

El Dorado County: CED Economic Outlook

Placerville, CA

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Introduction

- Global issues
 - What effects do the global economy have on El Dorado County?
- National issues
 - We are in recovery: for how long?
- State issues
 - California economy forecast a driver of El Dorado County
- Local issues
 - What will ultimately drive El Dorado County's economy?
 - What are the possibilities?

The Elements of Recovery

- Exiting a “deleveraging” recession
 - Reduction of leverage use \Rightarrow reduced spending
- Slow recovery a function of
 - Labor market tentativeness
 - Financial market uneasiness
 - Uncertainty that policies have worked
- Local and state governments
 - Prepare for services shift to non-profits and private sector
 - Will the attractiveness of California as a place to do business change?

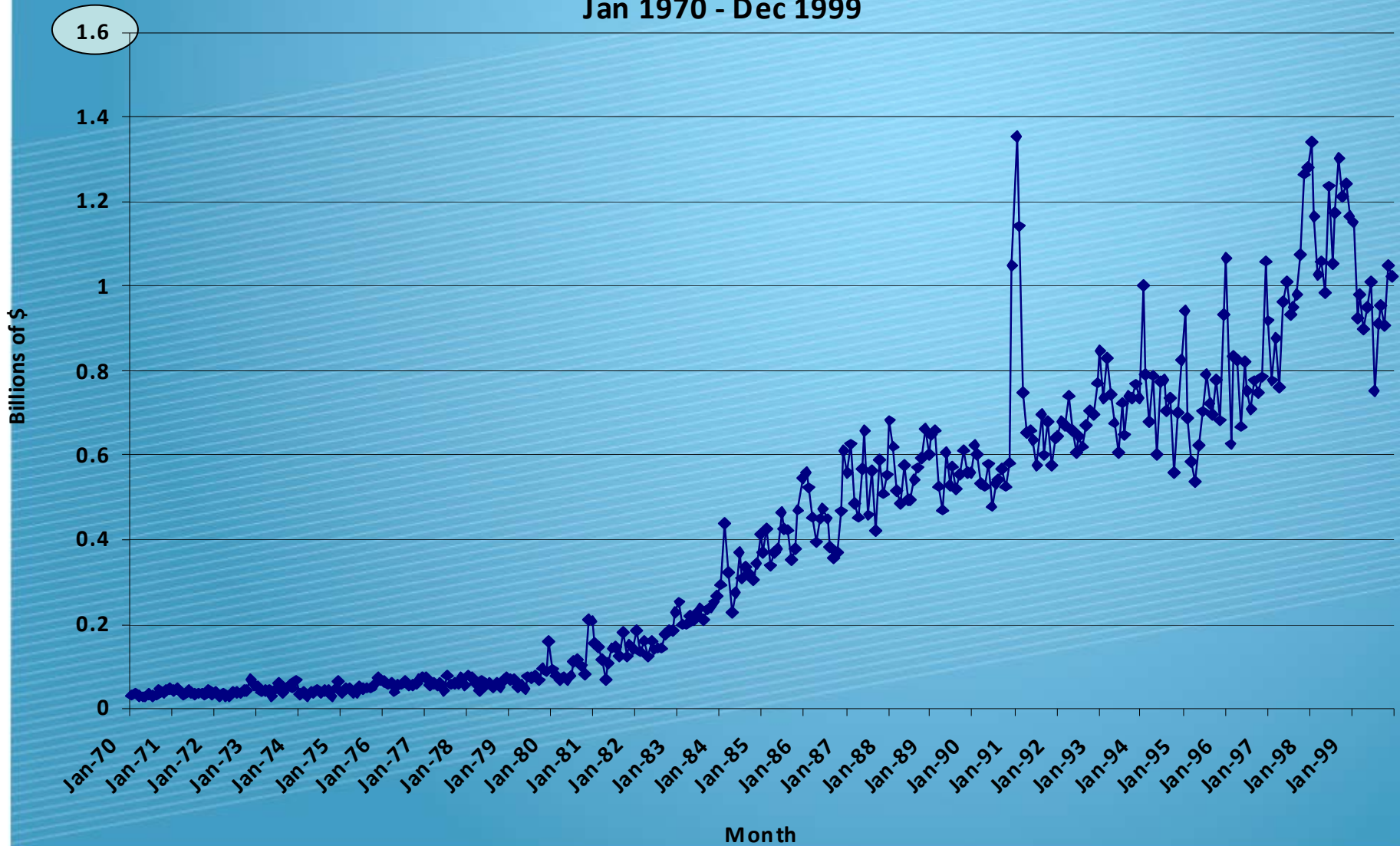
International

- The rise of BRICs countries to continue
 - Indonesia now another “I” in BRICs
- The Euro Area: the austerity lab
 - Are the Europeans and British right?
 - Will Ireland’s fate spell Europe’s?
- What this means
 - California now faces heightened competition for tourism, technology and talent
 - Demand for commodities rising: good for El Dorado County?

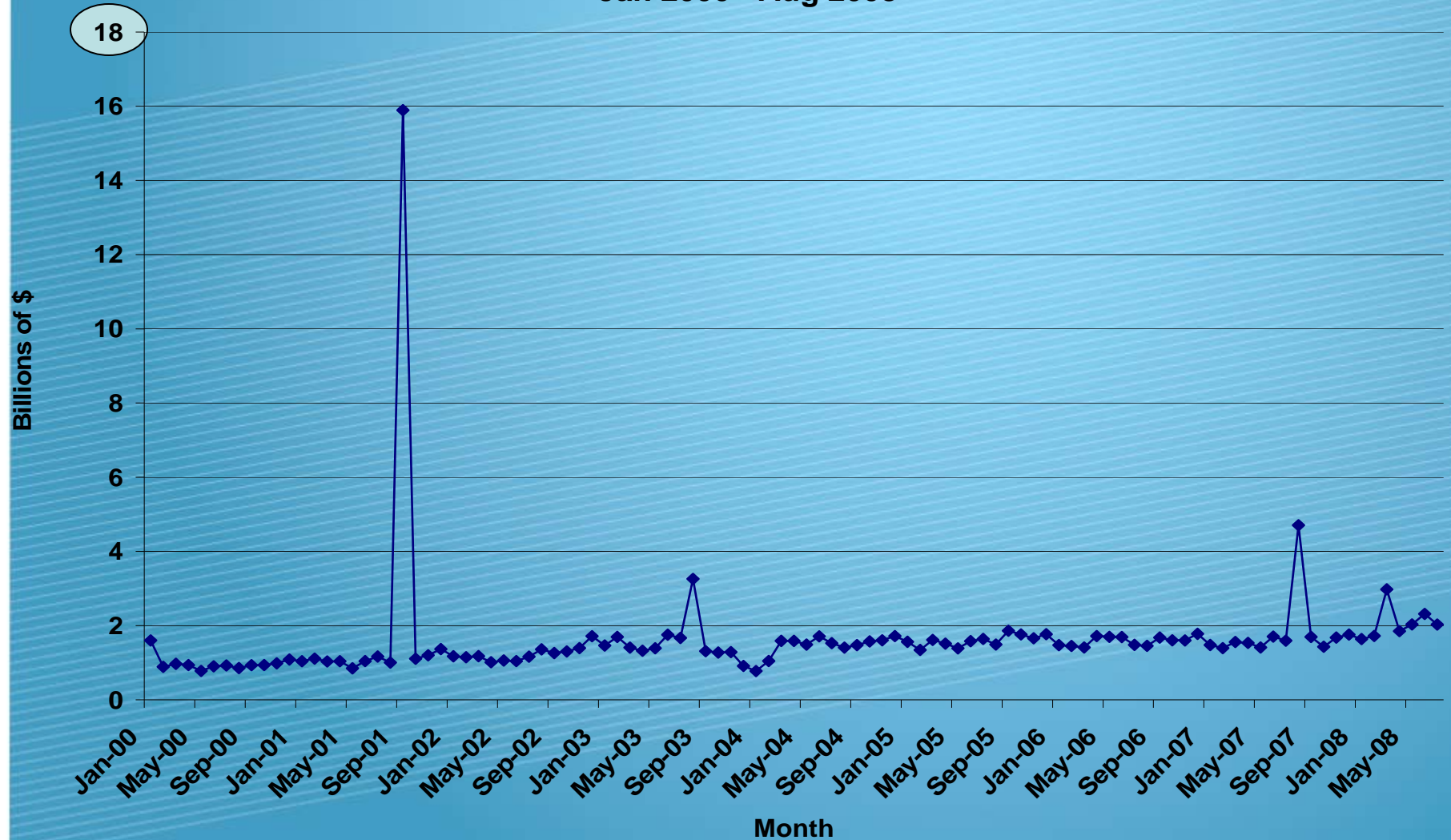
Domestic National Economy

- Continued slow movement at national level
 - Spending lab and barely considering austerity
 - Labor markets not yet recovered in trend
 - Where and what are the new industries?
- Need to be concerned with a double dip?
 - Expanded fiscal stimulus created GDP
 - Job creation through innovation, not through consumption
 - Where did the ARRA money go?
- Lending markets: demand or supply?
 - Inflation in wait for these funds to flow

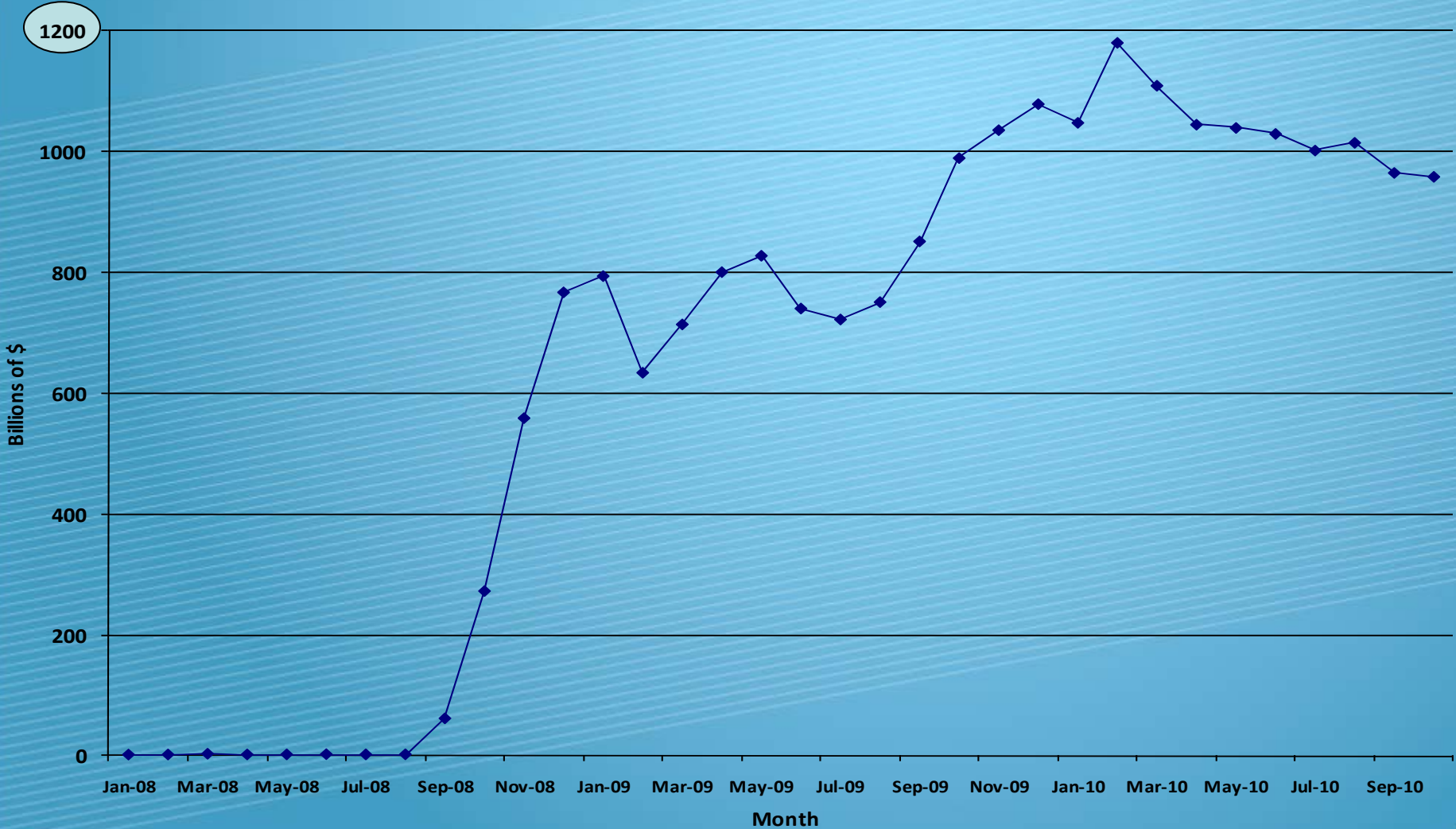
Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008\$ Jan 1970 - Dec 1999



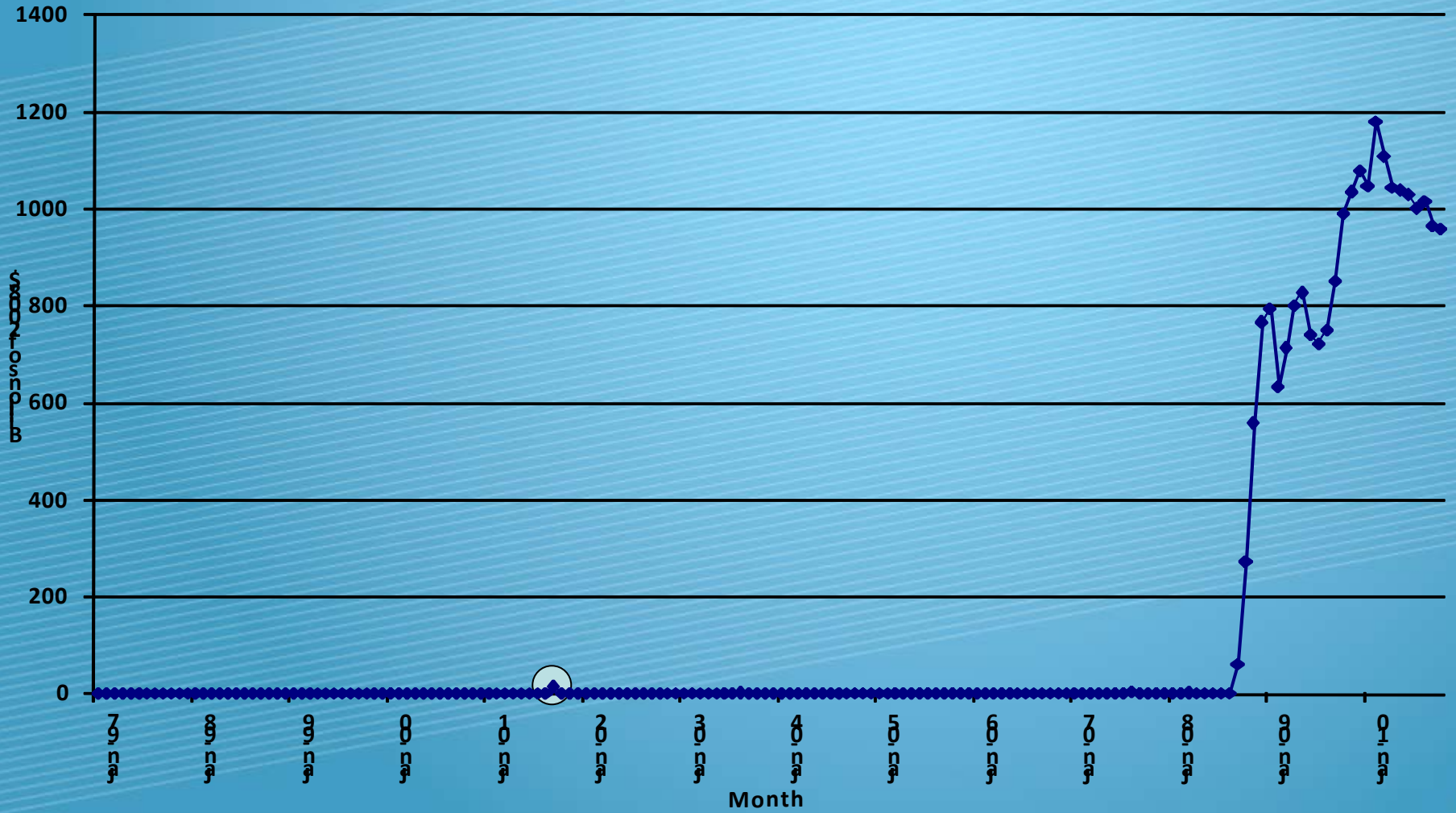
Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008\$ Jan 2000 - Aug 2008



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

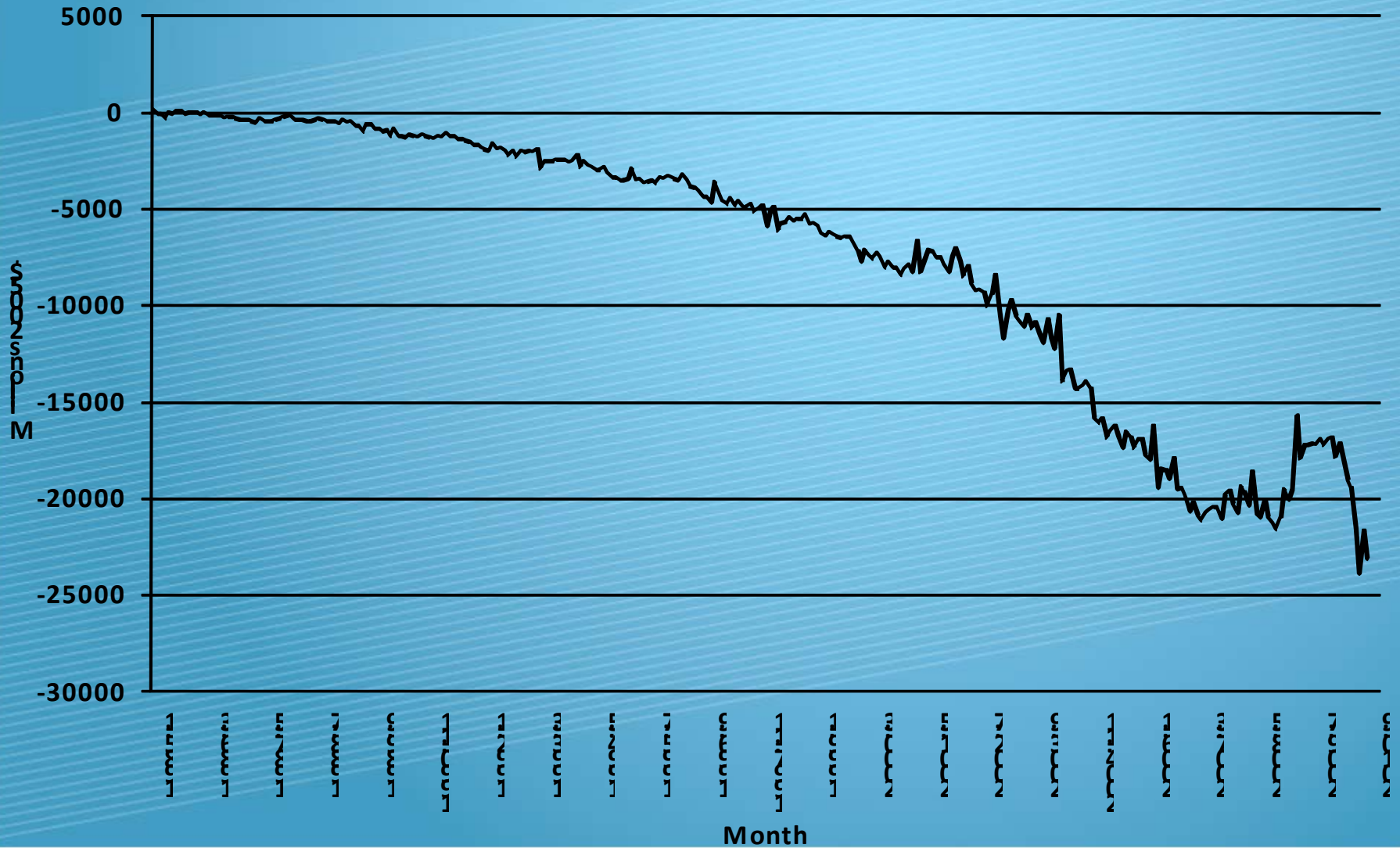


Excess Reserves at U.S. Banks (Loanable Funds Not Lent), 2008\$ Jan 1997 - Present

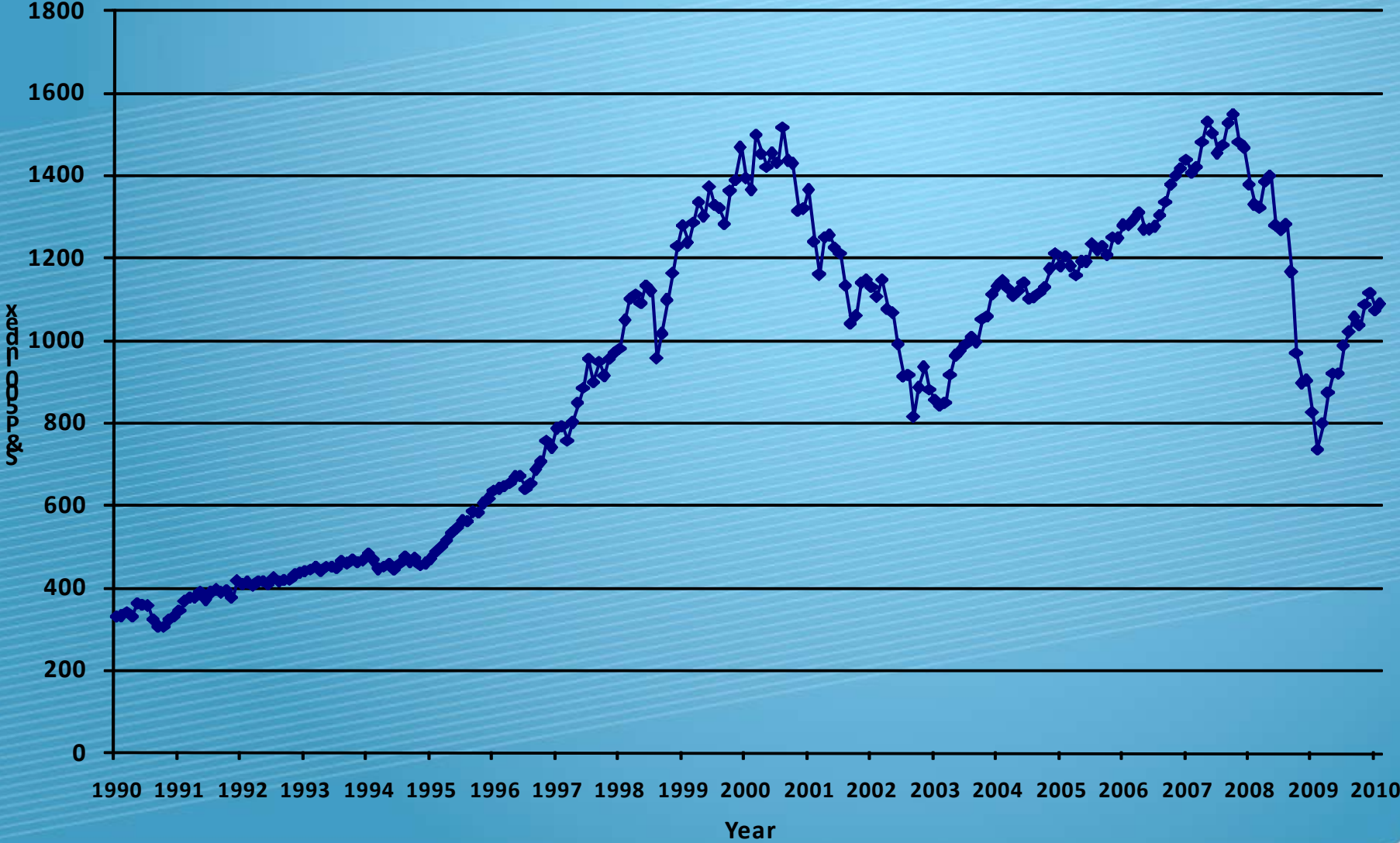


Other Macro Stats to Watch

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



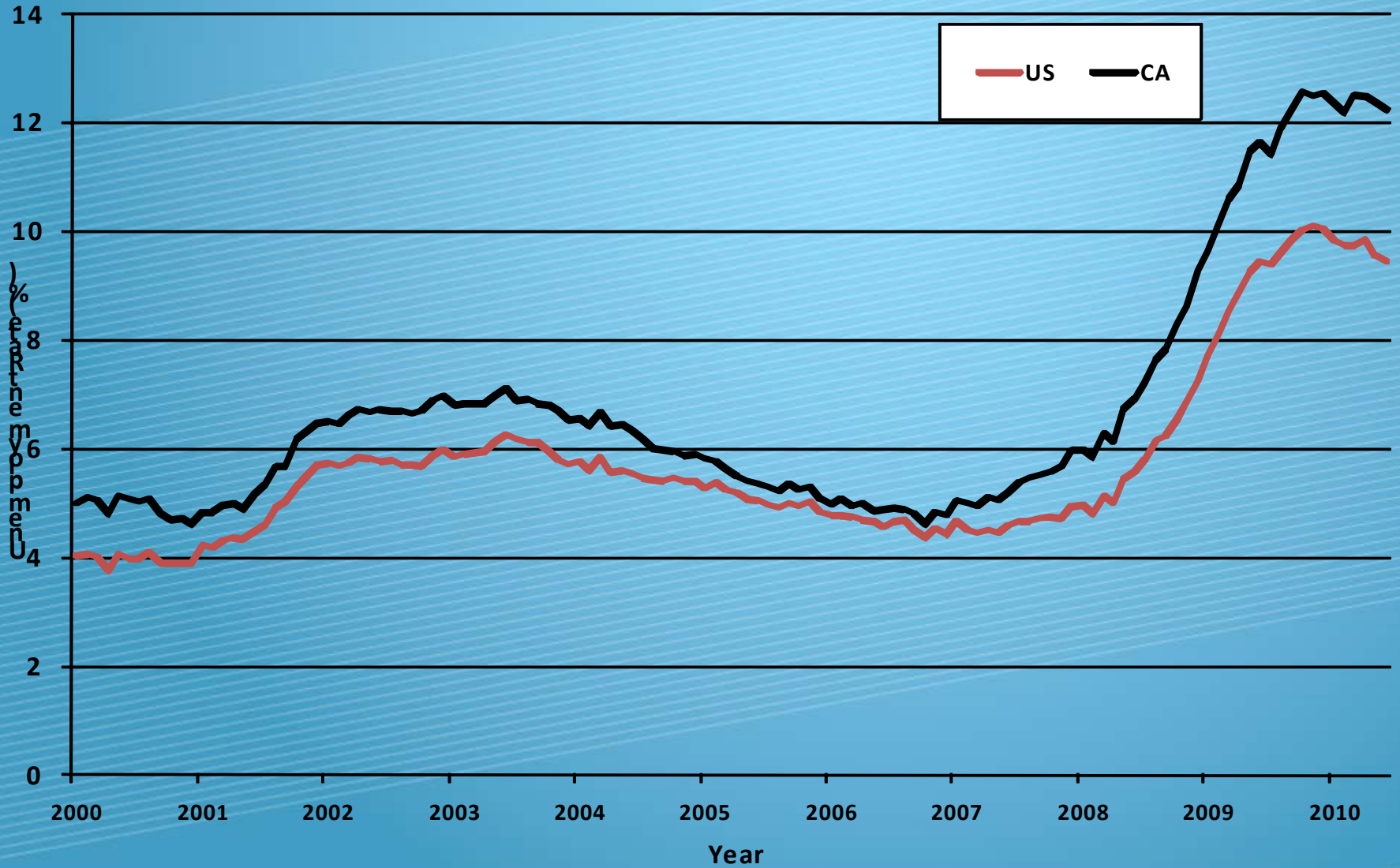
S&P 500 Index, 1990 - Present



California

- Labor Markets
 - California continues to lag national employment
 - Where are the new industries?
- Elections do little to change the basics
 - Prisons, education, social services the foci
- Cannot rely on current model
 - CalPers liability awaits!
- Do not expect it, but we need reform
 - Mix of higher taxes, less spending coming

Unemployment Rates: US & CA, Seasonally Adjusted

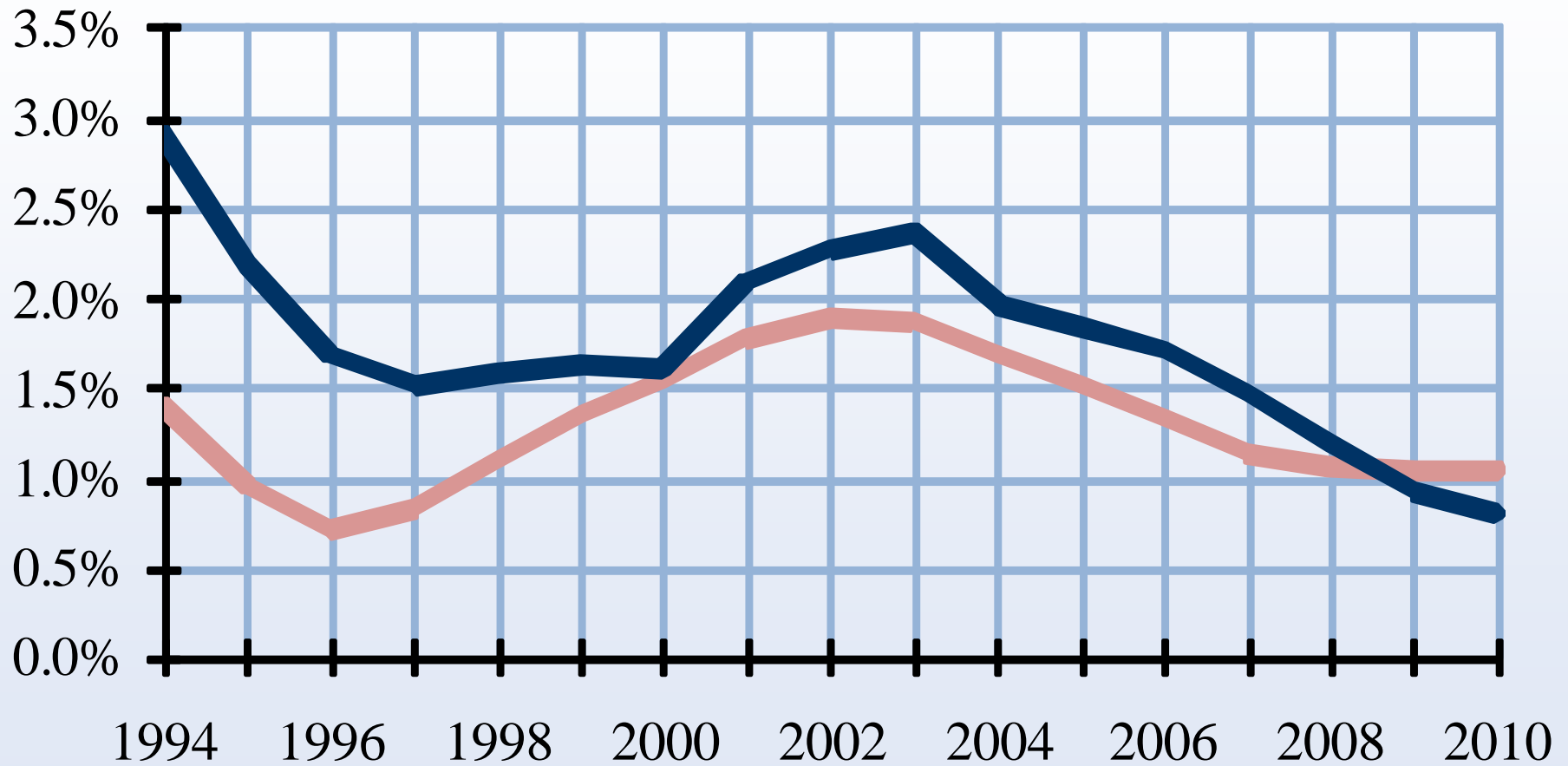


El Dorado County Stats Update

- 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
 - Rising incomes, lower taxable sales
 - Tourism industries continue to wane: likely to see some increase in 2010-11
 - What can El Dorado County do long-term?

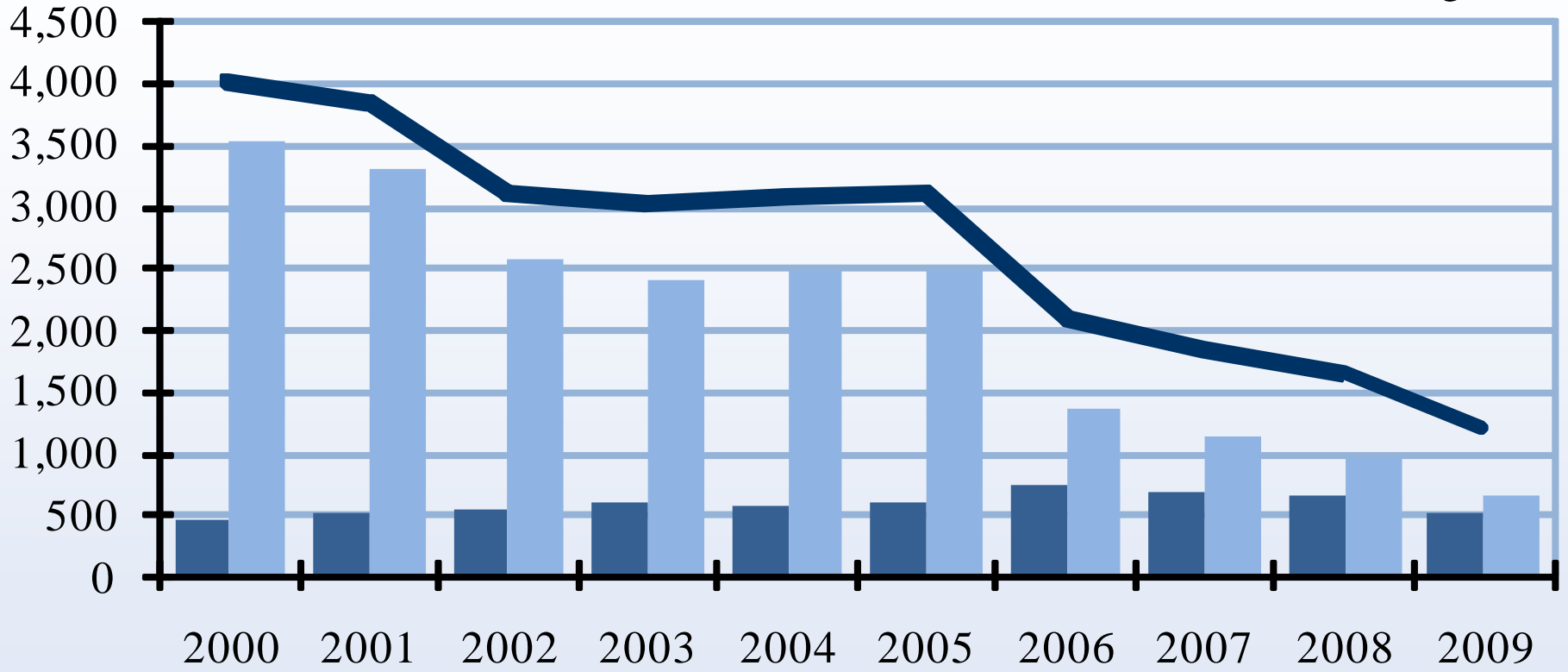
Population Annual Percent Change (Three-Year Average)

California
El Dorado County



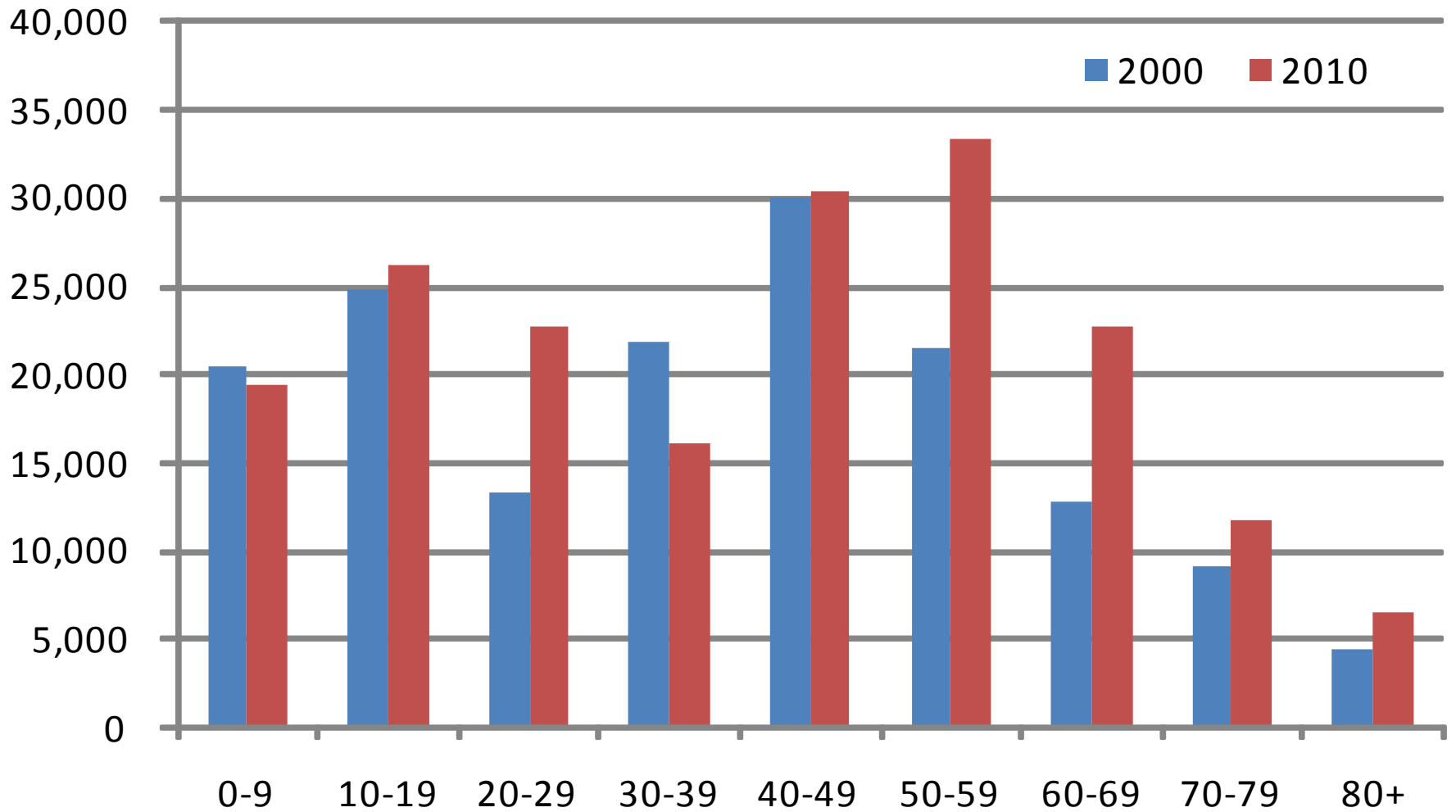
Components of Population Change

- Natural Increase
- Net Migration
- Total Change

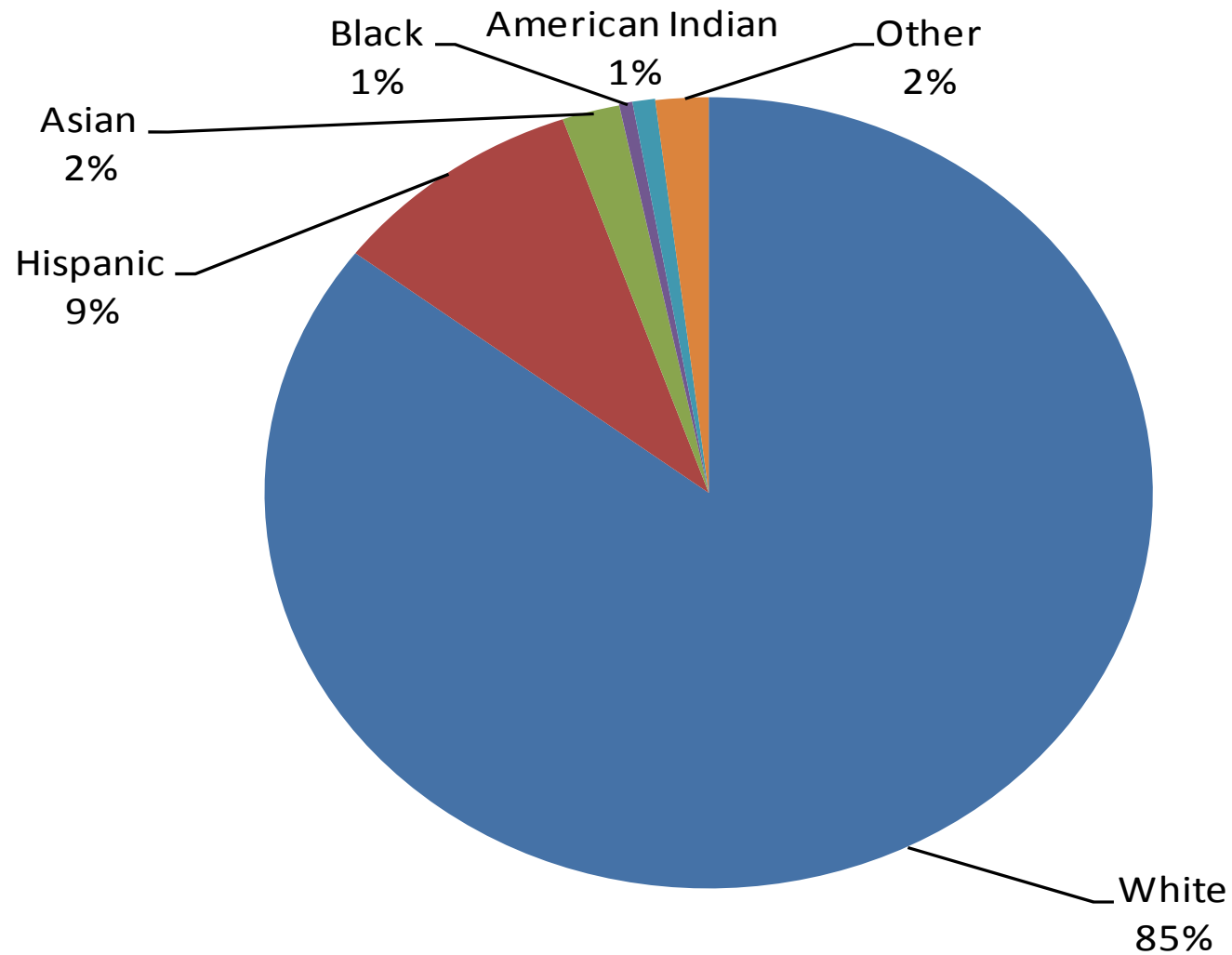


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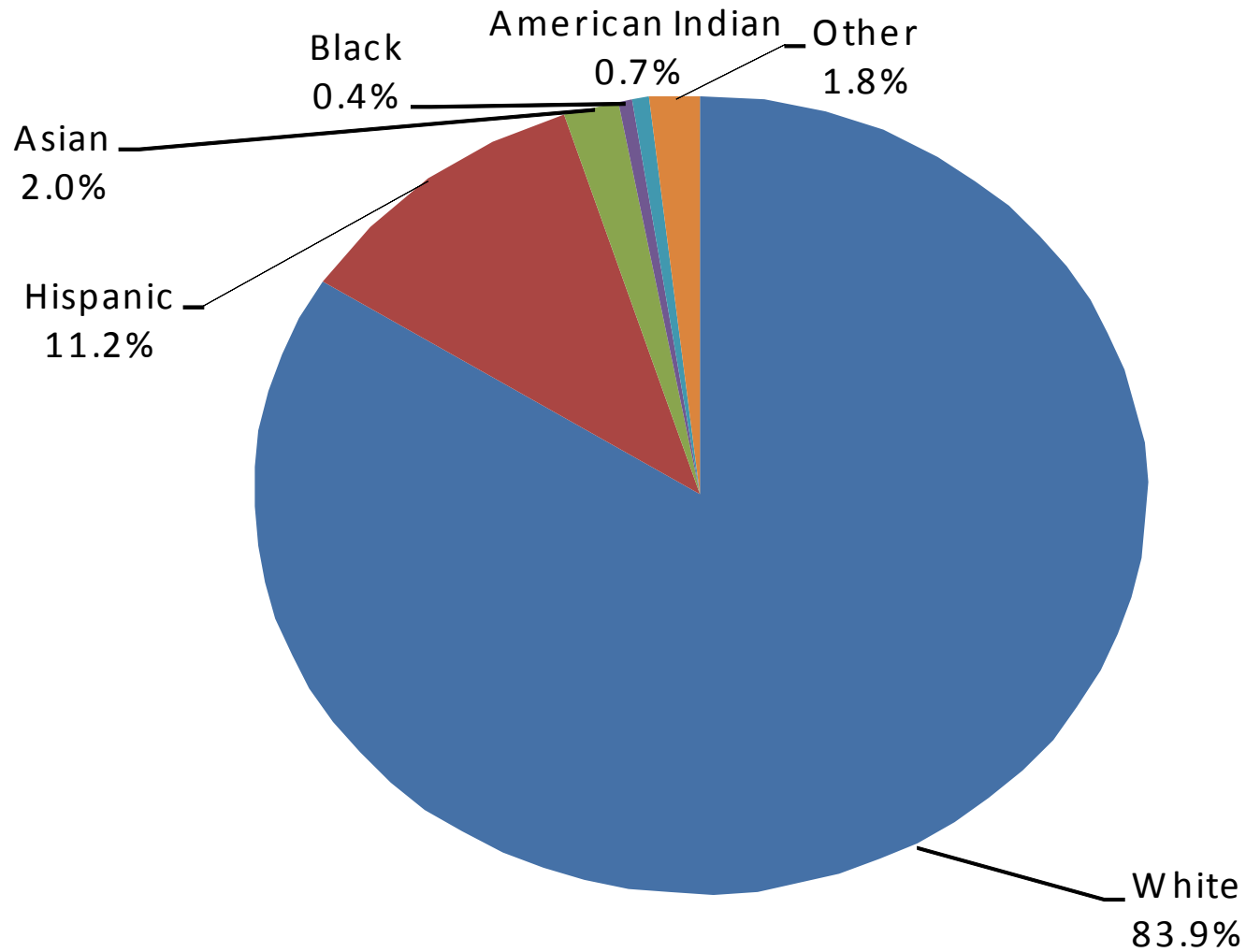
El Dorado County Age Profile, 2000 vs. 2010



El Dorado County Ethnicity Profile, 2000

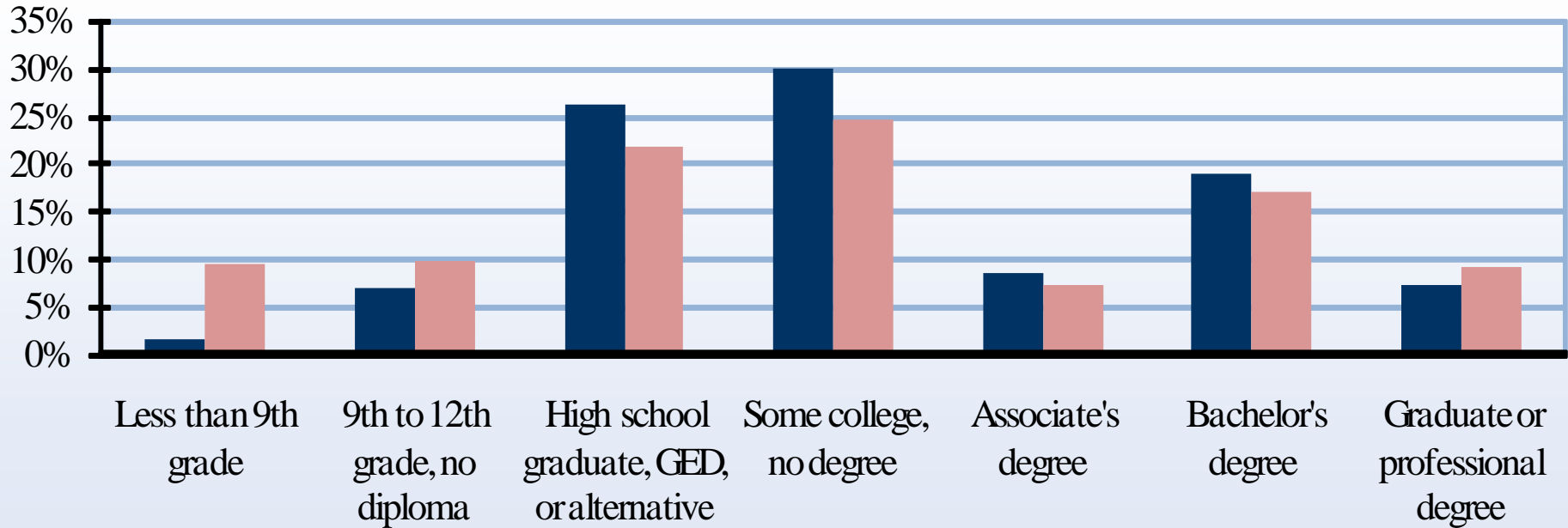


El Dorado County Ethnicity Profile, 2010

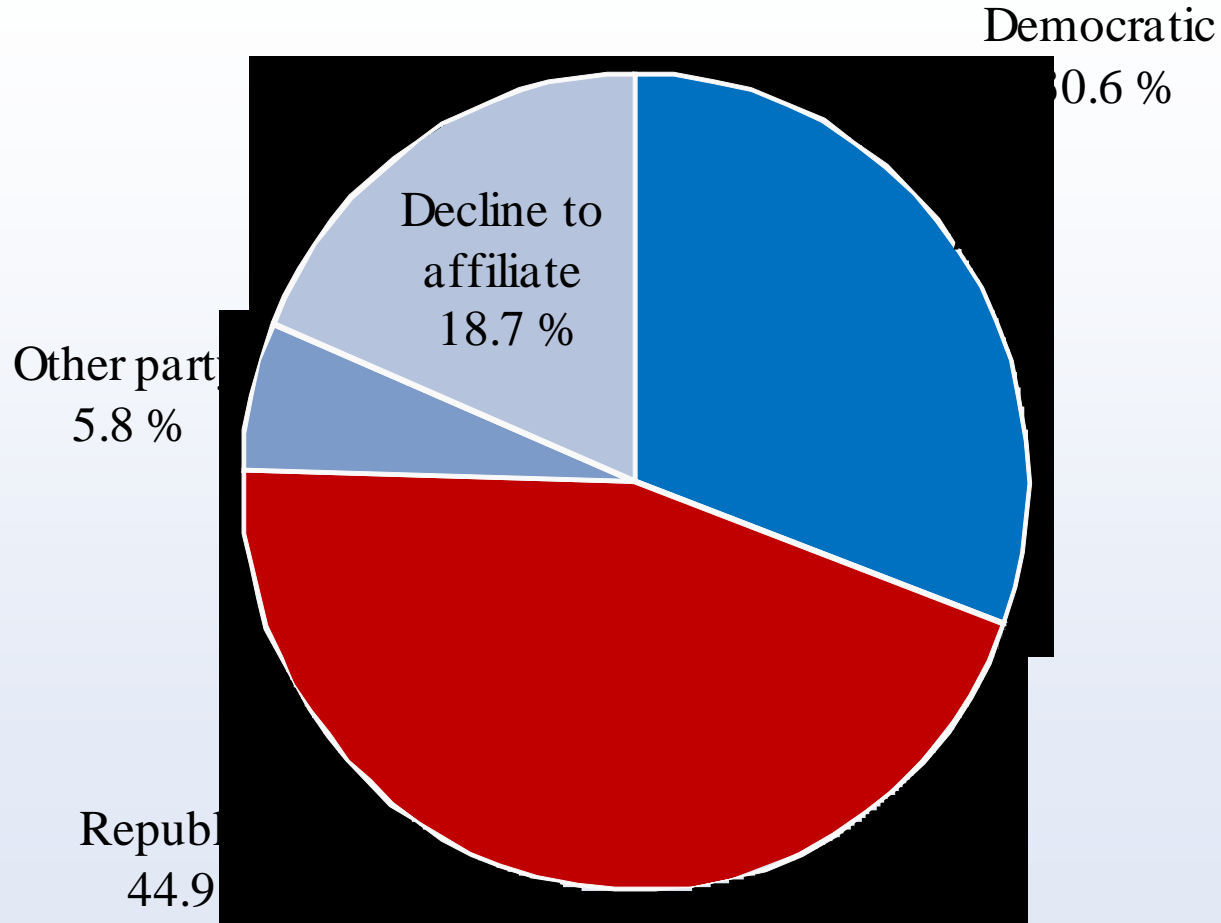


Population by Educational Attainment (Percent of Total)

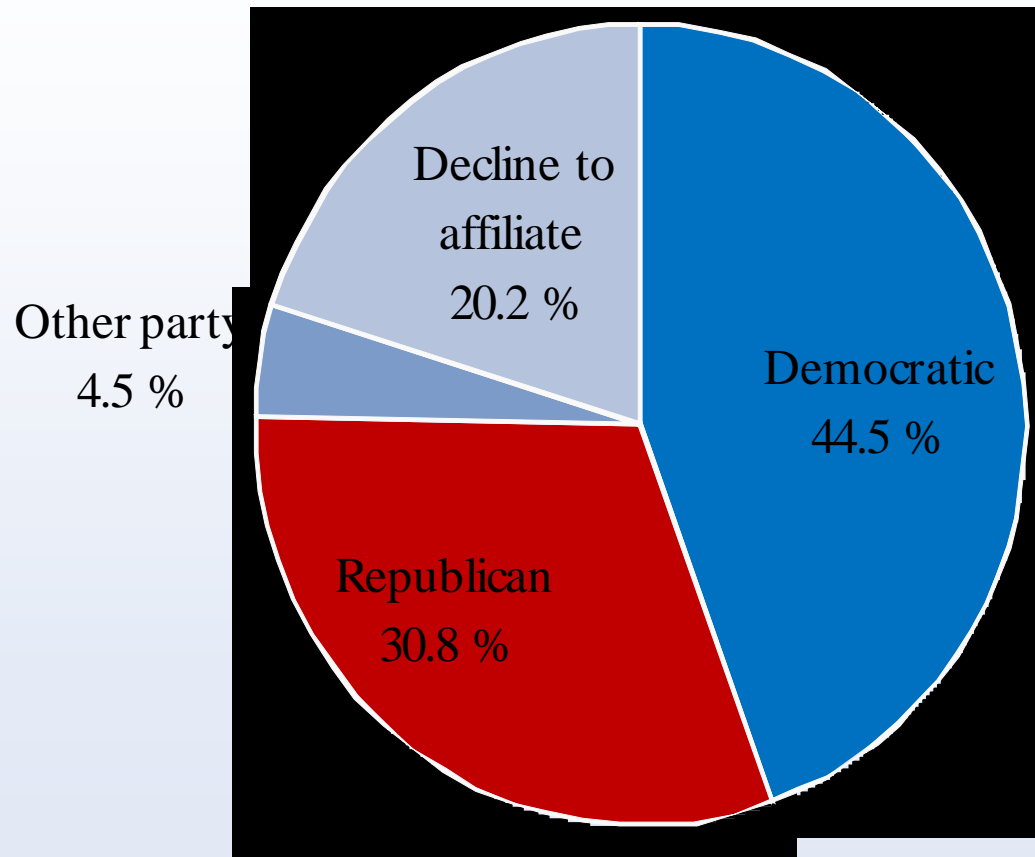
■ El Dorado County
■ California



County Political Party Membership, 2010

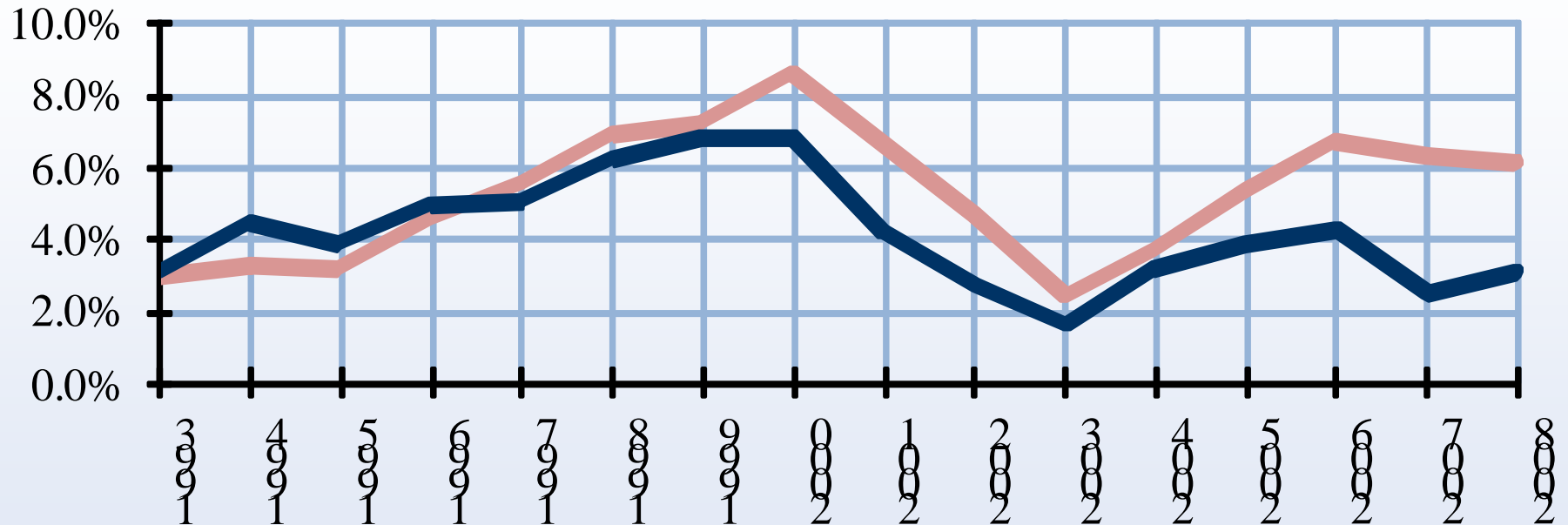


California Political Party Membership, 2010



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

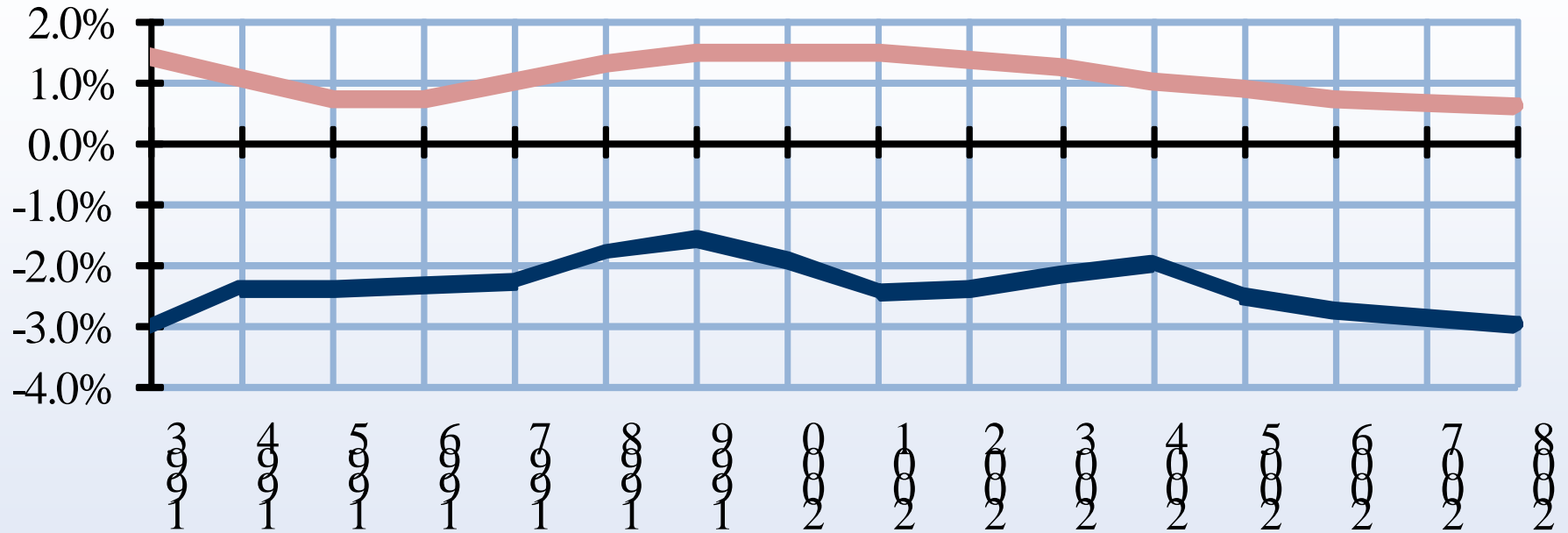
California
El Dorado County



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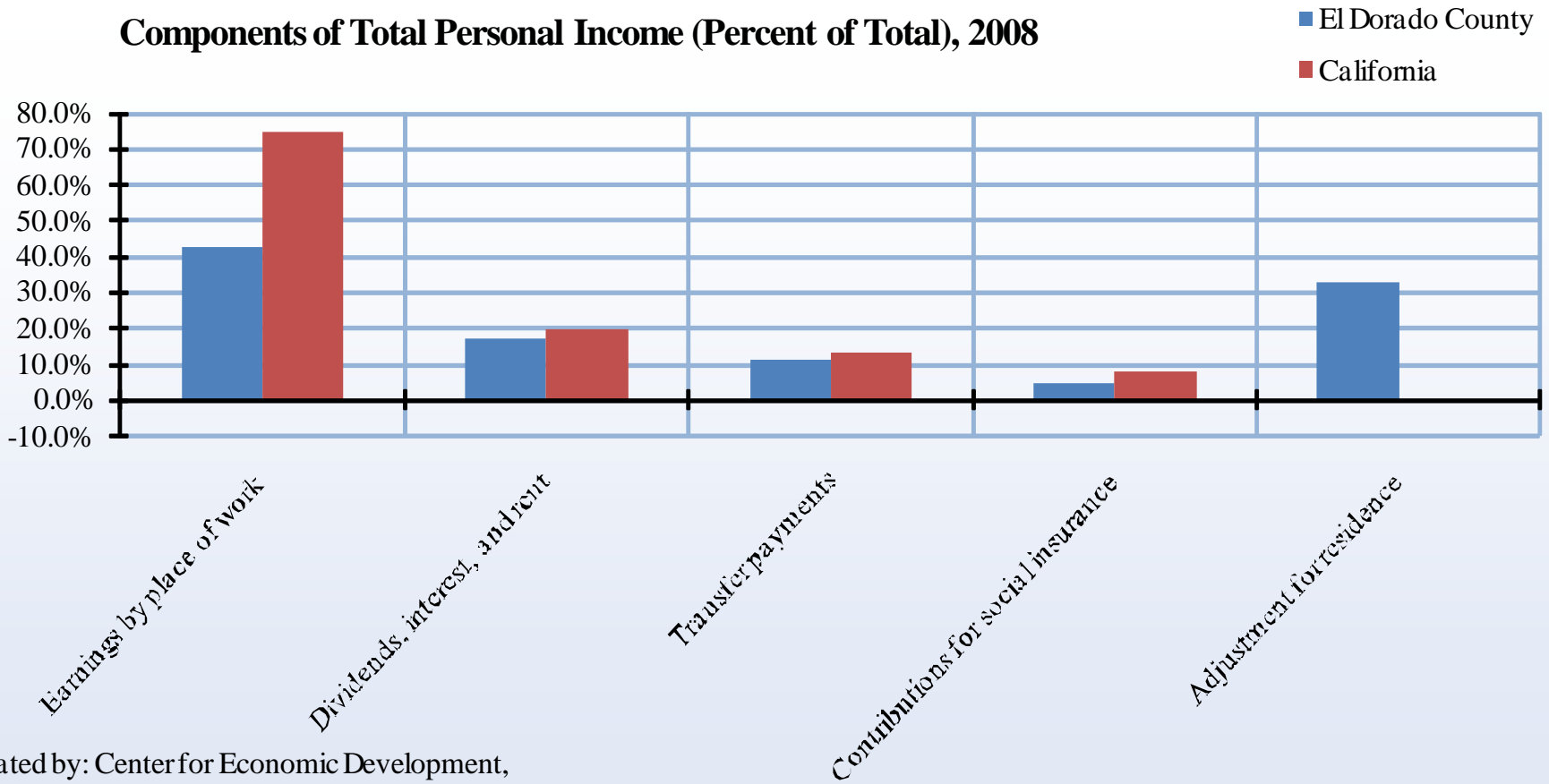
Real-Dollar Per Capita Income Annual Percent Change (Three-Year Average)

California
El Dorado County



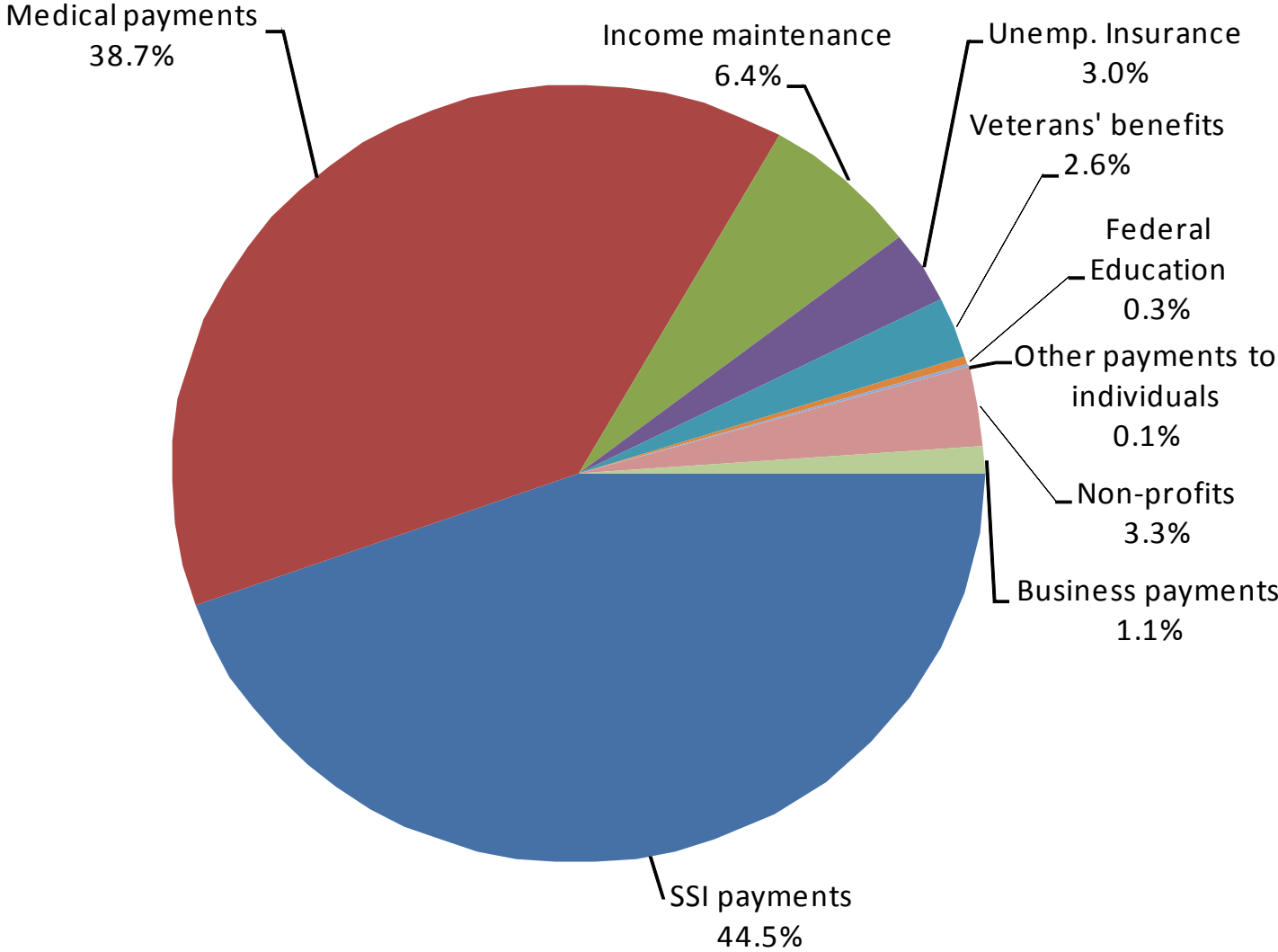
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Components of Total Personal Income (Percent of Total), 2008



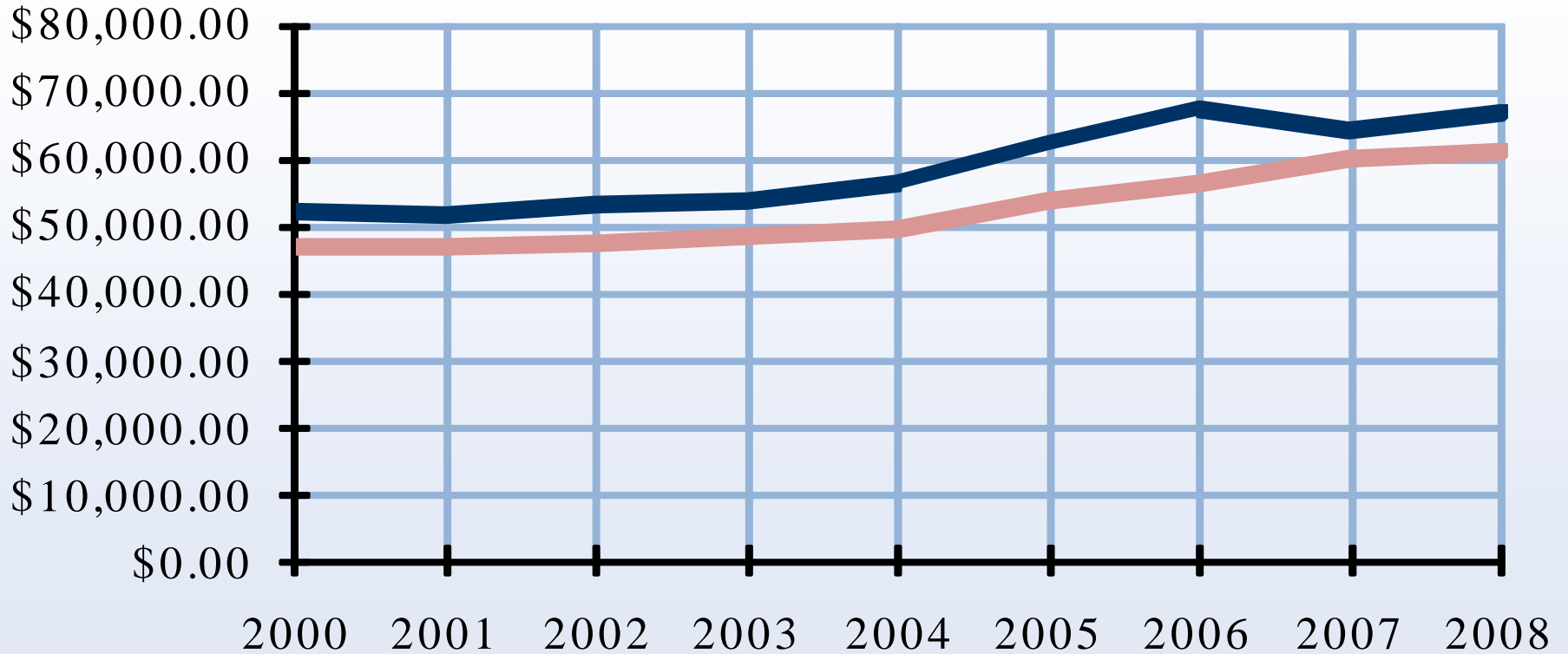
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El Dorado County Government Transfer Payments, 2008



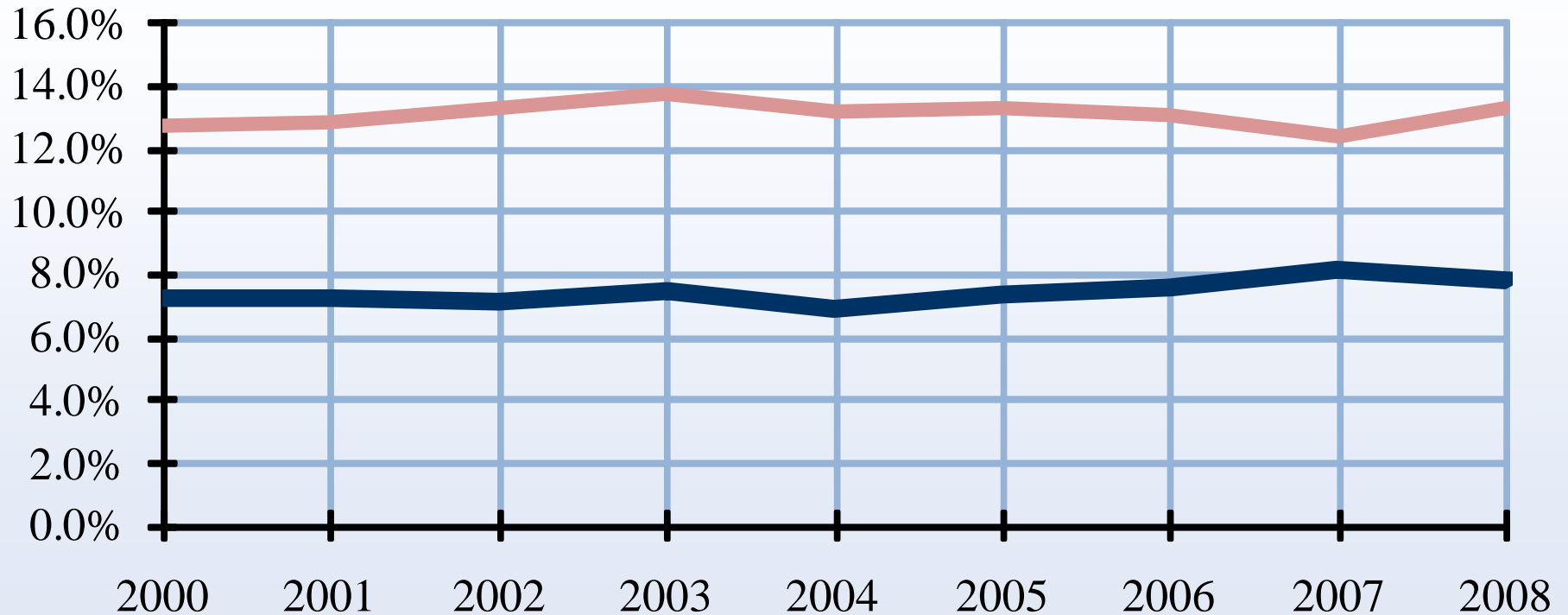
Median Household Income, 2000-2008

El Dorado County
California



Poverty Rates, 2000-2008

El Dorado County
California



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
 - Most governments challenged here: wealth meets demography meets geography

Real Estate

- Regional and slow moving
 - El Dorado County as a long-term residential investment: for what type of resident?
- 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

The Politics of Economic Growth

- Cost of businesses leaving
- Regulatory streamlining
- Prioritize how any funding is focused
- 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
 - Need to think about shaped growth

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
 - Recovery has started, needs to have opportunities seized
- Recognize regional connections and economies
 - Economic development a need now and into the future
 - How does El Dorado County define economic “development”
 - **Is the political will available for economic growth by any definition?**