

# Lake County: CED Economic and Demographic Profile

Lakeport, CA

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School of Business  
and Economics

# 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

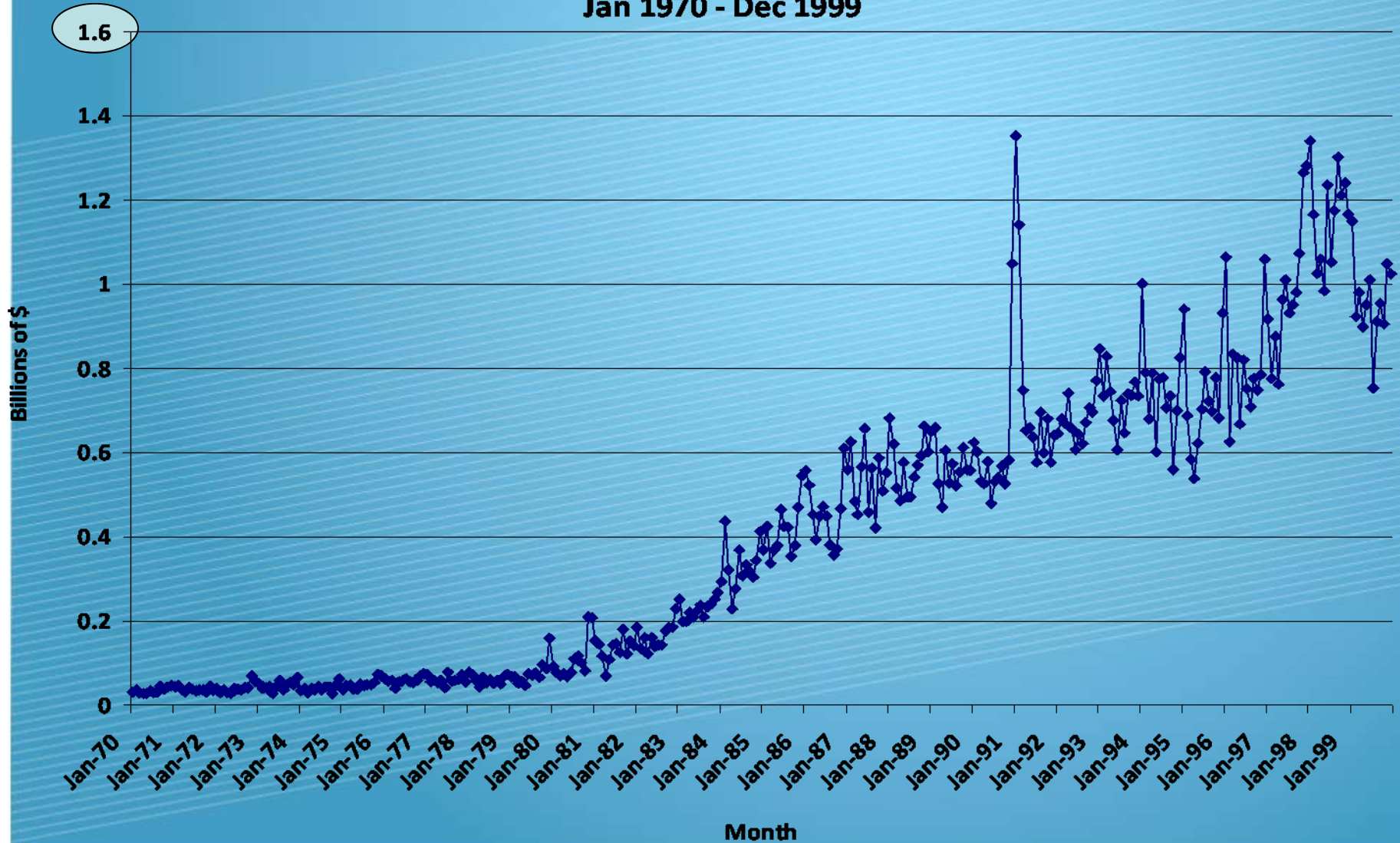
# International

- 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

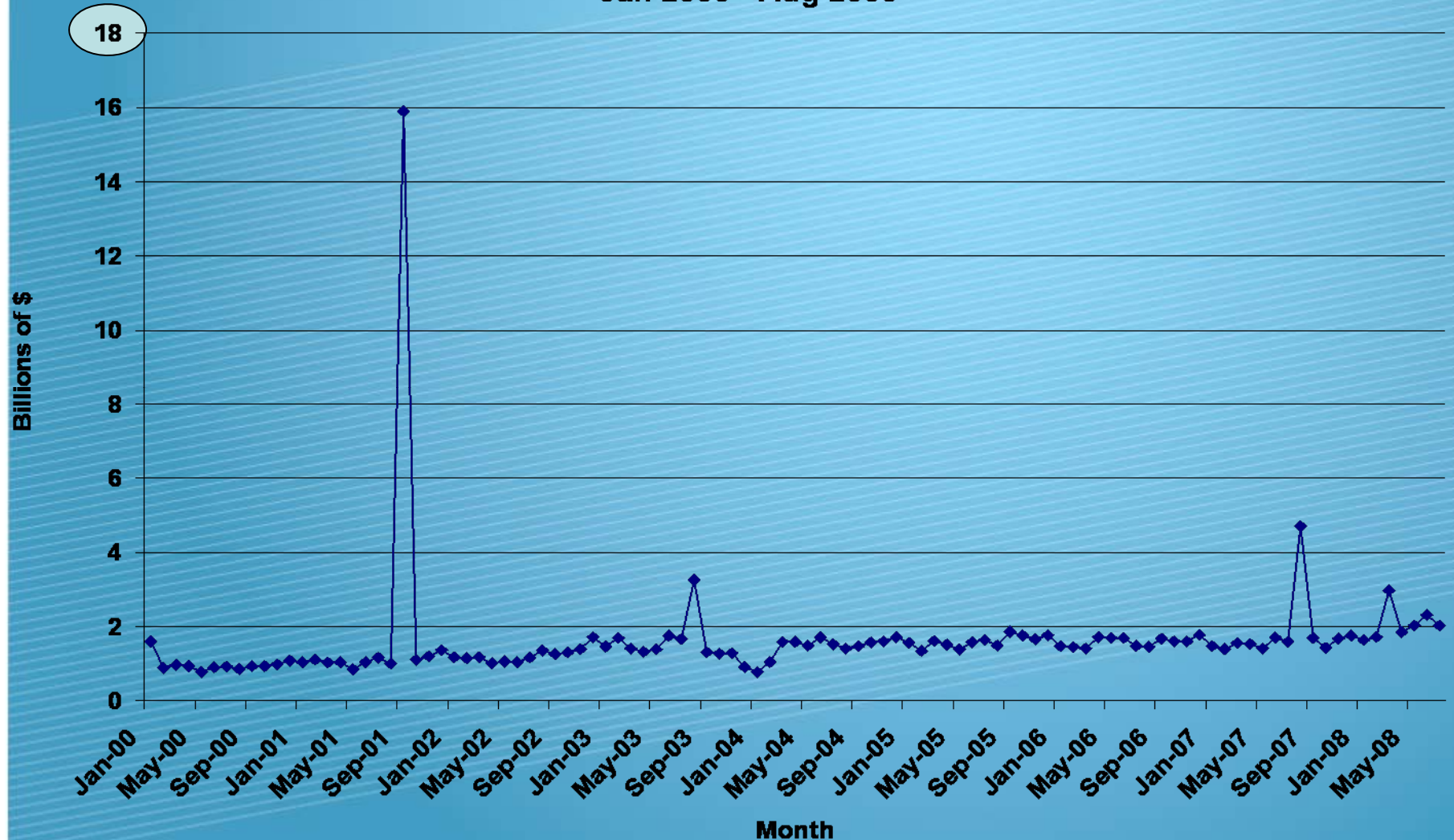
# Domestic National Economy

- 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

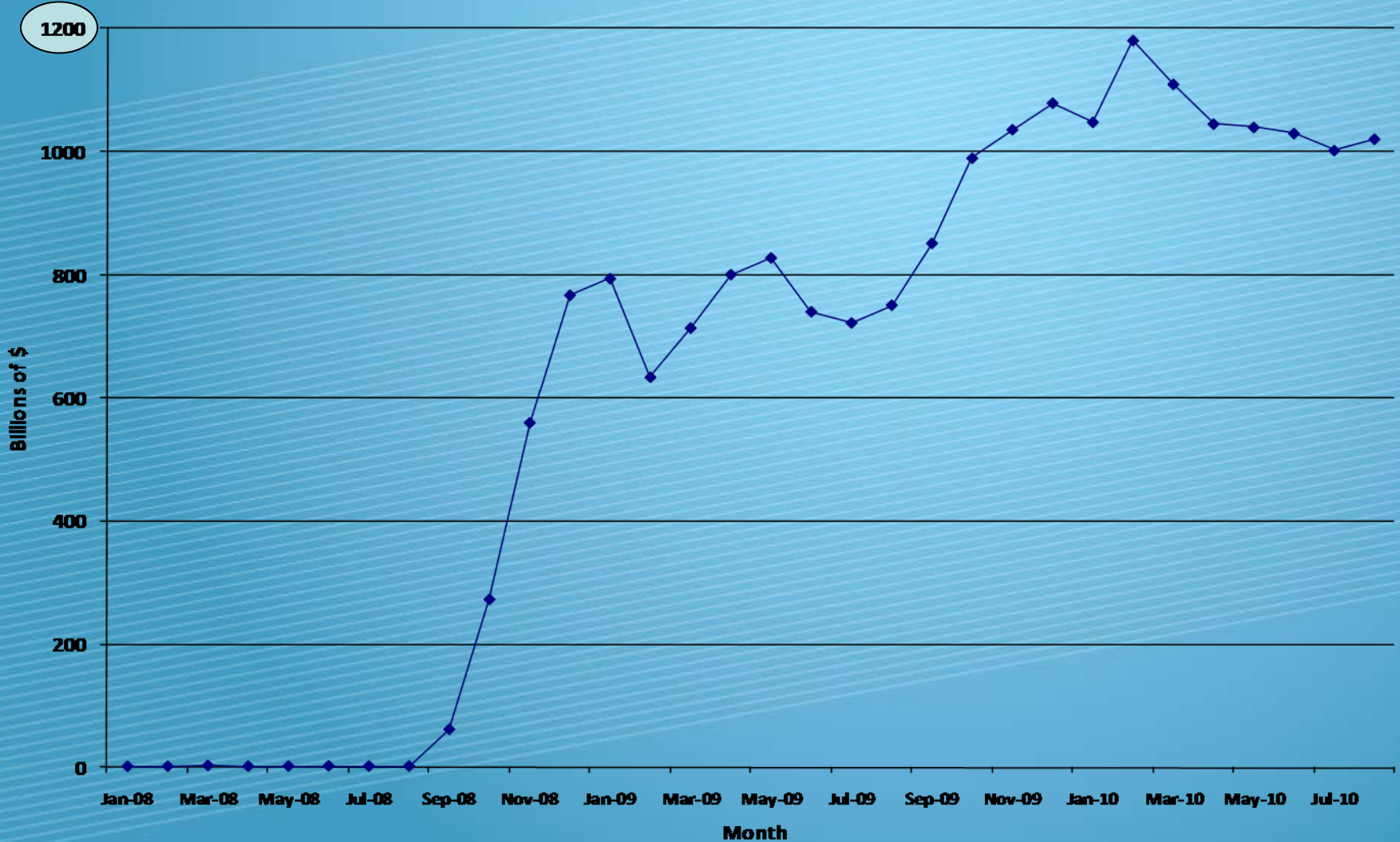
## Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008\$ Jan 1970 - Dec 1999



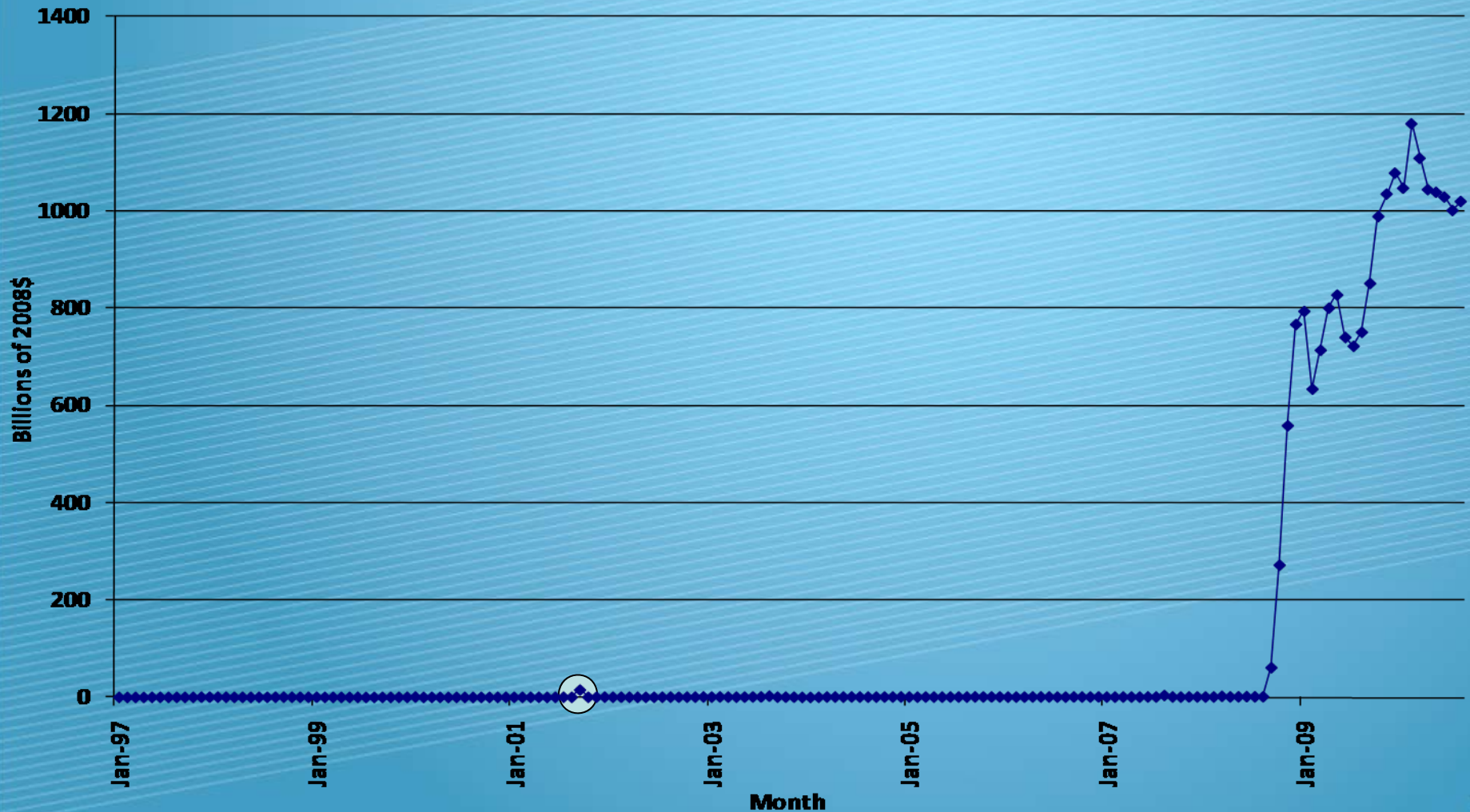
## Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008\$ Jan 2000 - Aug 2008



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

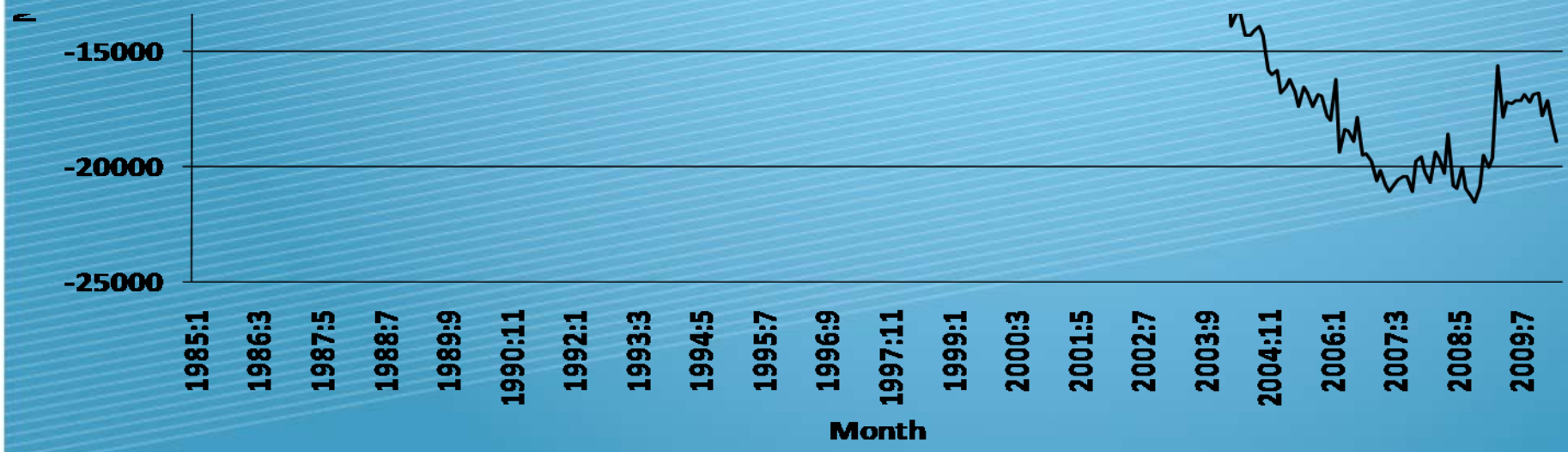
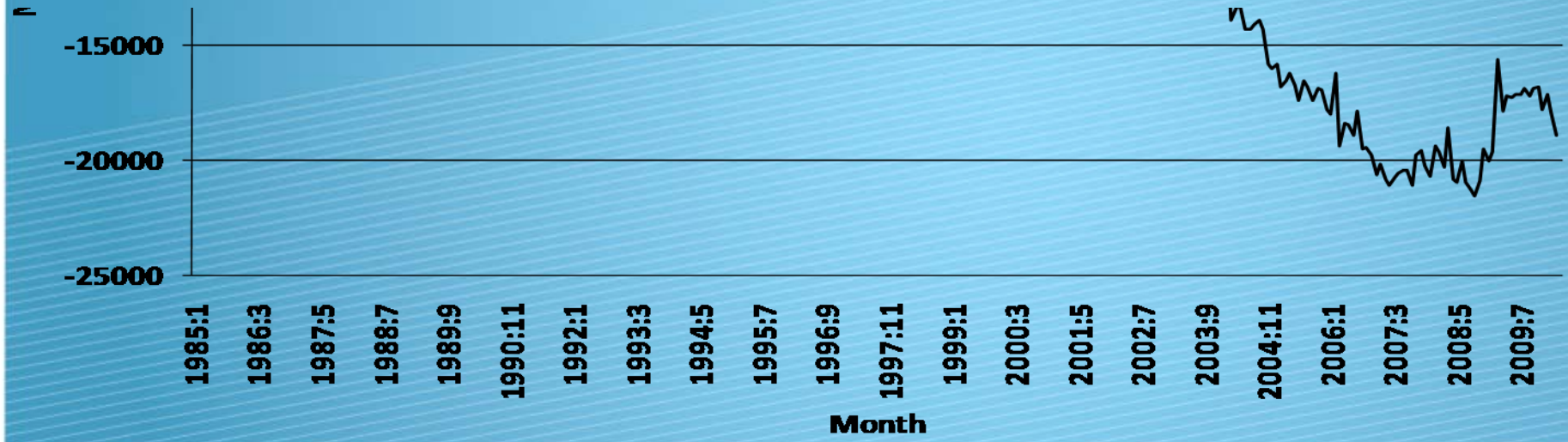


## Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008\$ Jan 1997 - Present

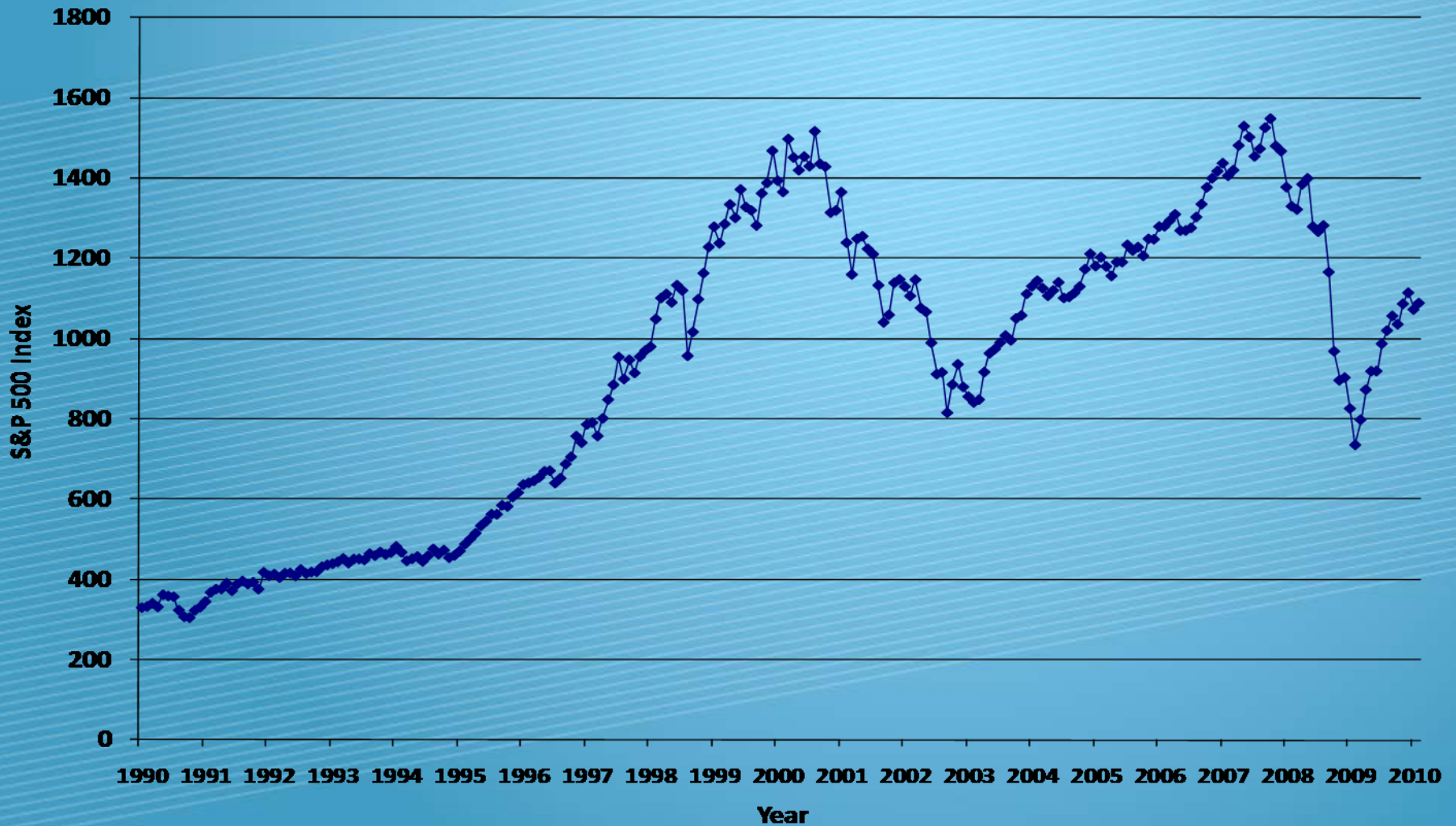


# Three Macro Stats to Watch

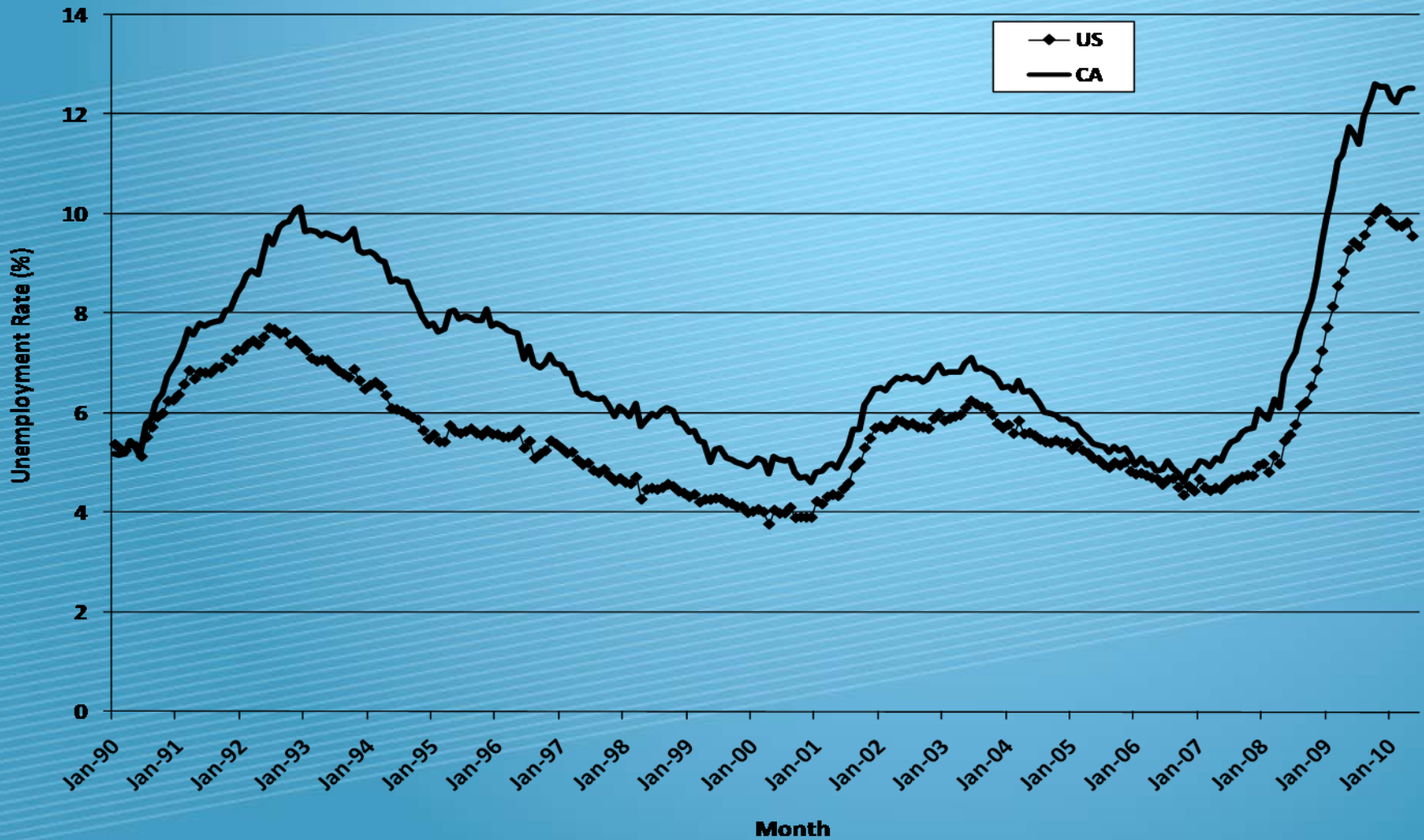
# Trade Balance, US with China, 1985 – Present, Millions 2005\$



# S&P 500 Index, 1990 - Present



# Unemployment Rates: US & CA, Seasonally Adjusted



# California, Elections and Reality

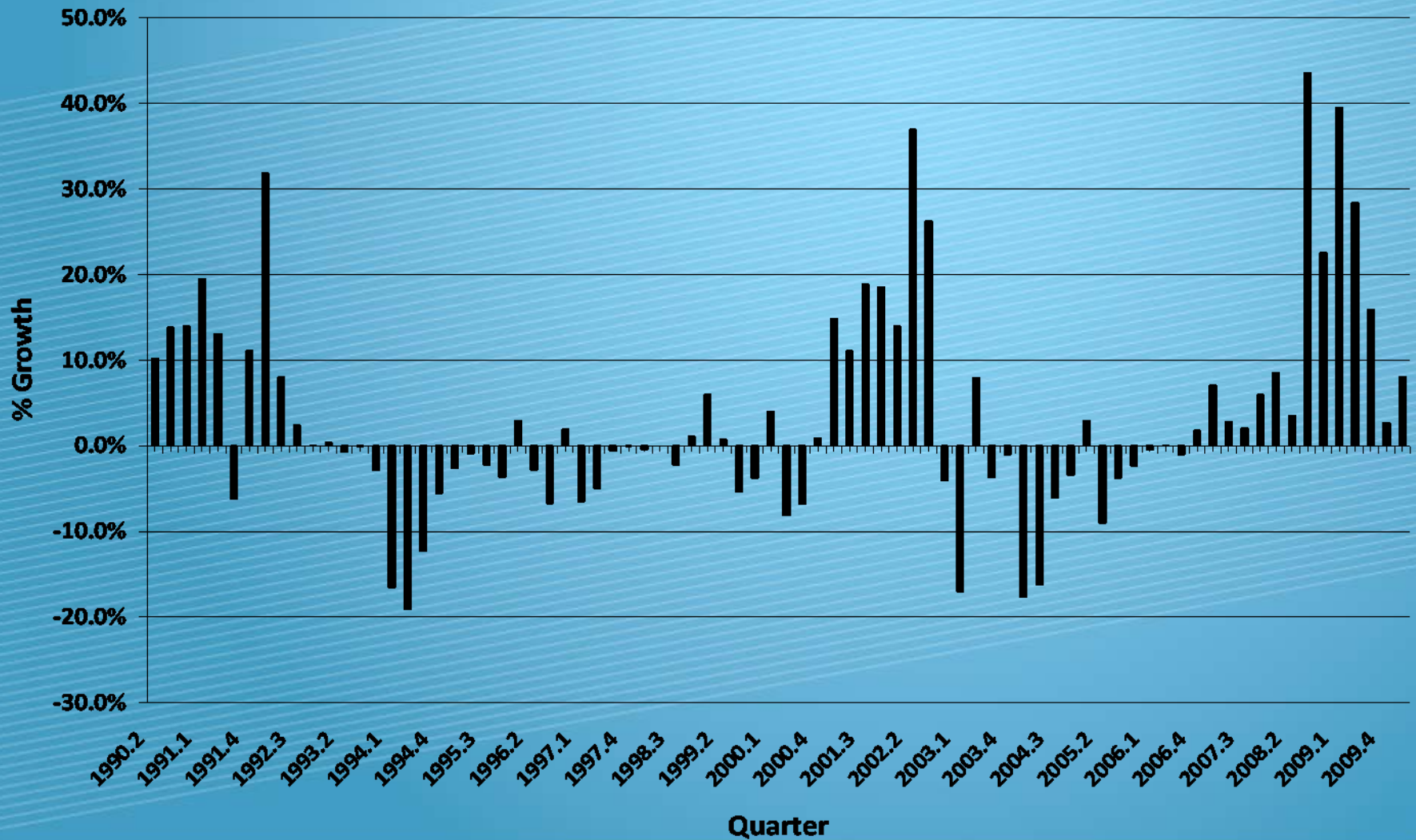
- 2010-11 likely to be worse
  - No change in core budget process or tax code
- Federal spending may stimulate CA economy
  - This is short lived in current form of support
- Labor Markets
  - California to continue to lag national employment
- Elections will do little to change the basics
  - Prisons,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

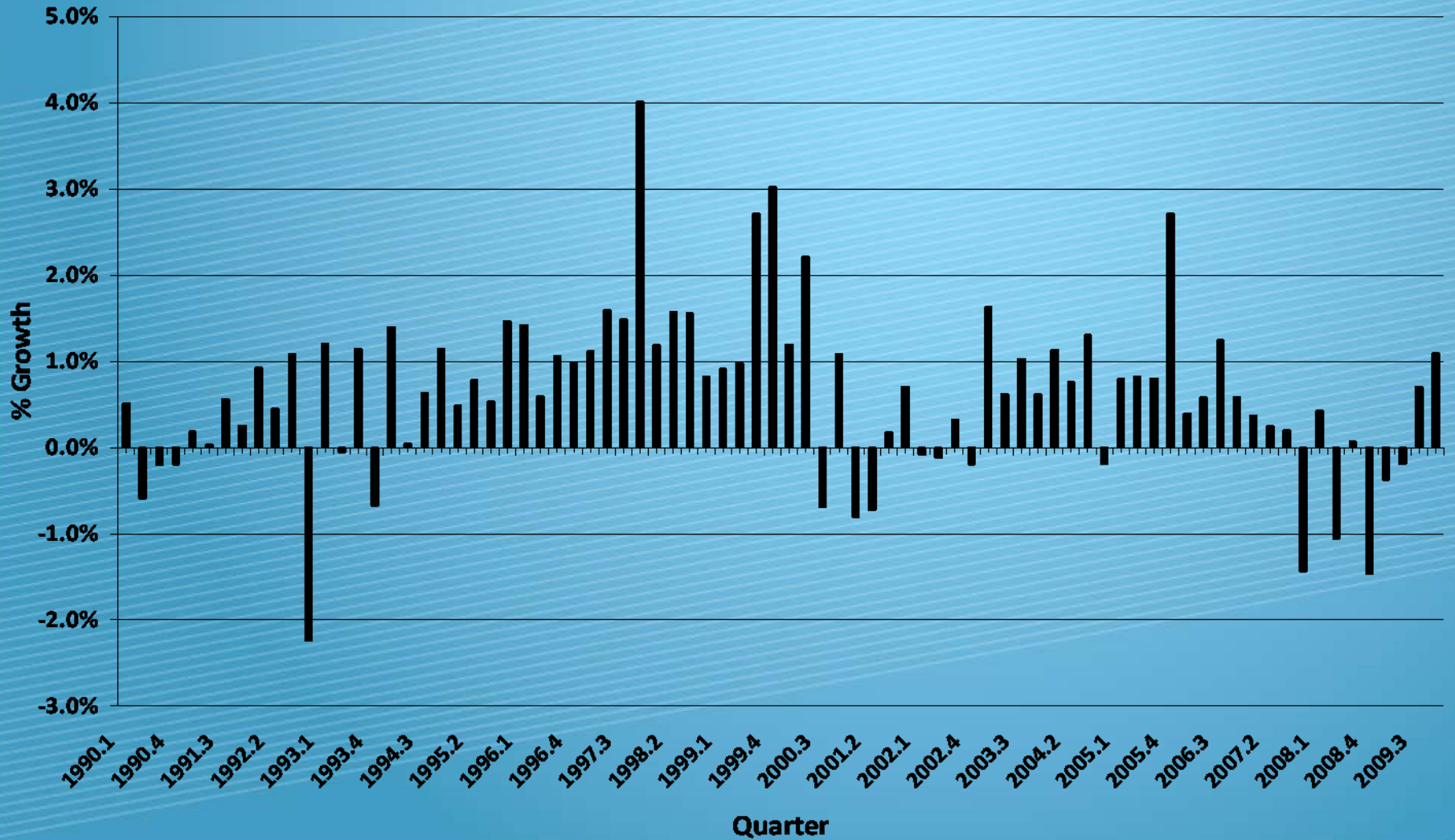
# CA Stats to Watch

## CA Unemployment Insurance Payments, Real 2003\$



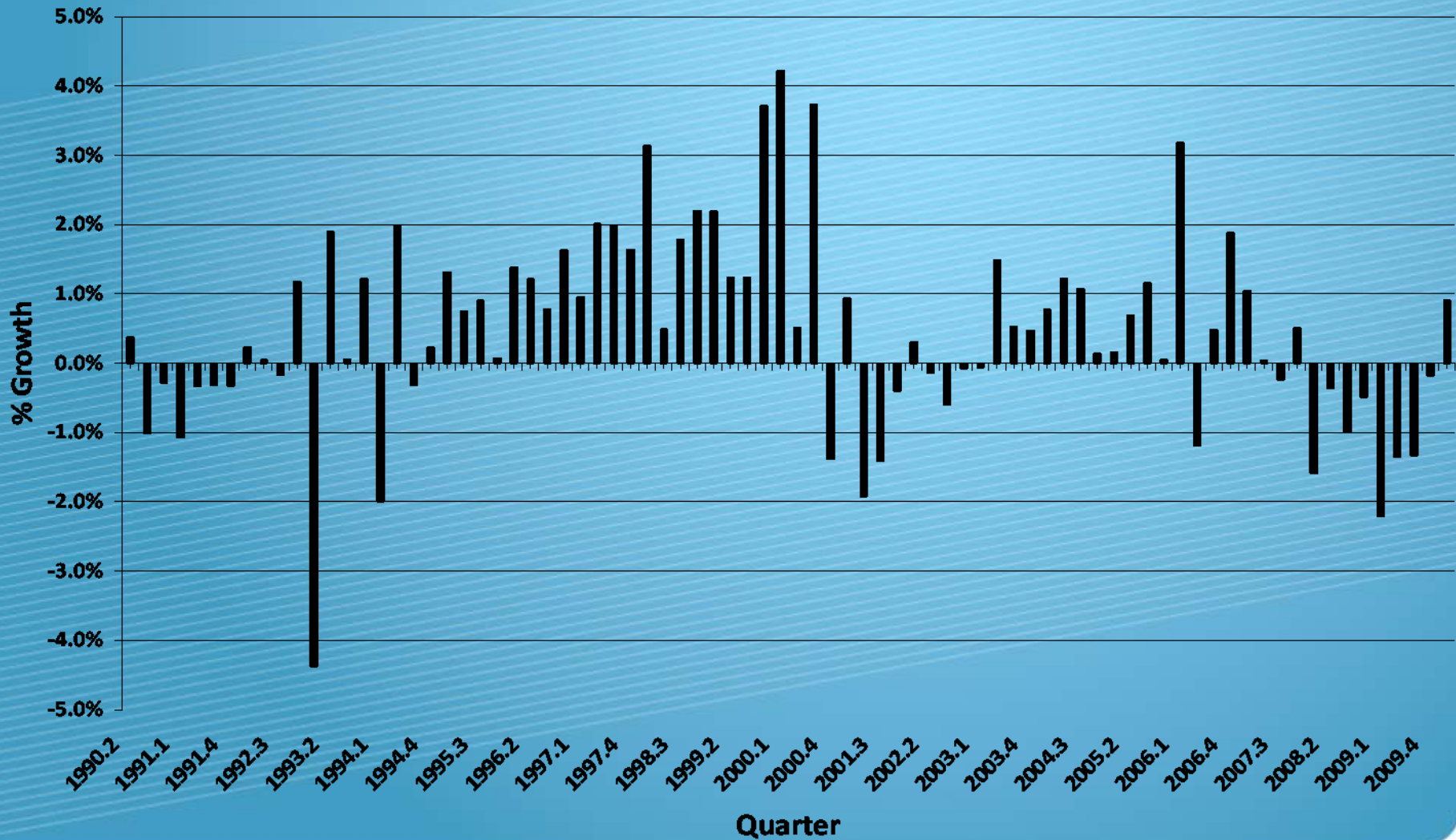
Source: BEA ([www.bea.gov](http://www.bea.gov))

## CA Personal Income Growth, Real 2003\$



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

## CA Wage and Salary Growth, 1990-2010



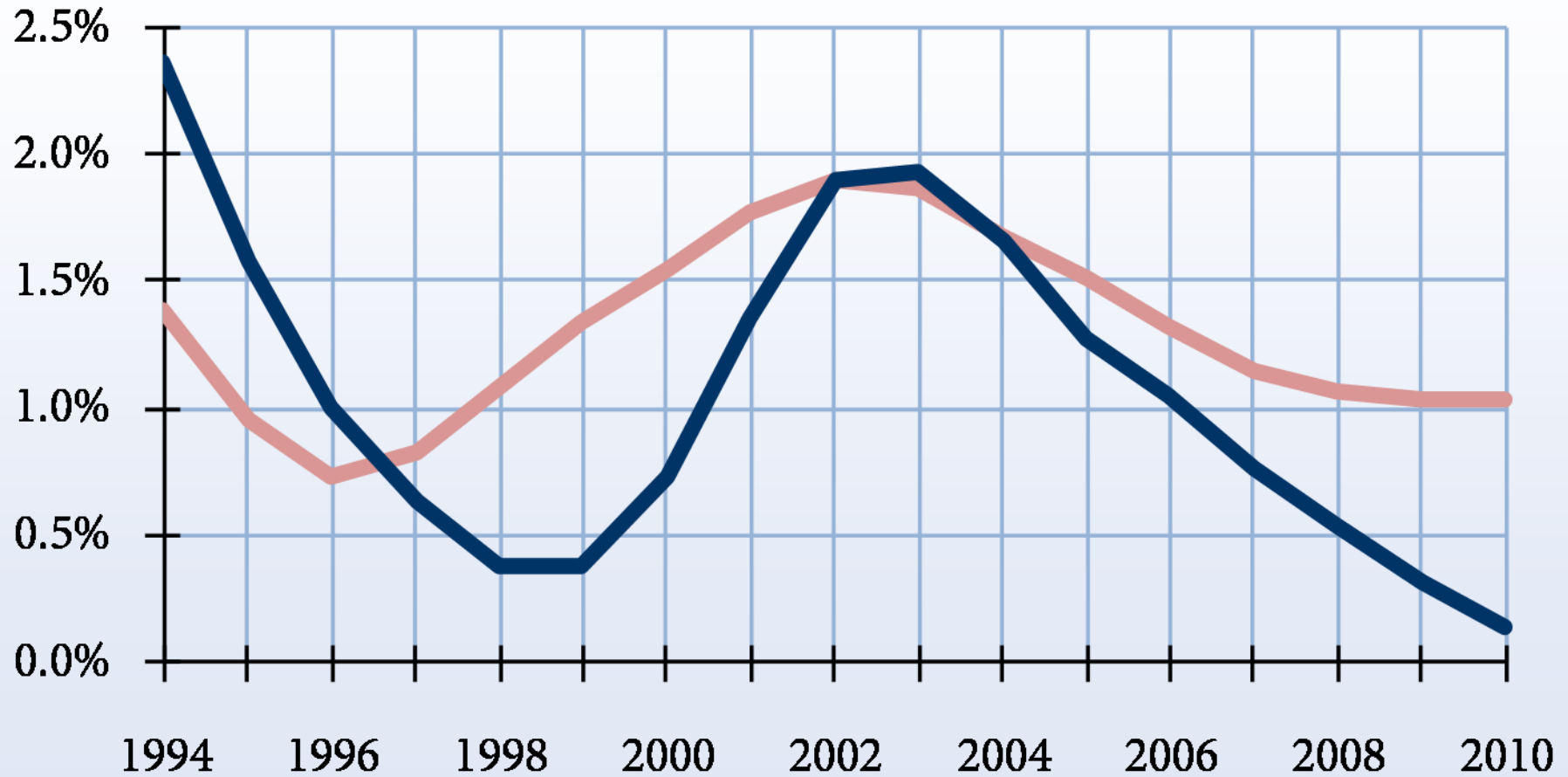
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# Lake County Stats Update

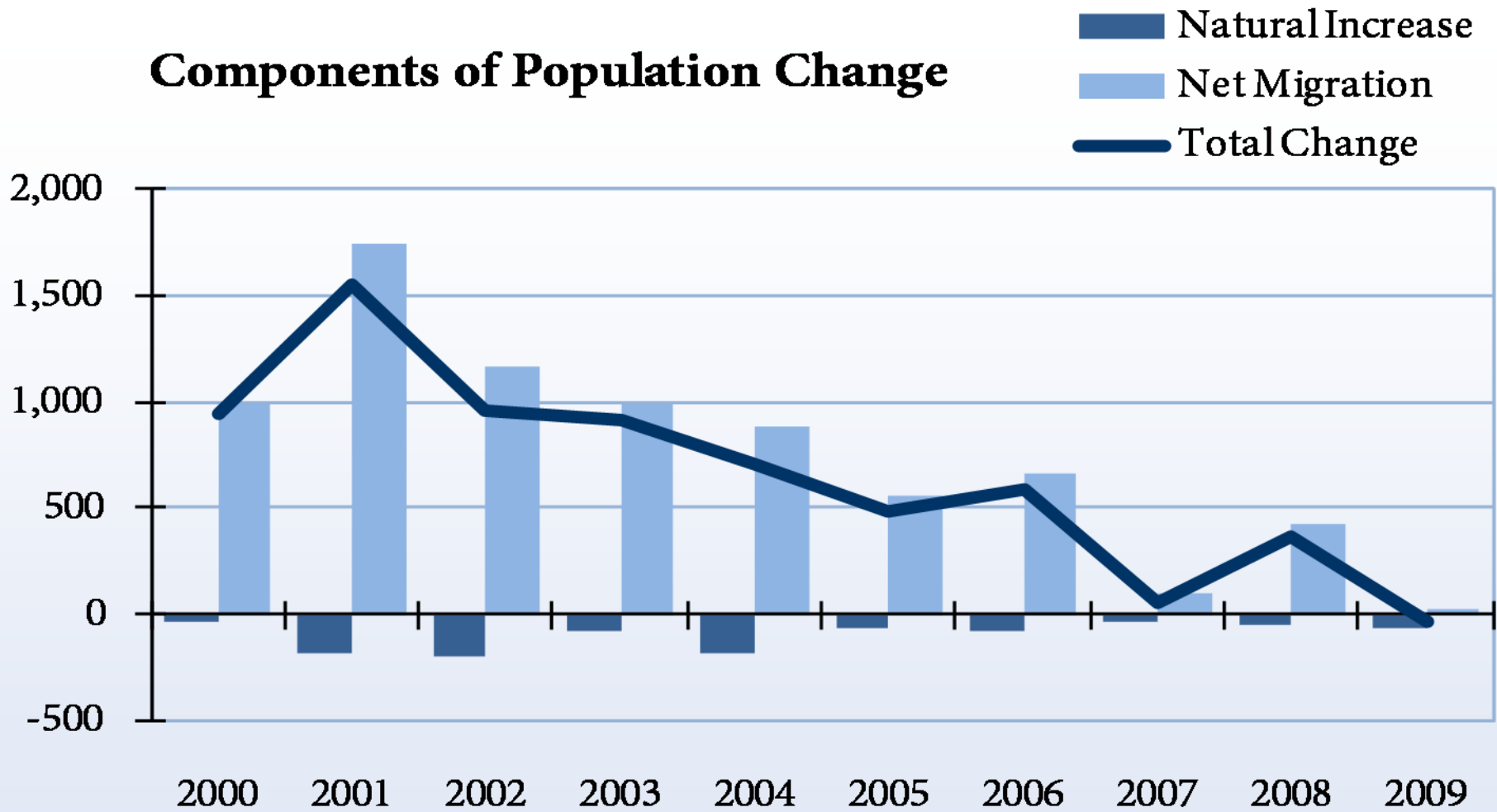
- Demography
  - Aging: older population driven by retirees
  - Ethnicity: continuing to become more Latino
  - Health care needs to rise
  - Government services an issue with contracting budgets
- Economy
  - No tech industry has driven local economy since 2001
  - Exposure to ag both a problem and 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

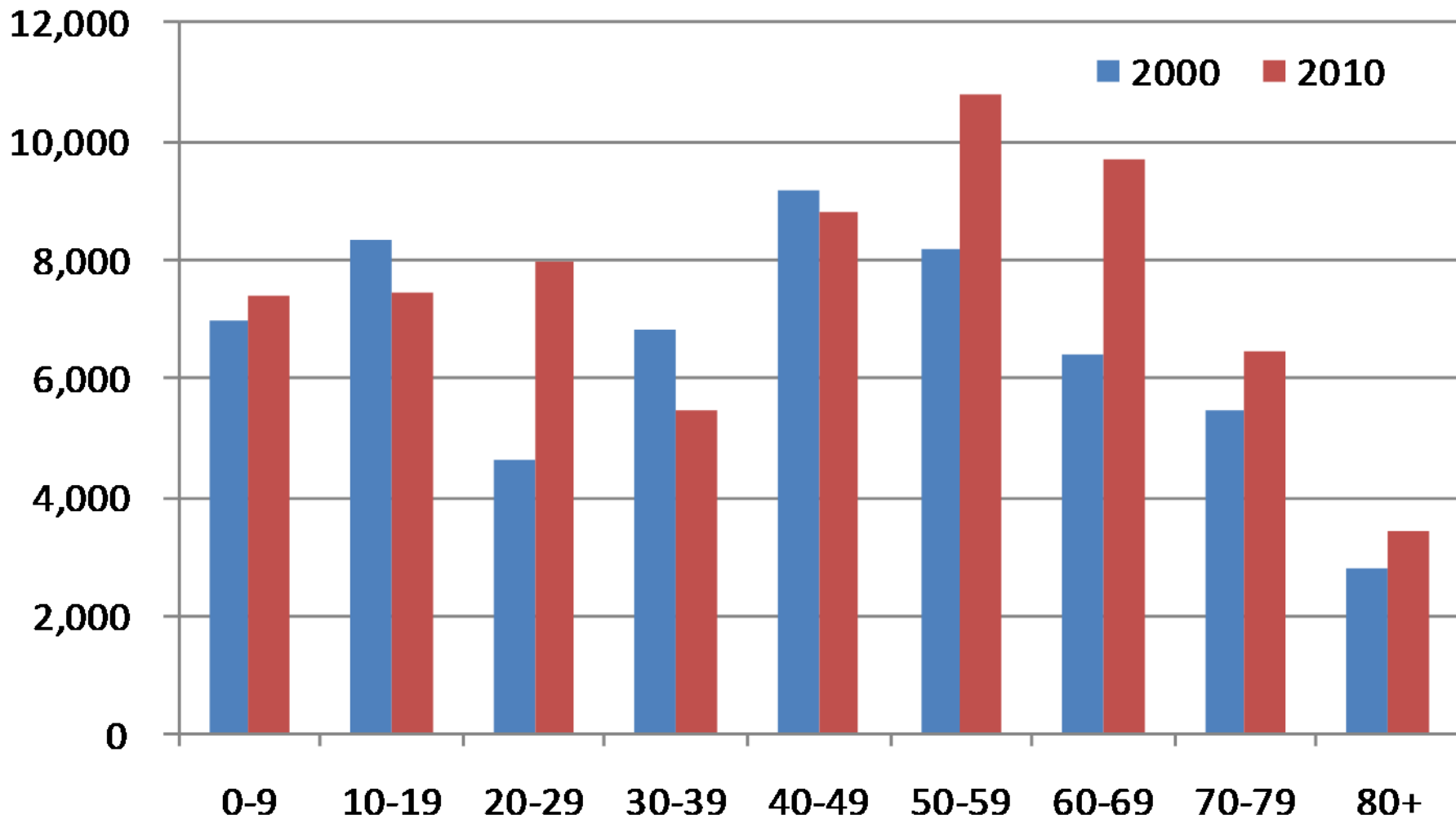


## Components of Population Change



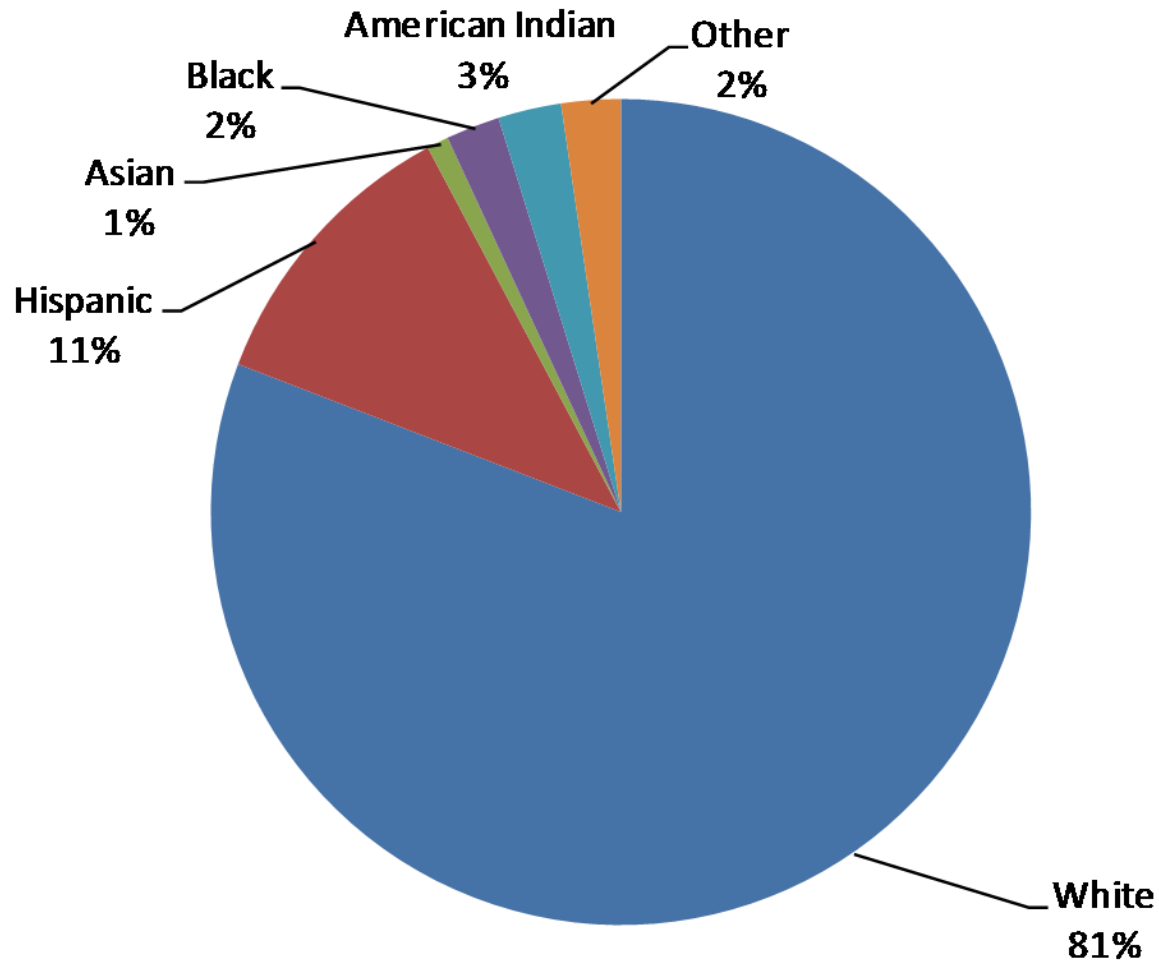
Created by: Center for Economic Development,  
California State University, Chico

## Lake County Age Profile, 2000 vs. 2010



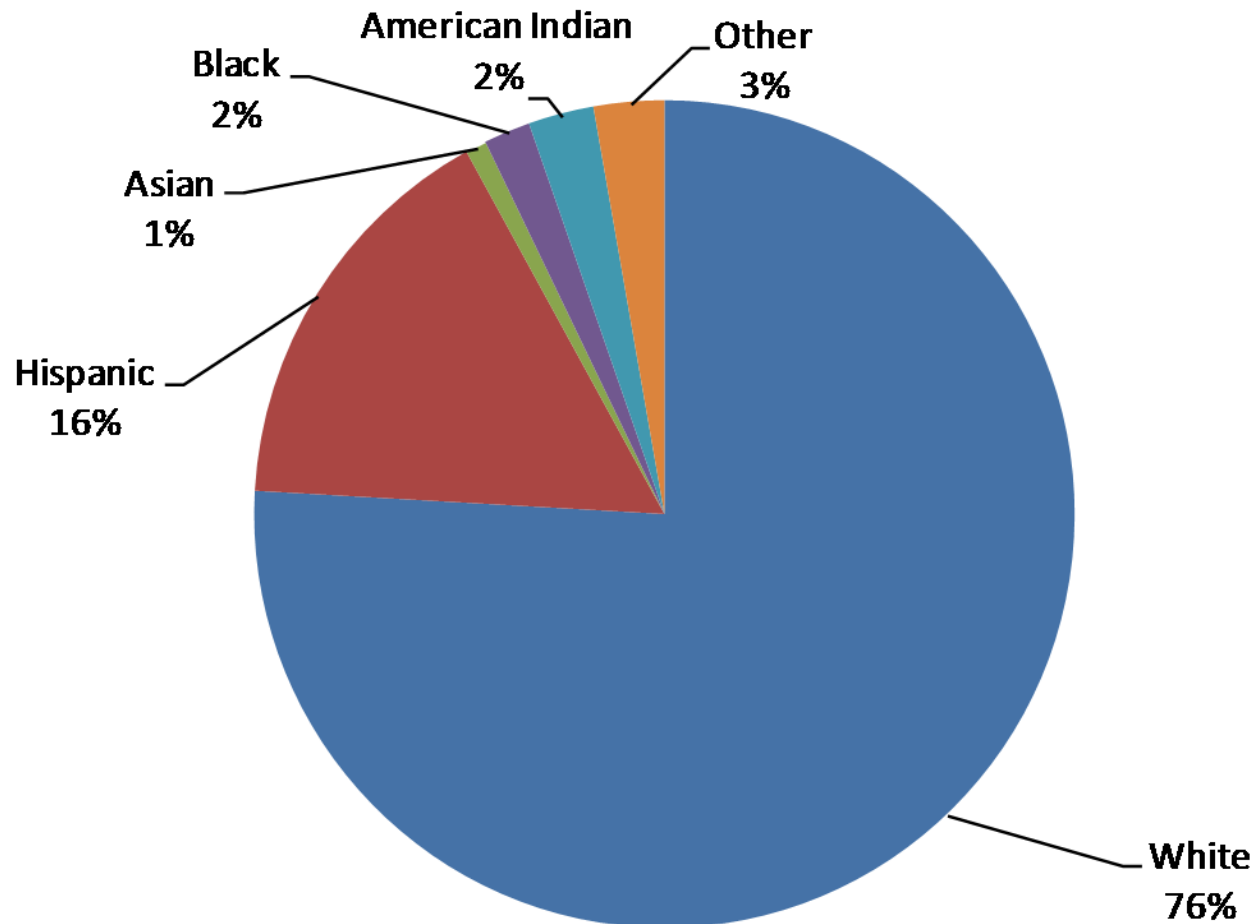
Source: CED at CSU, Chico

## Lake County Ethnicity Profile, 2000



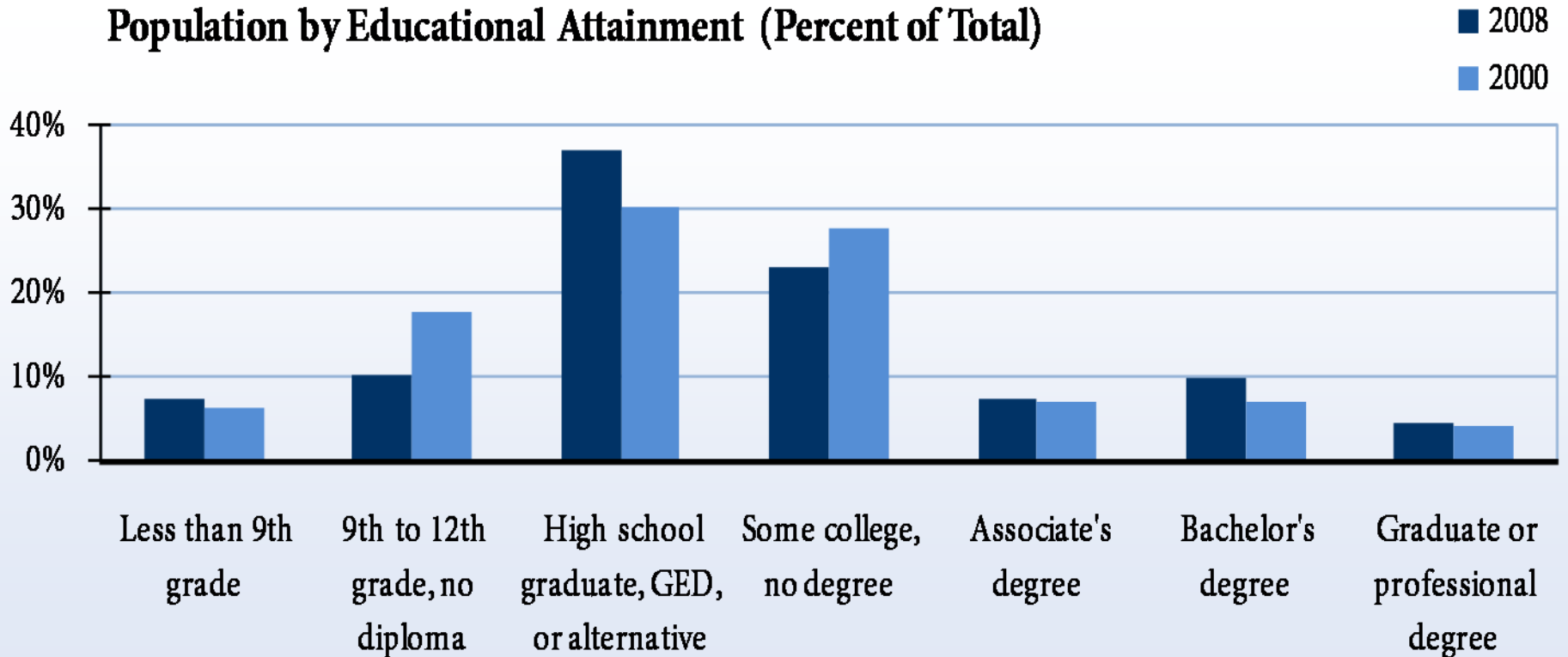
Source: CED at CSU, Chico

# Lake County Ethnicity Profile, 2010

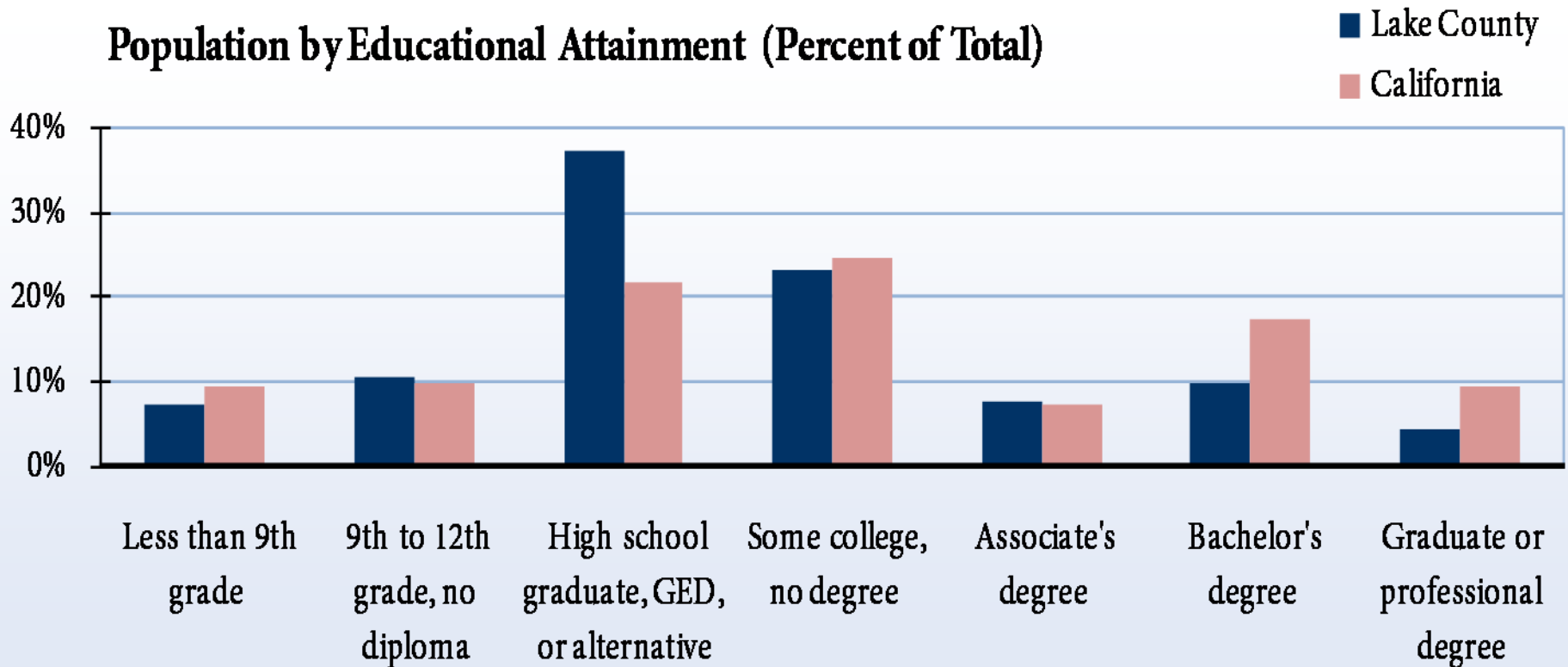


Source: CED at CSU, Chico

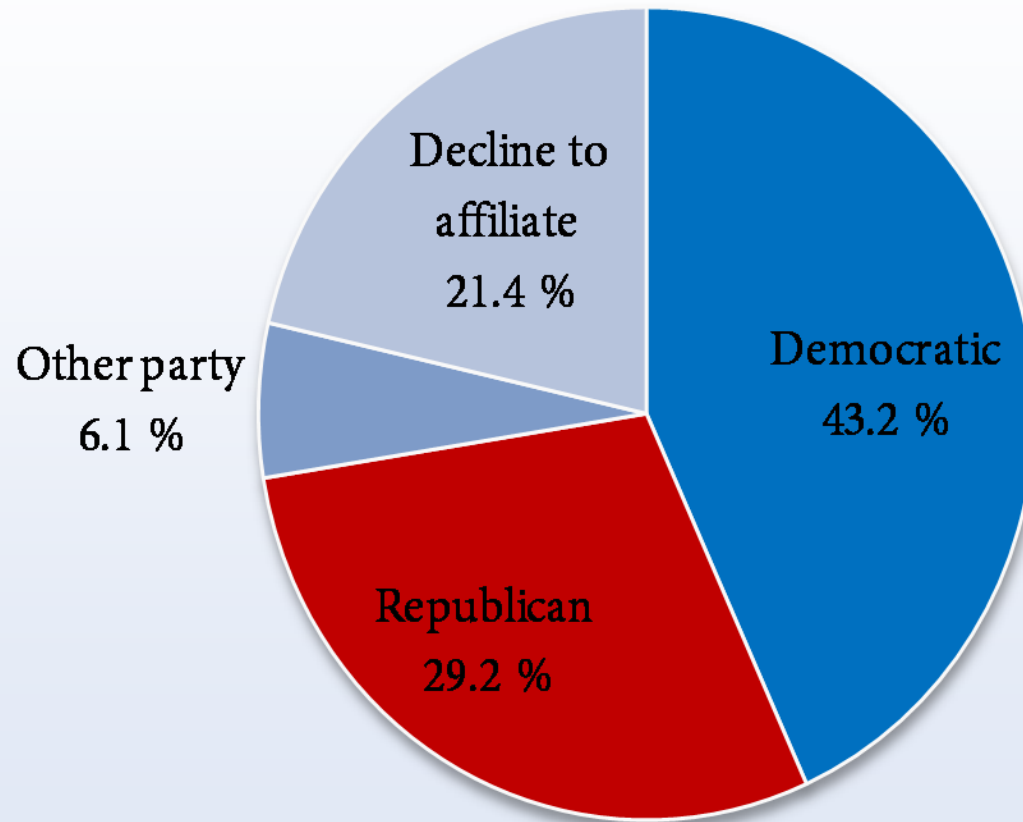
## Population by Educational Attainment (Percent of Total)



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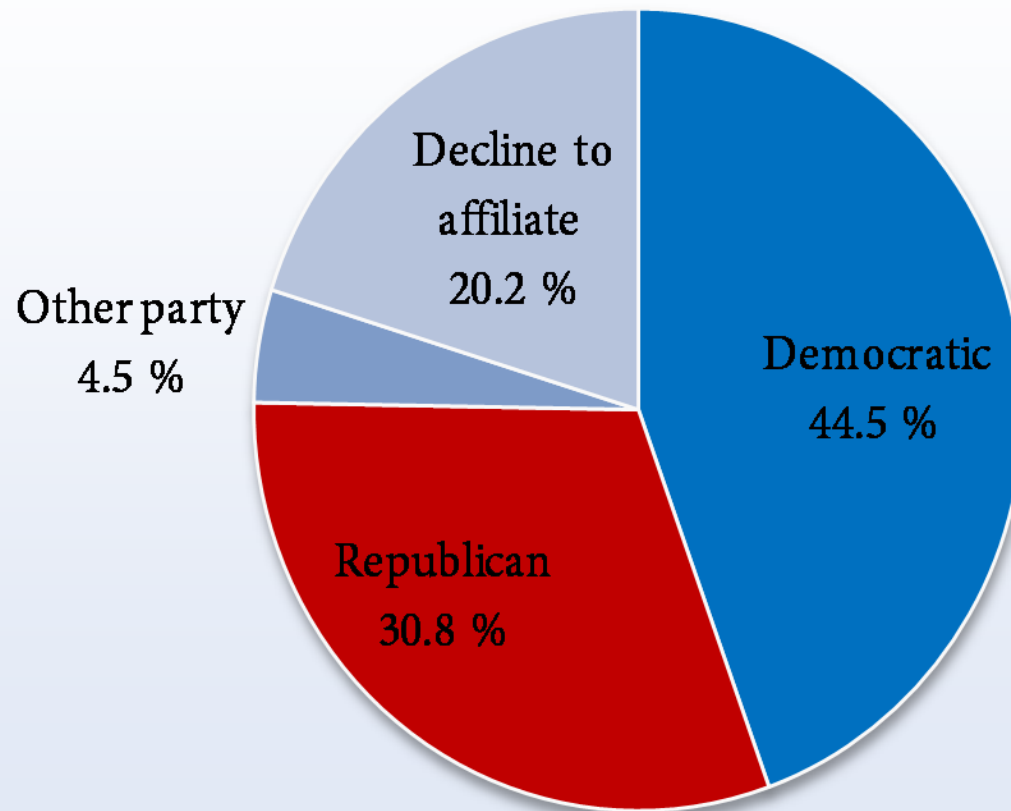


## County Political Party Membership, 2010



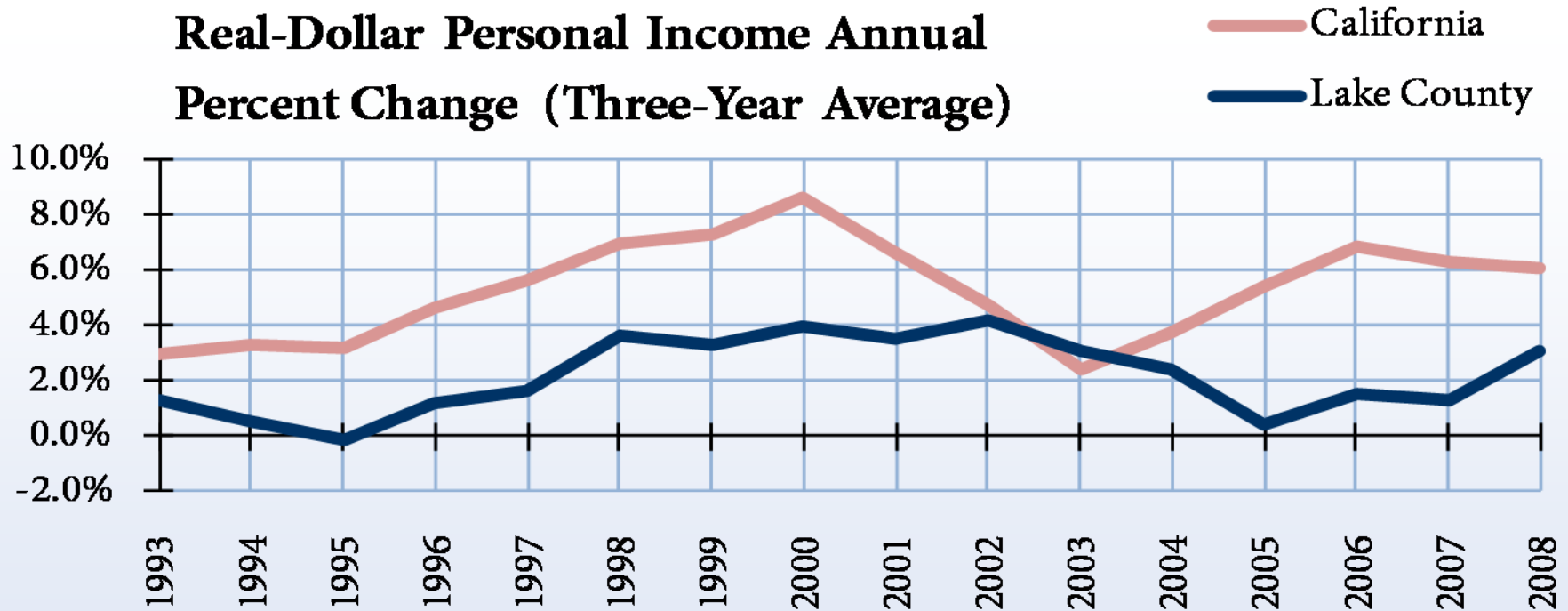
Source: CED at CSU, Chico

## California Political Party Membership, 2010



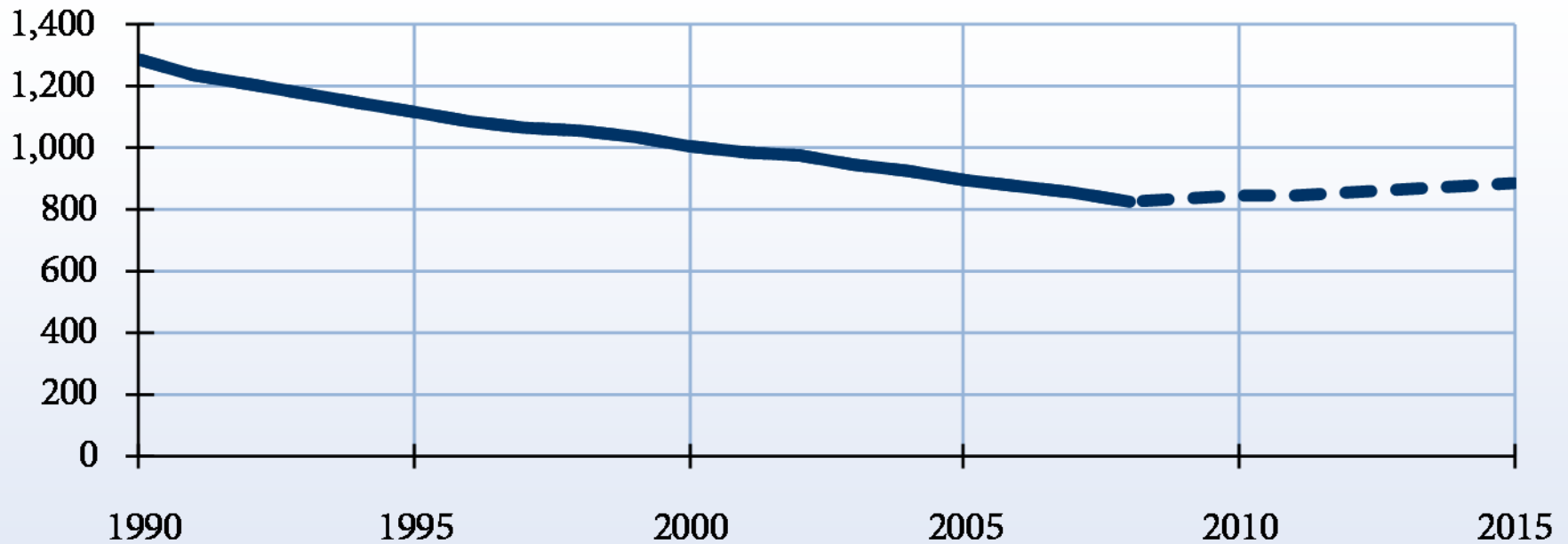
Source: CED at CSU, Chico

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



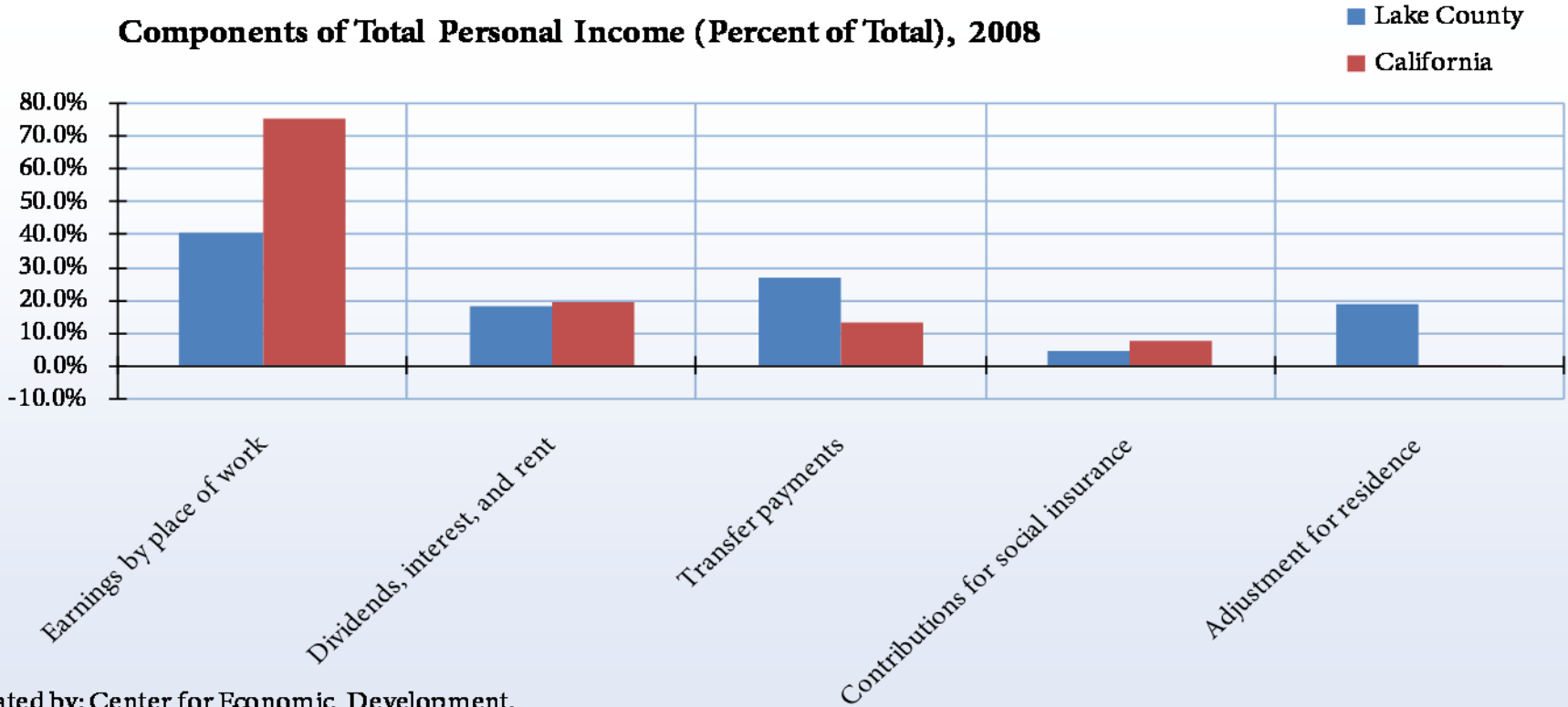
Created by: Center for Economic Development,  
California State University, Chico

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



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

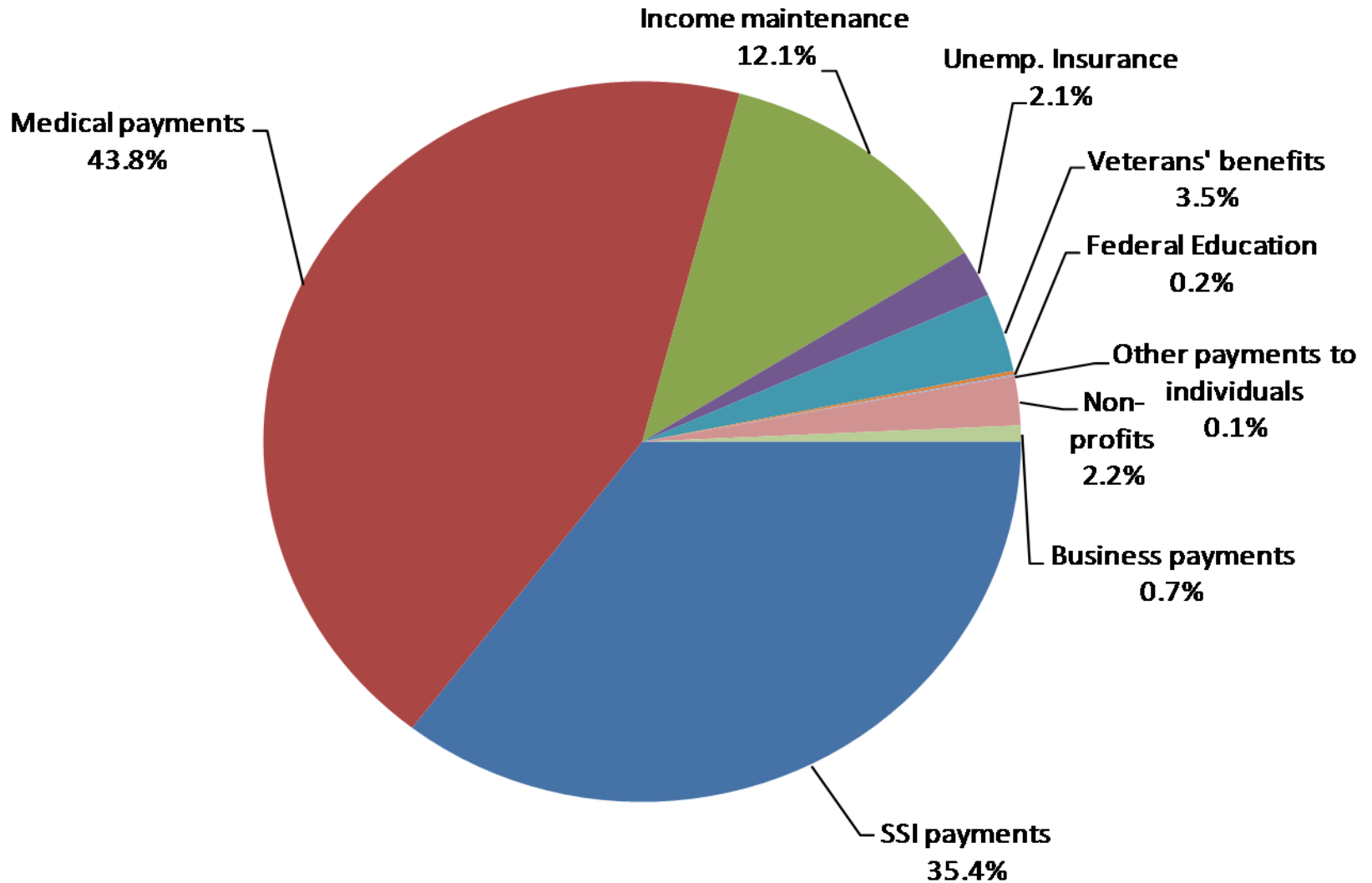
### Components of Total Personal Income (Percent of Total), 2008



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

Source: CED at CSU, Chico

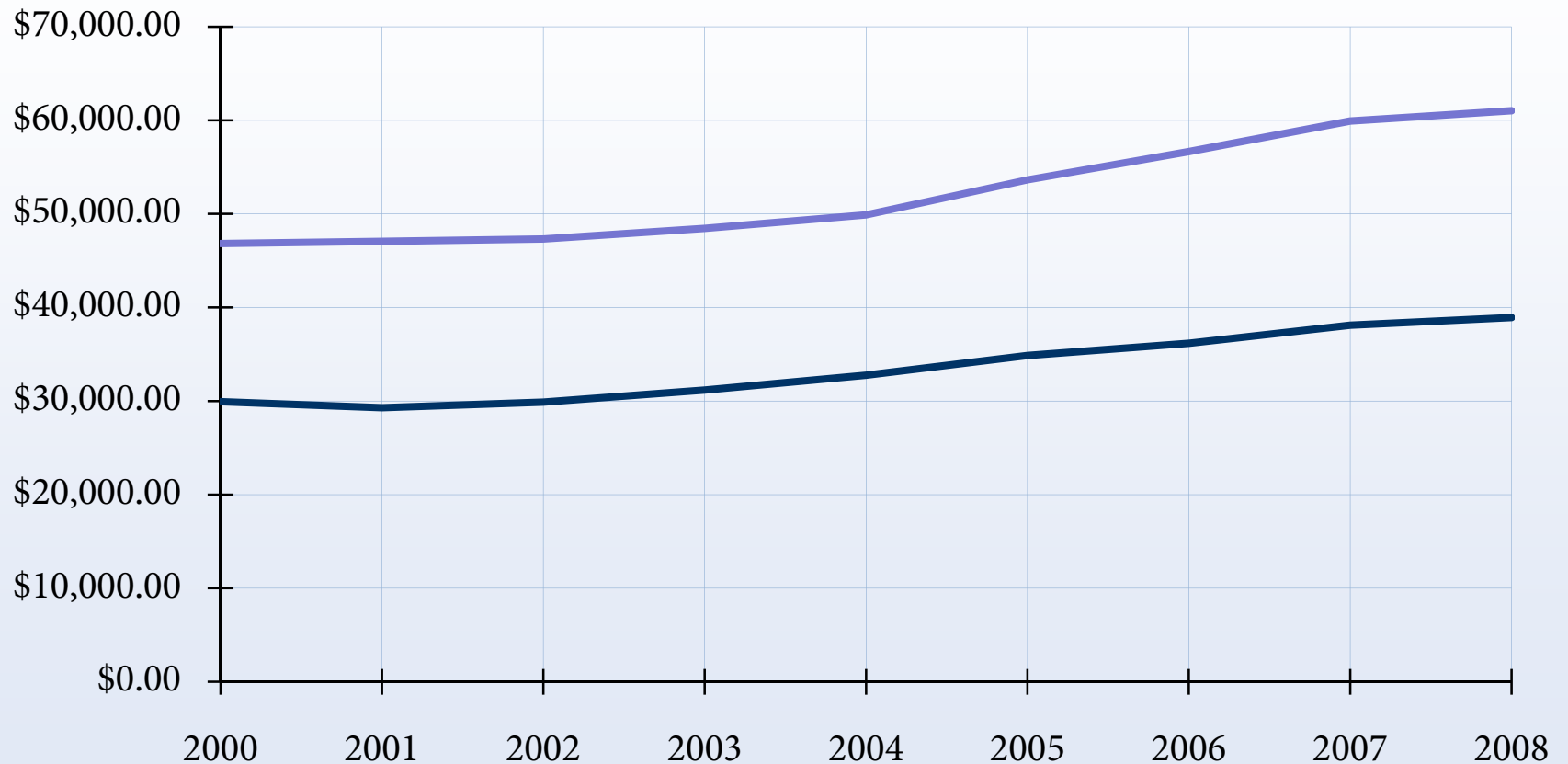
# Lake County Government Transfer Payments, 2007



Source: CED at CSU, Chico

# Median Household Income, 2000-2008

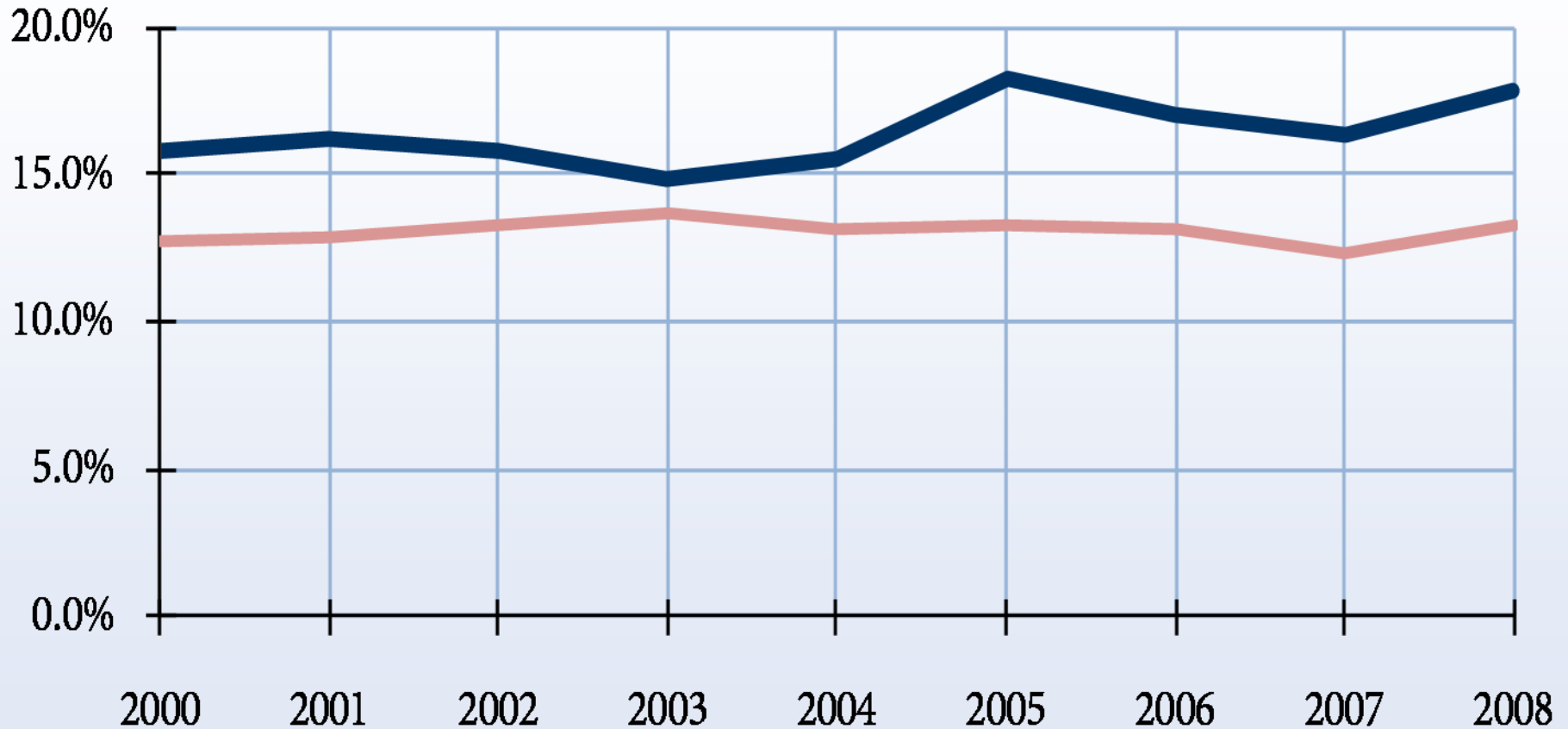
— Lake County — California



Source: CED at CSU, Chico

# Poverty Rates, 2000-2008

— Lake County  
— California



Source: CED at CSU, Chico

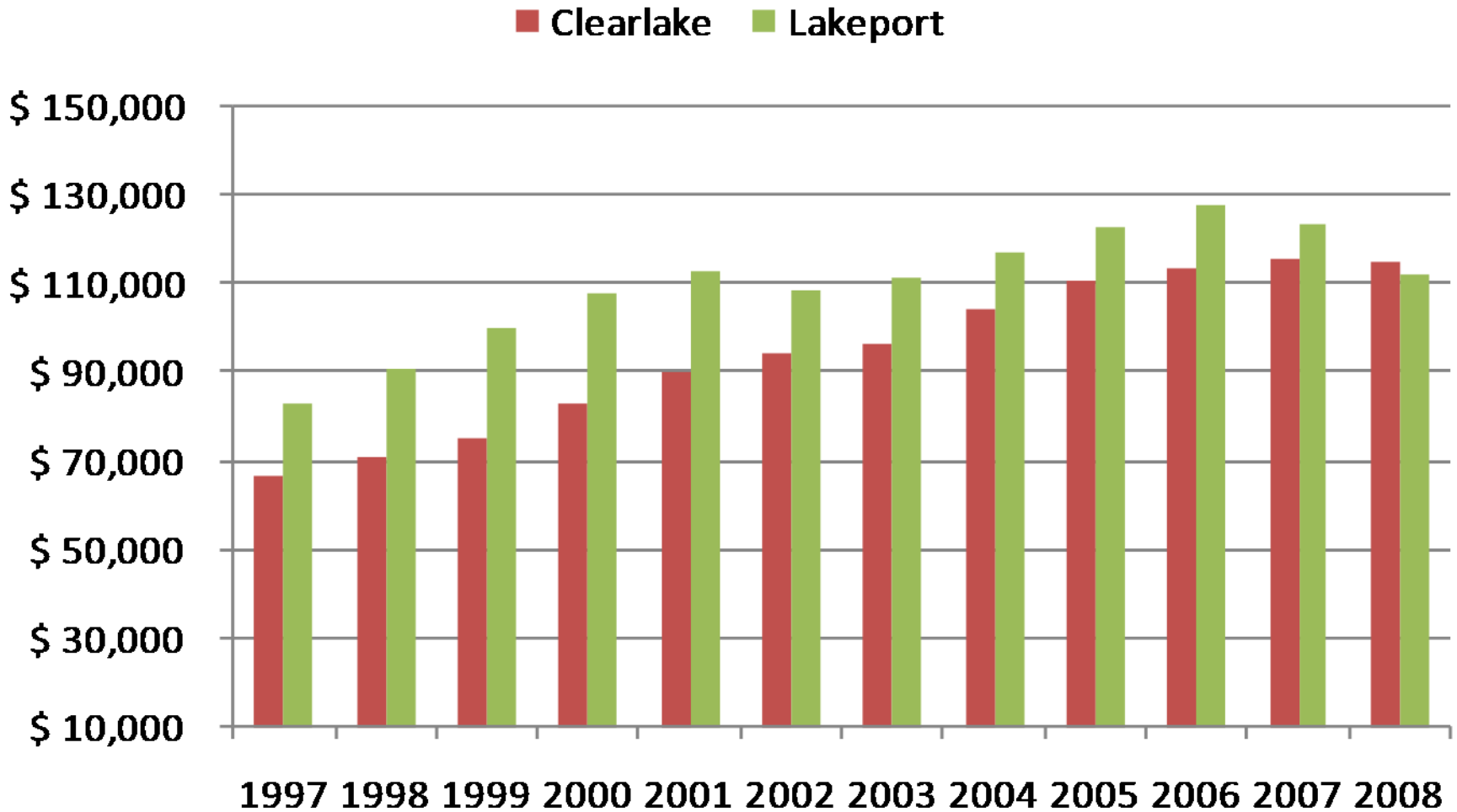
## County Total Taxable Retail Sales and Total Taxable Sales (Thousands)

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*

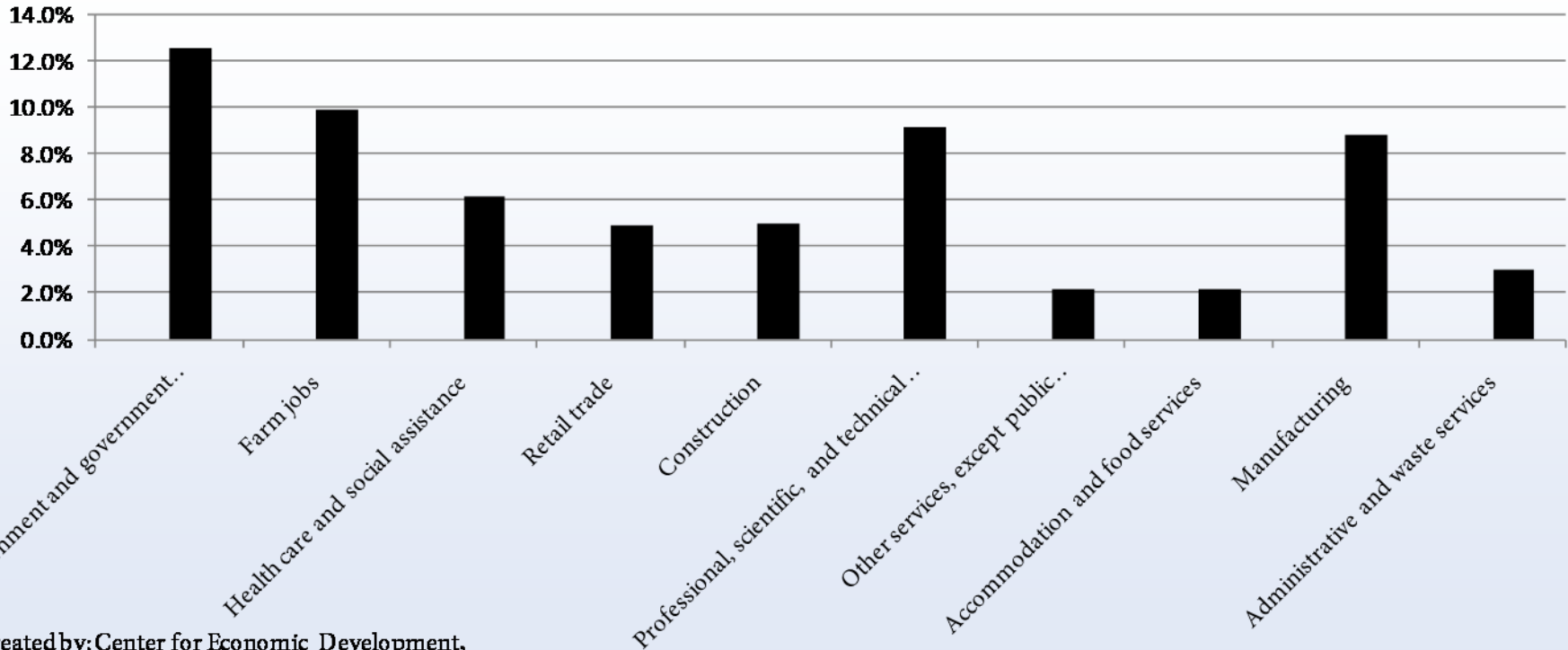
*Compiled by: Center for Economic Development, California State University, Chico*

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

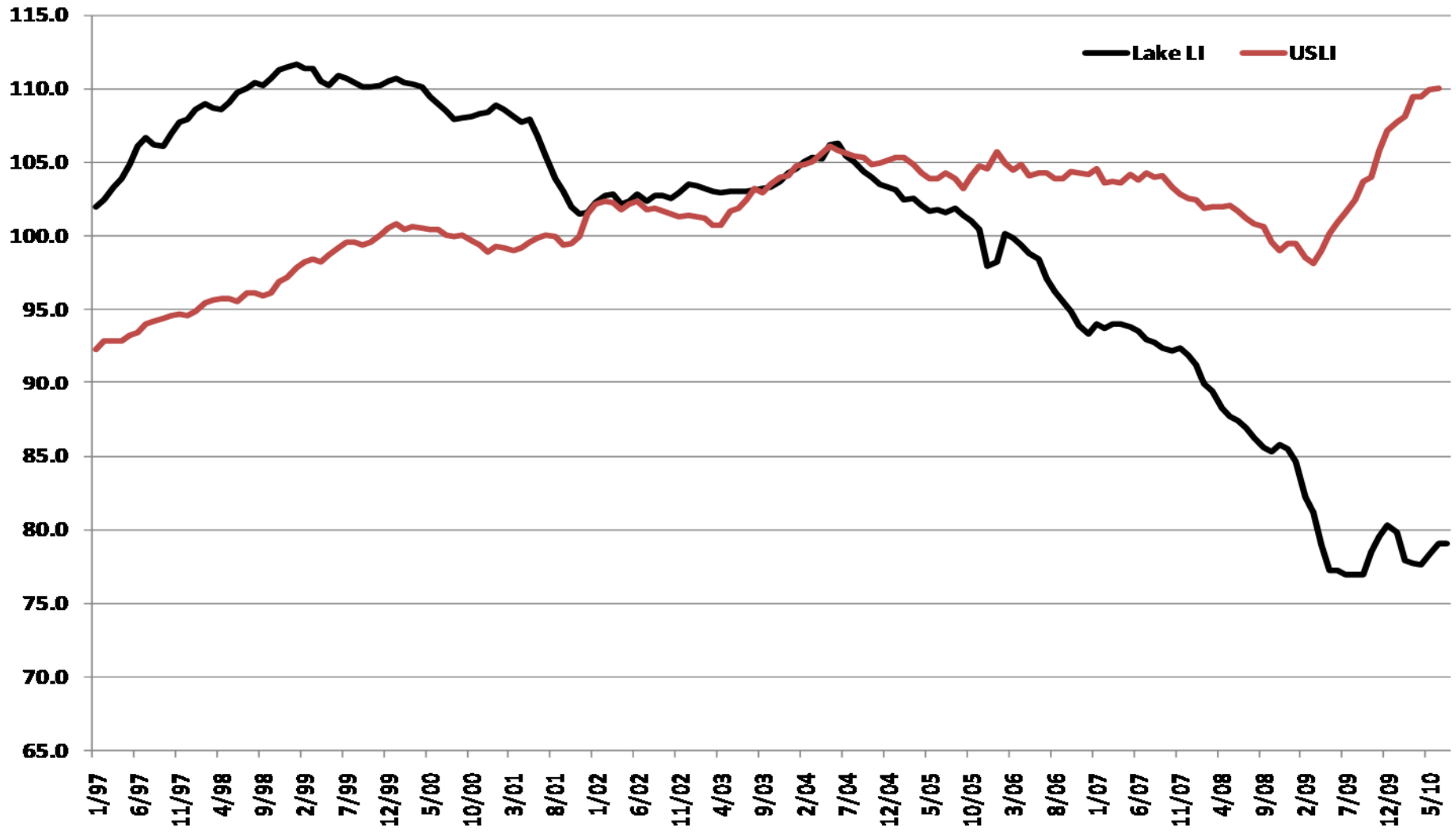
# Real Estate

- 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

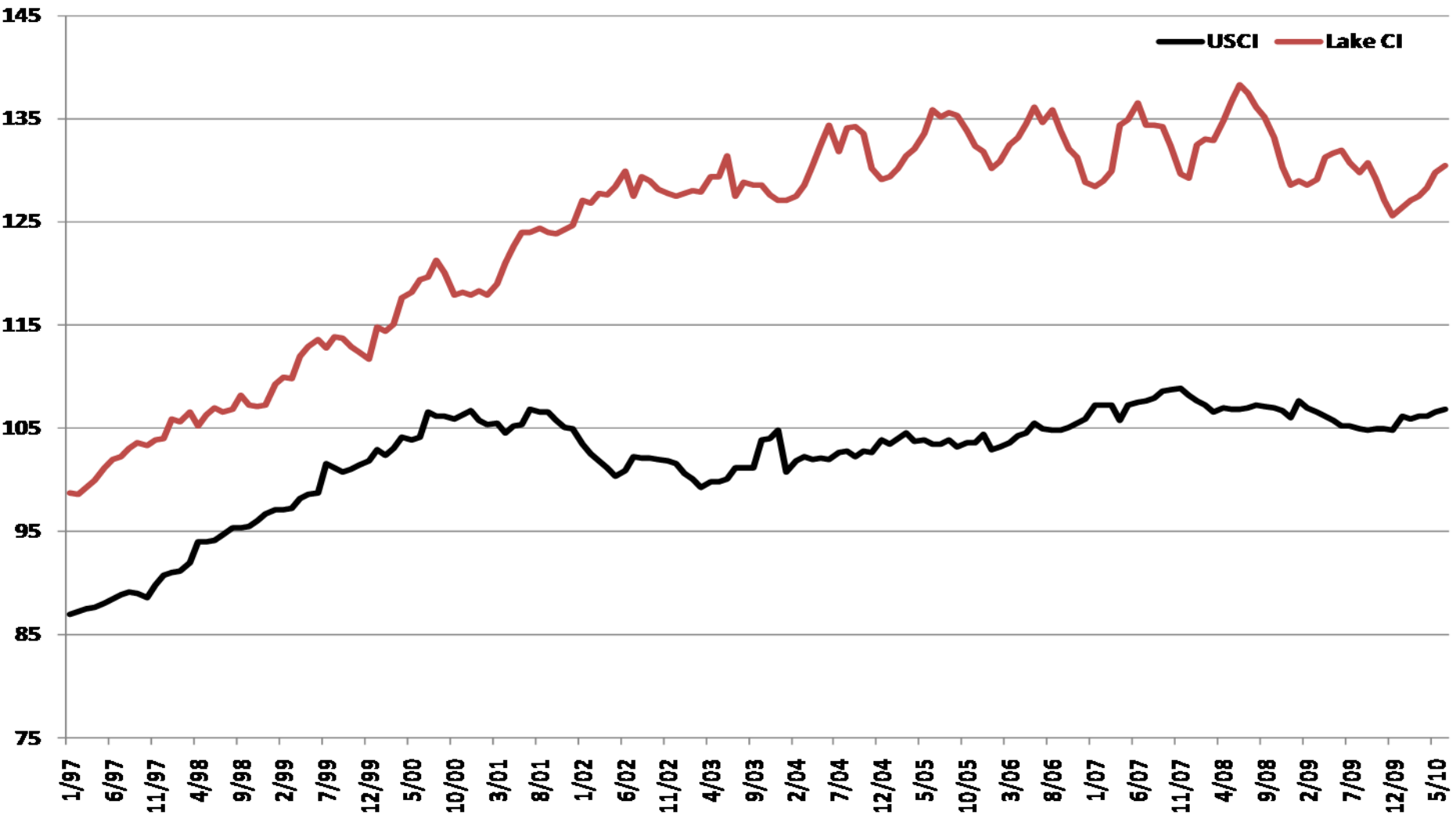
# Lake Leading Indicator and USLI



# 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?**