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**southern colorado  
economic forum**  
OCTOBER 23, 2015



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Ron Chernak, President, The FBB Group, Ltd.® Founding Partner of the Southern Colorado Economic Forum



**Holland & Hart** is proud to sponsor the 19th Annual Southern Colorado Economic Forum. Our firm has been a part of the business community in Colorado Springs for over 60 years, and we look forward to discussing the key issues shaping the area.

We are hopeful that our contributions have helped shape an outstanding program for the local business community, complete with economic forecasts to help you plan for the years ahead, as well as invaluable information from expert panelists and thought leaders on specific business and legal issues affecting your company.

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Wendy Pifher, Partner, Holland & Hart LLP

# Welcome from the University



**Pamela Shockley-Zalabak**  
Chancellor, University  
of Colorado Colorado  
Springs

**The University of Colorado Colorado Springs** is pleased to join with its business partners to present the 19th Annual Southern Colorado Economic Forum. This program provides a look at the economy and quality of life in the region during the past year and gives a peek at our community's future.

We are fortunate to have many committed individuals involved in this project. I especially wish to thank Tatiana Bailey and Rebecca Wilder of the College of Business and Administration for their data analyses and its presentation in this report. I also wish to thank our panel of experts for their contributions and the Forum sponsors for their continued support.

Since its inception, UCCS has worked closely to align itself with the priorities of Southern Colorado. The Southern Colorado Economic Forum is an example of our commitment to ensuring the future of our region.

Thank you for attending.



**Venkat Reddy**  
Dean, College  
of Business and  
Administration

Thank you for your support of the **19th Annual Southern Colorado Economic Forum**. In addition to the in-depth national and local economic updates, this year's panel is focused on workforce and the skills gap. The panel includes state and local experts on this important and timely topic.

A number of exciting events continue to take place on our campus as it celebrates its 50th anniversary. The College of Business selected October as its month to celebrate the 50th anniversary, the same month that we bring the Economic Forum to our community every year. The campus continues to expand both in terms of students and buildings. The College of Business has added a number of new faculty and staff to better serve our students and broader community. Our online graduate and undergraduate degree programs provide flexibility and convenience for both our on-campus and on-line students. Our Career and Placement Center is helping place interns and graduates in our local for-profit and non-profit entities. Our Office of Professional and Executive Programs office is expanding beyond offering professional development classes to offering customized business solutions to individual organizations.

In addition, the College of Business Southern Colorado Economic Forum is starting a new venture in which UCCS will offer economic and business-related consulting services for the community. The Forum is already engaged in some projects locally, and we are excited to be a non-biased and rigorous source of information.

**The Southern Colorado Economic Forum** would not be possible without the active sponsorship and participation, year after year, of our business partners. We thank them. Not only do they support the Forum financially, they also provide their expertise and use their business connections to help bring you an outstanding program.

# About The Southern Colorado Economic Forum

**The Southern Colorado Economic Forum** provides businesses and other organizations in Southern Colorado with unbiased information that assesses economic conditions in the region. The Forum analyzes and reports upon broad national indicators such as GDP and consumer sentiment, local labor market information, retail and wholesale trade, construction and commercial real estate activity, military employment and expenditures, tourism, sales and use taxes, utility activity and other economic data. The indicators provide a picture of the economy, the region's quality of life and help answer the questions of "how are we doing" and "where are we going." No single indicator can provide a complete picture of the economy, quality of life, or educational status of our citizenry. Examined collectively, however, economic and quality of life indicators provide a picture of the region's economic health, the welfare and educational attainment of the people who live and work here, and the progress of businesses and organizations that operate here. The Forum provides this information to help business leaders, government officials and others make better and more informed decisions with the greater goal of assisting others in economic development efforts.

To learn more about the services SCEF and the College of Business can provide for your organization contact: Tatiana Bailey, Director, Southern Colorado Economic Forum, (719) 255-3661 or [tbailey6@uccs.edu](mailto:tbailey6@uccs.edu).



**Tatiana Bailey**  
Director, Southern  
Colorado Economic  
Forum  
Research Faculty, UCCS

**Tatiana Bailey** has her Master's in economics and her doctorate in public health, both from the University of Michigan. Since obtaining her doctorate, she has taught micro and macroeconomics as well as health economics and policy at the University of Michigan and Walsh College. She is now teaching a health policy class to MBA students at the University of Colorado.

Dr. Bailey currently works in the health care and economic development fields. In the health care arena, she has focused on programs that aim to increase access and quality while reducing costs particularly for at-risk populations. She is also doing presentations to audiences who wish to be better informed about the general framework of the health care system in the U.S. and the particulars of the Affordable Care Act. In the economic development field, she has focused upon economic growth initiatives primarily through the venues of entrepreneurship and innovation. Dr. Bailey is one of the lead evaluators for a \$100 million, philanthropic initiative aimed at improving economic development in the City of Detroit primarily through entrepreneurial training and support.

As Director of the Southern Colorado Economic Forum, Dr. Bailey serves as an economic development resource to businesses and government within Southern Colorado. She aims to inform audiences about our national and local economy as well as assist the region with leveraging its many assets.



**Rebecca Wilder**  
Assistant Data Analyst,  
Southern Colorado  
Economic Forum

**Rebecca Wilder** joined the UCCS College of Business staff as a part-time Research Assistant for the Southern Colorado Economic Forum in May 2014 while finishing her master's degree in business administration through UCCS. She joined the full-time UCCS College of Business staff as the Assistant Data Analyst for the Forum in June 2015 after her graduation in May. She earned a bachelor's degree in Elementary Education from Taylor University in Indiana.

Rebecca taught for 11.5 years, primarily at the middle school level in math and science. She also worked for Wachovia Securities for five years where she became very familiar with research, analysis and compilation of data. Her love of numbers, organizational skills and background in education give her a unique understanding of what is currently offered and what is needed for young people to be successful, contributing members of our region. She is looking forward to becoming more involved in the developments and collaboration initiatives taking place in the community.

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# Introduction



## Executive Summary

### Employment

Employment has finally rebounded in the region after a particularly prolonged recession. The nation, the state and El Paso County have all seen marked improvements in employment trends:

- » The national, seasonally adjusted unemployment rate was 5.3 percent at the end of July 2015. This is a significant improvement over the year ago rate of 6.2 percent and the 10 percent rate at the height of the recession in October 2009.
- » The El Paso County seasonally adjusted unemployment rate at the end of 2014 stood at 5.2 percent. The rate has edged down since then to 4.8 percent at the end of July.

- » The Quarterly Census of Employment and Wages (QCEW) for El Paso County indicates total jobs increased by 2.2 percent, or 5,402 positions, in 2014, which is in line with last year's Forum forecast.
- » This is the fourth year of job growth after three years of job losses from 2008 through 2010.
- » Total employment in 2014 stood at 248,701 or 1,578 jobs higher than the peak number achieved in the county in 2007.

### Specific Sectors & Employment

Fifteen of the twenty-one industry sectors in **El Paso County** saw job gains in 2014. The most significant gains were in:

- » health care and social assistance (1,384)
- » construction (1,208)
- » retail trade (862)
- » manufacturing (407)
- » accommodations and food services (363)
- » other services (363)
- » professional and technical services (326)

The strong showing in health care and social assistance combined with construction represented 50.0 percent of total job gains in the county. Job losses took place in six sectors. The most notable losses occurred in public administration or "government" (-129), information (-66), and mining (-53), which tend to be higher paying jobs.

In **Pueblo County**, total jobs increased by 1.7 percent, or 956 jobs, in 2014. The top five QCEW industries in 2014 for Pueblo County were health care and social assistance (12,547 total jobs), retail trade (7,325), accommodation and food services (5,544), educational services (5,342) and administrative and waste services (4,850). Fourteen of the twenty-one sectors saw job gains in 2014. The most significant gains were in professional and technical services (317 jobs gained), manufacturing (312), health care and social assistance (165), construction (129), and retail trade (124). There were significant job losses in accommodation and food services (-122), educational services (-90), and arts, entertainment and recreation (-29).

In **Teller County**, total jobs increased by 0.7 percent or 43 jobs in 2014. At 6,637 jobs, this is 313 jobs lower than the peak reached in 2008 of 6,950 jobs. The top five job categories available through QCEW data for 2014 were accommodation and food services (1,406 total jobs), retail trade (902), arts, entertainment and recreation (664), educational services (692), and public administration (531). Twelve of the twenty-one sectors saw job gains in 2014. The greatest gains were reported in retail trade (56 jobs gained), construction (39), other services (15), and transportation and warehousing (14). The most significant job losses were in accommodation and food services (-58), arts, entertainment and recreation (-45), health care and social assistance (-13), and information (-10).

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## ***Regional Wages***

Average wages from the Quarterly Census of Employment and Wages (QCEW) across all categories increased in El Paso County from \$44,512 in 2013 to \$45,500 in 2014, or up 2.2 percent. The 2.2 percent increase is very close to the national average, but wages in our region are not as high as they are statewide:

- » The average wage in El Paso County remains low compared to Colorado as a whole and was 13.7 percent below the state average of \$52,728 in 2014.
- » Average wages in Pueblo County increased 3.9 percent in 2014 to \$38,896, but the average wage is 26.2 percent below the state average.
- » Average wages in Teller County also increased 3.2 percent in 2014 to \$35,204, but the average wage is 33.2 percent below the state average.

## ***Per Capita Personal Income***

Per capita personal income increased in El Paso County, reflecting that individuals who live here did have some appreciation in their total net wealth. This includes not only net earnings, but also personal dividend and interest income, rental income and transfer payments by government sources. Given the high proportion of retirees in the region, it stands to reason that some of the appreciation in per capita personal income is associated not only to working residents, but also to retirees. In summary:

- » El Paso County per capita personal income increased 0.2 percent to \$41,128 in 2013 over the 2012 level of \$41,061.
- » Data for 2014 for El Paso County is not yet available, but the Forum forecasts per capita personal income will end up 2.0 percent higher (to \$41,930) than the previous year.
- » At the estimated 2014 level, per capita personal income in El Paso County would be 9.1 percent below the U.S. average and 14.0 percent below the Colorado average.

The Forum forecasts per capita personal income in 2015 in El Paso County will increase at a slightly lower rate of 1.7 percent, while the Colorado Office of Planning and Budgeting forecasts higher rates of growth in Colorado (3.5%) and in the U.S. (3.9%).

## ***Residential Real Estate***

If the national and local economy is performing well and consumer confidence regarding economic performance is high, individuals are more likely to purchase or lease existing properties or build new properties. Highlights in the residential real estate market include:

- » During the last twelve months from July 2014 through June 2015, there were 2,634 single family permits issued in El Paso County. This is a decrease of 22 permits (-0.8%) compared to the 2,656 permits issued from July 2013 through June 2014.
- » The Forum expects approximately 2,600 single family permits to be issued in El Paso County in 2015. Through July this year, multi-family permits for 21 projects and 424 units have been pulled. Multi-family permits are expected to end the year at 494 units with a forecast for another 534 units in 2016.
- » Average, monthly rents for apartments as of the second quarter of 2015 are currently \$899 per month in the Colorado Springs MSA.
- » Home sales have been strong this year. Buyers are taking advantage of historically low mortgage rates and attractive prices although the low mortgage interest rates are expected to rise within the next year.
- » The average sales price of a home is expected to increase to \$272,000 in the Pikes Peak region in 2015, an 8.2 percent increase from \$251,387 in 2014. The average home price in the U.S. in 2014 was \$345,800. This represents a marked increase of 6.5 percent.
- » The median price of a single family home in the Pikes Peak region is expected to increase 8.9 percent to \$239,000 in 2015 compared to \$220,850 in 2014.
- » Sales are expected to reach 13,000 homes in 2015 and 15,000 homes in 2016.

# Introduction

- »Foreclosures decreased 1.9 percent in 2014 to 1,825.

The Forum projects there will be 1,430 foreclosures in 2015 and 1,300 foreclosures in 2016. Most of the foreclosure problem that existed due to the housing bubble is behind us.

## **Commercial Real Estate**

The commercial real estate market has rebounded since the recession, but the overall picture is not as positive as the residential market. Highlights include:

- »Commercial office vacancy rates rose to 13.6 percent at the end of 2014 compared to 12.8 percent at the end of 2013. By June of 2015, the vacancy rate edged down slightly to 13.5 percent.
- »The industrial vacancy rate decreased to 8.8 percent at the end of 2014 from 9.2 percent at the end of 2013. As of June 2015, the vacancy rate is down to 8.0 percent.
- »Shopping center vacancy rates have decreased from 11.7 percent at the end of 2013 to 10.2 percent at the end of 2014. They stayed flat at 10.2 percent in June of 2015.
- »Medical office vacancy rates have improved slightly, decreasing from 11.5 percent at the end of 2013 to 11.1 percent at the end of 2014. By June 2015, they were slightly higher at 11.2 percent.

## **Wholesale and Retail Trade**

With the increase in GDP and the improvement in employment and consumer confidence, it is not surprising that there has been a rise in the sales of building materials, non-store retailers, food and beverages, motor vehicles and parts, clothing, accessories, health and personal care, books and music. The only category that saw a decline from 2013 was electronic appliances, furniture and home furnishings.

- »Employment in the retail trade sector increased by 862 jobs from 30,109 in 2013 to 30,971 in 2014, up 2.9 percent. Wages increased by \$468 to \$27,976 (1.7%).
- »Wholesale sales in El Paso County show continued fluctuation. After increasing 12.6 percent to \$4.0 billion in 2012, they decreased 7.7 percent to \$3.7 billion in 2013 and then increased 7.8 percent to \$4.0 billion in 2014.
- »Wholesale sales in Colorado have shown small but steady increases in the last several years. Wholesale sales levels in 2014 increased 9.8 percent to \$74.2 billion from \$67.6 billion in 2013.
- »Wholesale trade employment in El Paso County increased only 80 jobs from 4,924 in 2013 to 5,004 in 2014. Average wages for employees in wholesale trade, however, grew 3.8 percent, or \$2,288, from an average of \$59,852 in 2013 to \$62,140 in 2014.

## **Sales and Use Tax**

The City of Colorado Springs benefits from strong and growing taxable retail sales since over fifty percent of the city's budget dollars come from these collections. Highlights include:

- »City sales and use tax collections increased a healthy 7.2 percent or \$9.8 million from \$136.1 million in 2013 to \$145.9 million in 2014.
- »Sales and use tax collections are expected to increase 5.0 percent this year and another 2.5 percent in 2016 in nominal terms. However, if these nominal sales tax figures are adjusted for both consumer price inflation and population increases, the real value of sales and use tax collections will increase by just 1.3 percent in 2015 and actually decrease (-1.7%) in 2016.

## **Education**

Colorado is administering new tests in grades 3 through 11 to cover the new Colorado Academic Standards, which incorporate the Common Core State Standards. These standards are designed with specific points of mastery for preschool through 12th grade so that each student graduates with 21st century college and career readiness skills. Because of these new standards and tests, a new baseline for comparison is needed. However, all Colorado juniors continue to take the American College Test (ACT) to help determine how well they will do in their first year of college. Highlights from this test include:

- »The overall unweighted average in El Paso County ACT scores for juniors stayed relatively flat at 20.62 in 2014



# Introduction

compared to 20.64 in 2013. This was higher than the 2014 Colorado average of 20.3 for all juniors.

»Ten states require all high school juniors to take the ACT, and Colorado is one of them. This requirement for juniors brings down the average composite score for Colorado (20.3) so one should exercise caution when comparing Colorado ACT scores to the U.S. average (21.0) or the average scores of most other states.

## ***Where is the Economy Heading?***

Forecasts for the U.S. economy from the Colorado Office of Budgeting and Planning are provided in the Forecast Summary table on page 17. Projections include a continued decrease in the unemployment rate and steadily improving gross domestic product (GDP). With improvements in employment, what has long been an employer's market is now becoming more of an employee's market. This will push up average wages, which is desirable given the low civilian participation rate. More workers need to be lured back into the workforce in order to ensure U.S. productivity and global competitiveness as well as to reduce government transfer payments. Inflation is still relatively low, but the goal of the Federal Reserve is to keep inflation closer to 2 percent. Moderately increasing prices in the 2 percent range are favorable because businesses then feel more confident about hiring and borrowing, particularly if interest rates are below the 2 percent mark.

Consumer confidence is high and back to pre-recessionary levels. This is fueling economic activity as a whole, but especially the purchase of large ticket items such as cars and homes. The housing industry has finally rebounded and home sales should continue to be strong. New home construction, in particular, will likely be quite strong with double digit increases for 2015 and into 2016.

There are always many variables that can significantly influence the global, national and local economies. It is difficult to predict how all of those will manifest. However, it is noteworthy that at present, one of the variables mitigating further U.S. growth is the strong dollar. The strong U.S. currency makes exports more expensive internationally, which impacts all manufacturing in the nation. Despite the strong currency, U.S. GDP growth is still positive and will likely edge up to the mid 2 percent range in 2016. It will be important to watch global developments in other countries that trade with the U.S. More specifically, developments in China could be pivotal to U.S. economic performance because of the sheer buying power of China's population. In 2014, China had 1.4 billion people, which is almost 20 percent of the world's population. By comparison, the U.S. had a population of approximately 320 million.

The Colorado economy continues to be quite strong and is expected to maintain this high level of performance through the rest of 2015 and into 2016. The gross state product (GSP) was very high in 2014 (up 4.7%), and will likely fall in 2015 and 2016 mostly due to the falling oil and gas prices and the decreasing production of oil and gas within the state. Despite the contraction of this sector of the economy, however, the state will continue to do well mostly because it is highly diversified and not dependent on oil and gas production and price levels.

The Colorado Springs area is finally experiencing some marked improvements in its local economy. Most notably, the unemployment rate in the Colorado Springs MSA fell to 4.9 percent (not seasonally adjusted) in July of 2015, which represents a significant drop from the same month a year ago (6.0% in July 2014). El Paso County also had an unemployment rate of 4.9 percent by the end of July, which is edging closer to the state unemployment rate (4.3% in July 2015). Projections for the unemployment rate in the state for 2015 and 2016 are 4.3 percent, which is still lower than the projections for El Paso County (5.1% for 2015 and 5.0% for 2016). Even though the local economy is not performing quite as well as the rest of the state, the gap appears to be closing. Also noteworthy is that the El Paso County unemployment rate is projected to be less than the national rates both in 2015 and into 2016. Gross metropolitan product is expected to increase at a rate slightly better than the nation although wages and salaries are not expected to grow as quickly, which is not favorable given the low civilian participation rate. It would be preferable for local wages to increase more rapidly so that more workers are lured back to the workforce, but the presence or growth of more high paying industries is an important part of this equation. Residential real estate is not expected to grow at nearly the rates prognosticated for the nation and for the state. That is mostly due to the baseline comparison years of 2012 and 2013, which had high residential building activity due to the fires. The simple fact that the rate of residential building is still positive for 2015 and will further increase in 2016 is a testament to the national recovery, but also to the growth in El Paso County.

Lastly, as the demographic section on page 21 shows, the State projects large increases in population for El Paso County. The county is one of four projected to have a population increase of at least 300,000. This has tremendous implications as well as opportunity for our region if there is a sound economic base where individuals and businesses can thrive.

## “Workforce & the Skills Gap”

### » *Introduction*

The United States has a relatively long legacy of global dominance in terms of economic strength and innovation. Last year’s Forum report focused upon the vital role that innovation and small businesses play in the U.S. global economic dominance. This year the Forum is focused upon the critical role that an adequately trained workforce plays in maintaining and further elevating our positional advantage. During Industrialization and throughout most of the 20th Century, the U.S. has benefited from a strong K-12 system, a high literacy rate and a high number of residents with some type of postsecondary training, including apprenticeships, certifications and degrees. We have had a wide spectrum of trained workers to fill jobs in just about every industry and across many skill sets. There was a positive feedback loop in terms of livable wages and a rising middle class, which in turn, led to even more educational opportunities. That is all changing.

The U.S. is now facing challenges on several fronts related to workforce and sustainable economic development. First, there are currently workforce shortages in many occupations, and research shows that this will be even more of a problem in the next few years. In the higher educational arena, most of those shortages are in the science, technology, engineering and math (STEM) disciplines. Using the Bureau of Labor Statistics (BLS) definition of STEM, almost 40% of the projected, high-growth jobs will be in STEM fields through 2023.<sup>i</sup> In the middle-skill arena, which often requires some on-the-job training (OJT) or in-classroom postsecondary training, the BLS estimates that about 47% of all new job openings (or 25 million jobs) from 2010 to 2020 will fall into the middle skills range.<sup>ii</sup> For both the high and middle-skill jobs, the U.S. does not have an adequate pipeline of workers and in many occupations, the shortages are already deleterious. These shortages are undermining U.S. competitiveness and often result in companies shifting or maintaining their operations abroad. Second, the decrease of middle-skill jobs is highly correlated with the decrease in the middle class. This compromises not only American’s relatively good quality of life, it also compromises our tax base, which reduces our ability to invest in education, infrastructure, research and other important government-led programs. Third, many U.S. residents decided to leave the workforce during the Great Recession, reducing the civilian participation rate. This has not improved during the recovery, and in fact, it is the one remnants of the recession that continues to deteriorate. The civilian participation rate was 67.2% in early 2001 and it was 62.6% in July of this year. Prior to the recent recession, it was consistently in the 66% range. Just about every major economic indicator has finally rebounded, but not the civilian participation rate. Most experts are attributing a large portion of this to the fact that many workers do not have the necessary skills to fill the current job openings. Fourth, the opportunities for postsecondary education are more limited now than they were in the past due to rapidly increasing costs, particularly for university-level training.

The workforce conundrum is attributable to many factors, a number of which are systemic problems, that cannot be solved with quick remedies. However, addressing these challenges can reap great benefits for individuals, families, communities and the nation at large. Viable solutions could also help remedy the persistent wage stagnation and help close the chasm between high and low-income households. One key step is to better understand the root causes of this conundrum and then perhaps use some proven best practices to help initiate or improve local programs that advance workforce and skills training. In an ensuing manner, this will positively influence economic development as a whole.

### » *A Brief Look at the Past*

During the 20th century, unions played a prominent role in the formation of career ladders, which were tied to apprenticeships and other on-the-job training. Each step in the ladder was often associated with the acquisition of certain skills, which would not only give workers necessary, life-long skills, they would also be tied to pay increases. This was critical for the formation of the middle class and for assuring a career structure for people who could not or did not want to engage in university-level training. At its peak in 1954, almost 30% of all workers in the U.S. were unionized<sup>iii</sup> whereas only 12% of the total U.S. workforce is currently unionized. Likewise, apprenticeships have shrunk by 36% since 1998 alone (Kochan et al.). At the same time, K-12 has moved away from introducing middle-skill training such as carpentry and mechanics while there has been an increasing emphasis on university attendance as the only path to high paying or, at least, livable wages. Manufacturing has concomitantly declined, de-emphasizing many middle-skill pathways, almost validating the need for four-year, higher education. The realization now is that we need both middle and high-skill training, but the challenge is fulfilling these long term needs in the short time span demanded by today’s businesses.

# Introduction

## » *The Role of Higher Education: Community Colleges*

Community colleges can play a pivotal role in addressing these relatively new workforce challenges because of their prevalence; even most small cities have a community college and most medium and large cities have several. The 1,700 community colleges in the U.S.<sup>iv</sup> can play a central role in training technicians, health care professionals and advanced manufacturing workers, to name a few, and equally important is that they are small and often nimble enough to fine-tune existing training programs or to create new ones. Community college tuition rates tend to be more affordable than university-level rates, which also makes them more accessible. In the past year, there has been a push by the Obama administration to make two-year community college attendance completely free. In fact, Tennessee already has tuition free community college, and it appears likely that Oregon will follow suit. Many legislators and education experts know that two-year community college certifications provide clear societal benefits from an employment and economic development perspective, but also directly for the workers in terms of increased earnings and quality of life. Obtaining an associate degree increases earnings by 13% on average for men and an astounding 39% for women (Kochan et al.). Figure 1 provides an example of some current job openings in the U.S. that are in high demand and that offer livable wages. Despite the high demand and good salaries, however, there are relatively few training programs for these occupations. Community colleges are the vehicles by which many of these workforce gaps can be bridged. The challenge is that nationally only 15.5% of community college students complete their programs within three years of initial enrollment and nearly half never receive any degree or certificate at all (Kochan et al.). It is important to note that not all community college enrollees pursue degrees. Likewise, the reporting does not always capture those students who transfer to a four-year institution and obtain a bachelor's degree without having completed the paperwork for their associate degree.

*Obtaining an associate degree increases earnings by **13%** on average for men and **39%** for women, but nearly half of all community college students never receive a degree or certificate.*

Despite the widespread presence of community colleges, they alone do not sufficiently address middle-skill workforce shortages mostly because of the challenges inherent in the student population. There are, however, some model programs across the country that aim to improve community college outcomes, and they hint at what may be needed in order to increase certifications and degree attainment. Programs such as Project Quest, a joint venture between the Aspen Institute and Harvard's J.F.K. School of Government, bring together businesses, churches, community colleges and other organizations to identify job openings, collaborate on curriculum development and offer extensive support services such as financial aid, child care, transportation assistance and tutoring to help keep participants in certification or degree programs. Online education is also actively used to increase accessibility. The program has a very

low dropout rate (10%) and on average, graduates who earn middle-skill jobs earn \$10,000 per year more than non-graduates. There are many other programs with the same goals that show similar promise. It is important to remember, however, that there is not a quick, universal fix given that much of this student population requires extensive support. Yet, the benefits can be tremendous given the wide scale of community colleges, their ability to create or fine-tune shorter-term training programs that meet employer needs, and the bridge that they can provide between low-income and middle-income opportunities.

## » *The Role of Higher Education: Universities*

Although there are more acute worker shortages in the middle-skill domain, there is no question that university-level training plays a critical role in addressing workforce gaps and in propelling our country to the next level of productivity, innovation and competitiveness. These are our higher-wage workers who typically fill the

**FIGURE 1: SAMPLE OF CURRENT U.S. JOB OPENINGS**

<b>Job Title</b>	<b>Number of Job Openings</b>	<b>Median Annual Pay</b>
<i>Computer Support Specialist</i>	607,100	\$46,260
<i>Electrical Technician</i>	151,100	\$56,040
<i>Industrial Engineering Technician</i>	62,500	\$48,210
<i>Cardiovascular Technician</i>	49,400	\$49,410
<i>Respiratory Therapist</i>	112,700	\$54,280
<i>HVAC Installer</i>	267,800	\$42,530
<i>Telecommunications Installer</i>	194,900	\$54,710
<i>Food Science Technician</i>	21,300	\$32,760
<i>Environmental Science Technician</i>	29,600	\$41,380
<i>Semiconductors Processor</i>	21,100	\$33,130

Source: Occupational Outlook Handbook (U.S. Bureau of Labor Statistics, 2010)

# Introduction

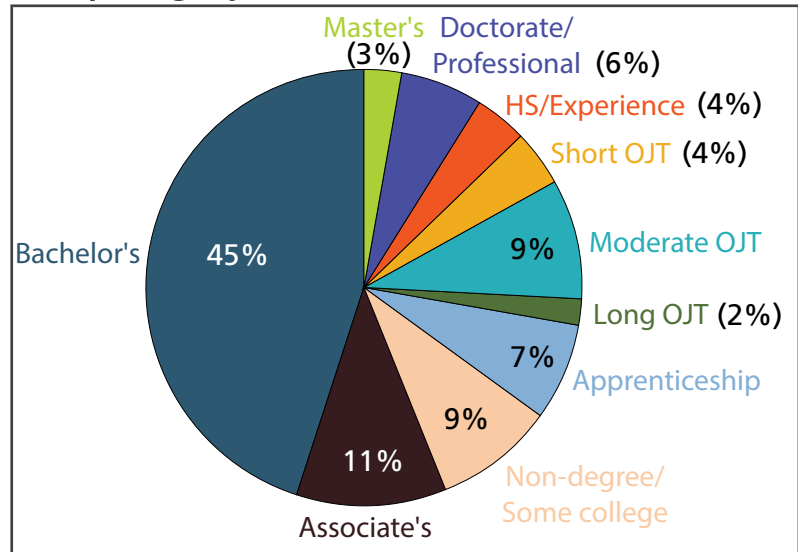
professional occupations such as architects, engineers, lawyers, judges, doctors, teachers, writers (and economists!). The degree of specialization in many of these fields is exponentially higher now than at any other time in human history, and bachelor's, master's and doctoral degrees provide the in-depth and rich training needed to learn and engage in this high degree of specialization. The challenges are that university-level training has become out of reach for many Americans, and the proportion of families who can afford university for their children has shrunk, in part, because the middle class has shrunk. Since 1980, inflation-adjusted tuition and fee charges have increased by 247% at state flagship universities, by 230% at state universities and colleges, and by 164% at community colleges.

Since 1980, inflation-adjusted tuition and fee charges have increased **230%** at state universities and colleges and by **164%** at community colleges. Concomitantly, since 1971, Colorado has reduced its support for higher education by **77%**.

Unfortunately, many (although not all) public universities are enrolling a shrinking share of students from lower-income families or are more aggressively recruiting non-resident students, for whom tuition charges are typically three times what state residents pay. This is not a reflection on public universities; it is more a statement on what has had to be done in many cases because of the shrinking state appropriations. Colorado public universities have had to be particularly innovative: Colorado has reduced its support for higher education by 77%, from a peak of \$13.85 per \$1,000 in state personal income in 1971 to \$3.22 in 2011. At this rate, State of Colorado appropriations will reach zero in 2022, just six years from now.<sup>v</sup> Yet, nationwide 36% of jobs will demand a bachelor's degree or higher by 2020 (or 45% of jobs in Colorado) as can be seen in Figure 2.<sup>vi</sup> All of this is hitting higher education precisely at a time when we need more educated workers in order to stay competitive in the global arena.

Another challenge for higher education is that technology is changing so quickly in so many fields that universities often struggle to create new curricula and programs at the necessary pace. In some cases, universities are at the cutting edge of new thought and technologies precisely because their faculty are entrenched in research and development. In other cases, there are high-need certifications for new technologies such as certain computer languages, where community colleges or private businesses are better suited to create and offer this training. However, the more extensive training implicit in professional jobs has and will continue to be only available through universities. Although not all STEM jobs require four-year training, most do. The challenge here is that as previously mentioned, approximately 40% of jobs in the state of Colorado will be STEM jobs in just the next few years (by 2023), but only 15% of college attendees are pursuing the STEM majors. At the same time, only 27% of college graduates are hired for a job related to their majors.<sup>vii</sup> Clearly, there is a disconnect, and it is hurting our graduates as well as our broader economy.

**Figure 2: Colorado Educational Requirements for Top Job Openings by 2023**



Source: Colorado's Office of Labor Market Information Ten Year Projections

There are almost 3,000 four-year, postsecondary institutions in the U.S. and our higher education system is internationally acclaimed. The infrastructure and systems are in place for higher learning, and it is indeed a comparative advantage for our country. However, the workforce and skills gap brings to light that higher education is at a crossroad. The gap highlights that it is in a funding crisis and that our rapidly changing industries require adjustments in how we educate our children especially with respect to the STEM disciplines. This is true from the elementary years on. Examining higher education demonstrates that once again, the U.S. has tremendous existing assets, which can be further leveraged to help address the workforce and skills gap. Doing so can further

About **40%** of jobs in Colorado will be in STEM disciplines by 2023, but only **15%** of college attendees are pursuing the STEM majors. At the same time, only **27%** of college graduates are hired for a job related to their majors.

# Introduction

elevate our postsecondary educational system to meet today's needs for industry, individuals, and communities, but this will require a paradigm shift with long-term commitment to funding as well as industry alignment.

## » *The Role of Private Industry*

Although apprenticeships, internships and other on-the-job training has been in place for decades, there is a new and somewhat different emphasis in the role of private industry in closing the workforce and skills gap. Industry's role today is not only a reflection on some of the aforementioned and relatively recent challenges for community colleges and four-year institutions, it is also a reflection on how skills have become so specialized and how quickly they can change. Businesses have responded to this in some cases by instilling their own training programs in-house or in conjunction with industry associations or higher education institutions. Galvanize in Denver is a prime example of a campus where various software development, computer language, data management and marketing boot camps (to name a few) are offered. Programs are typically three to six months in duration with high graduation and placement rates in addition to significant increases in average salaries. A positive externality is that the network implicit in these programs enhances not only job placement, but also entrepreneurship and innovation. Campuses such as Galvanize create the density necessary to reap the economies of scale that make the training financially feasible. Likewise, these industry-led campuses create the density that attracts talent and seeds innovative thought. Programs such as Galvanize are proving to be an innovative and important piece of the puzzle that can help ameliorate the shorter-term, critical needs of today's businesses.

## » *Colorado Workforce Challenges and Assets*

Colorado stands out in terms of its many assets, and the health of our economy is no exception. Colorado has been in the top five in the state economic activity index since 2012.<sup>viii</sup> We outperform the nation in terms of job growth, retail sales, entrepreneurial activity and an educated workforce. According to the U.S. Census Bureau, 68% of Coloradans have some college experience or a postsecondary credential while almost 40% have at least a bachelor's degree. On this metric, we are number two in the nation only behind Massachusetts. In terms of two-year degrees, nearly 48% of Coloradans hold at least an associate degree. State leadership has been active in elevating us to this level and also in addressing how to maintain and even increase postsecondary training. The Colorado Workforce Development Council researches and helps coordinate programs that address today's workforce challenges.

*74% of all jobs in the state will demand some level of postsecondary education or training by 2020, putting Colorado 3rd in the U.S. in terms of anticipated postsecondary training needs.*

The work of this Council stems from the Colorado Blueprint commissioned by Governor Hickenlooper, which identified training the workforce of tomorrow as one of the seven state priority areas. State legislators know that 74% of all jobs in the state will demand some level of postsecondary education or training by 2020, while nationwide this metric is at 65%.<sup>ix</sup> This puts Colorado in third place in terms of our anticipated postsecondary training needs.

Thus far, Colorado is doing relatively well with respect to education and training. In 2013, public institutions in Colorado awarded almost 53,000 certificates and degrees, a 6% increase from the prior year. This increasing trend has held for the past five years. If public and private higher education institutions continue on their positive trajectory, Colorado will meet its target for awarded degrees as defined by the Colorado Commission on Higher Education. The Colorado legislature and industries are paying attention to workforce needs, evaluating trends and instilling some innovative programs.

The State also knows its challenges. One of the major issues that state workforce and education officials are facing within our state is the high proportion of residents who are not born in-state. Seventy percent of Colorado residents were not born in Colorado compared to the United States where the average share of adults not born in the state in which they reside is 50%.<sup>x</sup> The Hispanic population is the fastest growing segment of Colorado's population, and due to differences in socio-economic status, the non-white segment of the U.S. population tends to be much less educated than the white segment (except for the Asian-American community). By 2040, the non-white share of Colorado's primary working adult population (ages 25 to 64) is projected

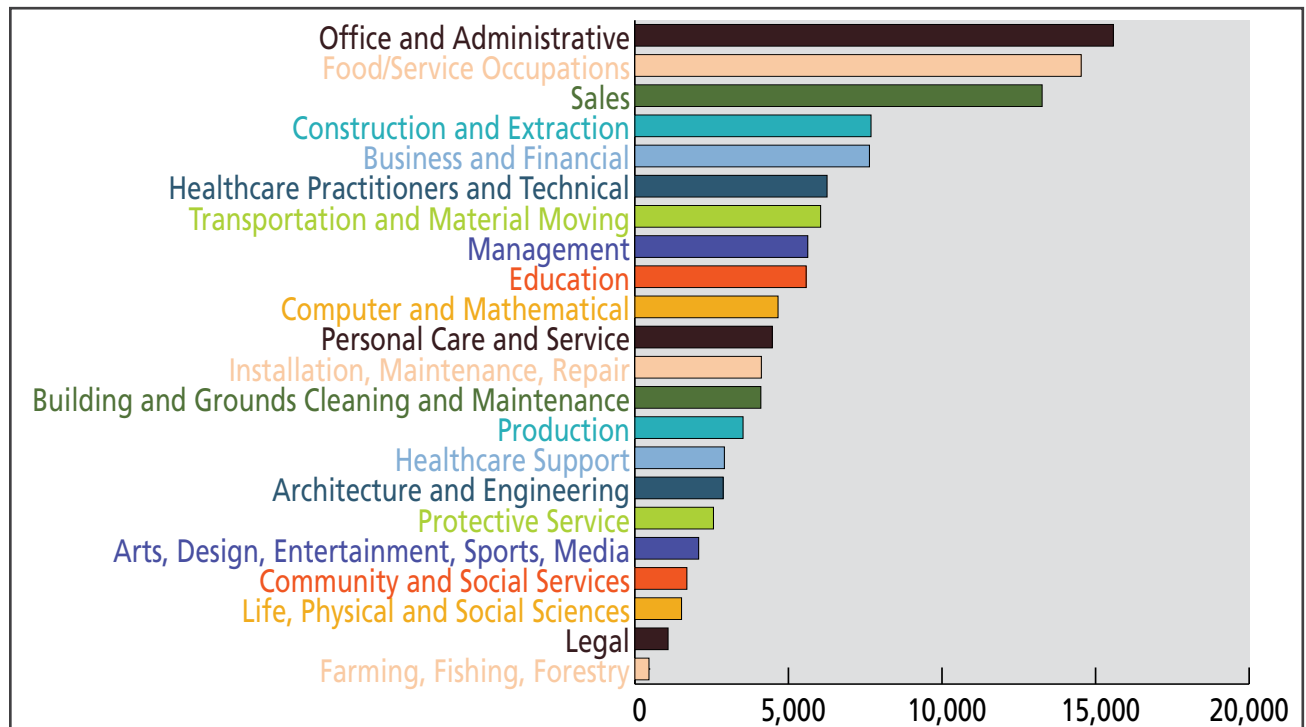
*Today, the non-white share of Colorado's working population is approximately 26%. By 2040, it will be 43%, many of which are Hispanics. Hispanics have a lower percentage of college degree attainment (19%) than non-Hispanic whites (52%).*

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to be 43% (in 2010 it was 26%). Looking specifically at Hispanics, within our state we see that only 19% of Hispanic adults have college degrees whereas 52% of non-Hispanic whites have a college degree.<sup>xi</sup> There is a bit of a paradox in that the state is experiencing fantastic economic growth across many sectors and many of those sectors require professional training. Yet, this economic growth creates greater need for a skilled workforce at the same time that a greater share of Coloradans are not entering postsecondary training (primarily the Hispanic population). It is true, however, that Colorado has a high percentage of out-of-state migrants who are highly educated. Nonetheless, the demographic shift within the state will be a challenge given that the in-migration alone will not be sufficient for the high workforce demands implicit in the state's economic growth.

Knowing these challenges and opportunities, the state has been proactive in many ways. The state has looked at growth rates for particular occupations; Figure 3 shows the ten-year Labor Market Information (LMI) projections. Significant openings are in office and administrative occupations, food service, construction/extraction, business and finance, health care, and transportation and logistics. It is projected that there will be approximately 118,000 openings per year due to the replacement of workers and economic growth (Colorado Department of Higher Education). The State recognizes that these workforce issues take many years to address and that a high level of inter-agency collaboration is necessary in order to truly affect change. For this reason, the Colorado Workforce Development Council (CWDC) works closely with the Departments of Higher Education, (K-12) Education, and Labor and Employment, as well as the Offices of Economic Development and International Trade, the Office of State Planning and Budgeting, and the State Demography Office. The CWDC has taken the lead in forming career pathways and sector partnerships that help educate students, build and market career ladders, and enhance industry and higher education collaborations for curriculum development, skills training and placement. The degree of attention that is needed to address the necessary shifts in training certainly calls for this level of collaboration and coordination. The sustainability of Colorado's current, stellar economic performance will be contingent upon the ability of these agencies to adjust and elevate our educational systems as well as address the needs of our rapidly changing demographic landscape.

**Figure 3: 2013 to 2023 Projected Average Annual Openings by Occupation Cluster**



Source: Colorado's Office of Labor Market Information

## » The Colorado Springs Local Workforce and Educational Landscape

Looking at Colorado Springs, we see that we have an advantage in terms of a relatively well-educated workforce. Figure 4 shows that 37.1% of Colorado Springs residents ages 25 and older have a bachelor's degree or higher, which is

# Introduction

**FIGURE 4: LOCAL, STATE AND NATIONAL EDUCATIONAL ATTAINMENT, 2013**

<b>Population with Bachelor's Degree or Higher</b>			
	<b>Colorado Springs (city)</b>	<b>Colorado</b>	<b>United States</b>
<b>Ages 18-24</b>	8.9%	10.9%	9.7%
<b>Ages 25+</b>	37.1%	37.8%	29.6%
<b>Population with Some College or an Associate Degree</b>			
	<b>Colorado Springs (city)</b>	<b>Colorado</b>	<b>United States</b>
<b>Ages 18-24</b>	48.5%	47.7%	46.0%
<b>Ages 25+</b>	36.8%	31.1%	29.2%

Source: U.S. Census Bureau, American Community Survey

slightly less than the state (37.8%), but significantly more than the U.S. (29.6%). Equally impressive is the percentage of our city's population ages 25 and older that has some college or an associate degree (36.8%), which is markedly higher than the state (31.1%) and the U.S. (29.2%). Some of this is likely attributable to the presence of the military, particularly active and retired officers, as well as the higher than average retiree population. The rapid growth of the University of Colorado Colorado Springs (UCCS) is undoubtedly contributing to this favorable higher education attainment level as well as the presence of other, strong higher education institutions such as Colorado College, the U.S. Air Force Academy, and others.<sup>xii</sup> UCCS is somewhat of an anomaly in that it has a very high proportion of first-generation graduates (28%). This is a population we want to target for postsecondary education in light of the inaccessibility of university-level training, particularly for minorities and lower-income populations. Given all of the aforementioned shortages

in critical occupations, the high, postsecondary educational attainment in Colorado Springs stands out as a notable asset that can distinguish our community as a city that is well positioned for growth particularly in the middle and high-skill occupations. With the low supply of qualified workers across the nation, cities that have this advantage are well poised for longer-term, sustainable economic growth. These cities can build upon what they are doing right and instill additional, collaborative linkages such that they can continue to grow their pipeline of workers. For our region, it will also be about retaining the educated workers via local job opportunities. Our advantage is that we have a stronger-than-average educational system already in place alongside a pool of existing, highly educated workers. Not all communities can tout this, and this advantage can be a fundamental part of our longer-term prospects in terms of sustainable, economic development.

## » Best Practices

It is clear that as a nation we have many assets and challenges in terms of workforce and training. Taking a brief look at some best practices can provide ideas for communities that are looking to be proactive in addressing current and future workforce shortages. Below are some examples of tactics that have been successful in other communities:

- 1) Studies have shown that great benefits can ensue when multiple employers in a region or industry sector cooperate with one another and with educational institutions to design and fund workforce initiatives and to train and hire graduates (Kochan, et al.).
- 2) Integration of classroom education with actual or simulated work settings enhances learning and retention. This approach has been proven to be the way adults learn best, and internships are a good application of this practice.
- 3) Training that focuses on career pathways, not just skills for the initial job, also contributes to success for students and employers.
- 4) In some cases, better organization of existing work can help alleviate shortages. For instance, some of nursing's high turnover rate is due to the wide span of responsibilities nurses often have, which could be better distributed to nursing aids or medical assistants. Calling for nurses to "do everything" has led to some dissatisfaction in the field, and some health provider organizations have found that redistributing the work has improved retention.
- 5) Targeting underserved populations such as minorities, veterans, youth, long-term unemployed, and ex-offenders can release an untapped resource. These populations often need more comprehensive support services, but engaging them in the employed population can go a long way in reducing transfer payments such as unemployment insurance and welfare while increasing the civilian participation rate, the tax base, and reducing the gap between the low and high income populations. Once at-risk populations obtain higher incomes, differentials in educational attainment are greatly reduced or disappear altogether.

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6) For Hispanics, particularly Hispanic women, an emphasis on entrepreneurship may help provide workforce and employment opportunities. The number of businesses owned by Hispanic women rose by 87% (to 1.48 million) between 2007 and 2012 and by 68% (to 1.53 million) for African-American women.<sup>xiii</sup> Skills training related to starting a new business could yield meaningful results, especially for Colorado.

7) Employers can be proactive in their communication with the K-12 and higher education entities to convey what their needs are. They can also participate in presentations to schools, colleges and universities where they speak directly to students about career options, opportunities and pathways.

8) Many communities have boosted or created re-entry programs for the mature student (e.g. a bookkeeper who wishes to pursue an accounting degree at a four-year institution) in order to address workforce shortages and the low civilian participation rate.

## » Conclusion

Innovative initiatives are underway across the country to close the skills gap and build effective pipelines many of which are enumerated above. But even for relatively well-educated communities with strong postsecondary education institutions such as our own, there will be a need to constantly monitor the shifting industry needs and to juxtapose those needs to the curricula available across the middle and high-skill programs. The successful cities and nations of tomorrow will view this as an opportunity, not a liability. Doing so will directly improve our global competitiveness, increase the number of employed individuals, increase our tax base, and significantly increase the standard of living of many Americans. Indirectly, more opportunities for meaningful work at a livable wage will decrease transfer payments like unemployment, welfare and Medicaid, as well as decrease incarceration rates. Our city, in particular, can leverage our existing workforce and training assets creating a premier business climate that provides ample opportunities for our city residents. Our region is well poised on many fronts to be a workforce leader within our state and within our nation.

*Tatiana Bailey wishes to thank Stella Brock, Rebecca Wilder, Bailey Glassford, Dagmar Brady, and Ian Glassford for providing edits and other valuable input.*

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<sup>i</sup> According to the Brookings Institute definition, approximately 55% of projected jobs will be in the STEM disciplines.

<sup>ii</sup> Kochan, Thomas A., Finegold, David, Osterman, Paul. "Who Can Fill the 'Middle Skills' Gap?" Harvard Business Review, December 2012.

<sup>iii</sup> Mayer, Gerald. "Union Membership Trends in the United States." Congressional Research Service, 2004.

<sup>iv</sup> U.S. Department of Education, National Center for Education Statistics. (2015). Digest of Education Statistics, 2013.

<sup>v</sup> Mortensen, Thomas. "State Funding, A Race to the Bottom." American Council on Education, Winter 2012.

<sup>vi</sup> Carnevale, A.P., Smith, N. and Strohl, J. "Recovery: Job Growth and Education Requirements through 2020." Center on Education and Workforce, Georgetown University. 2013

<sup>vii</sup> Abel, Jaison R. and Deitz, Richard. "Do Big Cities Help College Graduates Find Better Jobs?" Federal Reserve Bank of New York. May 20, 2013.

<sup>viii</sup> Federal Reserve Bank of Philadelphia.

<sup>ix</sup> Joe Garcia, Executive Director of the Colorado Department of Higher Education.

<sup>x</sup> U.S. Census Bureau, 2013

<sup>xi</sup> "Legislative Report on the Skills for Jobs Act." Colorado Department of Higher Education. January 2015.

<sup>xii</sup> Colorado Technical University, Pikes Peak Community College, United States Air Force Academy

<sup>xiii</sup> Simon, Ruth. "Women Makes Strides in Business Ownership." The Wall Street Journal. August 20, 2015.

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## » Acknowledgements

A special thank you goes to our valuable sponsors who provide generous financial support and guidance in producing the Southern Colorado Economic Forum. Many thanks again to all of our partners.

A special thanks to all of our partners who helped organize this year's Forum and helped to put together our program. We want to also thank our keynote speaker, our panel moderator and all of the panelists.

Finally, to all of the Forum partners, attendees and other supporters, we wish you continued success in the coming year.

The Forum welcomed Rebecca Wilder as a full-time employee in June. Her hard work and acumen with economic analyses has made her a valuable asset to UCCS and the Forum. Please welcome her as an important member of our community.



## WE WOULD LIKE TO ACKNOWLEDGE OUR 2015 - 2016 SOUTHERN COLORADO ECONOMIC FORUM SPONSORS

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Vistage

# Community Updates



Colorado Springs Forward (CSF) works to unite the community under one common vision. CSF has been helping to foster a well-functioning, efficient and effective mayoral and City Council form of government. At present and moving forward, CSF is assisting with the assurance that public investments, including infrastructure, are adequate to meet community needs.



**Lynette Crow-Iverson**  
Colorado Springs Forward



The Regional Business Alliance (RBA) serves as the city's Chamber of Commerce enabling economic growth in the region. The RBA supports current and future businesses by improving the business climate, and assisting with workforce development and infrastructure. They work with other partners to create jobs and so far this year, the city has created 2,300 new jobs.



**Dirk Draper**  
Regional Business Alliance



Downtown Partnership is engaged in a series of projects with more than a third of a billion dollars invested in improvements for our urban lifestyle. These initiatives include the Cimarron/I-25 interchange, the US Olympic Museum, Catalyst Campus, the Legacy Loop, cycling and pedestrian connectivity and the addition of residential units - all to be completed by 2018.



**Susan Edmondson**  
Downtown Partnership



The County Commissioner's Office uses economic development tools such as the private activity bonds for the expansion of nonprofits including the Cheyenne Mountain Zoo and Colorado College totaling \$165 million and \$19.5 million for Copper Creek. The Enterprise Zone program provides state income tax credits to businesses. The Turnkey housing program has provided first-time buyers with almost \$245 million in loans.



**Amy Lathan**  
County Commissioner



The Convention & Visitors Bureau assists with more than \$700 million in regional, tourism projects that are either planned or completed. This includes the exciting Olympic Museum. Tourism is our region's third largest industry, and 2015 was a particularly strong year. The increased tax revenues enable us to further invest in marketing and branding our region as America's Olympic City.



**Doug Price**  
Convention & Visitors Bureau



Mayor Suthers's office has three principal goals. He is currently focusing upon the city's deteriorating infrastructure and has a ballot initiative for November of this year. Other priorities include fostering a highly collaborative relationship between his office and City Council. Mayor Suthers is also looking to create a business environment that is conducive to job growth and economic vitality.



**John Suthers**  
Colorado Springs Mayor



UCCS focuses upon providing an educated workforce, conducting translational research and development, and assisting in building a robust local economy. The UCCS current annual economic impact is \$450 million, and it is the tipping point of vibrant future developments that will have significant impact in our region. This year marks the 50th anniversary of this expanding educational institution.



**Martin Wood**  
UCCS



## BIG PICTURE INDICATORS

ACTUAL, ESTIMATED AND FORECAST PERCENT CHANGE IN KEY ECONOMIC INDICATORS: U.S., COLORADO AND EL PASO COUNTY										
		United States			Colorado			El Paso County		
		2014	2015*	2016*	2014	2015*	2016*	2014	2015*	2016*
		Actual	Estimate	Forecast	Actual	Estimate	Forecast	Actual	Estimate	Forecast
1	Population	0.7	0.8	0.8	1.6	1.7	1.7	1.5	1.4	1.5
2	Unemployment Rate (NSA)	6.2	5.4	5.1	5.0	4.3	4.3	6.0	5.1	5.0
3	GDP/GSP/GMP <sup>1</sup>	2.4	2.2	2.6	4.7	2.9	3.2	2.1*	2.4	2.2
4	Non-Agricultural Employment	1.9	2.0	2.0	3.5	2.9	3.0	2.2	2.6	2.7
5	Total Wages & Salaries	4.5	5.6	5.8	6.3	5.5	6.1	4.6	4.9	5.1
6	Consumer Price Index (CPI)	1.6	0.2	2.0	2.8	2.2	2.7	n/a	n/a	n/a
7	Personal Income	4.0	4.6	5.0	5.6	5.1	5.9	3.8*	4.2	4.6
8	Per Capita Personal Income	3.0	3.9	4.1	3.9	3.5	4.1	2.0*	1.7	2.1
9	Retail Trade	4.0	2.8	4.9	7.0	4.8	5.7	4.0	5.0	5.5
10	Single Family Housing Permits <sup>2</sup>	3.1	17.6	18.1	7.0	7.9	16.1	-8.4	0.6	7.7
11	Non-Residential Construction <sup>3</sup>	7.1	8.9	8.2	18.9	1.0	6.1	-57.7	97.4	2.0

Sources: Colorado Office of Budgeting and Planning, June 2015 Revenue Forecast; Federal Reserve Bank of Philadelphia; Federal Reserve Bank of St. Louis; Bureau of Economic Analysis; U.S. Census Bureau; The American Institute of Architects; UCCS Southern Colorado Economic Forum

<sup>1</sup> GMP is for the Colorado Springs MSA and not El Paso County.

<sup>2</sup> Includes single family detached and townhome units.

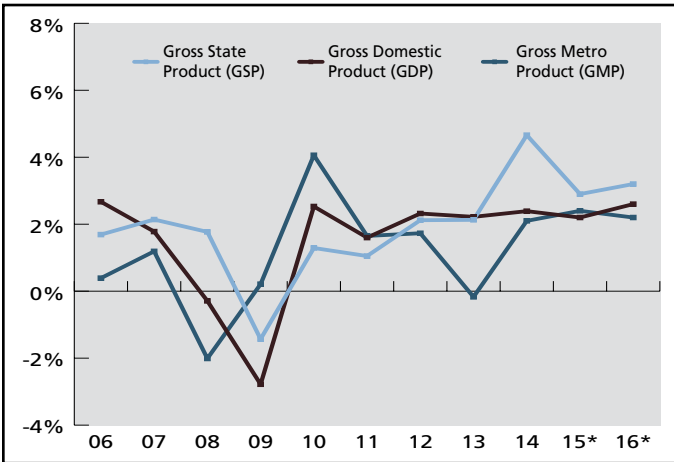
<sup>3</sup> Large fluctuations in the El Paso County non-residential construction are due to one significant construction project in 2013, which skewed the number of permits upwards. This makes it appear as though there was a large decrease in 2014 when, in fact, the large project (Southern Delivery System for Colorado Springs Utilities) was an anomaly.

\*Estimate/projection



## BIG PICTURE INDICATORS

### Growth in Real Gross Domestic Product (GDP), Gross State Product (GSP) and Gross Metropolitan Product (GMP)



### WHY ARE THESE IMPORTANT?

Gross domestic product (GDP) is one of the primary indicators used to gauge the health of the nation's economy. GDP is the monetary value of all finished goods and services produced within a country's border in a specific time period, usually a year. The Bureau of Economic Analysis also measures gross state product (GSP) and gross metropolitan product (GMP) which are state and local equivalent measures of GDP.

Interest rates are the cost of financing and the reward on investments. Low interest rates encourage borrowing and discourage investment. A notable exception to this is a low interest rate that encourages the investment of buying a home.

### HOW ARE WE DOING?

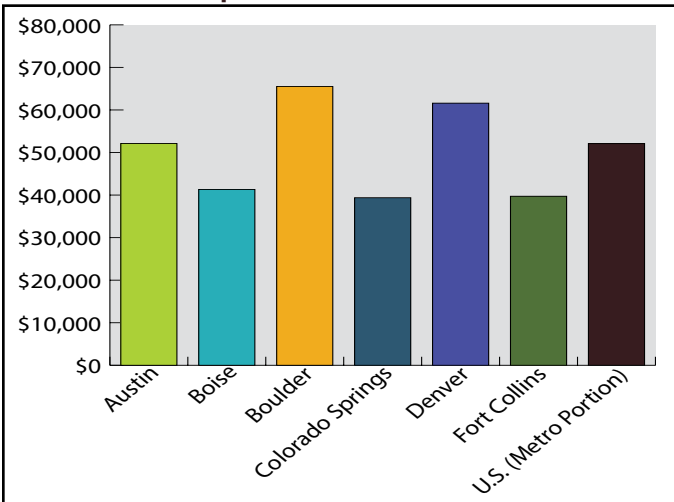
Based on the real GDP series from the Federal Reserve Bank of St. Louis, growth in real GDP was 2.4 percent in 2014 versus a 2.2 percent increase in 2013. The latest GDP estimates indicate the economy will grow 2.2 percent in 2015. Preliminary projections for 2016 suggest real GDP will grow by 2.6 percent.

Colorado's real GSP grew by 4.7 percent in 2014. The Forum expects GSP to grow by 2.9 percent in 2015 and 3.2 percent in 2016. The projected slower rate of growth is due to lower oil and gas production alongside lower corresponding prices.

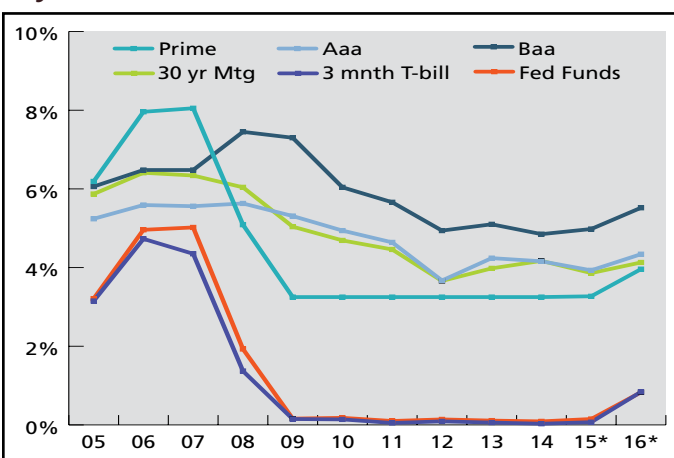
The GMP for Colorado Springs MSA in 2014 is estimated to be about 2.1 percent (final numbers have not been released). It is expected to increase by 2.4 percent in 2015 and 2.2 percent in 2016. One of the major goals for economic development in the Southern Colorado region is to attain GMP growth rates more comparable with the rest of the state. The second graph also shows GMP per capita for other MSAs. Colorado Springs is comparable to Boise and Fort Collins, but significantly less than Austin, Boulder, Denver and the U.S. average.

The prime interest rate continued to be at historical lows during 2014. This rate, which is the interest rate used by banks, has stayed at 3.25 percent since 2009, and has been kept low to help stimulate the economy. Low interest rates make it easier for consumers to borrow money to make purchases. Similarly, the federal funds rate, the rate the Federal Reserve charges banks for overnight loans, has been close to zero since 2009. This rate has been kept low to encourage private banks to lend money (also with the end goal of stimulating the economy). With the recent improvements in GDP and unemployment, it is likely that the Fed will increase rates sometime this year. This may have an impact on housing since there may be a push for individuals to finance a new home before interest rates increase. By the end of 2016, Wells Fargo projects that the prime rate will increase to 3.96 percent and the Fed Funds rate will increase to 0.83 percent.

### MSA GMP Per Capita



### Key Interest Rates

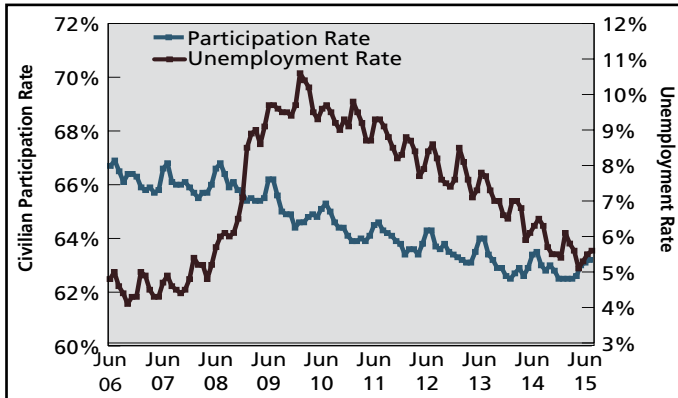


\* Colorado Office of State Planning and Budgeting and UCCS Southern Colorado Economic Forum forecasts. Key Interest Rates were Wells Fargo forecasts. GMP and per capita income forecasts for El Paso County in 2014 were estimated by the UCCS Southern Colorado Economic Forum. Sources: Bureau of Economic Analysis, Colorado Economic Perspective; Office of State Planning and Budgeting; Federal Reserve Bank of St. Louis

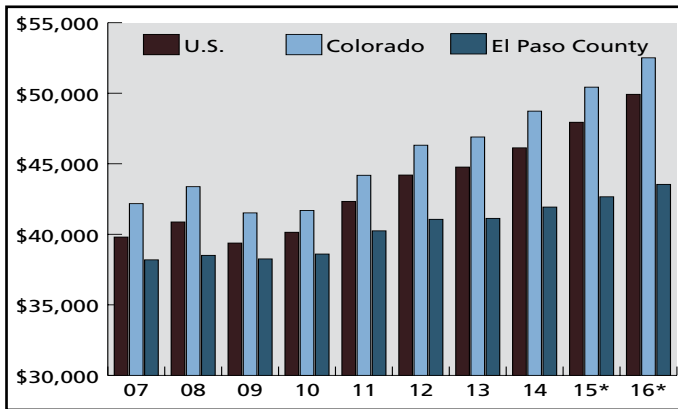


## BIG PICTURE INDICATORS

### U.S. Civilian Participation & Unemployment Rates (NSA)



### Per Capita Personal Income



\* Office of State Planning and Budgeting and UCCS Southern Colorado Economic Forum forecast

Sources: Bureau of Economic Analysis; U.S. Bureau of Labor Statistics

### WHY IS THIS IMPORTANT?

Approximately two-thirds of the American economy is driven by consumer spending. Consumer sentiment is highly correlated to how much individuals are willing to spend. Hence, an understanding of consumer confidence in the economy and expected spending patterns over the next twelve months are essential to effective planning for most businesses. Consumer sentiment measures confidence using 1996-97 as the base year (1996-97=100). The personal savings rate measures the percent of income put into savings, and it is inversely correlated with consumer sentiment. Higher savings rates often indicate that individuals are not as confident about spending any extra money they have, but those saved dollars do create consumption capacity for the future.

### HOW ARE WE DOING?

As would be expected, consumer sentiment and confidence had a precipitous fall in the time leading up to and during the recession, hitting a bottom value of 63.75 in 2008. After this low point, national sentiment slowly recovered, although not as quickly as it has in other "recovery" periods. As of August 2015, however, consumer sentiment was at 91.9, which puts us at pre-recessionary levels.

After the lengthy recessionary period, there was pent up demand for cars, homes, durable goods, and general retail. This boosted consumption levels (as individuals started to feel more confident about the economy), and that brought down the savings rate to a low of 4.87 percent for 2013 and 2014. Given the more favorable, national economic indicators, it is likely that this general trend of higher consumer sentiment and lower

### WHY ARE THESE IMPORTANT?

The civilian participation rate is important to track because it indicates what percentage of the working population considers themselves as active members of the workforce. A higher civilian participation rate is good because it increases U.S. productivity, GDP and the tax base while reducing transfer payments such as unemployment and welfare.

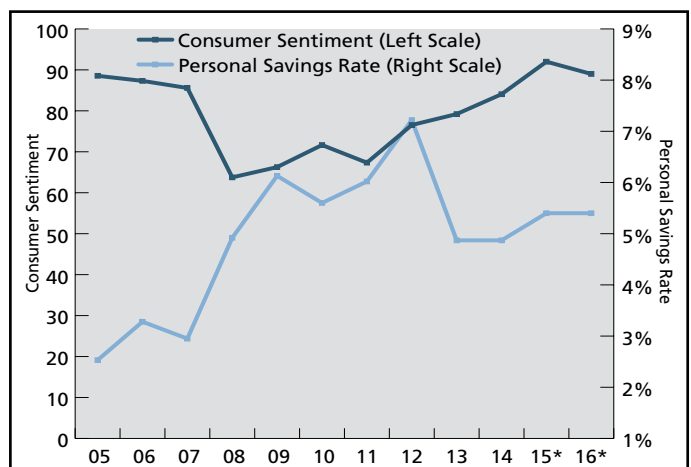
Per capita personal income is measured by taking the total income in a region or country and dividing by the total population. Amounts are calculated before taxes and are not adjusted for inflation. Per capita personal income reflects individual wealth creation.

### HOW ARE WE DOING?

Although the U.S. is finally recovering nicely from the Great Recession, one persistent, troubling trend is the continued decrease in the civilian participation rate. Prior to the recession, approximately 67 percent of the possible working population chose to be part of the active labor force. During the recession, this rate fell, which is characteristic of recessionary periods as more workers become disgruntled. However, the rate has continued to fall and as of July 2015, the civilian participation rate was 63.2 percent. Some of this is likely attributable to the aging of the U.S. population, but some of it is also due to a mismatch between skills available in the workforce and skills needed by employers (see "Workforce & the Skills Gap" in this publication on page 8).

Estimated local per capita personal income grew 2.0 percent to \$41,930 in 2014. By comparison, the U.S. personal income grew by 3.0 and Colorado's personal income grew by 3.9 percent. The Forum projects local per capita personal income to experience 1.7 percent growth in 2015 (to \$42,660) and 2.1 percent growth (to \$43,538) in 2016. Projected gains for the U.S. are 3.9 percent (2015) and 4.1 percent (2016). For Colorado, projected gains are 3.5 percent (2015) and 4.1 percent (2016).

### Consumer Sentiment and Personal Savings Rate Baseline index =100 (1996-97)



\* UCCS Southern Colorado Economic Forum forecast

Sources: University of Michigan (Tatiana Bailey's alma mater); Federal Reserve Bank of St. Louis

savings rates will continue into the remainder of 2015 and into 2016 as seen in the graph. The Forum projects consumer sentiment for 2015 will be approximately 92.0, and for 2016, it will be 89.0. For both years, the personal savings rate will likely be 5.4 percent.



## BIG PICTURE INDICATORS

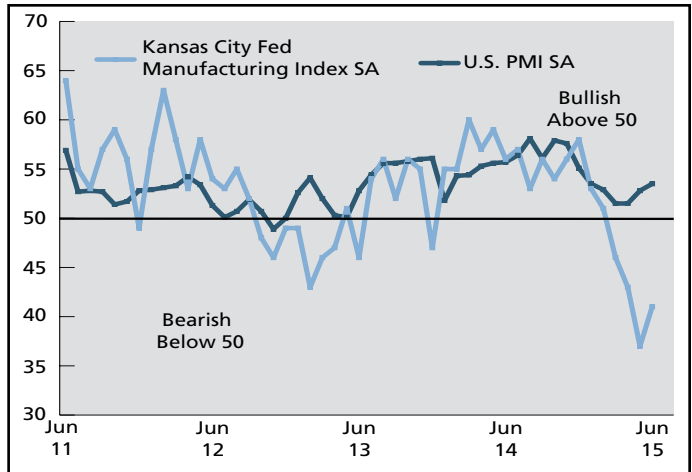
### WHY IS THIS IMPORTANT?

The manufacturing index, also called the purchasing managers index (PMI), is a leading economic indicator measuring the relative health of the manufacturing sector. The manufacturing index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. A manufacturing index of more than 50 represents expansion of the manufacturing sector, compared to the previous month. A reading under 50 represents a contraction, while a reading at 50 indicates no change.

### HOW ARE WE DOING?

The Kansas City Federal Reserve region and the U.S. as a whole experienced declines in the PMI beginning in the spring of 2011. However, since early 2013, the manufacturing sector is generally improving month-to-month for both the Kansas City Federal Reserve states and the U.S. as a whole. As of June 2015, however, the PMI for the seven states that comprise the Kansas City Federal Reserve region was 41.0 and for the nation it was 53.5. As stated above, any value for the index above 50 means the manufacturing sector expanded compared to the previous month; or in other terms, the index is “bullish” at values above 50. It is likely that the recent fall in the Kansas City Federal Reserve region is due to the relatively strong dollar, which hurts the manufacturing sector. It is also possible that recent contractions in China’s economy may further impact demand for U.S. exports (and therefore, our manufacturing sector).

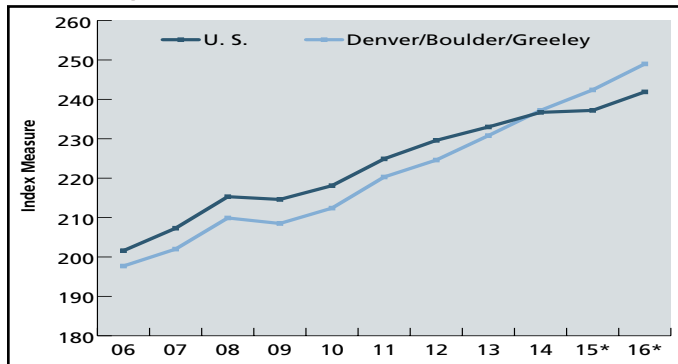
### Manufacturing Index



Sources: Institute of Supply Management; Federal Reserve Bank of Kansas City

June 2015	
<b>Kansas City Fed Manufacturing Index SA</b>	<b>U.S. PMI SA</b>
41.0	53.5

### The Denver/Boulder/Greeley and U.S. Consumer Price Indices (CPI) for all Urban Consumers (1982-1984=100)



### WHY IS THIS IMPORTANT?

The consumer price index (CPI) measures the average price change (inflation) for a basket of goods and services selected by the U.S. Department of Labor, Bureau of Labor Statistics. The CPI measures the period-to-period loss of purchasing power of a dollar caused by rising prices. The CPI is often used to compute real wages, income and wealth to determine whether consumer purchasing power and household wealth are increasing, decreasing, or remaining constant in “real” terms.

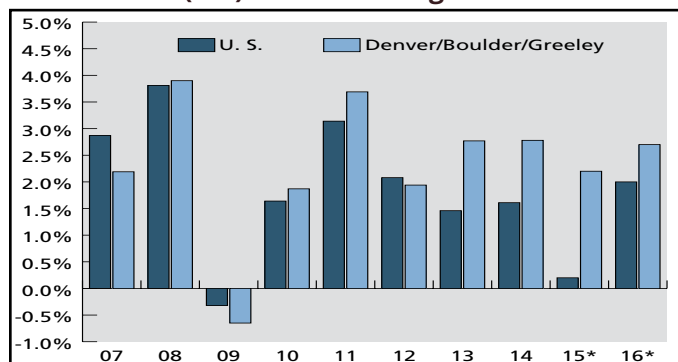
The Fed prefers a CPI increase of around 2 percent. Although lower prices are desirable, prices that rise too slowly or even fall can have negative effects on the economy if consumers and businesses delay their consumption and investment (thinking prices will fall further) and by making loans more expensive to service (banks receive fewer dollars on fixed rate loans when low inflation expectations are built into loans they make today).

### HOW ARE WE DOING?

The Denver/Boulder/Greeley CPI rose 2.8 percent in 2014 after increasing 2.8 percent in 2013. The Colorado Office of State Planning and Budgeting expects inflation will be 2.2 percent in 2015 and 2.7 percent in 2016 for the Denver/Boulder/Greeley CPI.

The U.S. urban CPI rose 1.6 percent in 2014 after increasing 1.5 percent in 2013. The Federal Reserve Bank of Philadelphia expects inflation will be 0.1 percent in 2015 and 2.1 percent in 2016 in the U.S. The Forum projects a CPI increase of 0.2 for 2015 and 2.0 for 2016 combining the estimates from the Federal Reserve Bank of Philadelphia and the Colorado Office of State Planning and Budgeting.

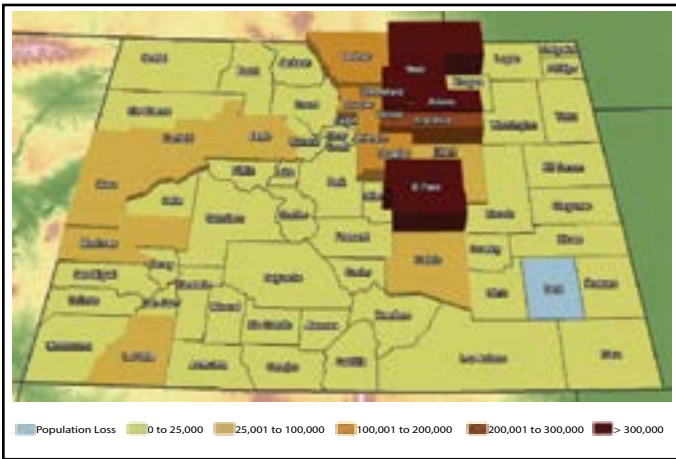
### The Denver/Boulder/Greeley and U.S. Consumer Price Indices (CPI) Percent Change



\* Colorado Office of State Planning and Budgeting and UCCS Southern Colorado Economic Forum forecast  
Sources: U.S. Department of Labor, Bureau of Labor Statistics

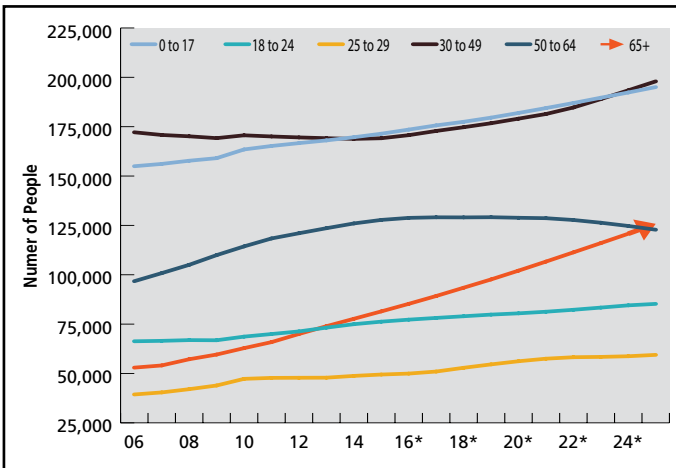
# DEMOGRAPHIC INDICATORS

## Projected Population Change: 2010 to 2040

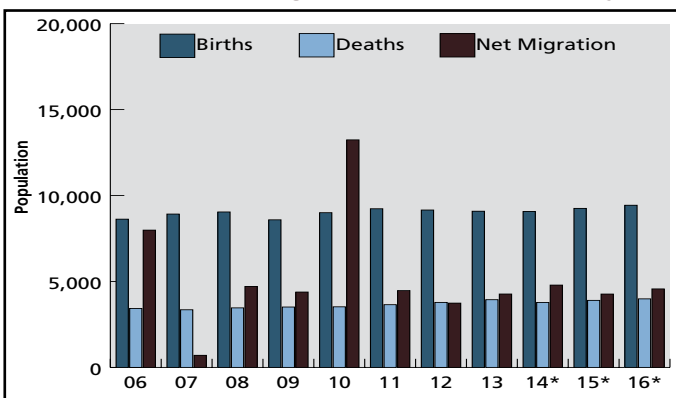


Source: Colorado State Demography Office

## El Paso County Annual Population Projections by Age Group



## Births, Deaths and Migration in El Paso County



\* Colorado Department of Local Affairs estimates  
 Sources: Colorado Department of Local Affairs, State Demography Office

### WHY ARE THESE IMPORTANT?

Population growth is important because it influences the labor market and the health of the economy in general. Understanding population trends helps government officials, businesses and others plan for the future. Population estimates are used for planning and evaluation, state revenue sharing, and distribution of funds by public and private agencies.

Population changes come from natural increase (births minus deaths) and from net in-migration (or out-migration). The sum of these components is the change in population. Identifying trends in these indicators helps project future changes in the county's population, the workforce, and the proportion of the population that is dependent on the workforce, such as children and the non-working elderly. Knowing these trends helps us understand all of these groups' respective impact on the economy.

### HOW ARE WE DOING?

There was a slowdown in the rate of population growth in El Paso County if you compare the 1990s to the 2000s. El Paso County's population grew at an average annual rate of 3.2 percent from 1990 to 2000, whereas it grew only 1.9 percent from 2000 to 2010 according to the census counts. The Colorado Department of Local Affairs estimates El Paso County's population at 685,521 by 2016, an increase of 2.9 percent (or 19,629 people) from 2014 to 2016.

However, if we look at the information compiled by the Colorado State Demography Office, El Paso County is projected to be one of four counties in the state to have a population increase of at least 300,000 between 2010 and 2040 as can be seen in the map. An increase of this magnitude will have large implications for residents, government and businesses.

The second graph shows that the projected increases will be seen mostly in the age 65 and older cohort, but also in the 30 to 49 year old group, which is favorable given that those are the prime working ages. Increases will also be seen in the ages leading up to that cohort (ages 0 to 29), while there are projected decreases for the pre-retirement cohort (ages 50 to 64).

The natural increase in the population was 5,291 in 2014 and net in-migration was 4,789. Both of these numbers are relatively steady over the previous year. Projections from the Colorado Division of Local Affairs have births increasing modestly, but have a large, projected in-migration increase for 2014 (almost 5,000) and a more modest increase for 2015 (4,267).



## EMPLOYMENT & WAGE INDICATORS

### WHY ARE THESE IMPORTANT?

The number and types of jobs available and filled is perhaps the most important indicator of economic health and sustainability in a given community. While the presence of large, profitable companies in a community is a positive thing, approximately 50 percent of private sector employment derives from small businesses (defined as 500 employees or less). Since the recession, almost 70 percent of new jobs were from small businesses. This means that entrepreneurial, start-up companies are central to regional economic prosperity. Likewise, a healthy number of small companies usually means economic diversity, which is also of paramount importance since it is risky for a region to be too dependent on one or a few employers (e.g. the military).

The unemployment rate represents the percentage of people who are looking for work who do not have jobs. There will always be some unemployment due to seasonal factors, workers between jobs, recent graduates looking for work and other causes. The optimum scenario that government, businesses and households hope for is one where unemployment for individuals is temporary, there are enough jobs for job-seeking individuals, and there are enough skilled workers for businesses to fulfill their production needs. Comparisons in the unemployment rate provide information about how well Southern Colorado is doing with respect to job and workforce availability.

### HOW ARE WE DOING?

The Quarterly Census of Employment and Wages (QCEW) total employment in the county just prior to the recession in 2007 was 247,123. As of 2014, total employment was finally higher at 248,701. However in that time period, the population grew by 77,119 people. Job growth is not keeping up with population growth.

The U.S. unemployment rate for 2013 was 7.4 percent and fell to 6.2 percent in 2014. Colorado's unemployment rate fell from 6.8 percent in 2013 to 5.0 percent in 2014. For El Paso County, the rate moved from 7.9 percent in 2013 to 6.0 percent in 2014.

A more recent examination of the data shows Colorado outperforming the nation with a 4.5 percent non-seasonally adjusted unemployment rate in June of 2015, a 5.5 percent rate for the U.S. and a 5.5 percent rate for El Paso County. The Colorado Office of Planning and Budgeting projects the state non-seasonally adjusted unemployment rate will end up at 4.3 percent in 2015 and 4.3 percent again in 2016, indicating continued, robust growth in the overall state economy. The Forum projects El Paso County unemployment will average 5.1 percent in 2015 and 5.0 percent in 2016.

The Colorado Department of Labor reported that 15 of the 21 NAICS sectors in El Paso County saw job growth in 2014. Significant job gains took place in health care & social assistance (1,384 jobs), construction (1,208), retail trade (862), manufacturing (407), accommodations (363), other services (363), professional & technical skills (326), and a few other sectors. Job losses took place in public administration or government (-129 jobs), information (-66), mining (-53), management (-22), utilities (-21) and finance & insurance (-7).

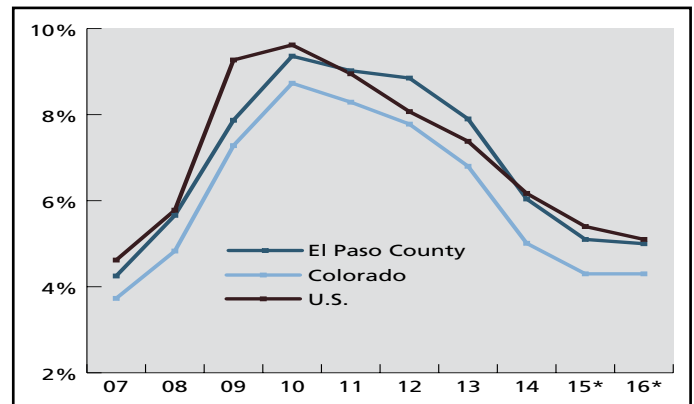
Thirteen sectors saw increases in their average wage. Notable increases took place in management of companies & enterprises (13.0%), public administration (5.2%), wholesale trade (3.8%) and manufacturing (3.8%). Notable decreases took place in mining (-15.3%) and agriculture, forestry, fishing & hunting (-3.1%).

Recent QCEW data from the first quarter of 2015 shows that El Paso County average weekly wages are 16.7% lower than the Colorado average weekly wages as seen in the table to the right.

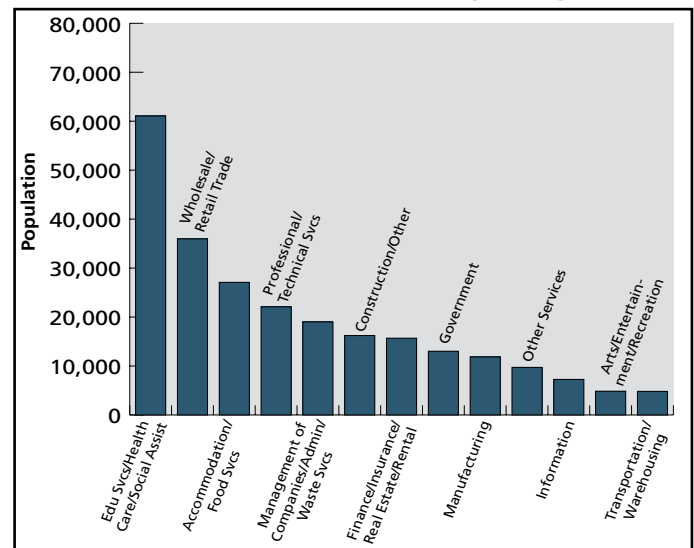
**Total QCEW Employment in El Paso County**



**The Unemployment Rate in El Paso County, Colorado and the U.S. (NSA)**



**2014 Employment in El Paso County by North American Industrial Classification (NAICS)**



**2015 Q1 for All Industries**

Colorado Average Weekly Wage	El Paso County Average Weekly Wage	El Paso County Total Employment
\$1,071	\$892	249,470

\* UCCS Southern Colorado Economic Forum forecast  
Sources: U.S. Department of Labor; Colorado Department of Labor and Employment





## EMPLOYMENT & WAGE INDICATORS

El Paso County Average Annual Employment and Wages by Industry Classification in 2013 and 2014							
Industry Code <sup>1</sup>		2013			2014		
		Employment	Percent of Total Employment	Average Annual Wage	Employment	Percent of Total Employment	Average Annual Wage
62	Health Care & Social Assistance	33,512	13.77	\$46,124	34,896	14.03	\$46,956
44-45	Retail Trade	30,109	12.38	\$27,508	30,971	12.45	\$27,976
72	Accommodation & Food Services	26,725	10.98	\$16,952	27,088	10.89	\$17,316
61	Educational Services	26,063	10.71	\$36,296	26,178	10.53	\$37,232
54	Professional & Technical Services	21,771	8.95	\$82,316	22,097	8.88	\$83,356
56	Administrative & Waste Services	17,605	7.24	\$34,580	17,890	7.19	\$35,048
23	Construction	12,211	5.02	\$46,696	13,419	5.40	\$48,048
31-33	Manufacturing	11,447	4.70	\$57,564	11,854	4.77	\$59,748
52	Finance & Insurance	11,618	4.78	\$57,200	11,611	4.67	\$58,864
81	Other Services	9,330	3.83	\$38,012	9,693	3.90	\$39,052
51	Information	7,333	3.01	\$71,136	7,267	2.92	\$72,956
42	Wholesale Trade	4,924	2.02	\$59,852	5,004	2.01	\$62,140
71	Arts, Entertainment & Recreation	4,754	1.95	\$19,656	4,857	1.95	\$19,916
48-49	Transportation & Warehousing	4,677	1.92	\$44,200	4,827	1.94	\$43,836
53	Real Estate, Rental & Leasing	4,062	1.67	\$36,712	4,070	1.64	\$37,648
22	Utilities <sup>2</sup>	2,482	1.02	\$75,816	2,461	0.99	\$78,468
55	Management of Companies & Enterprises	1,142	0.47	\$97,292	1,120	0.45	\$109,928
11	Agriculture, Forestry, Fishing, & Hunting	209	0.09	\$23,504	249	0.10	\$22,776
21	Mining	149	0.06	\$85,436	96	0.04	\$72,332
99	Non-classifiable	26	0.01	\$50,960	32	0.01	\$53,300
	<b>Total Non-Government</b>	<b>230,149</b>	<b>94.60</b>	<b>\$43,472</b>	<b>235,680</b>	<b>94.76</b>	<b>\$44,408</b>
92	Government	13,150	5.40	\$62,400	13,021	5.24	\$65,624
	<b>Total All Industries</b>	<b>243,299</b>	<b>100.00</b>	<b>\$44,512</b>	<b>248,701</b>	<b>100.00</b>	<b>\$45,500</b>

Source: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages

<sup>1</sup>Industry Codes are collapsed two digit NAICS Codes

<sup>2</sup>Does not include Colorado Springs Utilities

### HOW ARE WE DOING?

Across all sectors, average wages increased in Colorado by 3.7 percent in 2014. Actual average wages went from \$50,856 in 2013 to \$52,728 in 2014 in the state. In El Paso County, wages went from \$44,512 in 2013 to \$45,500 in 2014 translating to a 2.2 percent increase in wages. It is important to note that the average wage in El Paso County in 2014 was 13.7 percent lower than it was in Colorado as a whole.



## EMPLOYMENT & WAGE INDICATORS

Colorado Springs MSA: August 2015	
Total job openings	15,652
Average posting duration	44 days
Median salary of posted jobs	\$52,825
Colorado median salary	\$54,000
Top Job Titles	
Software Engineer	785 jobs
Customer Service Rep	692 jobs
Registered Nurse	636 jobs
Administrative Assistant	570 jobs
Sales Rep	515 jobs
Physical Therapist	460 jobs
Project Manager	444 jobs
Systems Engineer	440 jobs
Teller	406 jobs
Systems Administrator	402 jobs

### Monthly Labor Supply and Demand in Colorado Springs MSA

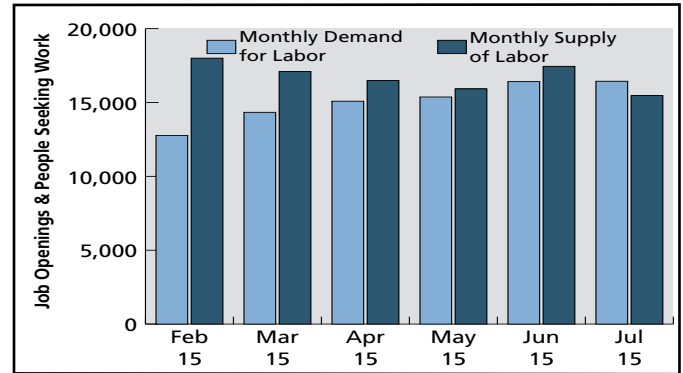


Table and Graph Source: Pikes Peak Workforce Center, WANTED Analytics™

also the relevant training institutions such as community colleges, industry training programs, and four-year universities.

### HOW ARE WE DOING?

In the past few months that the Forum has tracked this information with the assistance of the Pikes Peak Workforce Center, the gap between labor supply and labor demand has shrunk. This is good news and consistent with the downward trend in the local unemployment rate. As mentioned earlier, however, it will be important to address the falling labor participation rate. Also noteworthy is that six of the ten most highly demanded job titles are professional jobs typically requiring higher education (see table to the left). These job titles have stayed consistent over the time period that the Forum has tracked these metrics.

### WHY ARE THESE IMPORTANT?

In the past year, the Forum has started to track the number of job openings (labor demand) and the number of individuals seeking work (labor supply). This enables the community to gauge the health of the local labor market. Ideally, the gap between labor supply and labor demand is small. To provide further detail, the Forum is also tracking the types of jobs that are in highest demand. This can help inform job seekers, but

### WHY ARE THESE IMPORTANT?

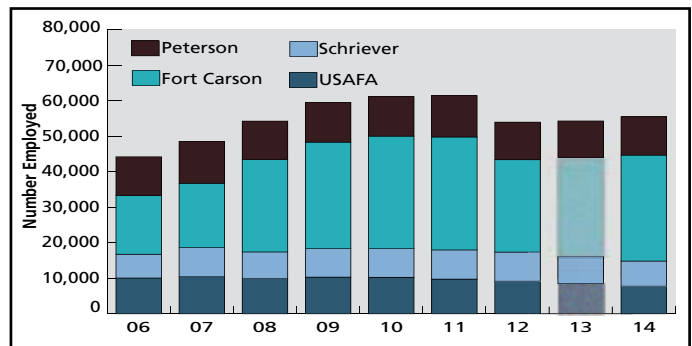
The military has been a part of the local economy since World War II. Approximately 55,000 military and civilian workers are employed by this sector at either the United States Air Force Academy, Peterson, Schriever or Fort Carson.

### HOW ARE WE DOING?

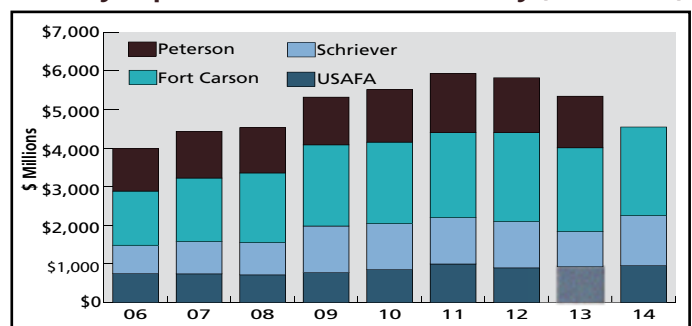
It has become increasingly difficult to obtain economic impact and employment information from the military installations. For this reason, the provided graphics includes some estimates of 2013 data shown by shading. Total military and civilian employment increased in 2014 at Peterson and Fort Carson while it decreased at the Academy and Schriever. When these changes were combined, there was a 2.1 percent growth in employment from the approximate total for 2013 to the 2014 total. Of note, the Academy includes cadets and several kinds of contract workers and Schriever includes 4,106 contract workers.

As of the time of this publication, updated information for 2014 on economic impact was available from two military installations and the Academy. The Academy did not report economic impact for 2013 but had an increase from \$900 million in 2012 to \$955 million in 2014. Schriever also had an increase from \$908 million in 2013 to \$1.3 billion in 2014, as did Fort Carson from \$2.17 billion to \$2.29 billion. For USAFA, Schriever and Fort Carson, this averages to a 17.1% increase using the 2013 approximation for USAFA.

### Military Employment in El Paso County



### Military Expenditures in El Paso County (\$ millions)



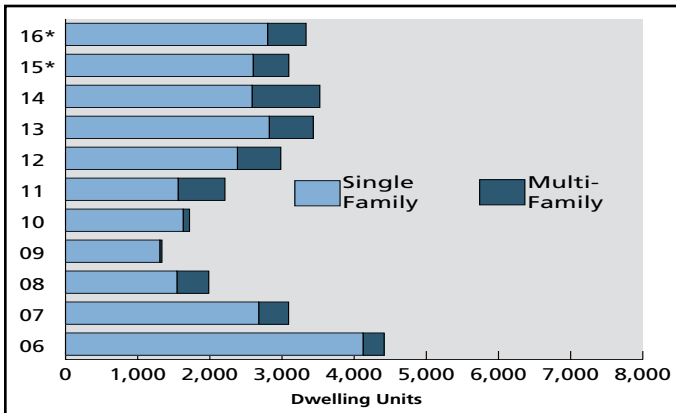
NOTE: Shaded data in 2013 indicate UCSS Southern Colorado Economic Forum estimates.

Sources: The Colorado Springs Regional Business Alliance; Respective military installations; Department of Military and Veteran Affairs April 2015 report



## REAL ESTATE INDICATORS

### Residential Building Permits (Dwelling Units)



### WHY ARE THESE IMPORTANT?

Residential building permits reflect the general demand for housing and also the type of housing that local residents prefer. If there is natural population growth and in-migration, there will be demand for new homes; and if consumer preferences lean towards new construction, the demand may be greater. El Paso County continues to have positive population growth with an annual rate of increase in 2014 of 1.5 percent. Given this continued growth and the projected high growth in the next 25 years, it is likely that demand for residential building permits will continue especially if mortgage rates stay within reach during and after 2016 as the Fed retracts some of its quantitative easing.

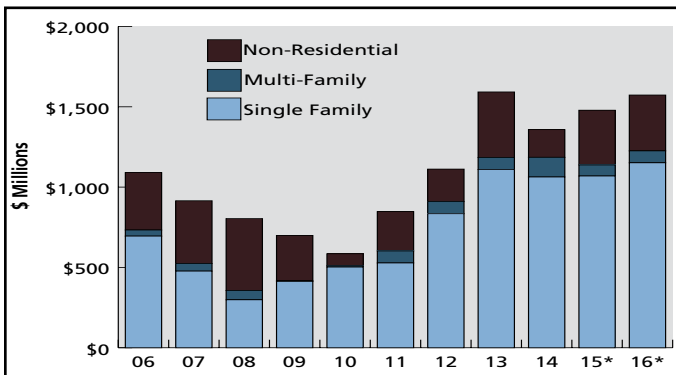
### HOW ARE WE DOING?

Residential building weakened from 2013 to 2014. There were 2,585 single family permits during 2014, which is an 8.4 percent decrease from the 2,823 permits in 2013. More recently, however, there has been an uptick in single family permits issued. Through August 2015, 2,002 permits have been issued whereas the comparable number for 2014 was 1,687. Previous estimates from the Forum have suggested that for the population size of Colorado Springs, roughly 3,000 to 3,300 building permits per year is a healthy equilibrium. This is important because housing “bubbles” have proven to be problematic for many communities.

After nearly nonexistent multi-family home building in 2009 and 2010, permits for this type of housing are rebounding nicely. In 2010, there were only 88 permits issued in Colorado Springs. In 2014, there were 939 permits issued. The Forum expects this type of housing demand to decrease to a more realistic level. For 2015, the Forum estimates that there will be approximately 494 new permits issued for multi-family units and that in 2016 approximately 534 permits will be issued.

The Forum tracks value of construction for the non-residential market. The higher value seen in 2013 was due to one very large project, the Southern Delivery System for Colorado Springs Utilities. This aberration makes the value of construction in subsequent years appear much smaller.

### Value of Construction (\$ millions)



\* UCCS Southern Colorado Economic Forum forecast with input from the Pikes Peak Regional Building Department.  
Source: Pikes Peak Regional Building Department

### WHY IS THIS IMPORTANT?

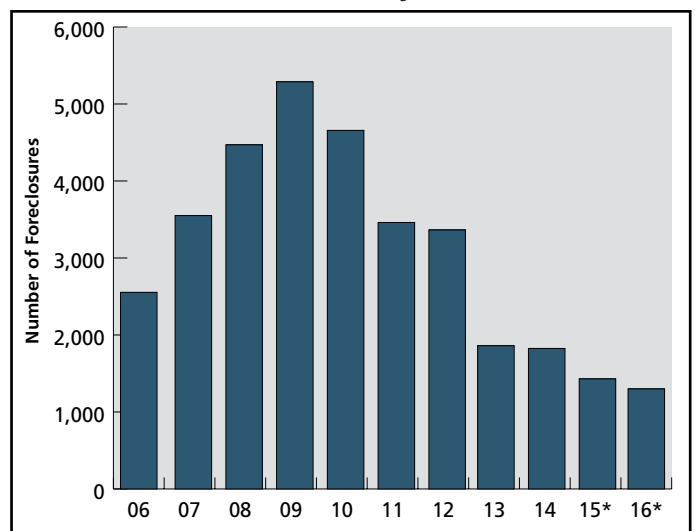
The downside of the housing market is when a foreclosure occurs. Foreclosures are normally used by economists as a lagging indicator since they tend to peak just about the time an economic recovery occurs.

### HOW ARE WE DOING?

There were 1,825 foreclosures in 2014, a decrease of 1.9 percent from 2013 when there were 1,861 foreclosures. Through July 2015, there were 859 foreclosures compared to 1,156 in July 2014. This is a favorable trend and further indicates an abatement of the recession. At the current rate, the Forum anticipates there will be 1,430 foreclosures in 2015 and 1,300 in 2016.

It appears that most of the correction in the market has occurred as most of the bad mortgages in the county have been worked through the mortgage industry. The number of foreclosures appear to be returning to normal. Remaining foreclosures depend on housing values, employment, and income levels of homeowners holding a mortgage. Interest rates remain low, making housing and a mortgage more affordable. Qualifying for a new mortgage is more stringent as a result of reforms in Dodd-Frank making lenders more cautious than they were before the financial crisis. Price appreciation in homes will raise equity value for homeowners which decreases the number of upside-down mortgages. Most economists are predicting a very strong housing market for the remainder of 2015 and into 2016.

### Foreclosures in El Paso County

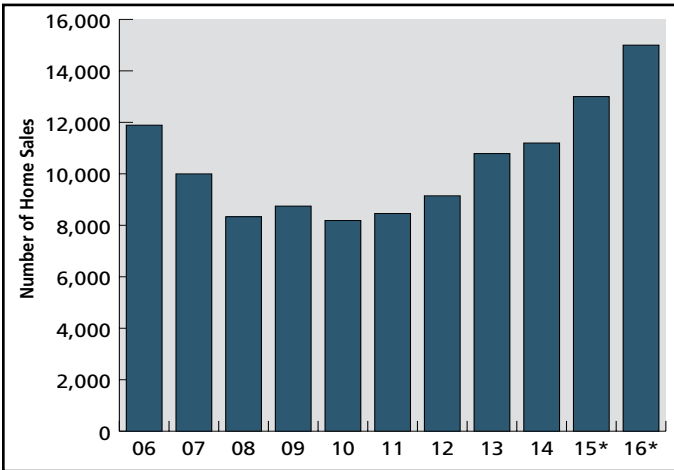


\* UCCS Southern Colorado Economic Forum forecast  
Source: El Paso County Public Trustee

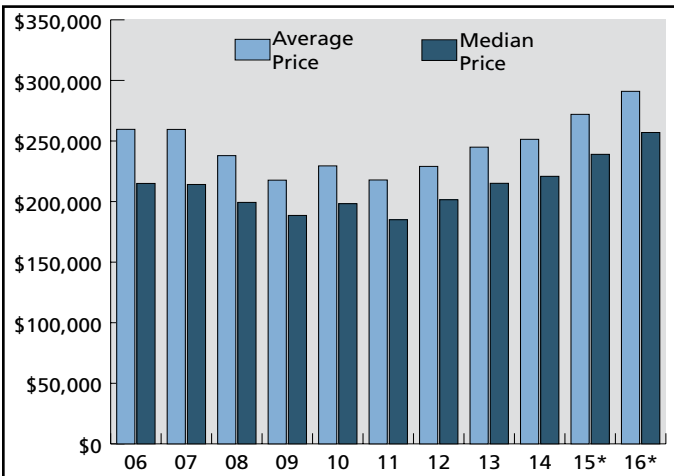


## REAL ESTATE INDICATORS

### Pikes Peak Region Home Sales



### Pikes Peak Region Mean and Median Prices of Homes Sold



\* UCCS Southern Colorado Economic Forum forecast  
Source: Pikes Peak Association of Realtors

### WHY ARE THESE IMPORTANT?

Home sales are an indicator of vitality in the local real estate market. An unusual drop in annual home sales could indicate a problem in one or more economic sectors.

Home values are one of the indicators of the wealth of the community. Home owners want to see an increase in the value of one of the largest assets in an individual's portfolio. Home valuation forms the basis of local residential property taxes. Property taxes, in turn, are used to support public schools in the area.

### HOW ARE WE DOING?

Housing sales peaked in 2005 at 13,118 before declining and leveling off in 2008 in the Pikes Pike region. Sales were 11,197 in 2014, up 3.8 percent (411 more sales than in 2013). Estimates are highly dependent upon general economic trends, possible mortgage rate increases in 2015 and 2016, and possible troop reductions at the local military bases in the coming year. The Forum forecasts home sales will increase 16.1 percent in 2015 to 13,000 and another 15.4 percent in 2016 to 15,000. These strong projections are based upon year-to-date activity and national trends.

Current market conditions point to an average home sales price increase to \$272,000 in 2015, up 8.2 percent from \$251,387 in 2014 in the Pikes Peak region. The average price is expected to be \$291,000 in 2016. Similar gains are expected for the median price. A median price of \$239,000 is expected in 2015 compared to \$220,850 in 2014. Median prices are expected to be \$257,000 in 2016. The recovery in housing sales and prices reflects lower mortgage rates, an increase in population, higher employment levels, a decline in available housing for sale and some pent up demand for housing after the prolonged recession.

For comparative purposes, the table below shows housing price data for Colorado Springs, Denver, Boise and the U.S. Locally, we have higher prices than the U.S. and Boise, but significantly lower prices than Denver. We also have experienced year-to-year increases above the U.S. average.

2015 Q1 Median Home Price				
Location:	Colorado Springs	Denver	Boise	United States
Price:	\$220,100	\$338,100	\$178,700	\$205,200
1-year % Change:	9.4% increase	17.2% increase	12.7% increase	7.4% increase
MSA Rank:	37	18	71	n/a

Source: National Association of Realtors

### WHY IS THIS IMPORTANT?

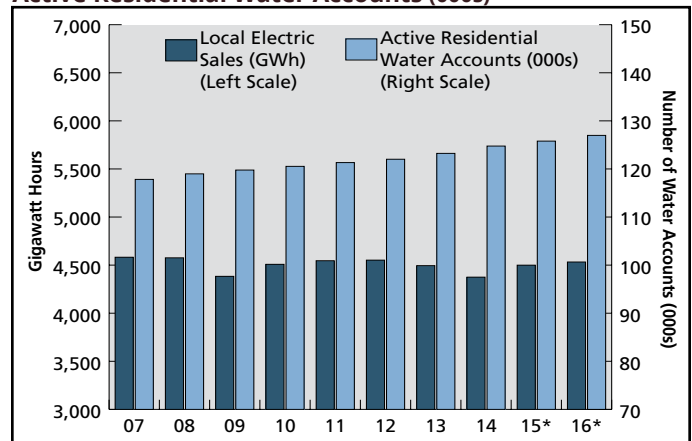
Local electric sales and residential water accounts are good indicators of growth and economic activity. Active residential water accounts correlate with residential construction and housing market activity. Changes in electric sales-on-system capture both residential and commercial activity.

### HOW ARE WE DOING?

Electric sales grew at an average annual rate of 4.2 percent from 1993 through 2000. Gigawatt sales declined slightly from 2013 (4,495 gigawatt hours) to 2014 (4,375 gigawatt hours). Colorado Springs Utilities projects local electric sales will increase slightly and then stay relatively flat in 2015 and 2016 with nearly identical gigawatt hours. This lack of growth is likely explained by the increased efficiency of residential and commercial properties.

The number of water accounts increased from 123,245 in 2013 to 124,755 in 2014. This increase in water accounts is due primarily to new home sales and population growth.

### Total Local Electric Sales on System (GWh) Active Residential Water Accounts (000s)

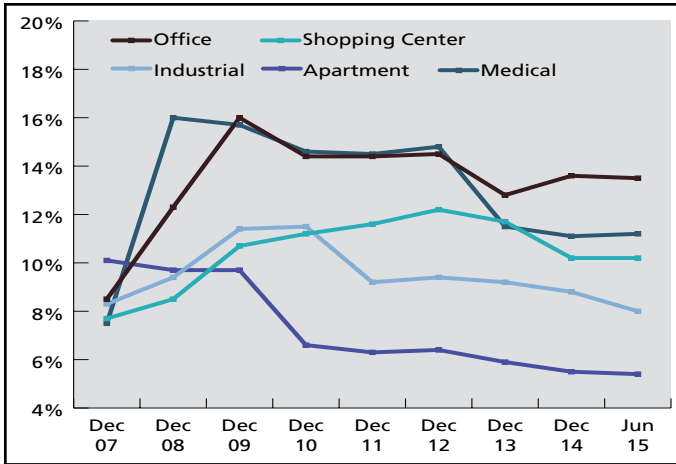


\*City Utilities forecast  
Source: Colorado Springs Utilities

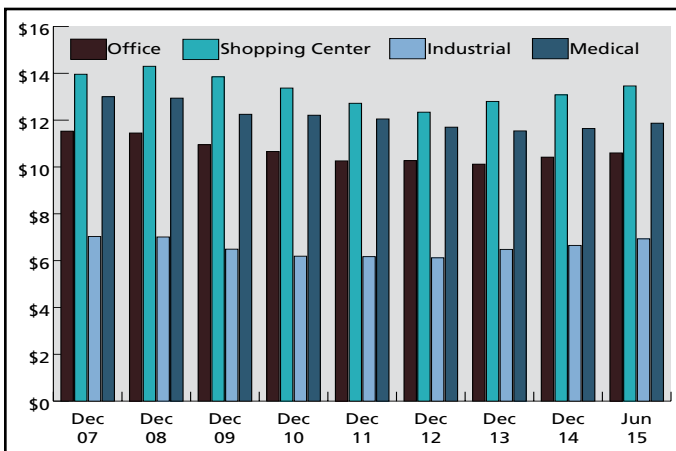


## REAL ESTATE INDICATORS

### Average Vacancy Rates for Apartment, Office, Shopping Center, Industrial and Medical Spaces



### Average Asking Rents For Office, Shopping Center, Industrial and Medical Spaces



Vacancy Rates and Rents (per Sq. Ft. NNN)		
Property Type	December 2014	June 2015
Office	13.6% (\$10.42)	13.5% (\$10.6)
Industrial	8.8% (\$6.65)	8% (\$6.93)
Shopping Center	10.2% (\$13.08)	10.2% (\$13.46)
Medical	11.1% (\$11.64)	11.2% (\$11.87)
Apartments	5.5% (\$855.21)	5.4% (\$889.04)

Sources: Turner Commercial Research: Commercial Availability Report; Colorado Department of Local Affairs, Division of Housing

### WHY ARE THESE IMPORTANT?

Vacancy rates are a key indicator of economic activity. Declining vacancy rates put upward pressure on lease rates. Low vacancy rates reduce location choices for businesses. The availability of adequate and affordable commercial space allows existing companies to expand and helps attract new companies to the area. This may be particularly relevant for Colorado Springs now given the quickly escalating lease rates in the Denver metropolitan area.

### HOW ARE WE DOING?

Average vacancy rates were down in 2014 compared to 2013 in all categories except office space. These rates dropped most notably in shopping center space (from 11.7% in 2013 to 10.2% in 2014) and industrial space (from 9.2% in 2013 to 8.8% in 2014). Vacancy rates rose in office space (from 12.8% in 2013 to 13.6% in 2014). When examining mid-2015 vacancy rates, rates stayed relatively flat in all but industrial space which continued to drop to 8.0 percent. The lower industrial vacancy rates are a result of high demand for this type of commercial space largely due to the increases in marijuana facilities. Apartment space vacancy rates were 5.4 percent through June of 2015 versus 5.5 percent for 2014.

In 2014, average asking rents were up from their 2013 levels, and this trend continued through mid-2015 as seen in the table to the left, which shows a snapshot of December 2014 and June 2015 vacancies and rents in each category.

Average asking rents for office space vary from \$8.75 in the eastern section of the city to \$12.22 in the downtown area. Average vacancy rates are highest in the northwest part of the city at 22.9 percent and lowest in the west at 5.5 percent. In fact, average vacancy rates are pulled up primarily by two zip codes that have much higher vacancy rates than others within the Colorado Springs MSA (80909 and 80907).

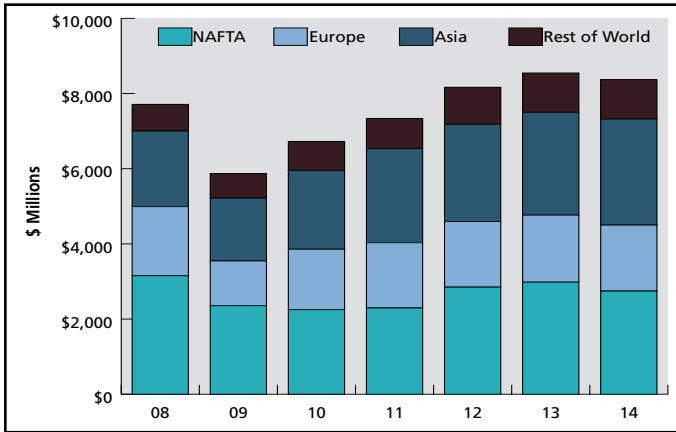
For industrial space, the lowest average asking rate is in the downtown area at \$4.10 per square foot and the highest rate at \$8.15 is in the northeast. Average vacancy rates are highest at 24.0 percent in the downtown area and lowest at 1.2 percent in the southwestern section of the city.

Average asking rents for shopping centers are highest in the southwest section of the city at \$16.79 and lowest in the central section at \$5.00. Average vacancy rates are highest in the downtown area at 22.1 percent and lowest in the west section of the city at 1.1 percent. Anchored shopping centers have average vacancy rates of 5.7 percent, a rate much lower than the non-anchored shopping centers' average rate of 17.4 percent.

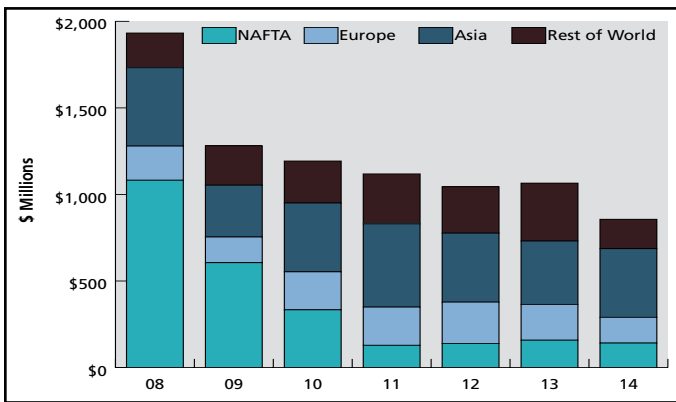


## TRADE & TAX INDICATORS

### Colorado Exports to Selected Destinations (\$ millions)



### Colorado Springs MSA Exports (\$ millions)



Source: Office of Trade and Economic Analysis, International Trade Administration

### WHY ARE THESE IMPORTANT?

One indicator of the state and local competitiveness in a global economy is the ability to export goods and services. A higher level of export activity translates into more jobs in the state and local region and more income and wealth. Economies that expect to compete in today's global economy need to grow export activity.

### HOW ARE WE DOING?

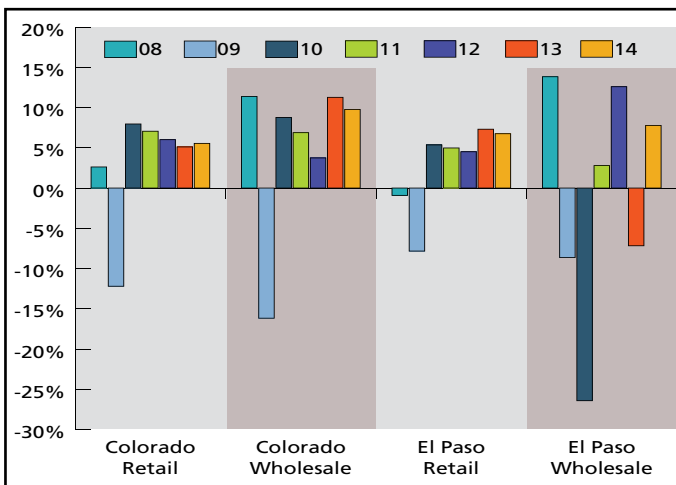
Exports declined in the State of Colorado to all regions except Asia from 2013 to 2014, with a net decrease of \$179 million (down 2.1%). Specifically, exports to Canada and Mexico (NAFTA) decreased \$235 million (7.9%) and exports to Europe by \$31 million (1.7%) while exports to Asia increased \$88 million (3.2%). Rest of the world exports decreased \$1 million (0.1%).

Nineteen of 32 manufacturing categories in Colorado increased exports. The largest gains were in used merchandise, \$64 million (227.2%); beverages & tobacco, \$51 million (166.3%); goods returned to Canada, \$2 million (119.8%); wood products, \$20 million (94.4%) and agricultural products, \$35 million (80.8%). Significant export declines took place in animal production, -\$4 million (-73.4%); petroleum & coal products, -\$52 million (-48.2%); other, -\$16 million (-27.0%) and machinery except electronic components, -\$267 million (-21.8%).

The second graph to the left shows that Colorado Springs exports have continued to decline since 2008, which is not a favorable trend. In 2005, the percentage of state exports that derived from Colorado Springs was 24.9 percent. In 2014, that percentage fell to 8.5 percent. Although the local economy is performing relatively well at the moment, this downward trend in exports is not favorable and warrants attention particularly in the manufacturing realm.

Colorado Springs has not experienced the same increase in exports over the last several years as has been seen in many sectors across the state. All regions have experienced a decrease in exports from Colorado Springs except exports to Asia over the last several years.

### Growth in Retail and Wholesale Sales in Colorado and El Paso County



Source: Colorado Department of Revenue, Office of Tax Analysis

### WHY IS THIS IMPORTANT?

Consumer spending is estimated to generate two-thirds of the total economic activity. Thus, growth in retail and wholesale sales are an important indicator of the strength of the local economy.

### HOW ARE WE DOING?

Retail sales in El Paso County increased 6.7 percent from 2013 (\$15.6 billion) to 2014 (\$16.7 billion). Colorado retail sales were up 5.6 percent from 2013 (\$173 billion) to 2014 (\$182 billion), so El Paso County outpaced the state in retail sales growth.

El Paso County wholesale sales, which tend to be more volatile than retail sales, increased 7.8 percent to \$4.0 billion in 2014 versus a 7.2 percent decrease in 2013. An increase in 2011 and in 2012 followed two consecutive declines in annual wholesale sales. Colorado wholesale sales increased 9.8 percent in 2014. Wholesale trade volumes in a given community are highly correlated to the strength of the manufacturing sector. An increase in manufacturing presence in El Paso County would increase and strengthen wholesale sales and trade.



## TRADE & TAX INDICATORS

### WHY ARE THESE IMPORTANT?

El Paso County is a major retail trade hub in Southern Colorado. Sales in the retail trade sectors provide information about consumer confidence and purchasing. Typically, retail trade is a good indicator of the economic climate in the region.

### HOW ARE WE DOING?

Retail trade in 2014 was \$8.7 billion or 51.9 percent of the total retail sales in the county. The largest portion of retail trade went to motor vehicles in 2014 (29.5%). All retail trade categories increased in 2014, and the overall increase was 4.0 percent in 2014. Retail trade increased in electronics (2.6%), clothing (5.0%), motor vehicles (3.3%), food/beverage (3.0%), general merchandise (3.2%), building materials (4.1%), and non-store retailers (14.0%).

Retail trade had peaked in 2007 before declining through the recession. Retail trade has recovered and is now 21.1 percent higher than the previous peak. Since the 2007 peak, retail trade is up in clothing (23.7%), motor vehicles (19.7%), food (46.4%), general merchandise (22.3%), building materials (2.7%), and non-store retailers (3.7%). The only sector that has yet to recover fully is electronics (-2.9%),

Retail trade patterns for the first quarter of 2015 were better than the first quarter of 2014 in all categories. From the first quarter of 2014 to the first quarter of 2015 there was a 5.0 percent increase in retail trade and it appears likely that this will continue for the remainder of 2015 and into 2016.

### WHY ARE THESE IMPORTANT?

City sales and use tax revenues are used for municipal operations by the City of Colorado Springs for such purposes as law enforcement, fire protection, street repair and park maintenance. It is critical that these revenues increase along with community growth in order for the city to provide necessary services.

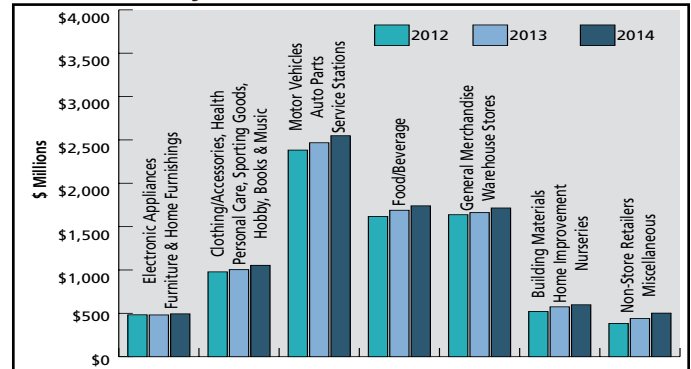
### HOW ARE WE DOING?

City sales and use tax collections were \$145.9 million in 2014. This is \$9.8 million higher (7.2%) than in 2013. Through July 2015, combined sales and use tax collections were up \$2.89 million (4.3%) over the same period in 2014. The Forum expects sales and use tax collections will increase by 5.0 percent in 2015 to \$153.2 million and by 2.5 percent in 2016 to \$157.0 million. It is important, however, to account for concomitant increases in inflation (CPI) and population. If we factor these in, "real" sales and use tax collections have been relatively flat (darker bars on the graph) and are expected to increase by 1.3 percent in 2015 and then decrease by 1.7 percent in 2016.

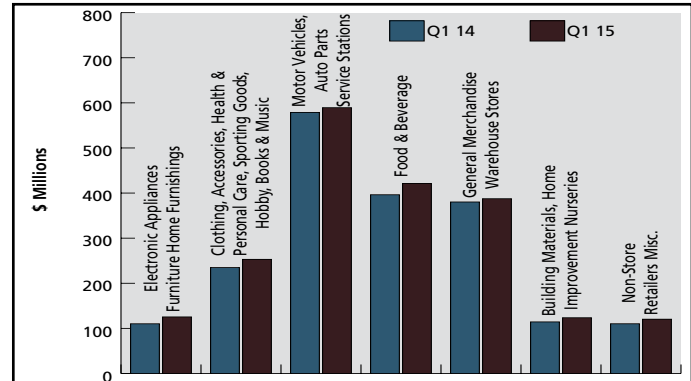
Through July 2015, all sales tax revenue categories were higher than year ago amounts except commercial machines (-48.9%), furniture, appliances and electronics (-2.2%), and business services (-2.0%). The largest gains were in medical marijuana (17.9%), hotel/motel (17.1%), and grocery stores (17.1%).

At the national level, e-commerce activity declined sharply during the recession but still had modest, positive growth year to year during 2008 and 2009. The post-recession comeback reached an e-commerce sales growth high of 17.4 percent in 2011 and began the trend of slower growth in 2012. The Forum forecasts e-commerce will increase 12.8 percent in 2015 and 12.0 percent in 2016. Conventional retail sales will grow more slowly.

### El Paso County Retail Trade (\$ millions)

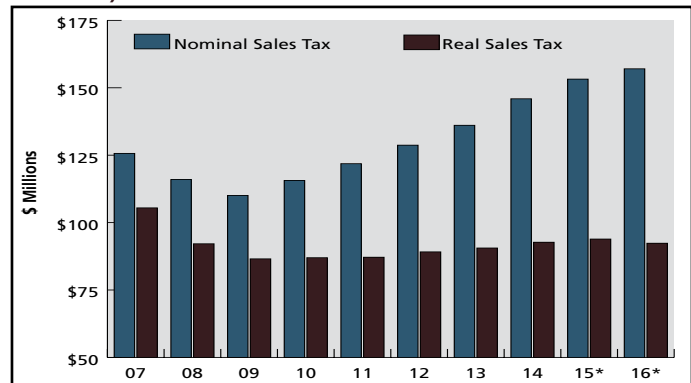


### El Paso County Retail Trade First Quarter 2014/2015

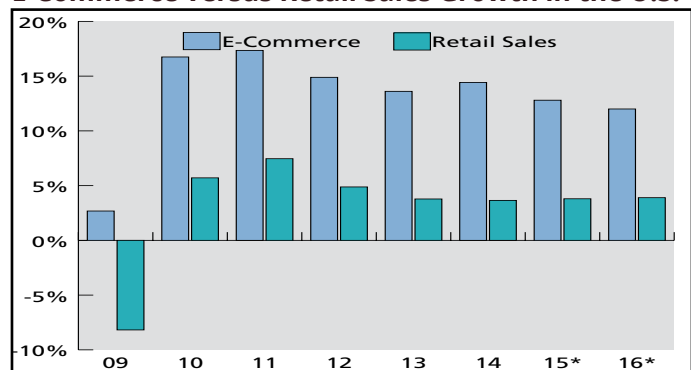


Source: Colorado Department of Revenue

### Colorado Springs Sales and Use Tax Collections (Nominal in actual \$ millions. Real indexed for inflation: 2001=100)



### E-Commerce versus Retail Sales Growth in the U.S.



\* UCCS Southern Colorado Economic Forum forecast

Sources: City of Colorado Springs Finance Department, Sales Tax Division; U.S. Department of Commerce



## EDUCATION INDICATORS

During the 2014-2015 school year, Colorado began to phase out the Transitional Colorado Assessment Program (TCAP) by administering the Colorado Measures of Academic Success (CMAS) in language arts, math, science and social studies. These new computer-based assessments incorporate the Common Core State Standards. Because of these changes, this year's scores cannot be compared to previous scores so the 4th grade reading and writing results are not included here. Please visit previous Forum publications on the website to see historic testing data.

### WHY ARE THESE IMPORTANT?

A skilled workforce is essential for an economy to be competitive in world markets. Completion of high school is the minimal requirement to obtain needed skills in the 21st century. High school graduation and dropout rates are indicators of possible future societal costs from underemployment or unemployment and low earning potential.

In a global economy, a multi-cultural, skilled workforce is a requirement for success. Providing a quality education to all ethnic groups is important to our economic well-being. Reducing the dropout rate for all ethnic groups is one important measure of success.

### HOW ARE WE DOING?

The formula for calculating high school graduation rates in Colorado was changed in 2010 to align with calculations made by other states. In 2013, the El Paso County graduation rate improved to 81.7 percent, slightly above the U.S. rate of 81.0 percent.

Graduation rates in El Paso County decreased to 77.8 percent in 2014 compared to 81.7 percent in 2013. This is still higher than Colorado's graduation rate of 76.3 percent in 2014. With the exceptions of Miami/Yoder (75.0%), Colorado Springs District 11 (68.2%), Falcon (64.5%) and Edison (53.8%), all other El Paso County districts had higher graduation rates than the statewide rate.

Colorado dropout rates cannot be compared to U.S. dropout rates because of differences in calculation methods. Dropout rates in El Paso County increased from 1.3 percent in 2013 to 2.0 percent in 2014. Colorado saw a slight decrease in dropout rates from 2.5 percent in 2013 to 2.4 percent in 2014. Dropout rates in El Paso County are highest among American Indian/Alaskan Native and Hispanic students. Dropout rates are lowest among Asian and White students.

### WHY IS THIS IMPORTANT?

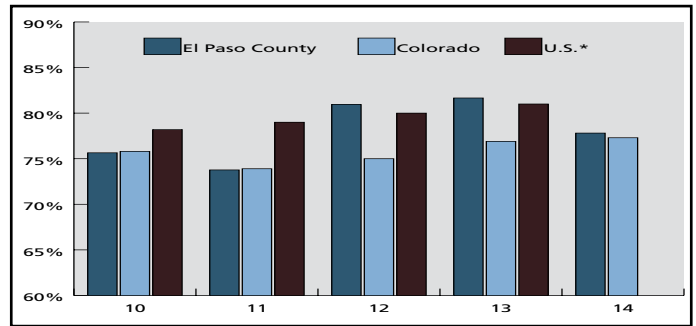
Academic performance of high school students is an important indicator of the knowledge base of the future workforce. In our high technology economy this is especially significant. The American College Test (ACT) is a comprehensive achievement test designed to predict how well high school graduates will do in their first year of college. Colorado is one of ten states that require all high school juniors to take the ACT.

### HOW ARE WE DOING?

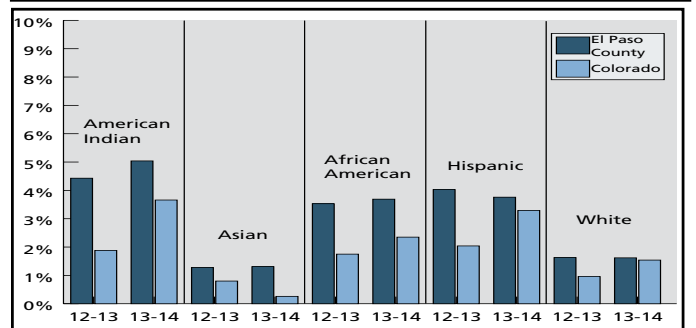
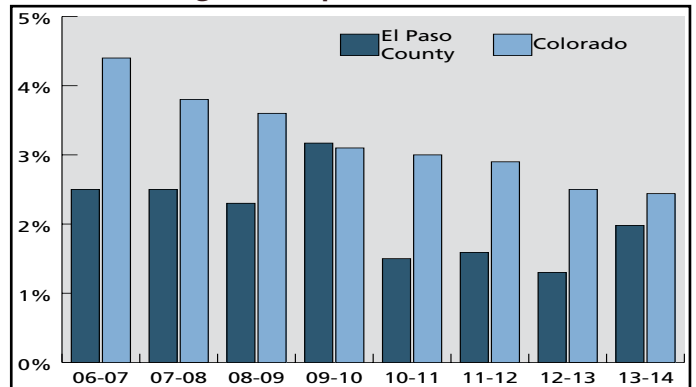
In 2014, the Colorado Department of Education reported that Colorado juniors had an average ACT score of 20.3. This is up from 20.1 in 2013. Falcon (18.5), Harrison (19.0) and Lewis Palmer (23.0) were the three local districts with lower ACT scores in 2014 than 2013.

The average composite score for Colorado sophomores, juniors, and seniors was 20.6 in 2014, the 16th lowest in the nation and lower than the U.S. average (21.0). Colorado creates a downward bias in ACT results by requiring all high school juniors to take the ACT, as seen when comparing the required juniors' average score of 20.3 with the multi-grade score (20.6).

### High School Graduation Rates

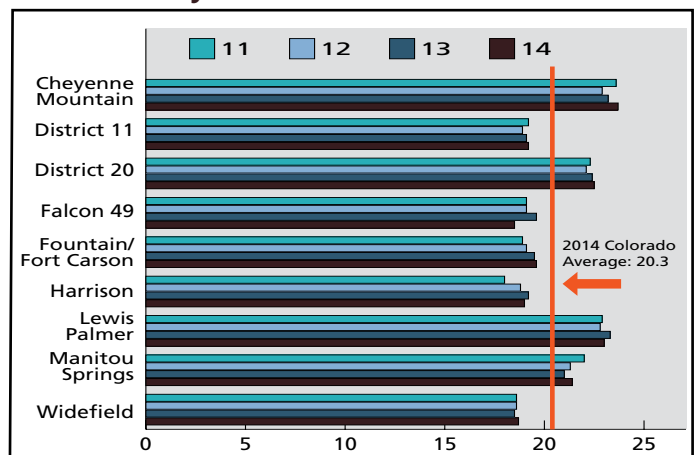


### Grade 7 through 12 Dropout Rates



\*Estimates based on state data collected by the U.S. Department of Education  
Sources: Colorado Department of Education; National Center for Education Statistics, U.S. Department of Education

### High School Junior ACT Scores in Selected El Paso County School Districts



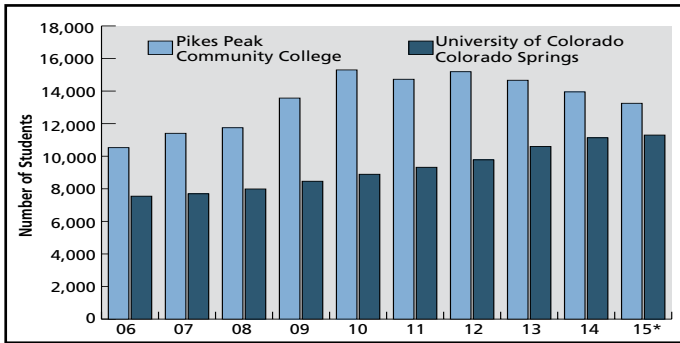
Sources: American College Testing program; Colorado Department of Education



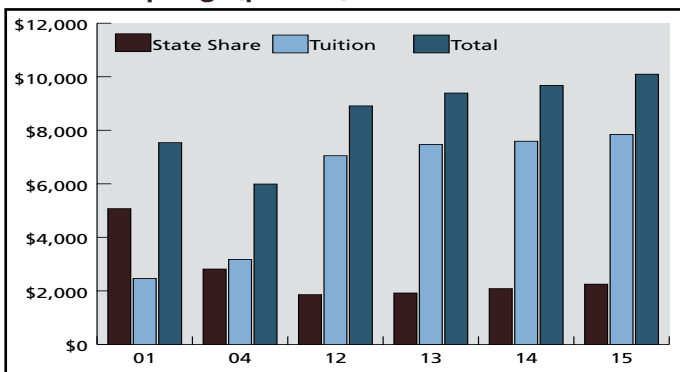


## EDUCATION INDICATORS

### Enrollments at Public Institutions of Higher Learning in El Paso County



### Funding Sources at the University of Colorado Colorado Springs (per FTE)



Sources: Strategy Management offices at Pikes Peak Community College and UCCS Institutional Research

### WHY ARE THESE IMPORTANT?

With a population over 650,000 and a demand for skilled labor, El Paso County needs quality public higher education institutions capable of meeting community needs. A well-trained and educated workforce is essential for economic growth. Higher education enrollments are an indicator of the future supply of qualified workers.

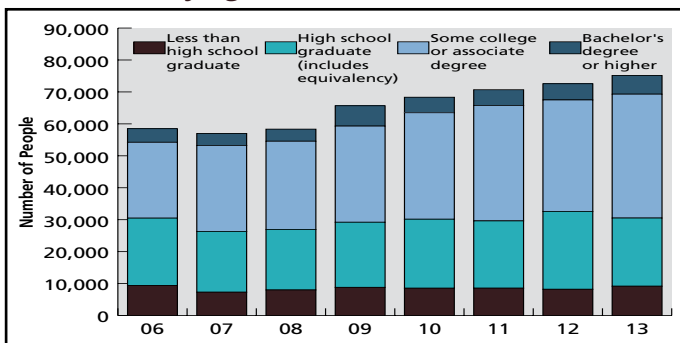
### HOW ARE WE DOING?

Enrollments at University of Colorado Colorado Springs (UCCS) increased from 11,132 in 2014 to 11,299 students in the fall of 2015, an increase of 1.5 percent. In August 2014, a new academic office building opened, as well as a new parking garage with two multi-purpose athletic fields on the roof. Work began in April 2014 to expand student accommodations for an additional 515 students. Since 2006, enrollments at UCCS have grown 49.7 percent (7,547 to 11,299).

Pikes Peak Community College (PPCC) enrollments are expected to decrease by 5 percent to 13,250 in 2015 from 13,950 in 2014, largely due to changes in enrollment criteria. Enrollments are still up 25.9 percent since 2006 (10,526 to 13,250) at PPCC.

Per student state support for a typical, in-state freshman or sophomore at UCCS is 22.3 percent of the total per student revenue in 2015, down from 67.3 percent in 2001. This decline in state support is characteristic of public universities across the country. It has called for creative and efficient university leadership and management. State support plus tuition per student went from \$7,538 in 2001 to \$10,095 in 2015, an increase of 33.9 percent. Allowing for inflation, per student total revenue increased 0.1 percent from \$7,538 to \$7,548 between 2001 and 2015. Relatively speaking, UCCS tuition is quite low compared to most other public and certainly private universities. Having the infrastructure and programs in place at UCCS, Colorado College, Pikes Peak Community College, the Air Force Academy and other smaller, local training institutions is an asset given the current and future workforce needs.

### El Paso County Ages 18-24 Educational Attainment



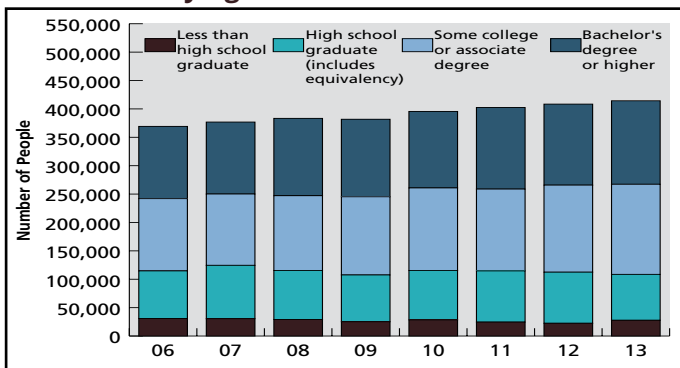
### WHY ARE THESE IMPORTANT?

The higher educational attainment of a region's population is important because well-trained individuals are necessary for business growth and therefore, overall economic growth. Seventy-four percent of jobs in the state will require some form of postsecondary education by 2020. This puts Colorado third in the state in terms of postsecondary educational requirements.

### HOW ARE WE DOING?

According to some recent research, Colorado Springs is the fifth most educated city in the U.S. The table in the white paper, "Workforce and the Skills Gap," shows that for ages 25 and up in 2013, Colorado Springs had 37.1 percent of its population attaining a bachelor's or higher, which is comparable to the state (37.8%) and significantly higher than the U.S. (29.6%).

### El Paso County Ages 25+ Educational Attainment



Similarly, Colorado Springs has a high proportion of its population with some college or an associate degree. In 2013, Colorado Springs had 36.8 percent of its population with this attainment level, which is higher than the state (31.1%) and the U.S. (29.2%). This is a critical piece in the economic development picture. The prospects for future business growth and relocation are higher when a community has the necessary learning institutions and programs in place that are well aligned with industry needs. For these reasons, the highly demanded jobs (page 24) are important to track. Equally important is to ensure that the relevant postsecondary institutions have strong training programs in those job categories as well as in projected (high demand) job categories.

Sources: U.S. Census Bureau, American Family Survey; UCCS Southern Colorado Economic Forum



## QUALITY OF LIFE, TOURISM AND OTHER INDICATORS

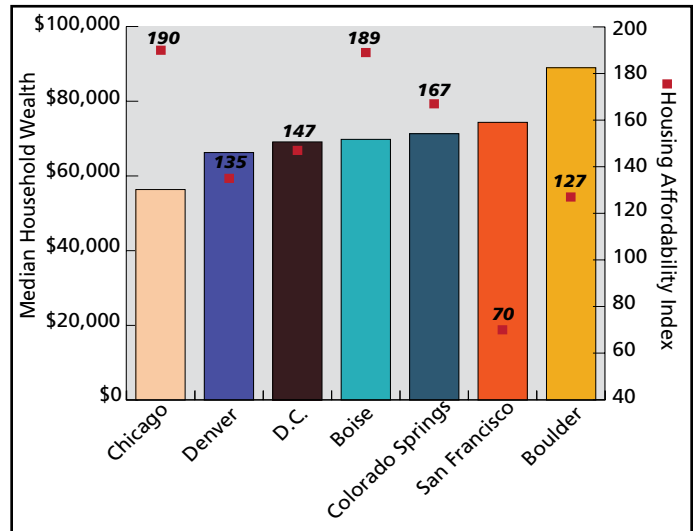
### WHY ARE THESE IMPORTANT?

Although income is an important indicator to track, it is also relevant to track mean household wealth. Wealth represents cash, investment income, retirement accounts and truly, all assets. Wealth is what helps individuals and families decide how to invest in larger assets such as their home. Purchasing a home is often the most significant and important investment decision most families make. For this reason, housing affordability in a given region can be a pivotal factor in an individual's or family's decision making when choosing a place to settle.

### HOW ARE WE DOING?

Although wages may not be as high in the Colorado Springs MSA, mean wealth is relatively high in our region (\$71,305) and in fact slightly higher than Denver (\$66,261), Washington D.C. (\$69,116), and Boise (\$69,796). The relatively high wealth in Colorado Springs is likely a combination of the high educational attainment level and the high number of retirees. The housing affordability indices show that Colorado Springs is quite affordable compared to the other MSAs. A higher index is favorable because the index represents the ratio of what a homeowner can afford relative to what their average mortgage is. The graph shows that communities like Colorado Springs (167) and Boise (189) are much more affordable than Denver (135) and San Francisco (70), both of which have typical mortgages above what individuals and families can actually afford.

### Household Wealth and Housing Affordability



Sources: Synergos Technologies and U.S. Census Bureau; National Association of Realtors

### WHY IS THIS IMPORTANT?

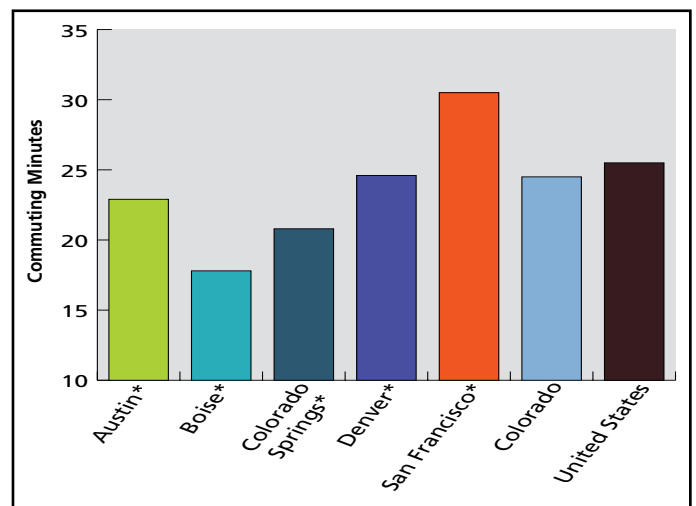
As a city grows, increased traffic leads to congestion, longer travel times, and more pollution. Although roadway improvements may alleviate some congestion, it may not be the total solution. Communities interested in quality of life and mobility will seek alternatives to relieve traffic congestion. These may include expanding and improving public transit, better location planning and walking and biking infrastructure.

### HOW ARE WE DOING?

The Texas Transportation Institute has not updated their travel time index or annual delay estimates in the last several years. The U.S. Census Bureau's American Community Survey, however, has collected data on travel time to work. Travel time to work refers to the total number of minutes that it usually took the person to get from home to work each day during the reference week.

The City of Colorado Springs had a mean travel time to work of 20.8 minutes. Denver's mean travel time to work (24.6 minutes) was similar to Colorado as a whole (24.5 minutes). Cities like San Francisco (30.5 minutes) help to raise the overall U.S. mean travel time to work (25.5 minutes).

### Mean Travel Time to Work from 2009-2013



\*Data is for city limits and not MSA  
Source: U.S. Census Bureau, American Community Survey

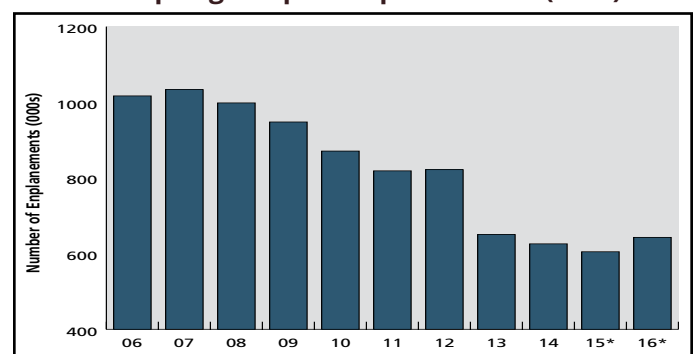
### WHY IS THIS IMPORTANT?

Air service can have a profound impact on the local economy, particularly on air-dependent industries. The travel and tourism industry is heavily dependent on quality air service. Companies also need convenient service in order to maximize productivity and minimize travel time. Company location and expansion decisions are impacted by local air service.

### HOW ARE WE DOING?

Total enplanements at the Colorado Springs Airport were 625,680 in 2014, which is down from 650,530 in 2013. This represents a decrease of 3.8 percent. This is largely due to heavy competition from the price wars of the top four carriers that service Denver. Colorado Springs airport officials project that decreasing enplanements will likely continue for the remainder of 2015 although they foresee that enplanements may increase in 2016 as further consolidation of the major carriers occurs and Denver fares increase.

### Colorado Springs Airport Enplanements (000s)



\* Colorado Springs Airport forecast  
Source: Colorado Springs Airport



## QUALITY OF LIFE, TOURISM AND OTHER INDICATORS

### WHY ARE THESE IMPORTANT?

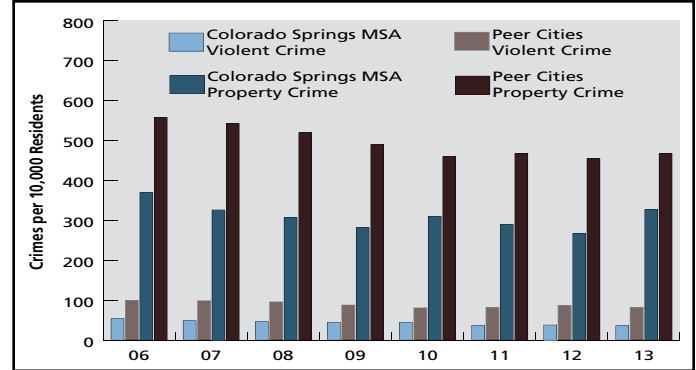
Violent and property crimes result in the loss of life and property. Fighting crime is expensive and uses valuable community resources. Crime affects the business climate, as well as individual perceptions of the quality of life in the community. Due to a departure from the concept of an index crime by the FBI, violent and property crimes are shown separately. The graph shows comparisons to similarly sized cities in the country.

### HOW ARE WE DOING?

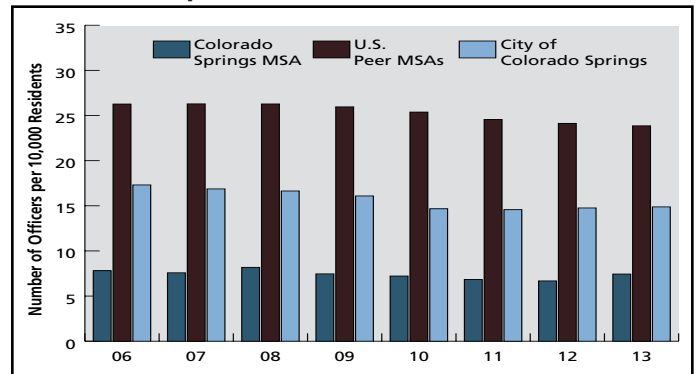
The Colorado Springs MSA violent crime rate remains well below its peers according to the FBI. There were 36.8 violent crimes per 10,000 people in the Colorado Springs MSA in 2013. This is 55.1 percent below other similarly sized cities. The property crime rate is also below the peer group with 326.0 property crimes per 10,000 people in the Colorado Springs MSA in 2013. This is 30.2 percent below the average of the peer group. The latest data available is for the first half of 2014 and indicates violent crime is up 3.8 percent while property crime is down 20.4 percent from the same period in 2013 in Colorado Springs.

The number of sworn police officers per 10,000 residents in Colorado Springs MSA is 68.8 percent below the number of sworn police per 10,000 inhabitants among peer cities. Colorado Springs MSA had 7.4 officers per 10,000 people while peer MSAs had 23.9 officers in 2013. When examining just the city of Colorado Springs, there were 14.9 sworn police per 10,000 people in 2013. For both the MSA and the city, there is a very low ratio of sworn police officers to residents.

### Colorado Springs MSA and U.S. Peer Cities Violent and Property Crimes per 10,000 Residents

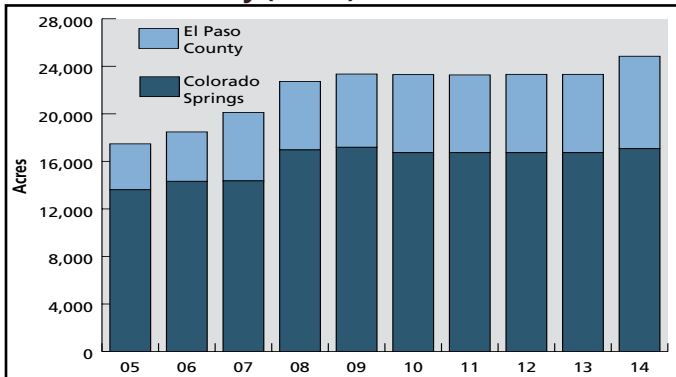


### Sworn Police per 10,000 Residents

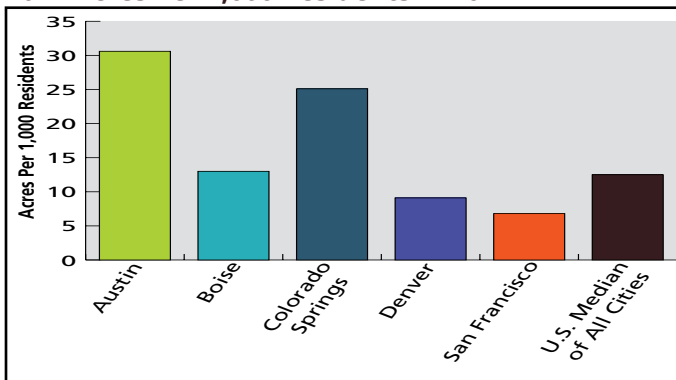


Source: Uniform Crime Reports, Federal Bureau of Investigation

### Parks and Open Space in Colorado Springs and El Paso County (Acres)



### Park Acres Per 1,000 Residents in 2014\*



\*Parkland includes city, county, metro, state and federal acres within city limits. Sources: City of Colorado Springs; El Paso County; Trust for Public Lands

### WHY IS THIS IMPORTANT?

Open space, trails and parkland provide important areas for recreation and leisure activity, support natural habitat and enhance the visual appeal of the region. Open spaces have a significant impact on the quality of life in the area. The beauty and attraction of the region is enhanced by parks and other open spaces available for public use.

### HOW ARE WE DOING?

The Pikes Peak region is blessed with beautiful views and natural scenic areas. Together, the city and county manage 24,845 acres of open space and park land or 37.3 acres per 1,000 residents in 2014. The City of Colorado Springs has 17,069 acres of park and open space under management. El Paso County manages 7,776 acres of trails and open space. These facilities are important enhancements to the quality of life of residents in the Pikes Peak region and are an attractive feature for tourists. They are also an important, positive factor affecting business in the region.

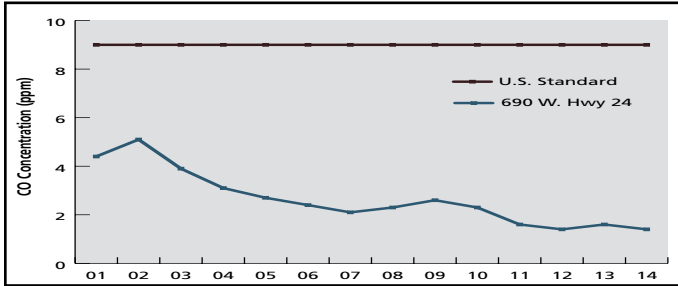
Since the 0.1 percent Trails, Open Space and Parks sales tax (TOPS) was passed and implemented in 1998, the City of Colorado Springs has collected \$103.2 million or roughly \$5.9 million per year for trail construction, park construction, and open space acquisition. At its current pace, TOPS is expected to generate approximately \$7.5 million in 2015, an increase of 2.7 percent over 2014. Managing 24,845 acres of parks, open space and trails is a heavy fiscal responsibility for the county and city, but increased tourism is favorable for local businesses.

The last graph shows that compared to other cities and to the U.S. median, Colorado Springs has a high number of park acres per 1,000 residents (25.1), which is significantly higher than the U.S. median (12.5) and higher than all other comparison cities except Austin (30.6).



## QUALITY OF LIFE, TOURISM AND OTHER INDICATORS

### Carbon Monoxide (ppm)



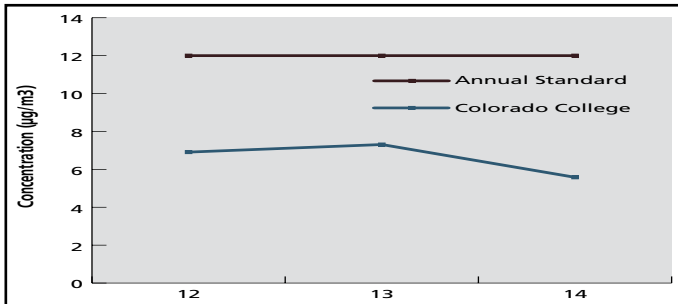
### WHY ARE THESE IMPORTANT?

Air quality is fundamental to community health, the environment and the economy. There is growing concern over the interdependence between the health of the environment and the economy. Many people move to Colorado to enjoy sunny days and clean air. While there is no overall index of environmental health, carbon monoxide, particulate concentrations and ozone levels provide an indication of air quality.

### HOW ARE WE DOING?

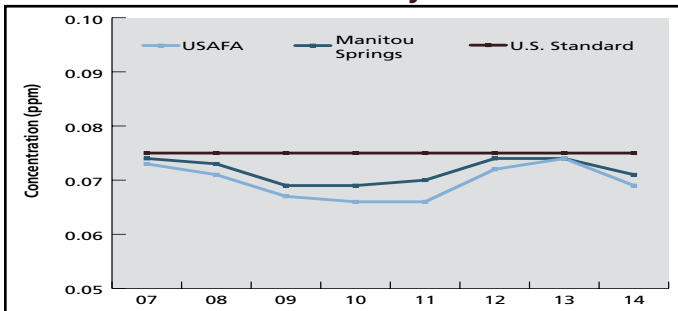
The Pikes Peak region has a comparative advantage over many other communities in terms of its natural beauty and relatively healthy environment. The region has remained below U.S. standards for carbon monoxide emissions since 1989. The Pikes Peak Area Council of Governments expects more improvement in carbon monoxide emissions because of technological advancements and because older cars are being replaced by low-emission vehicles. Reduced congestion and better traffic flows help alleviate carbon monoxide emissions. Carbon monoxide levels continued a downward trend that began in 1990. The decline in business activity during the recession is also believed to have reduced pollution levels.

### Particulate Matter



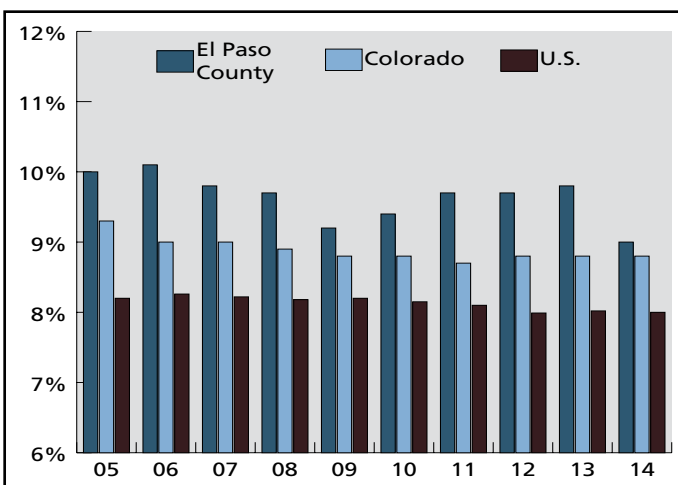
Particulate matter (PM) includes both solid particles and liquid droplets found in the air, and smaller particles pose the greatest health risks. The threshold for the U.S. standard in particulate matter changed in 2012 to an annual standard of 12 micrograms per cubic meter ( $\mu\text{g}/\text{m}^3$ ). Even with the lower threshold, the Pikes Peak region is still well below the PM concentration, which is favorable from a quality of life and health perspective. Local ozone level readings were on an upward trend from 2010 to 2013, most likely due to a variety of factors including the forest fires and increased vehicle use. Ozone levels from 2013 to 2014 decreased slightly at both the Air Force Academy and Manitou Springs.

### Ozone Trends in El Paso County



Source: Pikes Peak Area Council of Governments

### Low-Weight Birth Rates in Colorado and El Paso County (less than 2500 grams)



Source: Colorado Department of Public Health and Environment, Health Statistics and Vital Records

### WHY IS THIS IMPORTANT?

The proportion of low-weight birth children is a predictor of future costs of both health care and special education. Proper nutrition and prenatal care can reduce the incidence of low-weight births. A healthy community will help ensure that mothers of all backgrounds practice proper nutrition and have access to and are encouraged to receive prenatal care. The low-weight threshold is 2,500 grams or about 5.5 pounds.

### HOW ARE WE DOING?

Colorado and El Paso County have a high proportion of low-weight births. The upward trend that began in 1995 peaked in 2003 in El Paso County. Since then, the proportion of low-birth-weight babies has dipped twice. El Paso County reached a low of 9.2 percent in 2009, grew to 9.8 percent in 2013, and dropped to the lowest proportion seen since 1996 (9.0%) in the recently released, 2014 numbers. Of the children born in Colorado and the U.S., about 8.8 percent and 8.0 percent, respectively, were low-weight births in 2014 indicating that there are more low-weight births in our region than in the state or nation. However, El Paso County did see improvement in the past year, which is favorable and hopefully, an indication of future trends. The U.S. Public Health Service has a target of 5 percent for this metric.

In recent years, the proportion of low-weight birth babies has decreased slightly for the U.S. and is holding relatively steady in Colorado.



## QUALITY OF LIFE, TOURISM AND OTHER INDICATORS

### WHY ARE THESE IMPORTANT?

The hotel and lodging industry use two primary mechanisms to gauge how their sector is performing. Hotel occupancy is one major indicator, and it simply measures the percentage of rooms that are occupied out of the total number of rooms available. The compiled statistics on occupancy are average rates for the year. The other indicator is "RevPAR," or revenue per available room, which is the occupancy rate multiplied by the average room rate. RevPAR is a measurement tool that hotel managers and market observers use to analyze the impact of changes in occupancy and average daily rate on hotel revenues, as well as to assess the overall health of the market.

All compiled statistics are from voluntary surveys. Communication with the source reveals there is somewhat of a selection bias in this information because larger hotels typically participate in the survey, which means smaller lodging establishments are not as well represented. Also, resorts such as the Broadmoor and the Cheyenne Mountain Resort are not included in the hotel category because they are resorts.

Each year, about 5.2 million people visit the Pikes Peak area overnight, generating over \$1.3 billion in revenue and resulting in \$56 million in local tax receipts. This makes tourism a major economic sector.

### HOW ARE WE DOING?

Lodging in Colorado Springs in 2014 increased as measured by the occupancy rates. In 2013, the average occupancy rate was 59.1 percent and in 2014 it was 62.0 percent. For the entire state of Colorado, occupancy rates were higher at 64.0 percent in 2013 and 68.3 percent in 2014.

RevPAR also increased in Colorado Springs from a value of \$53.81 in 2013 to \$58.02 in 2014. Projected increases for 2015 (up to \$64) and 2016 (up to \$67) are strong and in line with the increased tourism activity locally. For the state of Colorado, RevPAR increased from \$81.80 in 2013 to \$92.58 in 2014.

### WHY ARE THESE IMPORTANT?

The Forum is now tracking registrations for new vehicles purchased directly from dealers. Since vehicles are a relatively large purchase for most households, tracking new sales and registration helps gauge the consumer confidence and economic health in a given area.

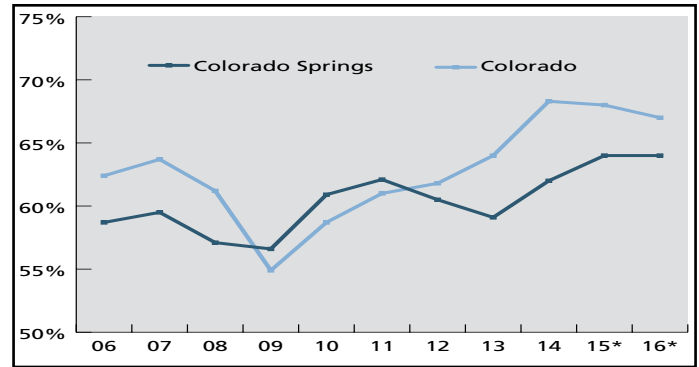
Lodger's and automobile rental tax collections are also a way of gauging the robustness of the tourism sector.

### HOW ARE WE DOING?

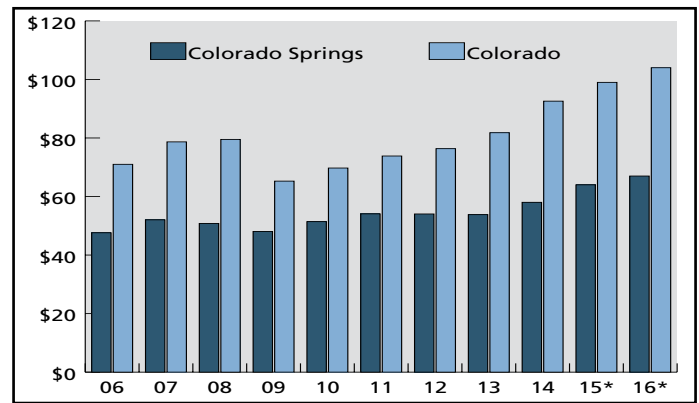
New vehicle registrations have increased significantly since the bottom of the recession (2009). On average, since the beginning of 2015, there have been 2,226 new vehicle registrations per month. This is a marked improvement from 2009 when average monthly registrations were 1,195 (an 86% increase).

In Colorado Springs, lodger's and automobile rental taxes increased from \$3,157,600 in 2013 tax collections to \$3,408,880 in 2014, when adjusted for inflation. With input from the City of Colorado Springs Finance Department, the Forum projects a 5 percent actual increase (\$3,502,280) for 2015 and a 4 percent actual increase (\$3,548,070) in 2016. Projections are also in "real," inflation-adjusted dollars.

### Colorado and Colorado Springs Hotel Occupancy

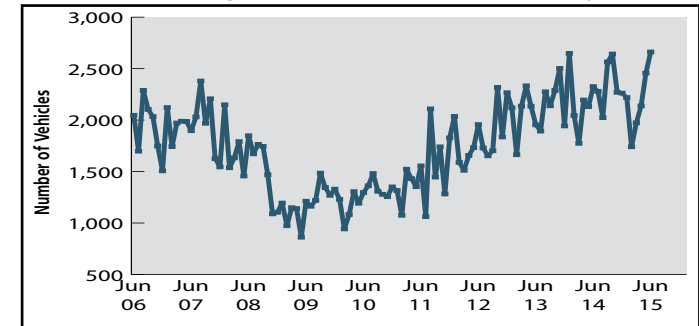


### Colorado and Colorado Springs RevPAR Trends

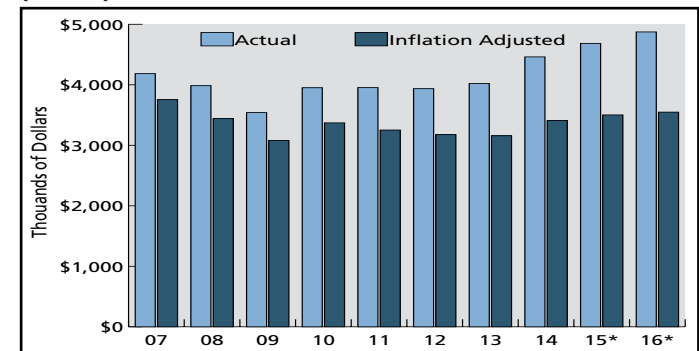


\* Robert S. Benton & Associates, Inc. forecast  
Source: Colorado Hotel and Lodging Association, Rocky Mountain Lodging Report

### New Vehicle Registrations in El Paso County



### Lodger's and Automobile Rental Tax Collections (\$000s)



\* City of Colorado Springs Finance Department, Sales Tax Division forecast  
Sources: El Paso County Commissioners Office; City of Colorado Springs Finance Department, Sales Tax Division



## CITY COMPARISONS

Metropolitan Statistical Area (MSA)	Average Earnings per Job (2013)	Average Wage and Salary Disbursements (2013)	Percent of the Population 25 Years and Over with a Bachelor's Degree (2013)	Per Capita Personal Income (2013)	Per Capita Personal Income as a Percent of the U.S. Average (2013)	Percent Change in Per Capita Personal Income 2001-2013
Albuquerque, NM	\$47,026	\$43,004	18.5%	\$36,287	78.6%	24.9%
Austin, TX	\$54,409	\$51,943	29.0%	\$44,760	96.9%	36.5%
Boise, ID	\$46,722	\$41,389	24.8%	\$36,780	79.7%	23.8%
Boulder, CO	\$55,497	\$57,374	34.8%	\$54,968	119.0%	33.4%
Colorado Springs, CO	\$49,866	\$47,221	22.2%	\$41,250	89.3%	30.3%
Denver, CO	\$62,029	\$56,985	26.2%	\$51,946	112.5%	31.3%
Huntsville, AL	\$56,633	\$52,131	24.0%	\$41,899	90.7%	44.5%
Kansas City, MO	\$56,654	\$49,552	19.4%	\$45,558	98.7%	37.0%
Minneapolis, MN	\$60,065	\$54,516	28.3%	\$51,183	110.8%	36.1%
Portland, OR	\$54,961	\$51,421	26.3%	\$43,728	94.7%	32.3%
Pueblo, CO	\$43,061	\$38,917	12.7%	\$33,616	72.8%	33.6%
Salt Lake City, UT	\$53,975	\$47,298	24.0%	\$41,547	90.0%	40.9%
Tucson, AZ	\$45,627	\$42,998	15.1%	\$37,063	80.3%	43.2%
Wichita, KS	\$52,801	\$44,015	19.0%	\$42,060	91.1%	37.4%
<b>Comparison City Average</b>	<b>\$52,809</b>	<b>\$48,483</b>	<b>23.2%</b>	<b>\$43,046</b>	<b>93.2%</b>	<b>34.5%</b>

Sources: Bureau of Economic Analysis, Regional Economic Accounts; U.S. Census Bureau, 2013 American Community Survey

### WHY ARE THESE IMPORTANT?

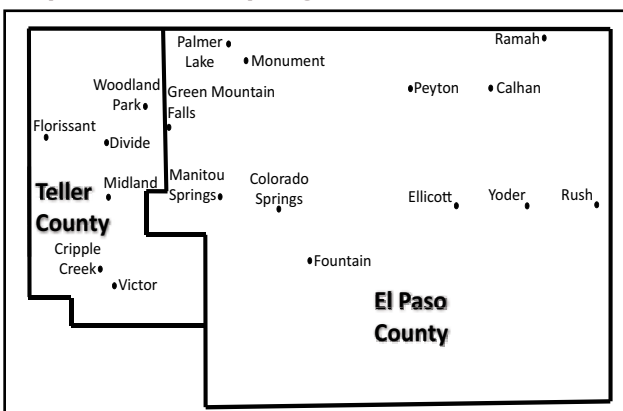
The Forum looks at several other MSAs (metropolitan statistical areas) to provide a relative measure of how Colorado Springs compares with other metropolitan regions in the U.S. The MSAs included in this analysis are cities that compete directly with Colorado Springs for jobs. The table provides comparisons of earnings, wages and salaries, educational attainment, and per capita personal income. The figures in the table above are from the Bureau of Economic Analysis and the U.S. Census Bureau's 2013 American Community Survey. All figures are for 2013, the latest available comparison data for these MSAs.

### HOW ARE WE DOING?

Two measures of earnings are provided in the table. Average earnings per job is a broad measure that uses total aggregate earnings in the city divided by full- and part-time employment. The wage and salary disbursements in the table are the monetary remuneration made to employees including corporate officer salaries, bonuses, commissions and other incentive payments. Average earnings per job for all of the comparative MSAs were \$52,809 in 2013. Colorado Springs average earnings per job were \$49,866 in 2013, ranking the region tenth out of the fourteen MSAs. The average earnings per job in 2013 were \$2,943 lower in Colorado Springs compared to the group average. Wage and salary disbursements averaged \$48,483 for all of the MSAs in the table. Wage and salary disbursements in Colorado Springs averaged \$47,221, ranking the city ninth out of the fourteen MSAs.

With respect to educational attainment, the comparison city average percentage of the population ages 25 and over with a bachelor's degree was 23.2 percent. For Colorado Springs, that average was lower at 22.2 percent. The state of Colorado's comparable metric was 23.6 percent.

### Map of Colorado Springs MSA



Per capita personal income is largely determined by jobs and the earnings from these jobs. The BEA definition of personal income includes income that is taxed, partly taxed, and tax-exempt. It excludes capital gains, pension benefit payments, and contributions for government social insurance. This is a widely used measure of household income. Reported per capita personal income in Colorado Springs was \$41,250 in 2013. This is 0.7 percent higher than per capita personal income in 2012 (\$40,980). The average per capita personal income for all of the MSAs in the table is \$43,046, which is higher than the average for Colorado Springs. Per capita personal income for Colorado Springs in 2013 was 89.3 percent of the U.S. average of \$46,177. Nine of the thirteen comparison MSAs have per capita personal income higher than Colorado Springs. Per capita personal income in Colorado Springs grew 30.3 percent from 2001 to 2013 or 2.8 percent per year compared to a 34.5 percent growth rate for the average of the group or 3.1 percent per year.



### **UCCS by the facts**

- Current student enrollment for 2015 is 11,299.
- Approximately 2,600 students are enrolled in online courses.
- The student body is 30 percent ethnic minority groups with graduation rates for these groups exceeding the peer university average.
- There are 38 Bachelor's degrees, 20 Master's degrees, and 5 Ph.D. programs.
- 14 UCCS athletic programs are part of the NCAA Division II.
- 471 students are active military, and 18 are U.S. Olympic athletes.
- There are six academic colleges: business, education, engineering and applied science, public affairs, letters, arts and sciences, nursing and health sciences.
- Founded in 1965 at the foot of Pikes Peak in response to community and business needs, UCCS is one of four campuses in the University of Colorado System.

### **UCCS kudos**

- Celebrating 50 years of building successful futures.
- Named a top Western public university by U.S. News and World Report; The UCCS College of Engineering and Applied Science is ranked, alongside the military service academies, as having one of the best undergraduate engineering curriculums in the nation. The graduate programs in nursing, business and public affairs are all top-ranked.
- Among the fastest growing college campuses in the state and nation.
- Accrediting agencies: North Central Association of Colleges and Schools, The Higher Learning Commission, AACSB International, Accreditation Board for Engineering and Technology, Commission on Collegiate Nursing Education, National Association of Schools of Public Affairs and Administration, National Council for Accreditation of Teacher Education.

### **UCCS College of Business and Administration and the Graduate School of Business Administration**

The College of Business and Administration was established along with the University of Colorado Colorado Springs in 1965. The College awards the Bachelor of Science in Business, the Bachelor of Innovation™ in Business, the Master of Business Administration, and the Master of Science in Accounting degrees. In 2011, the college established a dual degree program in Business Administration with its long-time partner, the Frankfurt School of Finance and Management.

All degree programs are accredited by AACSB, International - the Association to Advance Collegiate Schools of Business. Less than 5% of business schools in the world hold this distinction. The College of Business is nationally ranked by U.S. News and World Report.

Our internationally-recognized doctoral faculty is known for innovative thinking, skilled teaching, and relevant research. A distinctive focus on business ethics complements the knowledge and technical skills our students gain. Employers seek our graduates for their ability to immediately apply classroom learning to real-world business challenges.

The UCCS College of Business is proud of its partnership with the local business community. These relationships are essential in infusing current business practices into the classroom. The College connects to the community in a variety of ways, including the Southern Colorado Economic Forum, the UCCS Career Networking Night, and the Daniels Fund Ethics Initiative at UCCS. Get information about alumni, executive education, extended studies, working with interns, or hiring graduates, by visiting [www.uccs.edu/business](http://www.uccs.edu/business).

Contact: College of Business and Administration

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