17th Annual Southern Colorado Economic Forum

September 26, 2013

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Southern Colorado Economic Forum
University of Colorado Colorado Springs
College of Business and Administration
Agenda

• Business Conditions Index (BCI) & Its Prime Movers
• The Housing Market, Prices & Mortgage Rates
• The El Paso County Employment Base
• Employment and Income Trends
• The Business Conditions Index & Forecast
• Economic Update after the Wildfires
• Changes in the Employment Base
• Infrastructure & Transportation
The BCI and Its Prime Movers
Business Conditions Index (BCI) for El Paso County (Dec 2007-Jun 2009 = 100)

Source: UCCS Forum
Change in Manufacturing Employment
(Mar 2001-Nov 2001 = 100)

Source: Federal Reserve Bank of St. Louis
The Housing Market, Prices & Mortgage Rates
Monthly, Single Family Permits in El Paso County

Source: Pikes Peak Regional Building Department
30 Year, Conventional Mortgage Rates (%)

Source: Federal Reserve Bank of St. Louis
*Forum Projection
Housing Affordability Index in the U.S.
(and Historical Average: ≈122)

Source: National Association of Realtors®
Monthly, Sales of Single Family Homes in the Pikes Peak Region

Source: Pikes Peak Association of Realtors® (PPRSCI) and UCCS Forum
Days on Market in the Pikes Peak Region

Source: Pikes Peak Association of Realtors® (PPRSCI) and UCCS Forum
Average Price of Homes Sold in the Pikes Peak Region

Source: Pikes Peak Association of Realtors® (PPRSCI) and UCCS Forum

Home buyer tax credit programs
Foreclosures Per 1,000 Households in El Paso County

Source: El Paso County Public Trustee
Actual Business Conditions Index with and Excluding Permits/Registrations

Source: UCCS Forum
The El Paso County Employment Base
Private Sector Employment Mix (percents)

- Education: 2002 - 9.31%, 2012 - 11.39%
- Wholesale/Retail Trade: 2002 - 14.56%, 2012 - 15.56%
- Health Care & Social Assist: 2002 - 10.28%, 2012 - 15.15%
- Accommodation/Food Svcs: 2002 - 10.45%, 2012 - 14.56%
- Professional/Tech Services: 2002 - 7.25%, 2012 - 8.9%
- Management/Waste Mngt: 2002 - 7.21%, 2012 - 8.13%
- Finance/Ins/Real Estate: 2002 - 6.69%, 2012 - 7.73%
- Manufacturing: 2002 - 9.95%, 2012 - 8.13%
- Other: 2002 - 5.77%, 2012 - 5.71%
- Construction: 2002 - 6.73%, 2012 - 3.42%
- Information: 2002 - 5.08%, 2012 - 2.05%
- Transport/Warehouse: 2002 - 3.42%, 2012 - 2.14%
- Arts/Entertain/Rec: 2002 - 1.67%, 2012 - 2.05%

Source: Colorado LMI
Average Employment Multiplier in El Paso County

Source: Implan and UCCS Forum
Hirfindahl Index of Concentration

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment</th>
<th>Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>7.93</td>
<td>8.47</td>
</tr>
<tr>
<td>2010</td>
<td>8.39</td>
<td>8.6</td>
</tr>
<tr>
<td>2011</td>
<td>8.43</td>
<td>8.51</td>
</tr>
<tr>
<td>2012</td>
<td>9.28</td>
<td>8.86</td>
</tr>
</tbody>
</table>
Housing Prices and Employment in El Paso County (Q1 ’95 = 100)

Source: Federal Reserve Bank of St. Louis, National Bureau of Economic Research
Employment and Income Trends
Average Annual Wage in El Paso County

Source: Colorado LMI, U.S. BLS and UCCS Forum
El Paso County’s Share of Manufacturing Employment in Colorado and Growth in Per Capita Income

- Mfg Share
- Per Cap Inc Growth
- Per Cap Inc Trend
- Recession
Forecast
# Forum Forecasts for El Paso County

<table>
<thead>
<tr>
<th></th>
<th>2012 Actual</th>
<th>2013 Estimate</th>
<th>2014 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population growth</strong></td>
<td>1.3%</td>
<td>1.4%</td>
<td>1.9%</td>
</tr>
<tr>
<td><strong>Unemployment rate</strong></td>
<td>9.3%</td>
<td>7.8%</td>
<td>7.4%</td>
</tr>
<tr>
<td><strong>Gross metro product growth</strong></td>
<td>2.1%</td>
<td>2.2%</td>
<td>2.8%</td>
</tr>
<tr>
<td><strong>Non-agricultural employment growth</strong></td>
<td>1.3%</td>
<td>1.9%</td>
<td>2.1%</td>
</tr>
<tr>
<td><strong>Total wage &amp; salary growth</strong></td>
<td>3.2%</td>
<td>4.0%</td>
<td>4.3%</td>
</tr>
<tr>
<td><strong>Average wage &amp; salary growth</strong></td>
<td>2.1%</td>
<td>2.0%</td>
<td>2.2%</td>
</tr>
</tbody>
</table>
## Forum Forecasts for El Paso County

<table>
<thead>
<tr>
<th>Category</th>
<th>2012 Actual</th>
<th>2013 Estimate</th>
<th>2014 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer price index (U.S. and CO)</td>
<td>2.1% (U.S.)</td>
<td>1.9%</td>
<td>2.3%</td>
</tr>
<tr>
<td></td>
<td>1.9% (CO)</td>
<td>2.4%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Per capita personal income growth</td>
<td>3.3%</td>
<td>3.6%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Retail trade growth</td>
<td>6.1%</td>
<td>7.0%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Single family housing permit growth</td>
<td>52.8%</td>
<td>25.8%</td>
<td>23.3%</td>
</tr>
<tr>
<td>Non-residential construction growth</td>
<td>-17.4%</td>
<td>33.5%</td>
<td>20.4%</td>
</tr>
</tbody>
</table>
Rebuilding after the Wildfires

• An update on the economic impact of the wildfires
• Operation 6035
• The healthcare sector
• Infrastructure & transportation
Economic Effects of Residential Reconstruction & Refurbishing in Mountain Shadows

Mountain Shadows
Courtesy of the Gazette

Black Forest
Courtesy of the Forum
Jobs per Year from Mountain Shadows and Black Forest
Reconstruction & Refurnishing

Estimates by UCCS Forum done with Implan
Income per Year from Rebuilding Mountain Shadows and Black Forest: Reconstruction & Refurnishing

Estimates by UCCS Forum done with Implan
Sales and Use Tax for Five Years from Mountain Shadows and Black Forest: Reconstruction & Refurbish

<table>
<thead>
<tr>
<th>Year</th>
<th>Tax Revenue</th>
</tr>
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<tbody>
<tr>
<td>2013</td>
<td>$2,071,000</td>
</tr>
<tr>
<td>2014</td>
<td>$3,240,249</td>
</tr>
<tr>
<td>2015</td>
<td>$3,240,249</td>
</tr>
<tr>
<td>2016</td>
<td>$3,240,249</td>
</tr>
<tr>
<td>2017</td>
<td>$3,240,249</td>
</tr>
<tr>
<td>2018</td>
<td>$1,169,249</td>
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</table>

Estimates by UCCS Forum done with Implan
<table>
<thead>
<tr>
<th>Category</th>
<th>Rebuilding</th>
<th>Refurbishing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td>1,058</td>
<td>1,029</td>
<td>2,087</td>
</tr>
<tr>
<td>Indirect</td>
<td>392</td>
<td>128</td>
<td>520</td>
</tr>
<tr>
<td>Induced</td>
<td>389</td>
<td>173</td>
<td>562</td>
</tr>
</tbody>
</table>

**Economic Impact of Rebuilding 488 Residences in Black Forest - Jobs**
Economic Impact of Rebuilding 488 Residences in Black Forest – Incomes ($Millions)

- **Direct**
  - Rebuilding: $56.10
  - Refurbishing: $28.0
  - Total: $84.10

- **Indirect**
  - Rebuilding: $16.80
  - Refurbishing: $5.0
  - Total: $21.80

- **Induced**
  - Rebuilding: $14.10
  - Refurbishing: $6.2
  - Total: $20.30
Economic Impact of Rebuilding 488 Residences in Black Forest – Sales Tax ($Millions)

<table>
<thead>
<tr>
<th></th>
<th>Direct</th>
<th>Indirect</th>
<th>Induced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rebuilding</td>
<td>$1.9</td>
<td>$1.2</td>
<td>$0.7</td>
</tr>
<tr>
<td>Refurbishing</td>
<td>$0.2</td>
<td>$0.6</td>
<td>$1.2</td>
</tr>
<tr>
<td>Total</td>
<td>$2.1</td>
<td>$1.8</td>
<td>$1.9</td>
</tr>
</tbody>
</table>
Operation 6035 and the Health Care Sector Updates
Employment Levels in 2012 for Target Industries in Operation 6035

- Emerging Industries/Entrepreneurs: 2,389 jobs
- Sports and Sports Related Industries: 5,757 jobs
- Renewable Energy and Energy Efficiency: 7,437 jobs
- Software and Information Technology: 11,766 jobs
- Aerospace, Defense & Homeland Security: 7,345 jobs

Total Jobs: 34,694

QCEW Colorado Department of Labor and Employment

UCCS University of Colorado Colorado Springs
Total Wages in 2012 for Target Industries in Operation 6035 ($Millions)

- Emerging Industries/Entrepreneurs: $236
- Sports and Sports Related Industries: $130
- Renewable Energy and Energy Efficiency: $622
- Software and Information Technology: $1,075
- Aerospace, Defense & Homeland Security: $547

QCEW Colorado Department of Labor and Employment

UCCS University of Colorado Colorado Springs
Average Wages in 2012 for Target Industries in Operation 6035

- All Jobs in El Paso County: $44,564
- Average All 6035 Jobs: $75,230
- Emerging Industries/Entrepreneurs: $98,927
- Sports and Sports Related Industries: $22,522
- Renewable Energy and Energy Efficiency: $83,630
- Software and Information Technology: $91,346
- Aerospace, Defense & Homeland Security: $74,511

QCEW Colorado Department of Labor and Employment
Employment in the Healthcare Sector in 2011 and 2012

- **Child day care services**: 2,126 (2011), 2,258 (2012)
- **Community food & housing, emergency & other residential care facilities**: 3,720 (2011), 5,050 (2012)
- **Other residential care facilities**: 1,509 (2011), 1,929 (2012)
- **Developmental disability, mental health & other community & social services**: 387 (2011), 1,087 (2012)
- **Skilled nursing care facilities**: 579 (2011), 2,261 (2012)
- **Hospitals**: 8,868 (2011), 8,868 (2012)
- **Other ambulatory health care**: 362 (2011), 4,000 (2012)
- **Home health care services**: 1,929 (2011), 2,000 (2012)
- **Medical & diagnostic labs**: 579 (2011), 579 (2012)
- **Outpatient care centers**: 1,087 (2011), 1,087 (2012)
- **Dental offices**: 8 (2011), 579 (2012)
- **Physicians offices**: 5,050 (2011), 5,050 (2012)

QCEW Colorado Department of Labor and Employment
# Average Wages in the Healthcare Sector in 2012

<table>
<thead>
<tr>
<th>Service</th>
<th>Annual Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child day care services</td>
<td>$20,990</td>
</tr>
<tr>
<td>Community food &amp; housing, etc.</td>
<td>$33,452</td>
</tr>
<tr>
<td>Other residential care facilities</td>
<td>$28,717</td>
</tr>
<tr>
<td>Assisted living &amp; continuing care</td>
<td>$24,322</td>
</tr>
<tr>
<td>Developmental disability, mental...</td>
<td>$28,718</td>
</tr>
<tr>
<td>Skilled nursing care facilities</td>
<td>$32,821</td>
</tr>
<tr>
<td>Hospitals</td>
<td>$52,560</td>
</tr>
<tr>
<td>Other ambulatory health care</td>
<td>$46,886</td>
</tr>
<tr>
<td>Home health care services</td>
<td>$28,371</td>
</tr>
<tr>
<td>Medical &amp; diagnostic labs</td>
<td>$61,006</td>
</tr>
<tr>
<td>Outpatient care centers</td>
<td>$53,955</td>
</tr>
<tr>
<td>Offices of other health practitioners</td>
<td>$33,805</td>
</tr>
<tr>
<td>Dental offices</td>
<td>$44,447</td>
</tr>
<tr>
<td>Physicians offices</td>
<td>$71,768</td>
</tr>
</tbody>
</table>

![Salary Distribution Bar Chart](chart.png)
Economic Multipliers of Healthcare

Source: Implan and UCCS Forum
Each category was evaluated on the basis of capacity, condition, funding, future need, operation and maintenance, public safety and resilience.

<table>
<thead>
<tr>
<th>Category</th>
<th>Grade</th>
<th>Category</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVIATION</td>
<td>D</td>
<td>PORTS</td>
<td>C</td>
</tr>
<tr>
<td>BRIDGES</td>
<td>C+</td>
<td>PUBLIC PARKS AND RECREATION</td>
<td>C+</td>
</tr>
<tr>
<td>DAMS</td>
<td>D</td>
<td>RAIL</td>
<td>C+</td>
</tr>
<tr>
<td>DRINKING WATER</td>
<td>D</td>
<td>ROADS</td>
<td>D</td>
</tr>
<tr>
<td>ENERGY</td>
<td>D+</td>
<td>SCHOOLS</td>
<td>D</td>
</tr>
<tr>
<td>HAZARDOUS WASTE</td>
<td>D</td>
<td>SOLID WASTE</td>
<td>B-</td>
</tr>
<tr>
<td>INLAND WATERWAYS</td>
<td>D-</td>
<td>TRANSIT</td>
<td>D</td>
</tr>
<tr>
<td>LEVEES</td>
<td>D-</td>
<td>WASTEWATER</td>
<td>D</td>
</tr>
</tbody>
</table>

**METHODOLOGY**

A = Exceptional
B = Good
C = Mediocre
D = Poor
F = Failing

**ESTIMATED INVESTMENT NEEDED BY 2020:**

$3.6 TRILLION
How is Colorado’s infrastructure doing?
Annual Growth Rate in Real Net Stock of Government Fixed Assets

- Federal: 1.0%, 2.0%, 0.0%, 1.0%, 2.0%, 3.0%, 4.0%, 5.0%, 6.0%, 7.0%, 8.0%
- Nondefense: 1.0%, 2.0%, 0.0%, 1.0%, 2.0%, 3.0%, 4.0%, 5.0%, 6.0%, 7.0%, 8.0%
- State & Local: 1.0%, 2.0%, 0.0%, 1.0%, 2.0%, 3.0%, 4.0%, 5.0%, 6.0%, 7.0%, 8.0%
Annual Growth Rates in Real Net Stock of Government Fixed Assets and GDP

- 1951 to 1972:
  - Federal non-Defense: 3.45%
  - State and Local: 4.75%
  - GDP: 4.0%

- 1973 to 2011:
  - Federal non-Defense: 1.62%
  - State and Local: 2.30%
  - GDP: 2.8%
Recognized Infrastructure Needs in El Paso County ($millions)

- Regional Transit: $728.7
- Regional Signals/Safety: $146.1
- Regional Bikeways: $41.0
- Regional Pedestrian: $45.2
- Regional Bridge: $103.7
- Regional Roadway: $3,073.1
- Colorado Springs Misc.: $13.0
- Colorado Springs Utilities: $1,150.7
- Stormwater: $834.4

With Identified Funding: 5,301.5 $mil
Without Identified Funding: 834.4 $mil

Source: Various Reports
The Price of Deferral

Today’s Estimate of Deferred Maintenance: $834.4 Million

An Equivalent Annuity over 25 years at 4%
What it would have cost?

$20.04 million per year for 25 years

$53.4 million per year for 25 years
An Equivalent Annuity over 25 years at 4%
What it will cost?
CAUTION

Congestion and Rough Roads Ahead
The Pikes Peak region has accumulated a backlog of projects that are needed just to sustain the current system, let alone expand it. The 2035 Regional Transportation Plan acknowledges that the projected funding is not sufficient to adequately maintain existing infrastructure or serve all of the projected needs. Achieving the complete vision will require significant new revenues from yet-identified sources.

Total Unfunded Needs $7,023.6 $mil

- Regional Transit: $724.2
- Regional Signals/Safety: $43.7
- Regional Bikeways: $32.1
- Regional Pedestrian: $37.2
- Regional Bridge: $67.9
- Regional Roadway: $6,118.5
Paved Lane Miles per 1,000 Residents in El Paso County (indexed for year 2000=100)
State & Federal Gasoline Tax per Gallon

Source: FHWA and Congressional Budget Office
Federal Highway Trust Fund Revenues ($billions)

Source: FHWA and Congressional Budget Office
Colorado Fuel Tax Revenues ($millions)

Source: Federal Highway Administration
Growth in Fuel Tax Revenue: (1975 = 100)

Source: Federal Highway Administration