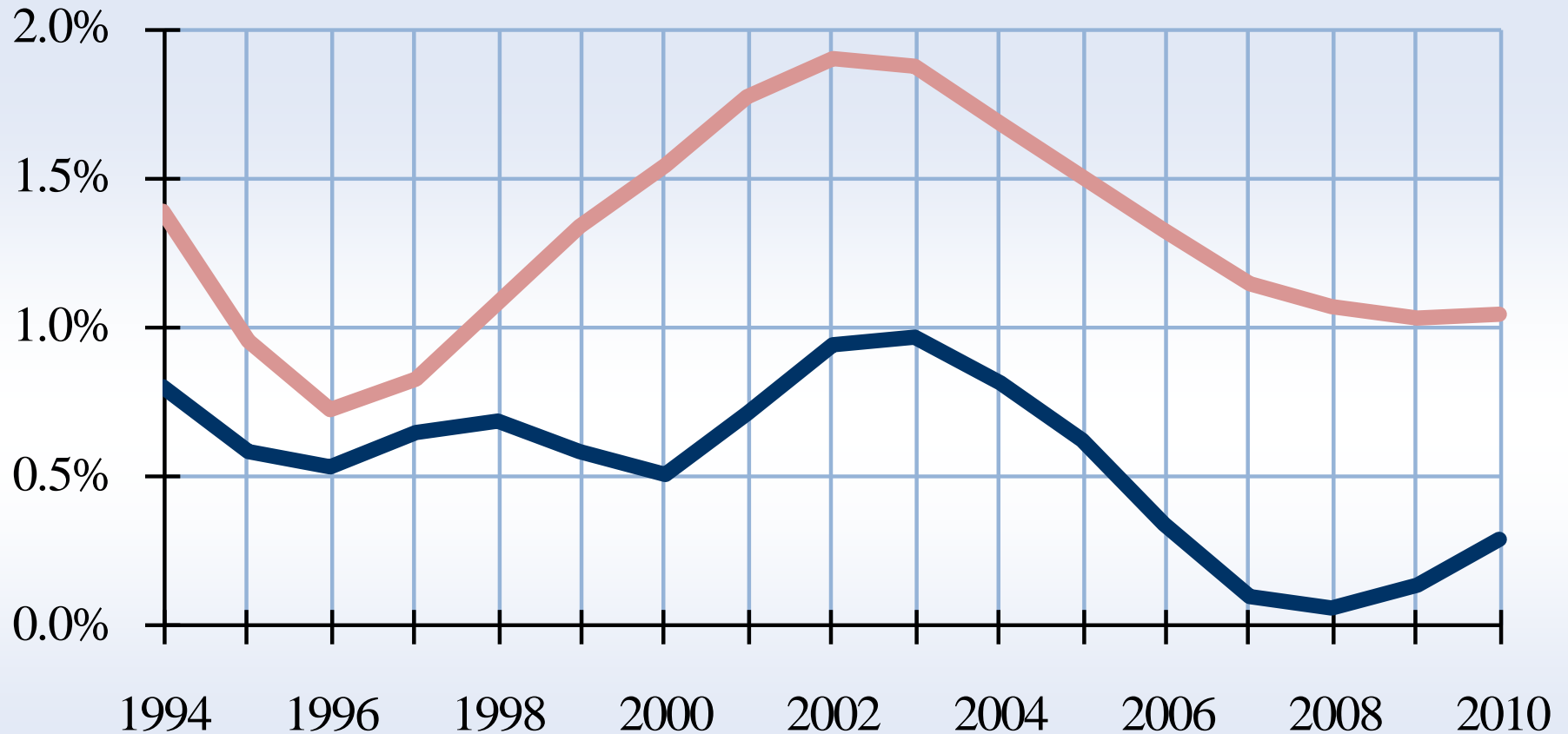
Source: BEA ([www.bea.gov](http://www.bea.gov))

# Mendocino 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
  - Tourism, retail drivers: can industry come back?
  - What about a high tech campus in Ukiah?
  - What about Wal-Mart?
  - Need economic development and a signal focus

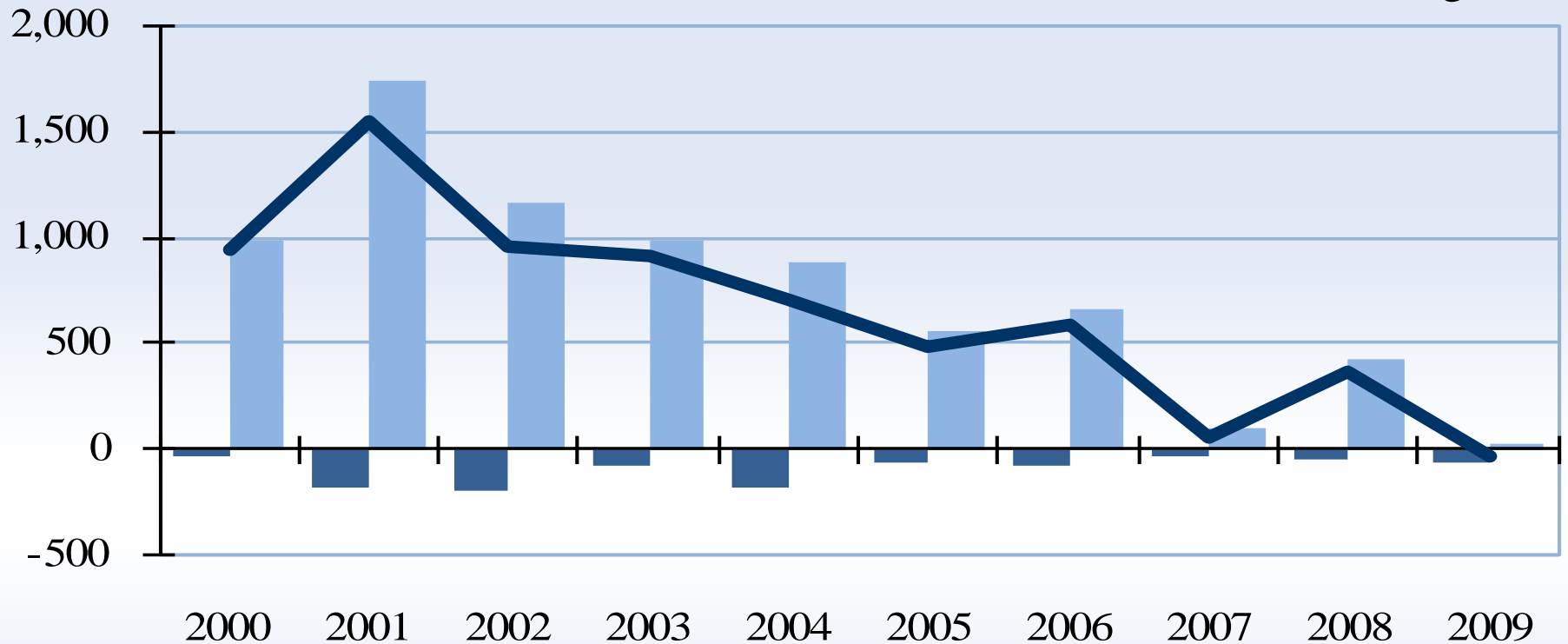
# Population Annual Percent Change (Three-Year Average)

California  
Mendocino County



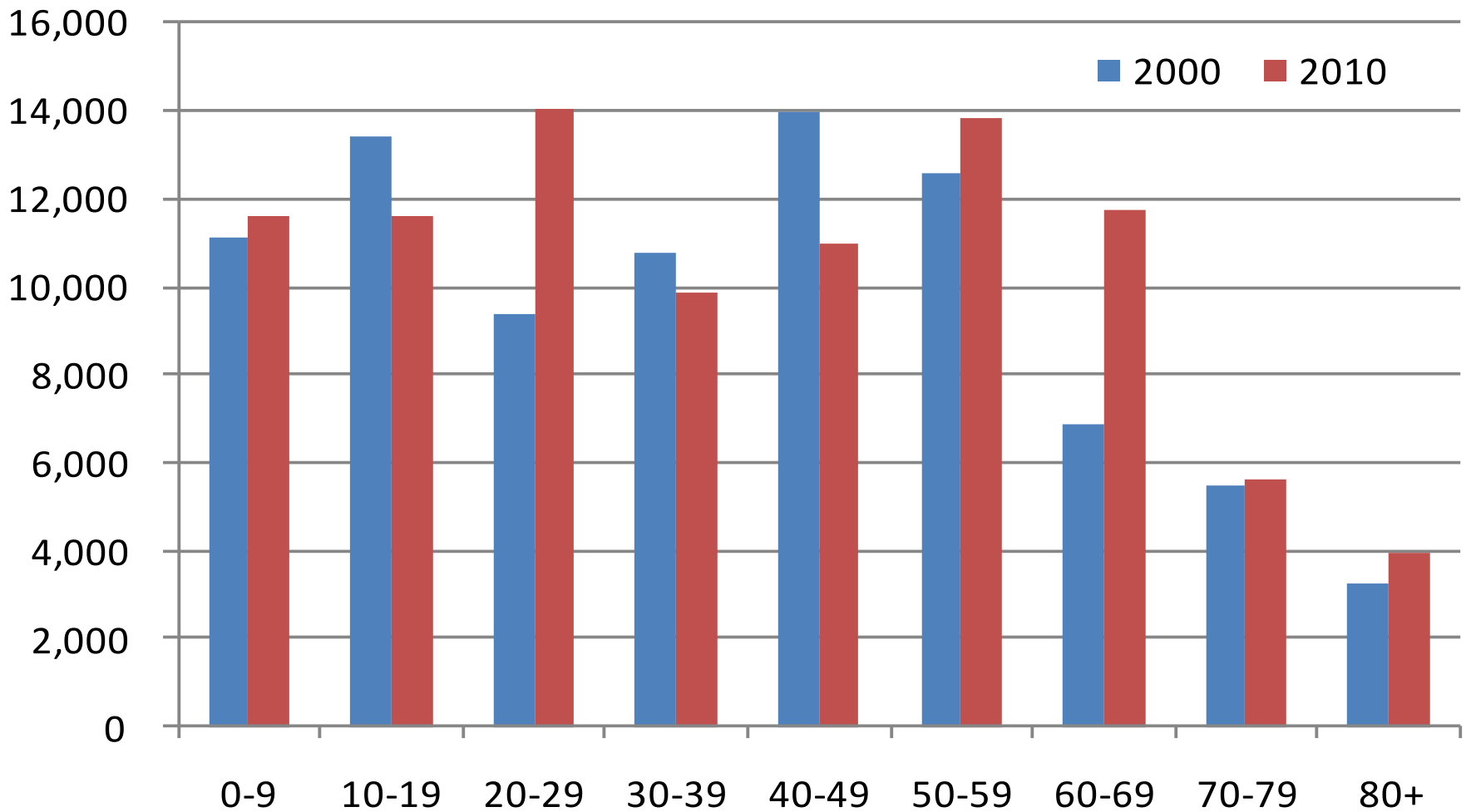
# Components of Population Change

- Natural Increase
- Net Migration
- Total Change



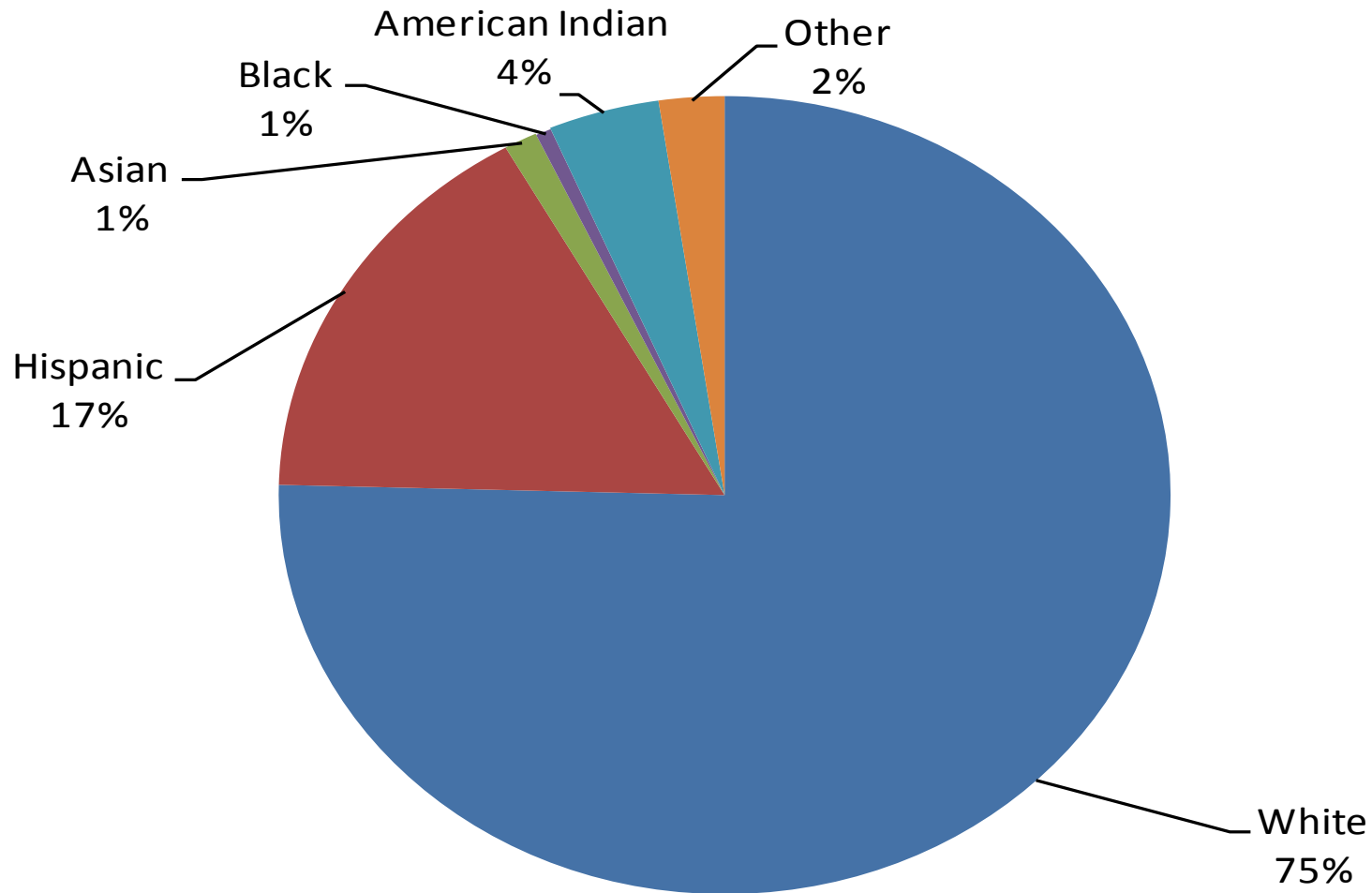
Created by: Center for Economic Development,  
California State University, Chico

# Mendocino County Age Profile, 2000 vs. 2010



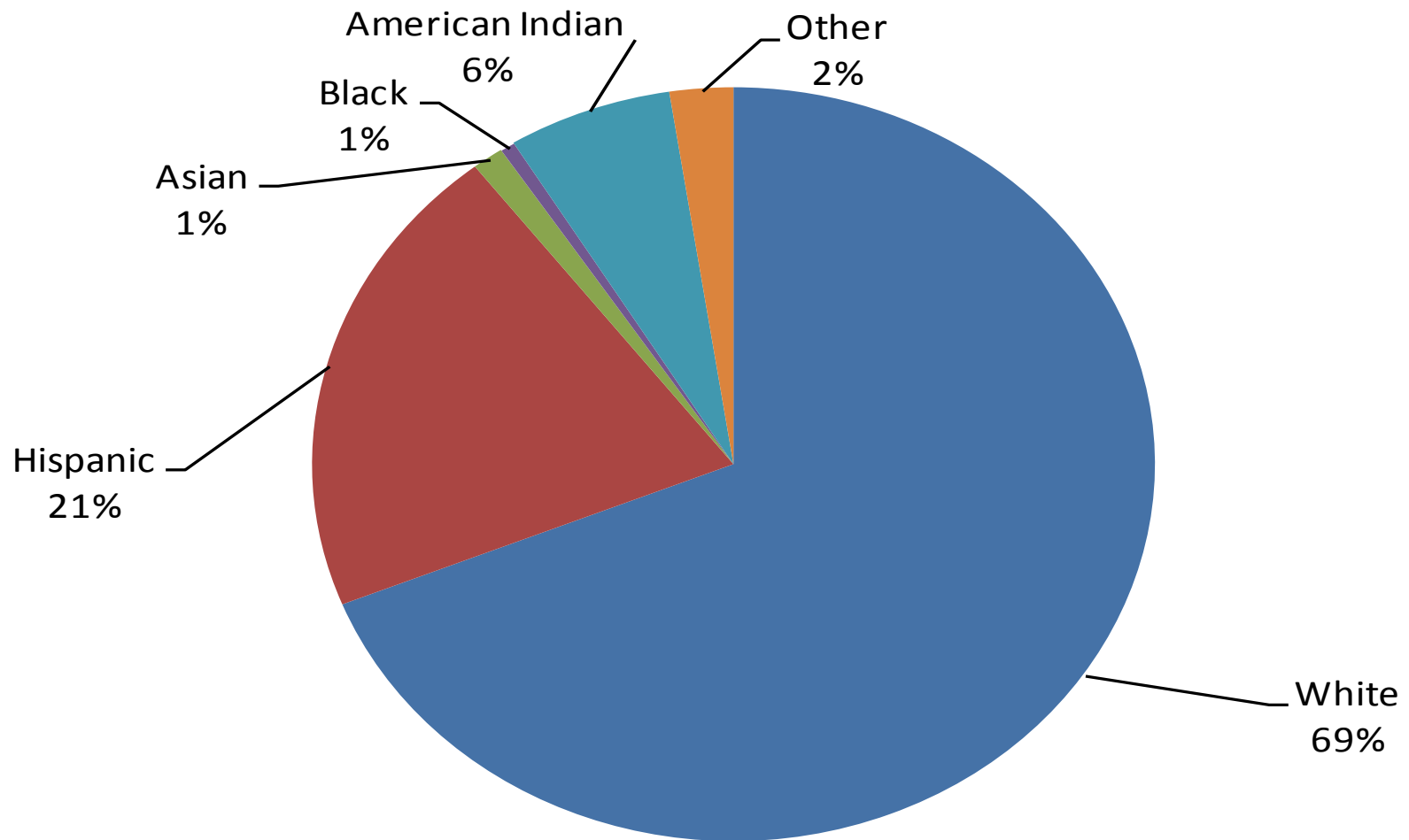
Source: CED at CSU, Chico

# Mendocino County Ethnicity Profile, 2000

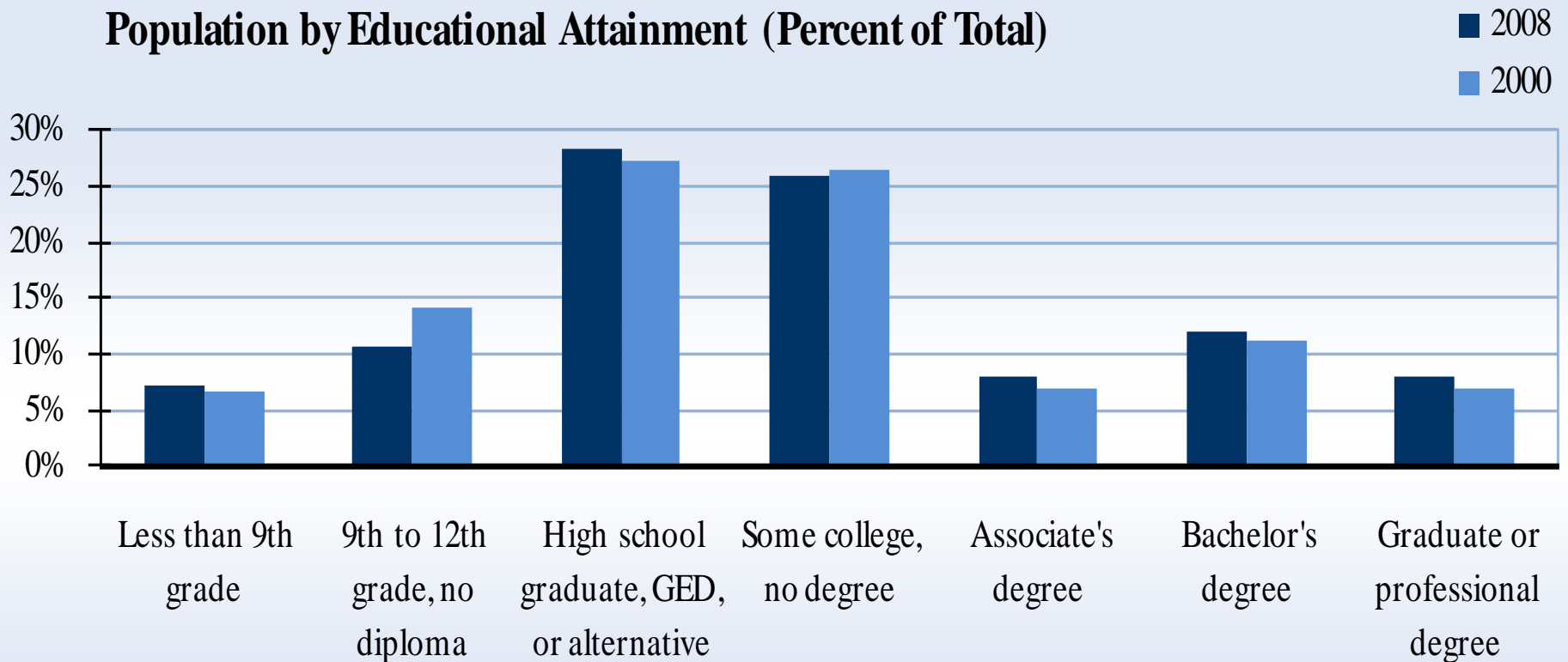


Source: CED at CSU, Chico

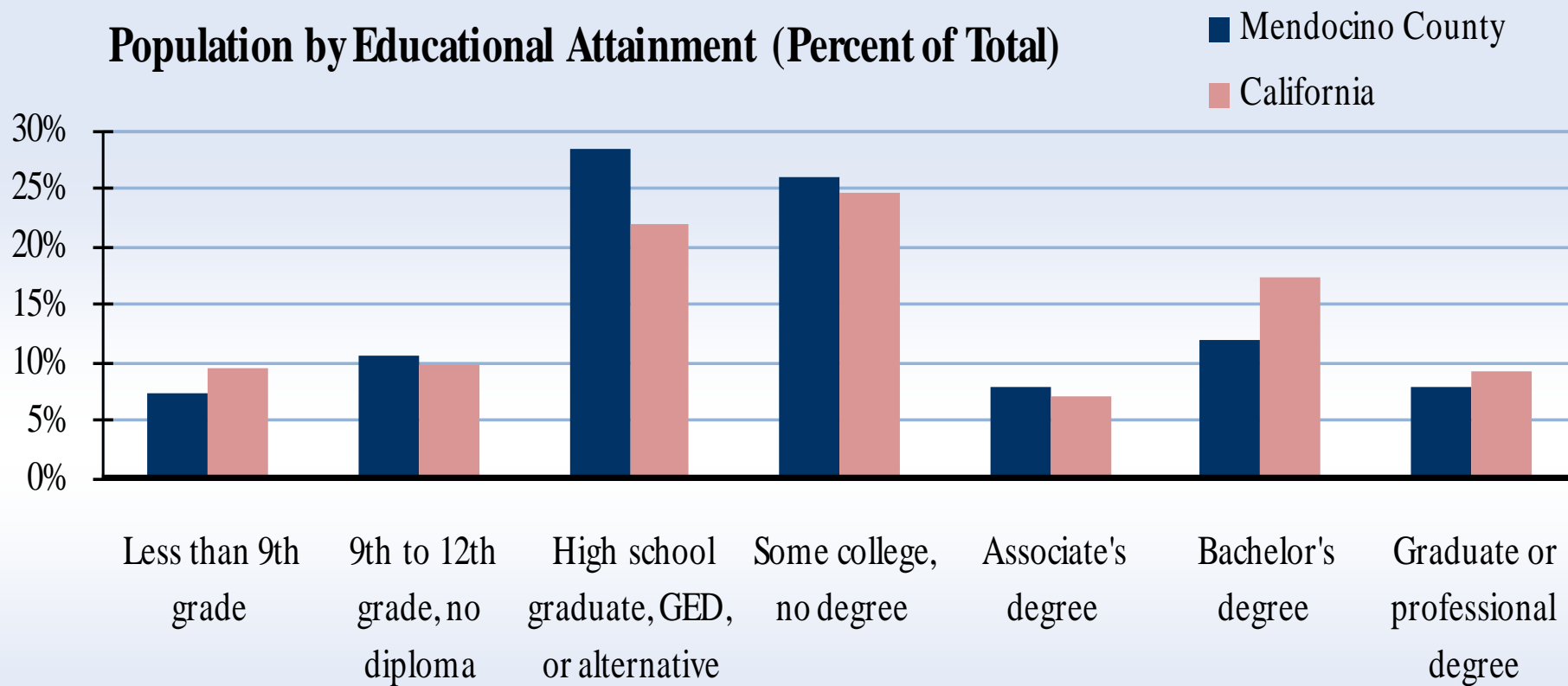
# Mendocino County Ethnicity Profile, 2010



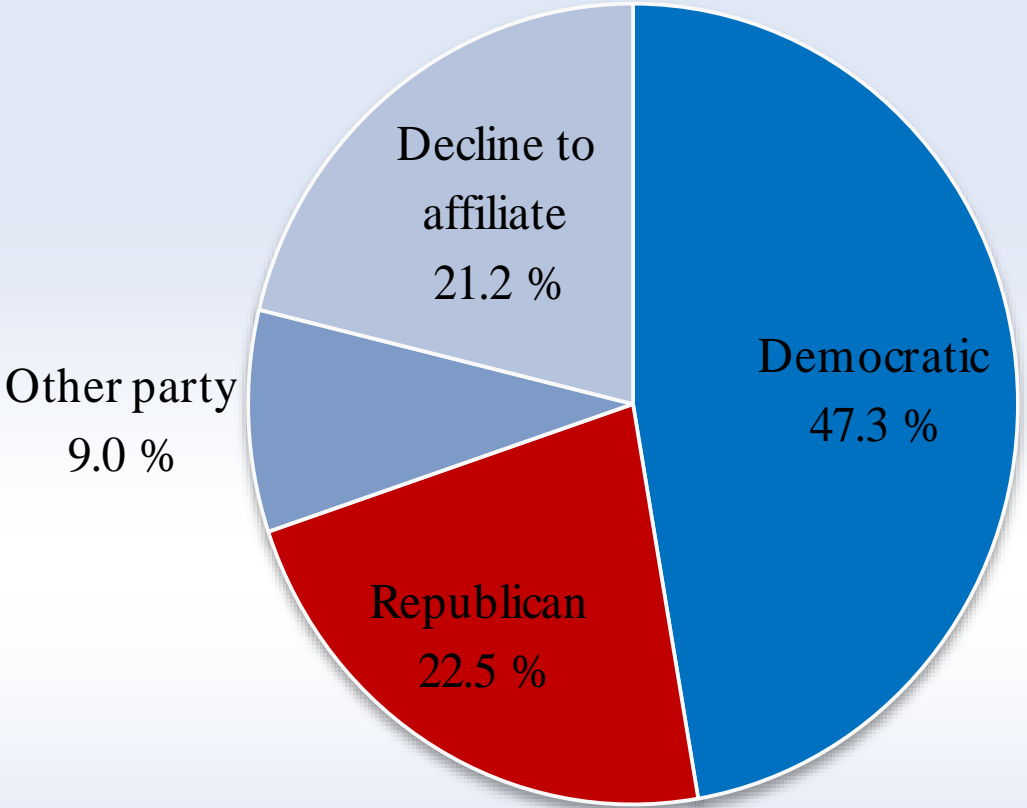
## Population by Educational Attainment (Percent of Total)



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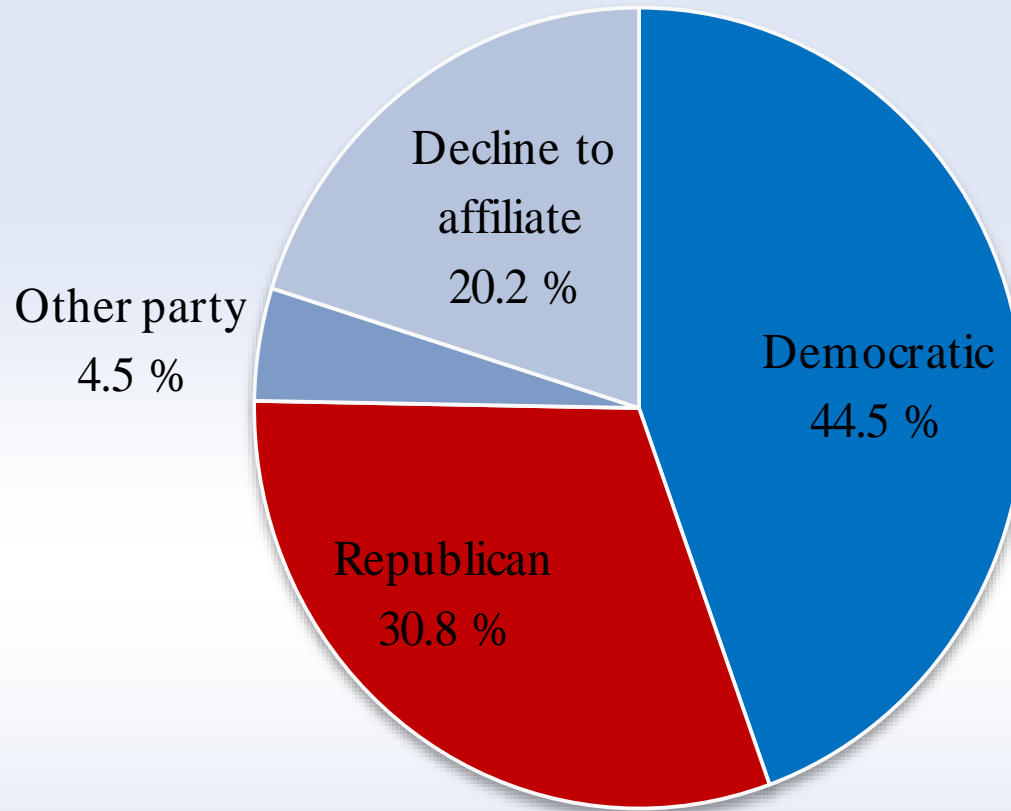


# County Political Party Membership, 2010



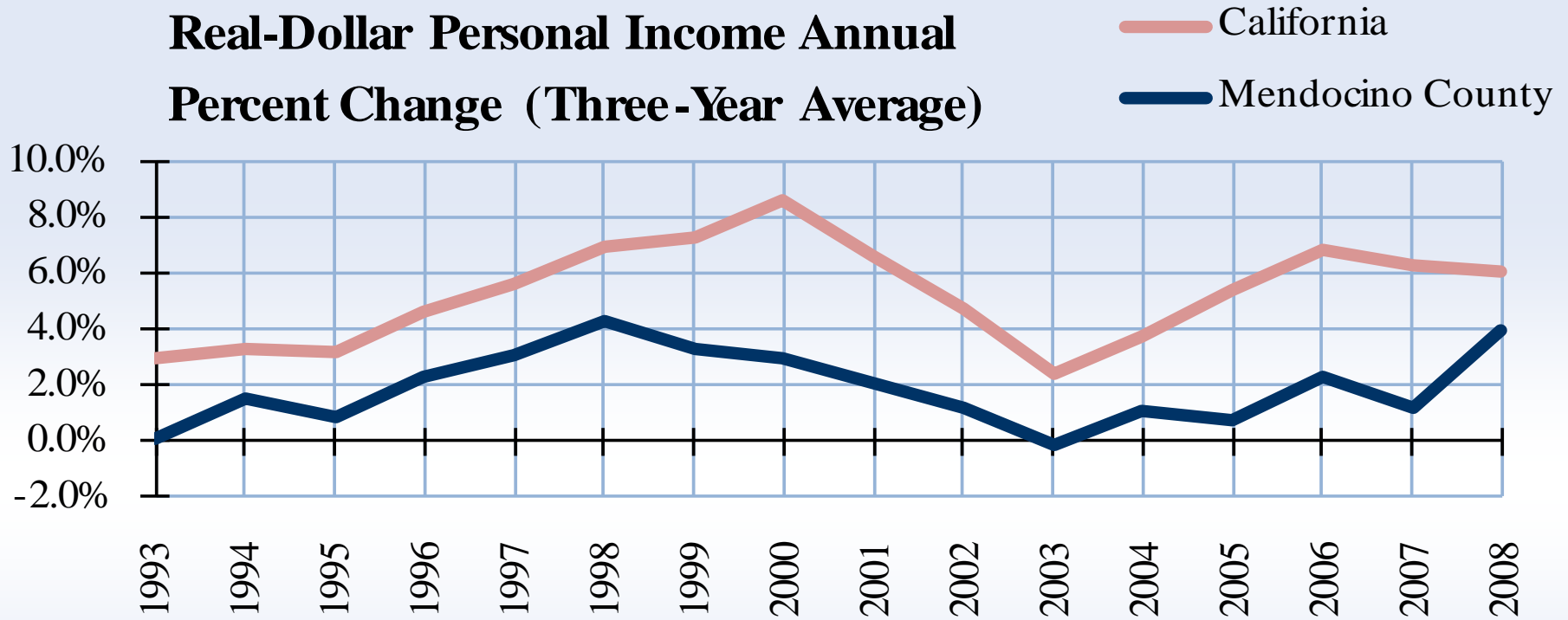
Source: CED at CSU, Chico

## California Political Party Membership, 2010



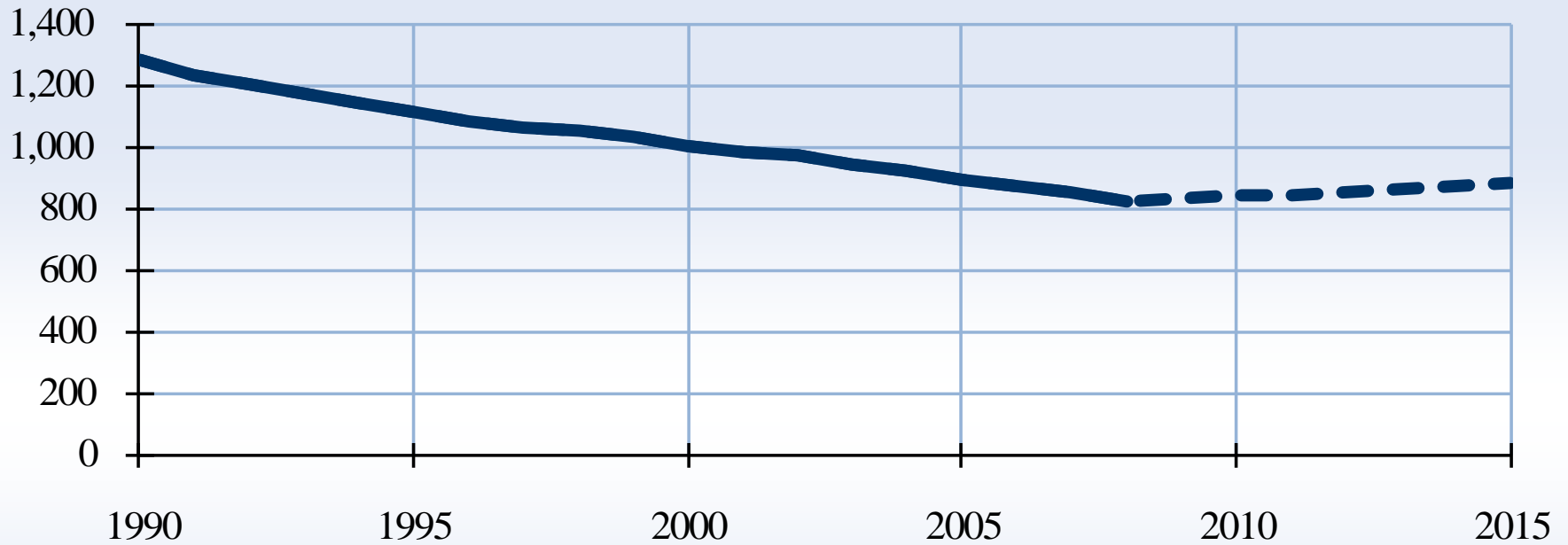
Source: CED at CSU, Chico

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



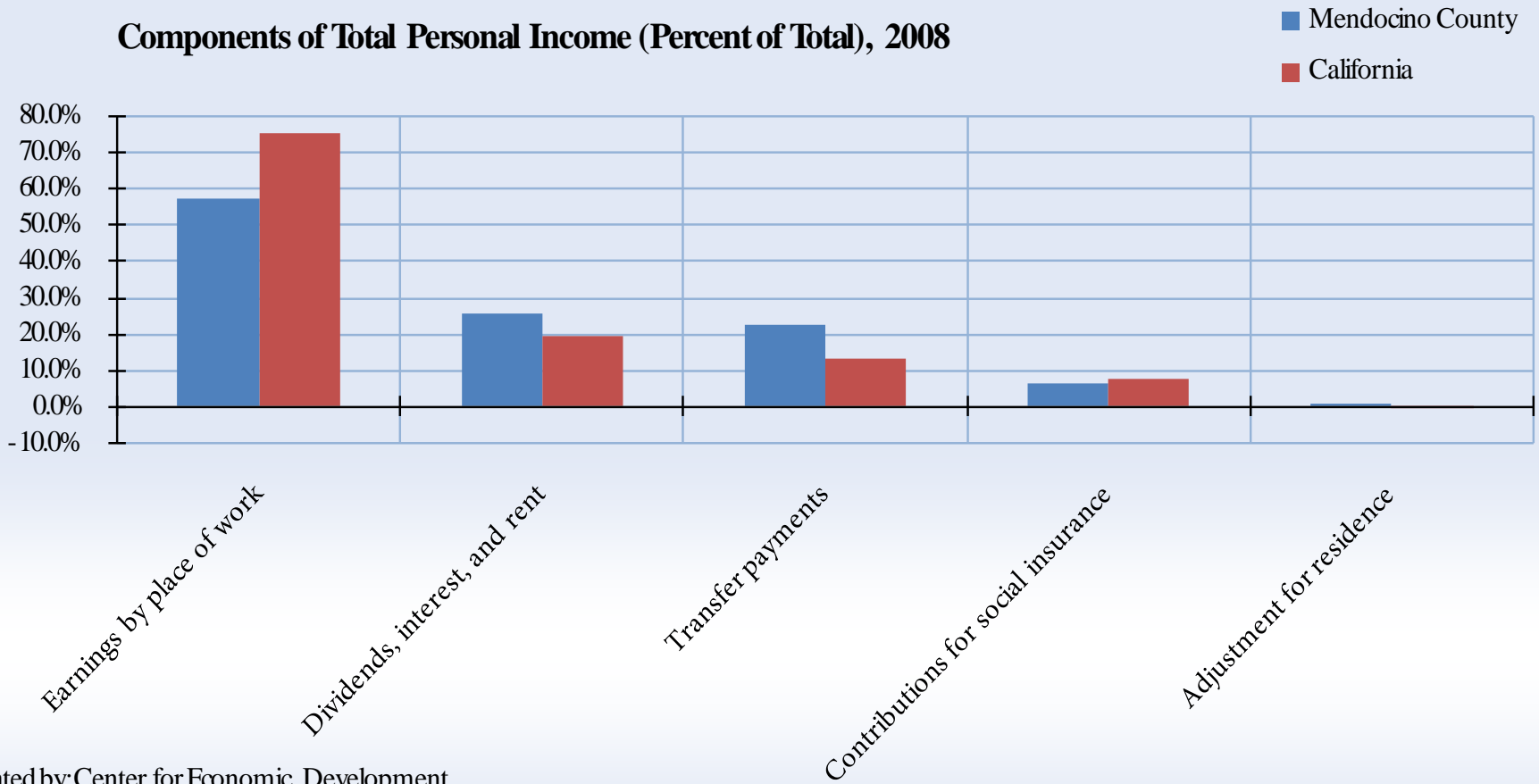
Created by: Center for Economic Development,  
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## Inflation-Adjusted Per Capita Income (Thousands, 2004\$)



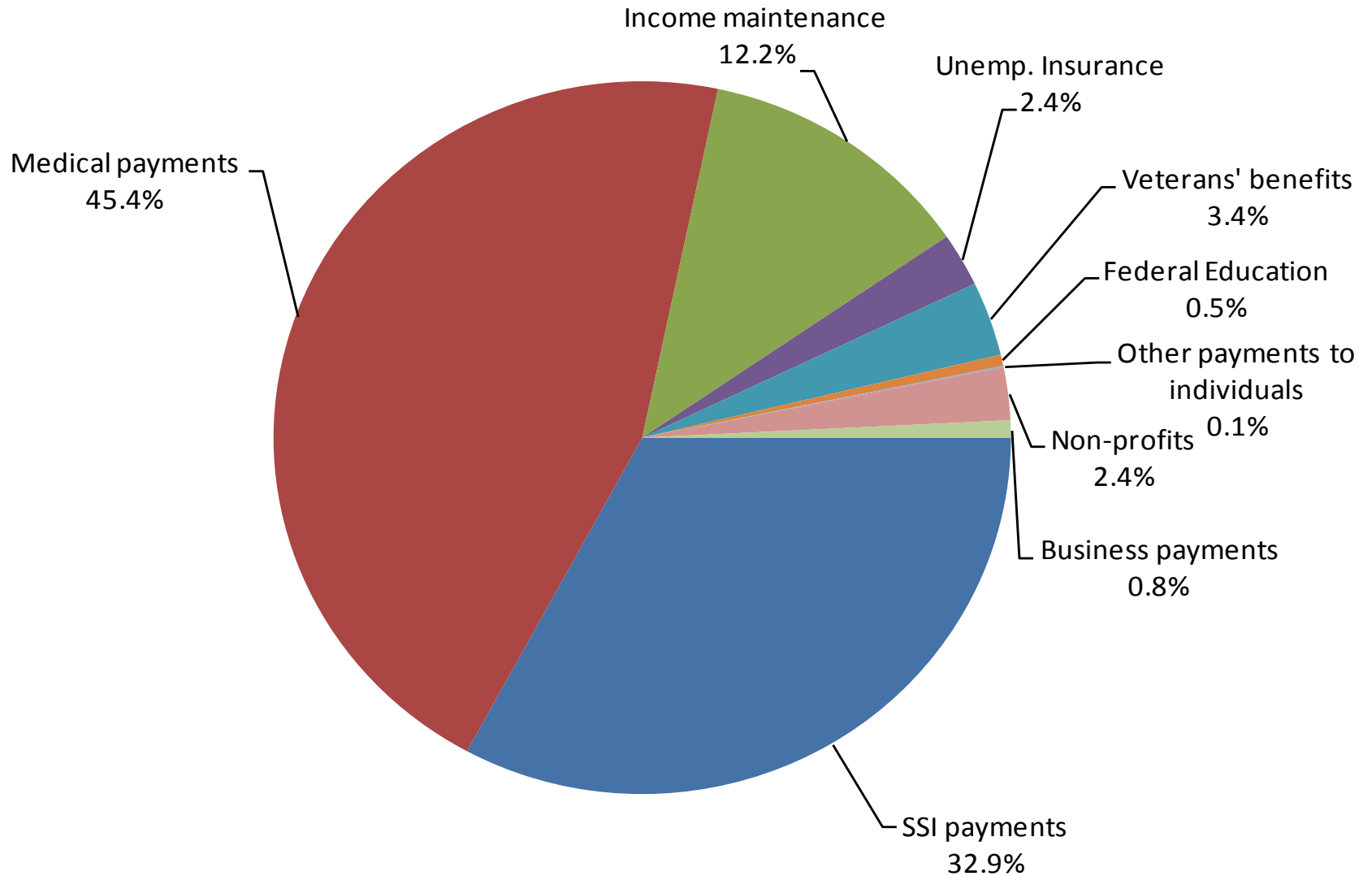
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### Components of Total Personal Income (Percent of Total), 2008



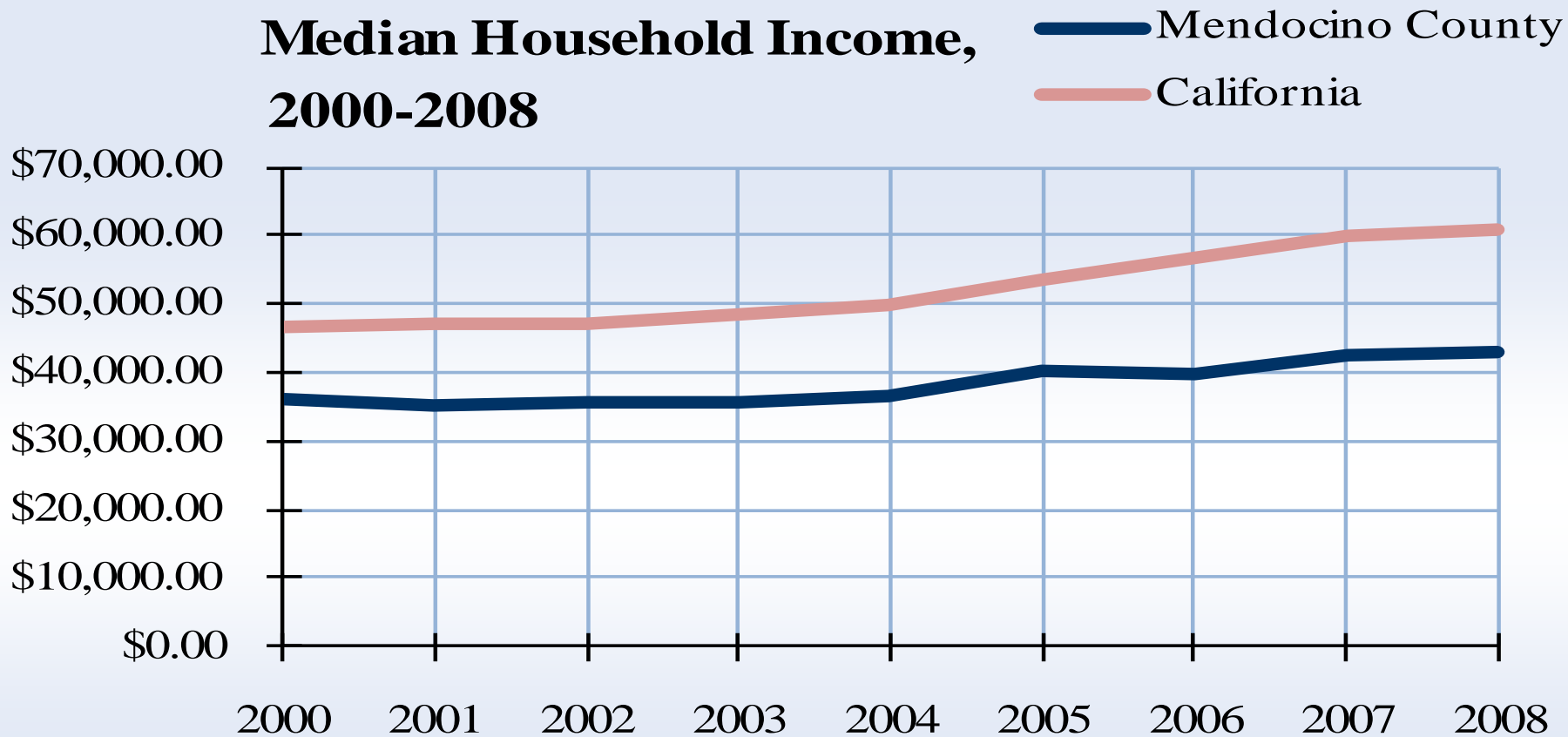
Created by: Center for Economic Development,  
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# Mendocino County Government Transfer Payments, 2007

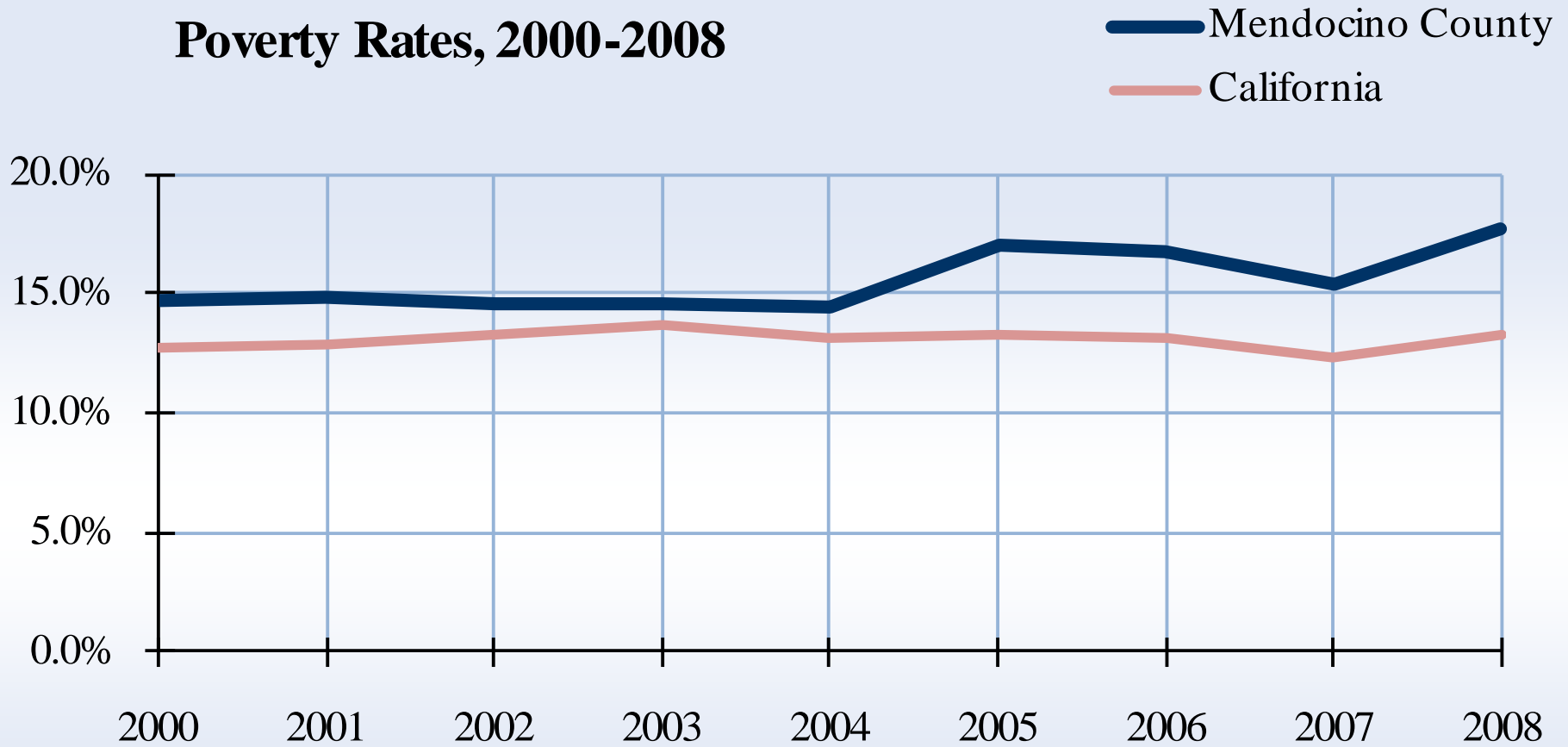


Source: CED at CSU, Chico

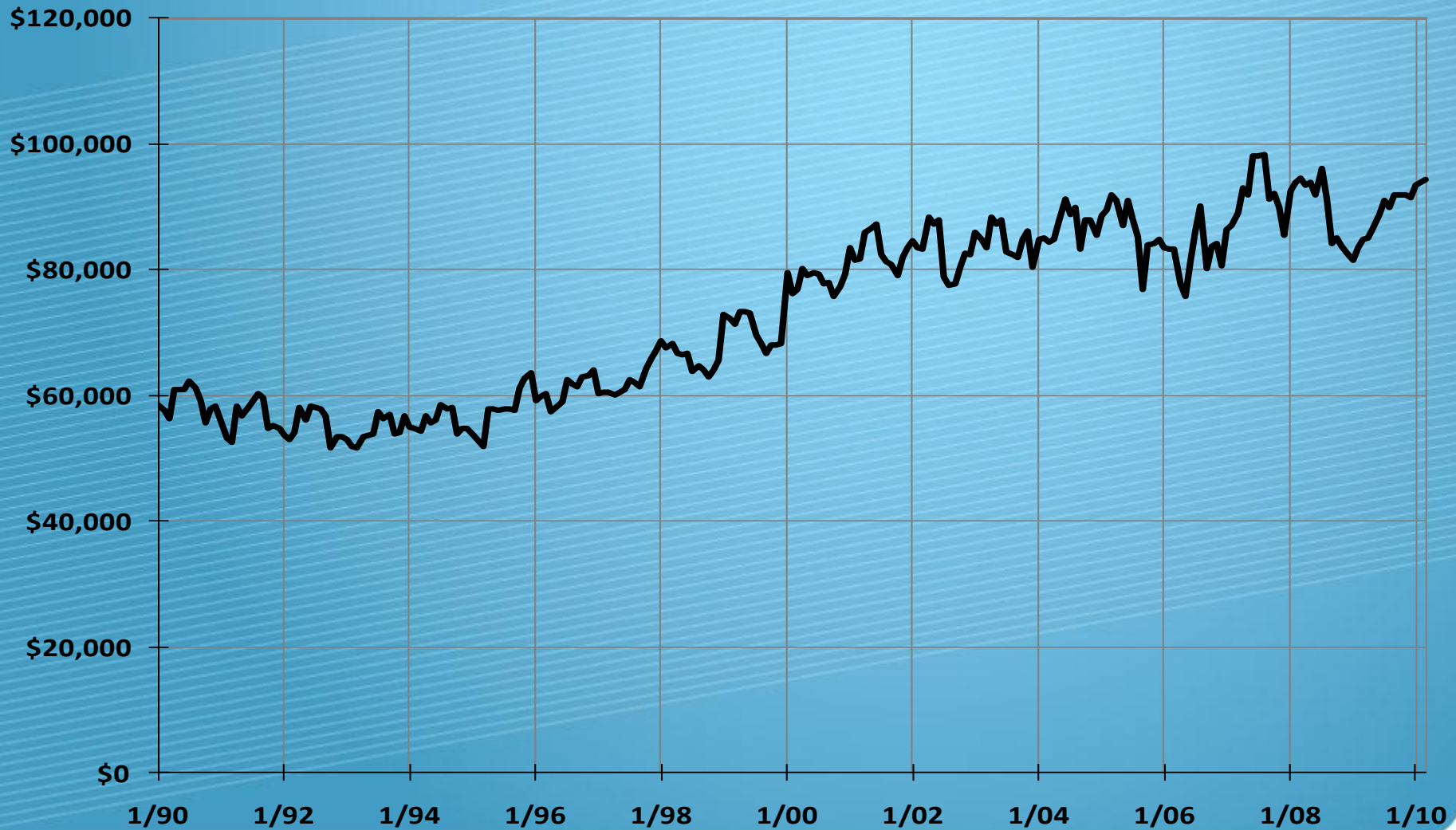
## Median Household Income, 2000-2008



## Poverty Rates, 2000-2008



# Taxable Sales, 1990 – Present, Mendocino County



# 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
  - Mendocino County challenged here: wealth meets demography meets geography

# Real Estate

- Regional and currently slow moving
- Coastline the best long-term residential play: Ukiah?
- 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

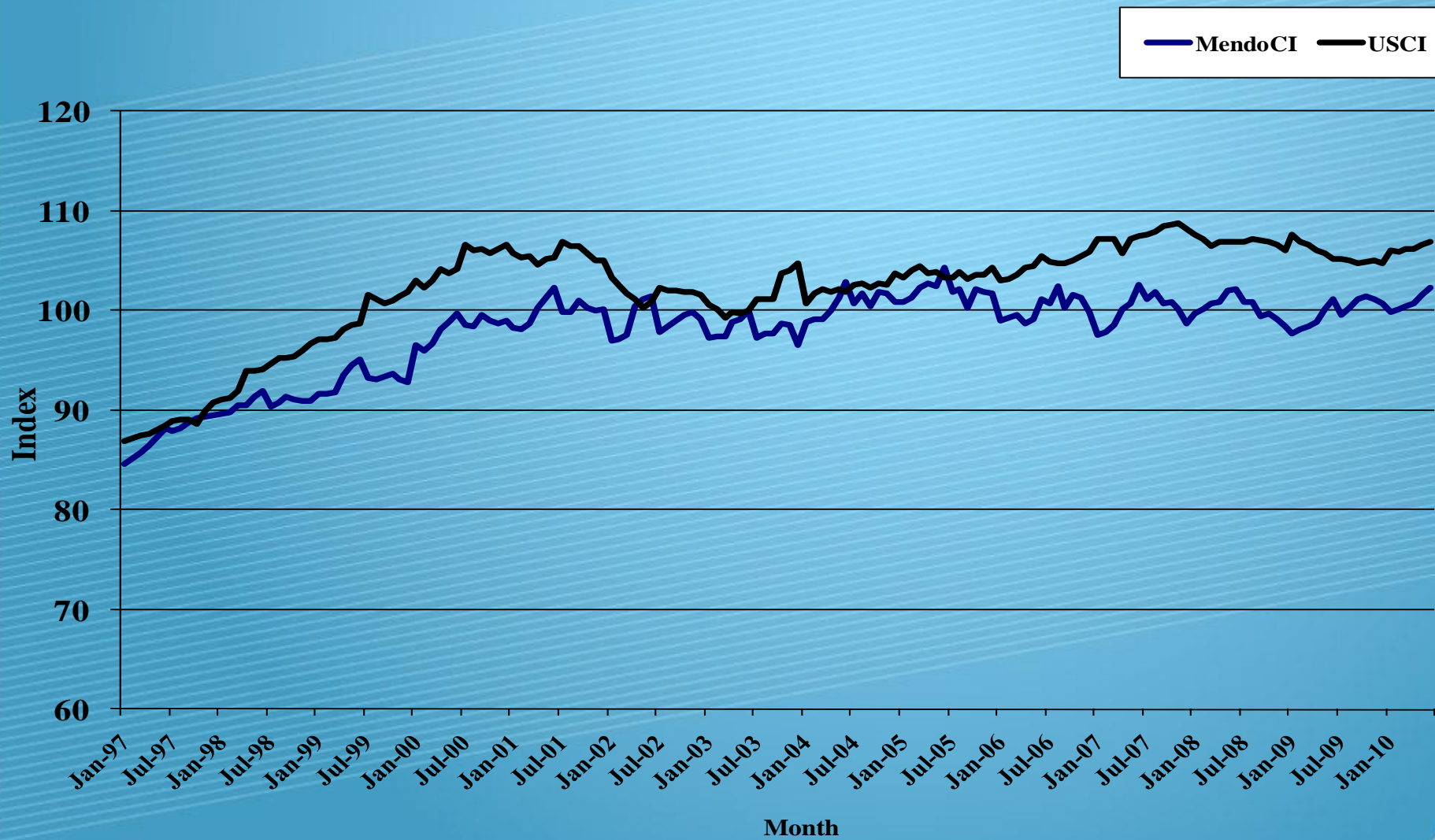
# Comparison of MendocLI and USLI



# 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

# Tyler Coincident Economic Indicator, Mendocino County, 2003 = 100



# 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**
  - **High tech in Mendocino County?**
  - **Is the political will available for economic growth?**
  - **Social and environmental balance: era vulgaris?**