

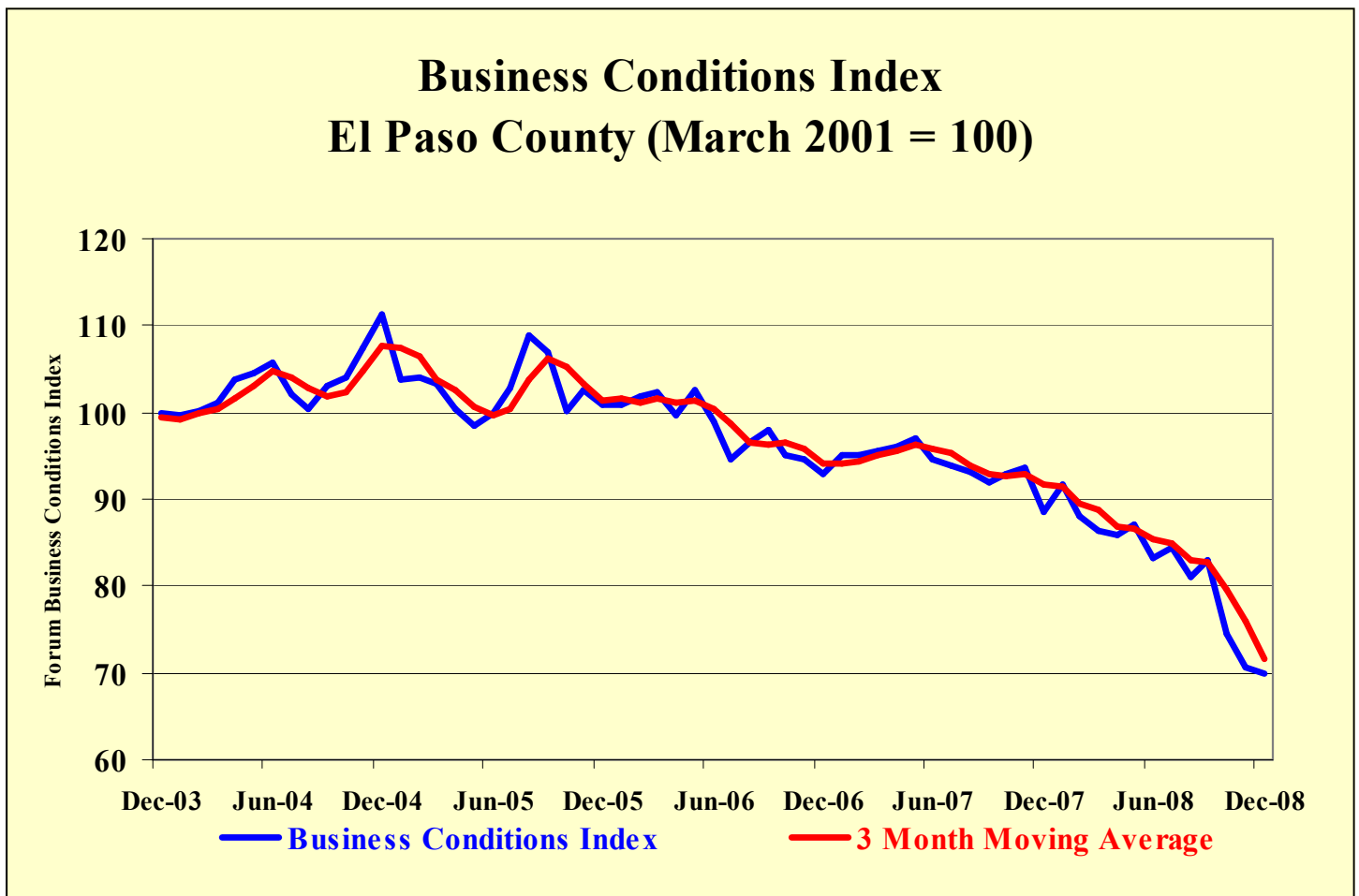
Quarterly Updates and Estimates

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Update on the El Paso County Economy

The Forum noted there were significant declines in local economic activity in the October 2008 issue of the *QUE*. Conditions continued to deteriorate in the 4th quarter of 2008. The Business Conditions Index (BCI) for December 2008 was 69.86. This is the lowest level the BCI has registered from its start in 1998. Current conditions in the national economy offer little to pull the local economy out of its downward spiral. However, anticipated troop arrivals and troops returning to Fort Carson in 2009 from deployment in 2008 should stabilize the local economy and provide some potential for growth in the second half of 2009 (see p. 15-17).



¹ The Business Conditions Index (BCI) is a geometric index of ten seasonally adjusted data series. The El Paso County data are single family and town home permits, new car sales, employment rate, foreclosures, ES202 employment and ES202 wages and salaries. Colorado Springs data are sales and use tax collections and airport enplanements. University of Michigan's Consumer Sentiment and the Federal Reserve Bank of Kansas City Manufacturing Index are non-local indicator in the BCI. The BCI is indexed to March 2001 = 100. All raw series are seasonally adjusted by UCCS Southern Colorado Economic Forum using the Department of Commerce X12 adjustment process.

Table 1: Business Conditions Index Components - All Values Indexed to Mar 2001 = 100

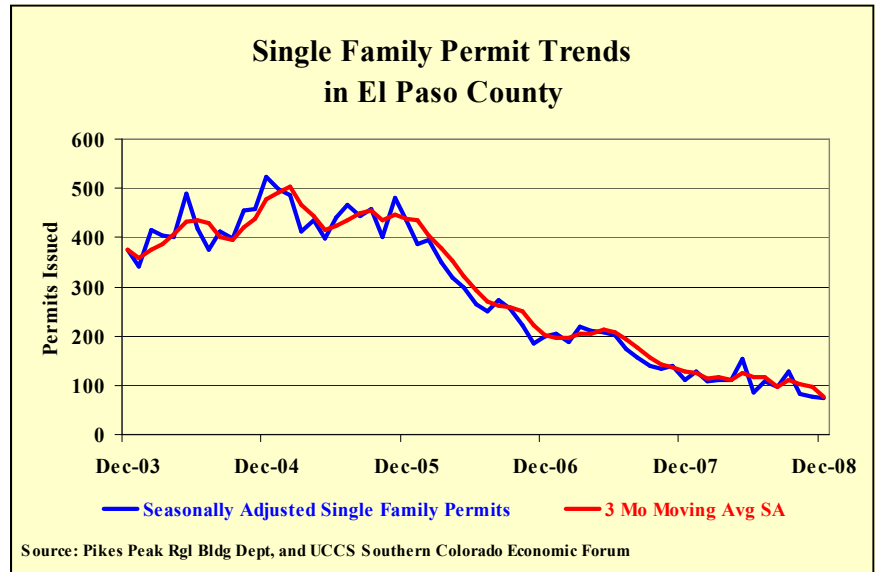
	COS Enplane- ments	El Paso County SF & TH Permits	U Of Mich Con Sent	Kansas City Fed Mfg Index	El Paso <u>Employ- ment Rate</u>	Colorado Springs 2% Sales & Use Tax	El Paso County Car Sales	El Paso County Fore- closures	El Paso County Employed	El Paso County Real Wages	BCI
Sep-07	95.26	41.21	93.38	132.29	98.96	104.86	76.42	98.87	111.77	102.25	92.00
Oct-07	96.78	39.50	90.93	134.53	98.86	104.85	88.83	98.71	110.42	102.27	92.92
Nov-07	99.82	40.61	85.06	140.88	98.75	118.64	80.99	98.77	111.55	103.02	93.73
Dec-07	86.56	31.12	82.31	136.40	98.38	107.58	81.24	98.30	111.41	103.77	88.52
Jan-08	93.20	35.03	81.01	150.22	98.30	107.79	86.96	98.60	112.85	103.83	91.76
Feb-08	93.12	30.85	77.06	139.76	98.13	99.40	79.95	97.85	112.97	104.42	88.00
Mar-08	90.14	28.74	75.77	138.27	97.98	104.12	71.61	97.98	113.08	104.84	86.35
Apr-08	87.24	28.47	68.75	149.48	98.13	101.79	78.89	98.05	112.65	99.33	85.97
May-08	93.34	36.69	65.54	152.09	97.56	101.78	68.71	98.42	111.47	99.10	87.17
Jun-08	85.60	23.83	60.49	147.61	97.46	110.33	76.55	97.59	110.38	98.12	83.17
Jul-08	81.95	30.58	66.09	169.28	97.41	93.81	66.91	98.13	109.57	99.70	84.42
Aug-08	84.91	20.03	68.98	151.72	97.23	103.75	63.89	98.99	108.94	99.84	81.13
Sep-08	80.47	28.26	78.38	123.69	97.37	99.18	68.05	98.94	108.69	99.37	82.98
Oct-08	86.28	17.50	65.90	89.69	96.55	93.25	58.90	97.92	107.70	104.79	74.45
Nov-08	79.98	17.29	61.41	66.14	96.61	94.39	54.81	98.21	108.56	104.89	70.74
Dec-08	69.13	16.87	66.14	63.53	96.33	91.51	58.38	98.26	108.18	103.33	69.86
October 2008 Compared to:											
Nov-08	-13.57%	-2.44%	7.70%	-3.95%	-0.29%	-3.05%	6.51%	0.05%	-0.35%	-1.49%	-1.25%
Sep-08	-14.09%	-40.30%	-15.62%	-48.64%	-1.07%	-7.73%	-14.22%	-0.69%	-0.47%	3.99%	-15.81%
Jun-08	-19.24%	-29.20%	9.34%	-56.96%	-1.16%	-17.06%	-23.74%	0.69%	-1.99%	5.31%	-16.01%
Dec-07	-20.13%	-45.78%	-19.65%	-53.42%	-2.09%	-14.94%	-28.15%	-0.04%	-2.90%	-0.43%	-21.08%
Real wages in El Paso County are estimated for the period Jul '08 through Dec '08											

Every indicator in the BCI is lower than its year ago value. Seven of the ten indicator values for December are lower than their respective values in November. Car sales picked up with aggressive interest rates made possible by the Federal Reserve's underwriting the commercial paper market. This also seems to have bolstered consumer confidence in December, although down sharply from a year ago. Foreclosures improved slightly in December. This might be reflecting data from the New York Federal Reserve Bank that points to Colorado's being on the vanguard of problem loan clean-up efforts. Significant problem loans still exist. Foreclosure problems may worsen a little in 2009 if unemployment rate continue to rise. Displaced workers will find it increasingly difficult to maintain their homes if they are unemployed (see p. 7).

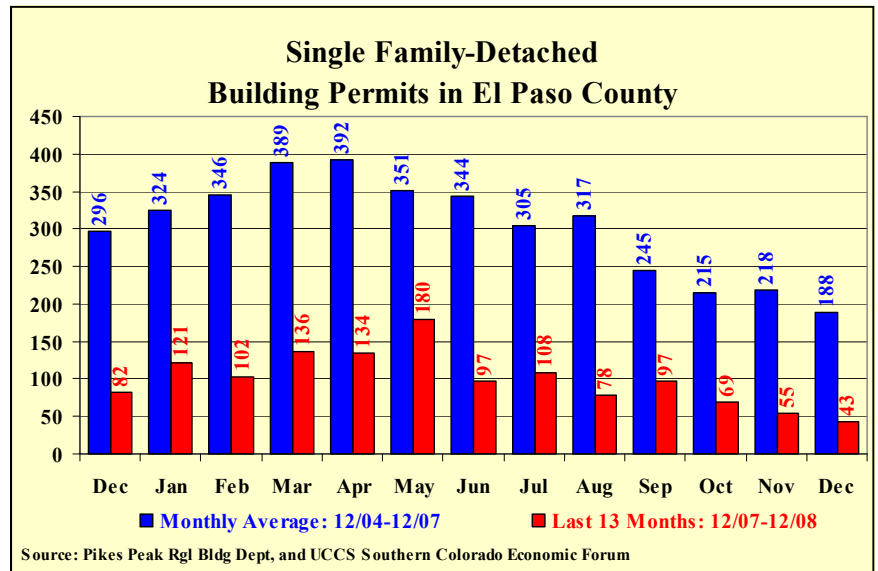
The Forum believes local conditions will continue to deteriorate over the next five to six months. By July 2009, expenditures by significantly higher numbers of troops at Fort Carson should begin to be realized in the local economy. Stability is likely to be seen in the third quarter. Nominal growth might be seen in the fourth quarter of 2009.

Analysis of the El Paso County Residential Housing Market

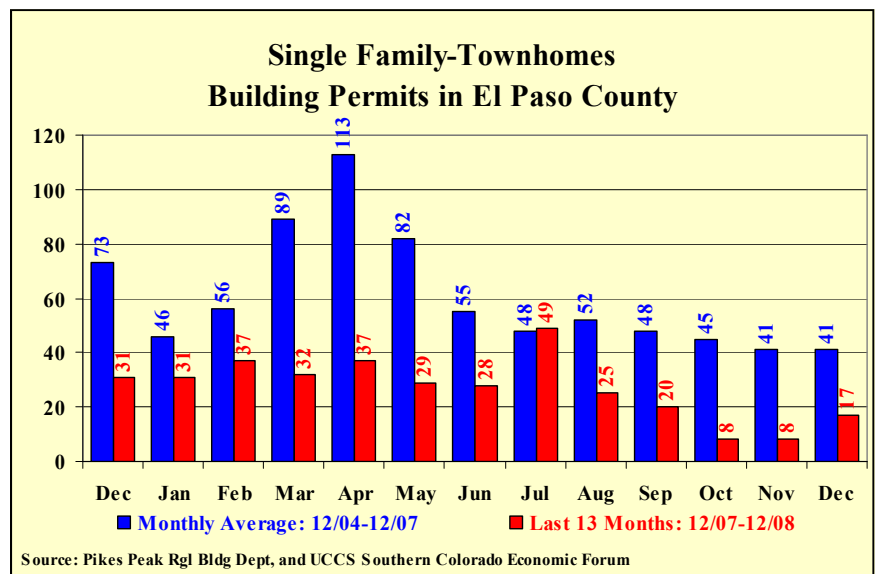
Single family permit activity continued to decline in the 4th quarter. The rate of decline appears to point to a bottoming out in permit activity. Significant growth in permit activity is not expected until late in 2009 to 2010.



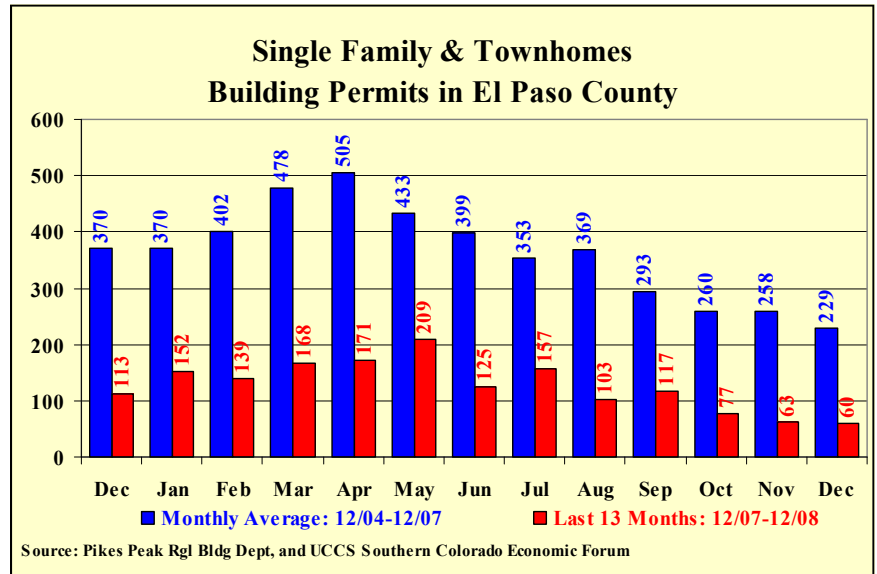
Permit activity continues to be significantly below its past average.



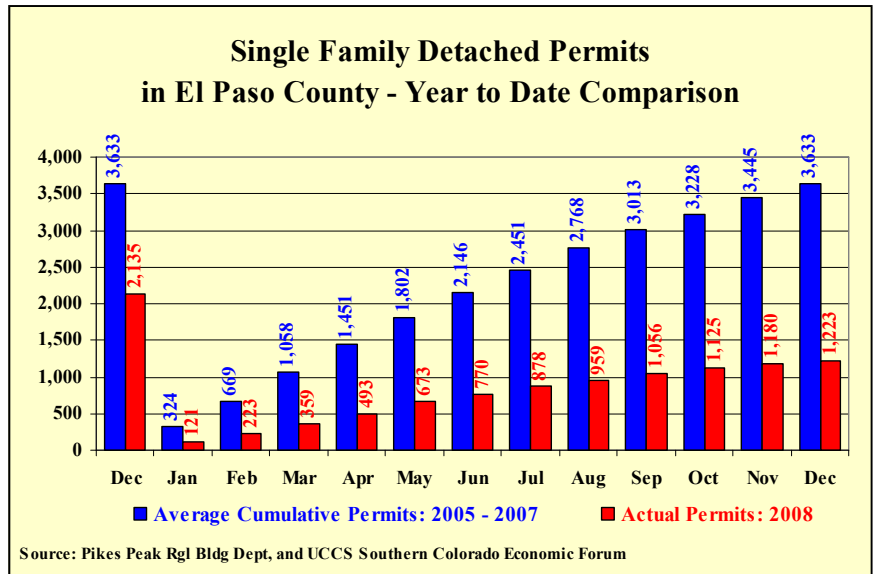
Weakness in townhome permit activity continues to characterize this less expensive form of home ownership in the county. Townhome permit activity also lags its past average.



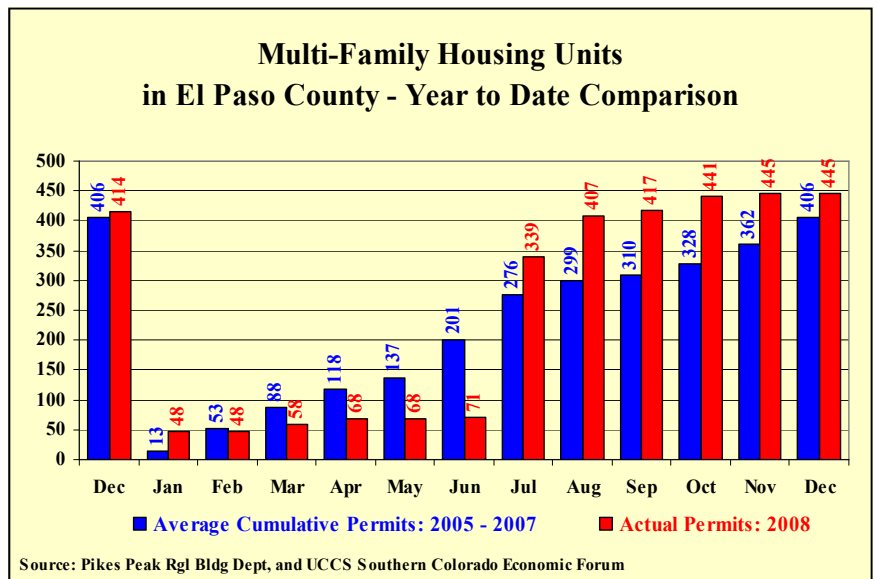
Compared to the last several years, the most recent thirteen months of private residential building activity have remained weak. The normal rise in activity in the late spring to early summer did not materialized this year. The Housing and Economic Recovery Act of 2008 (HERA) has not had a discernable effect as of December 2008.



Weakness in single family permit activity was steady throughout the year. Permit activity averaged close to 62 percent fewer permits on a monthly basis compared to the recent monthly averages.



The Forum anticipated an increase in multi-family housing unit building activity in the second half of 2008. Multi-family housing unit permit activity in 2008 surpassed the recent three year average. The data suggest there may be some overbuilding of multi-family units. More is said about this in the section on multi-family (pp. 9-10).

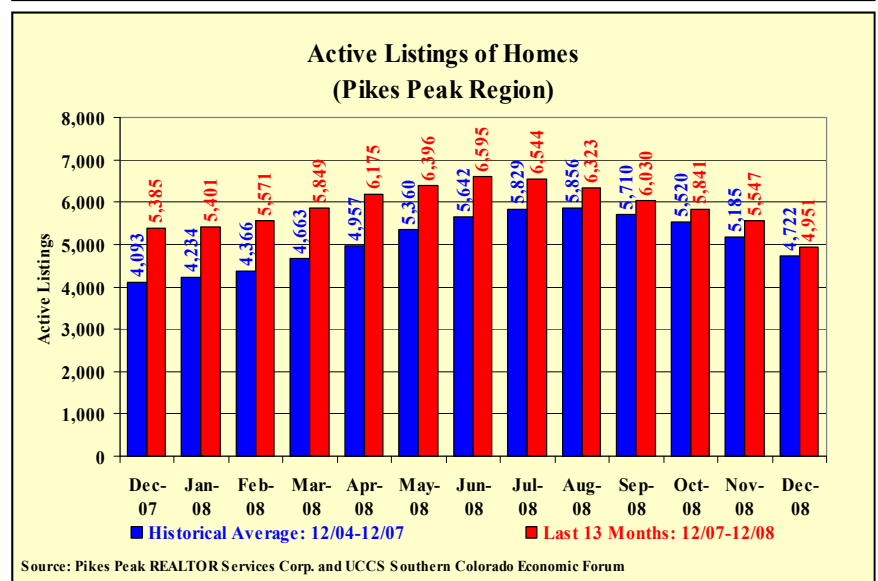
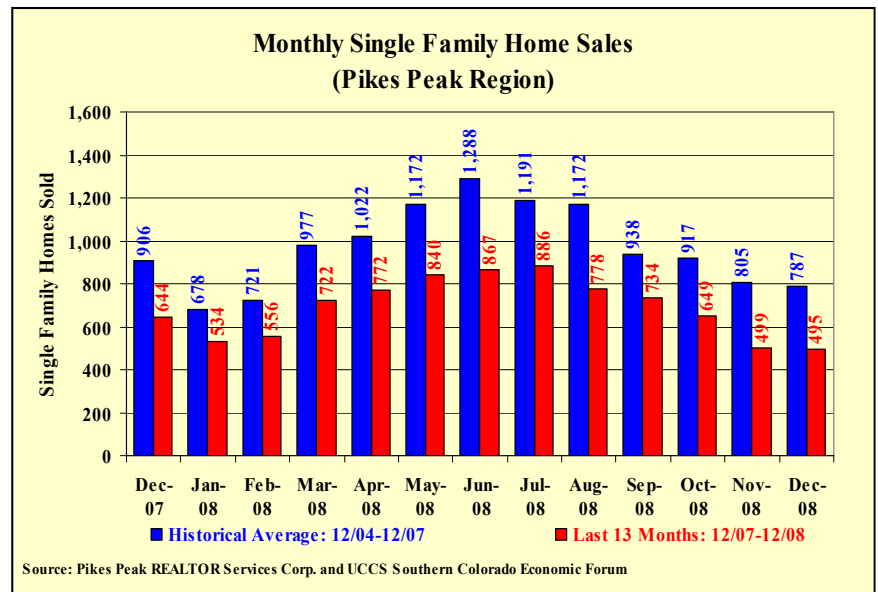
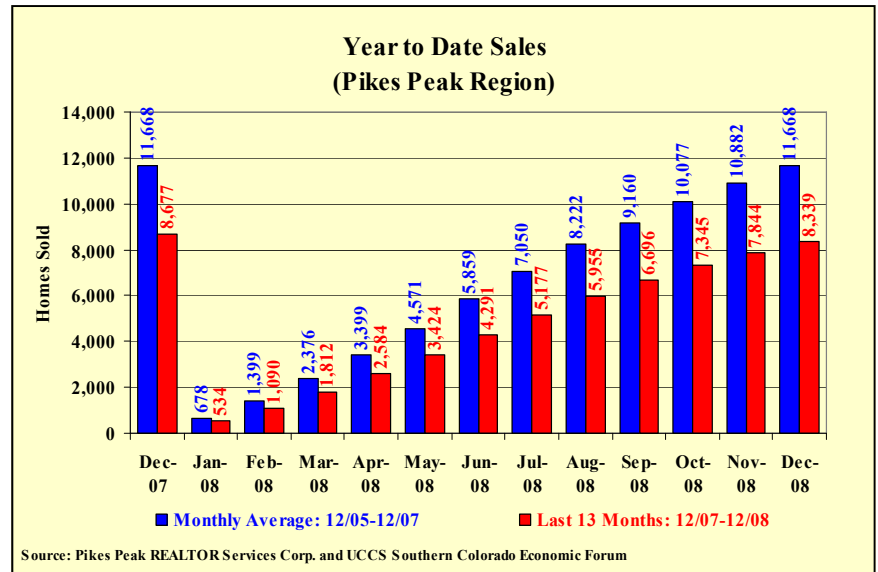


MLS Activity

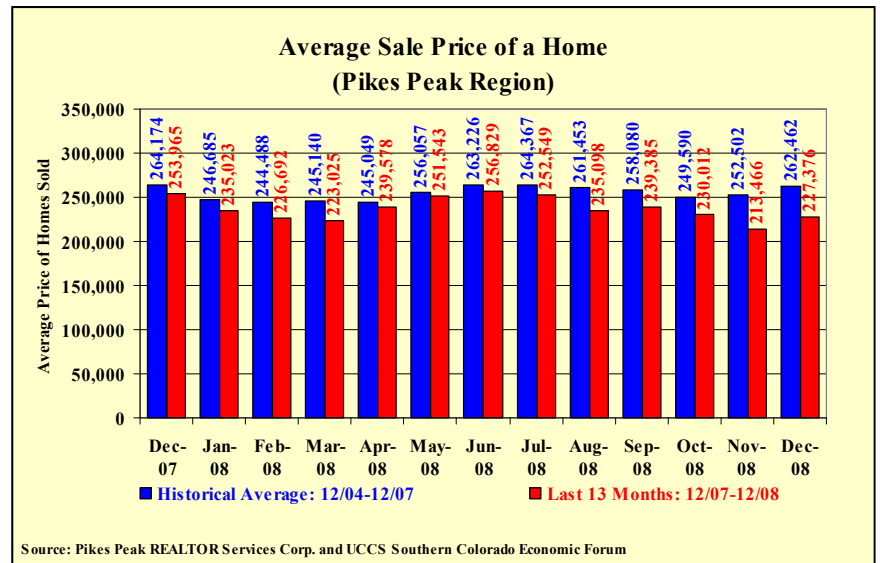
Single family home sales in the Pikes Peak Region showed weakness in 2008 compared to the recent last few years. relative to recent years. Part of this problem can be tied to the high level of foreclosures. Bargain shopping by prospective home buyers drove many to seek a foreclosed property. The effect was a diminish role the MLS service plays in the number of real estate transactions. Annual sales were down approximately 30 percent compared to the past three year average and 17 percent compared to 2007.

The monthly sale trend showed consistent weakness throughout the year. December 2008 sales were 37 percent below the past average for December. This was slightly higher than the 33-34 percent range for many of the summer months. It is not certain that the difference is a harbinger for further declines in 2009.

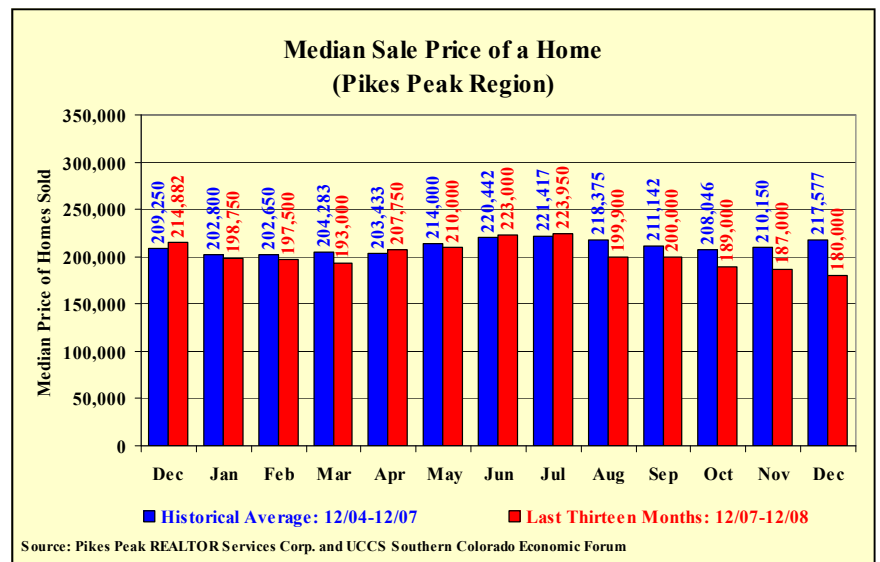
The number of active listings in the region continues to run below the year ago figures. Whether it is the result of not being able to find a buyer of the downstream home in a trade-up situation or a directional improvement in the local resale market, the current wave of stability is a welcome sight to the local housing market. The decline in listings might also be due to discouraged sellers who have taken their homes off the market. There is a hint of stability in the numbers. The December ratio of current to historical listings was 1.05 compared to 1.28 in the first quarter and 1.32 in December 2007.



The average price of homes sold in El Paso County through the MLS service was \$227,376 in December 2008, 10.5 percent below December 2007. A review of the monthly data indicates the price of homes sold in the Pikes Peak Region declined throughout the year. This reflects weakness in the market as well as a shift in activity from higher priced homes and a decline in number and sale price of new homes through MLS.

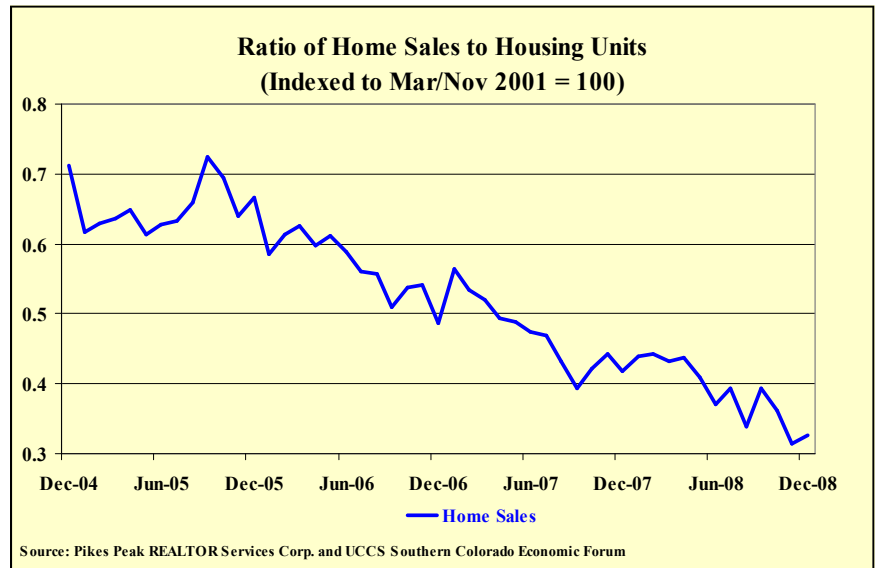


Median sale price information is similar to the average price information. The trend was downward. The median price of homes sold in El Paso County through the MLS service was \$180,000 in December 2008, 16.3 percent below December 2007.

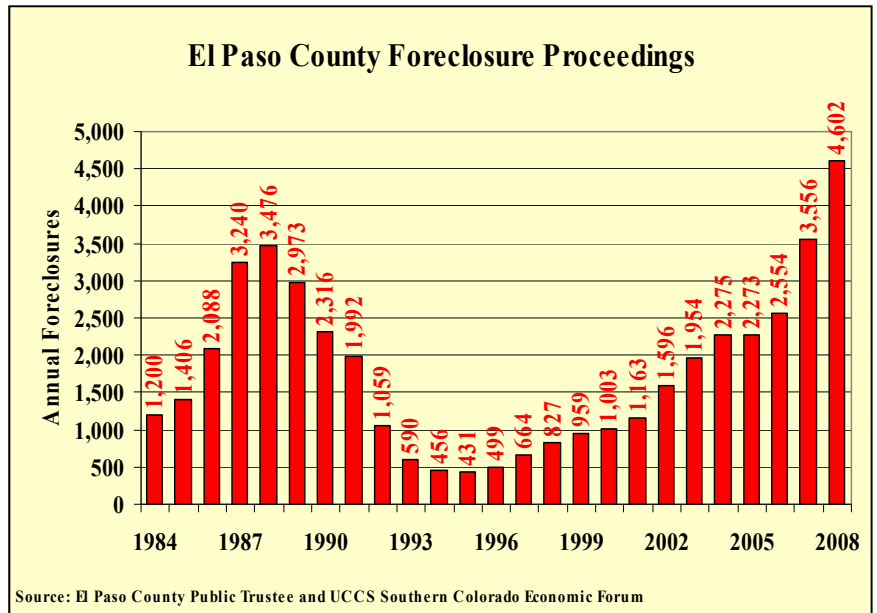


Foreclosures

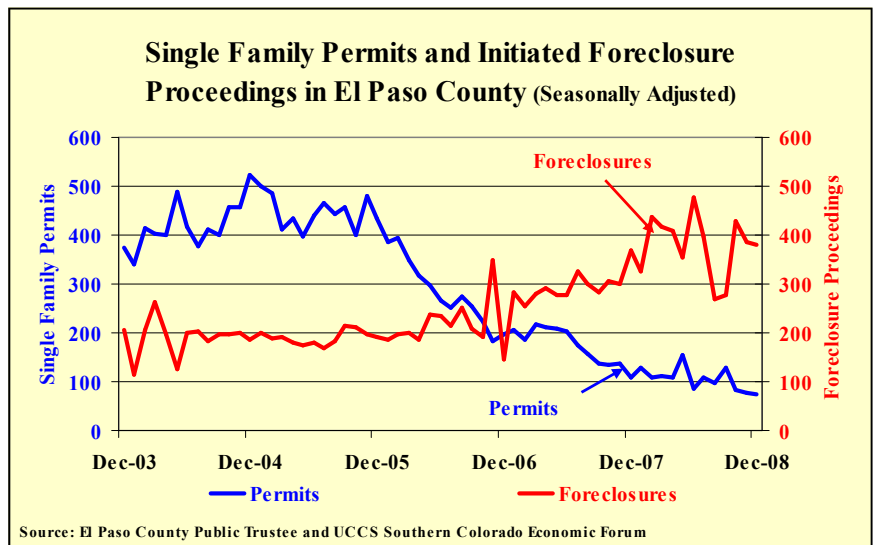
The Forum's ratio of home sales to total single family housing units appears to be showing signs of stabilizing. The declining trend in the ratio since the 4th quarter of 2005 indicated a growing buyer's market in the local area. The current trend is more indicative of a decline in the rate of deterioration in the resale market. Equilibrium is expected to take 12-18 months to achieve.



The number of foreclosures increased dramatically as the subprime and Alt A mortgage loans became more problematic. This is especially noticeable in 2007 and 2008. Foreclosure problems go beyond questionable loans. Evidence points to a number of homeowners with second mortgages with equity positions which are upside down. Additional concerns exist about the rising number of unemployed and if they will be able to maintain their mortgage payments. In 2008, there were approximately 25 foreclosures per 1,000 single family homes. This is better than the 32 foreclosures per 1,000 single family homes in 1988.



The Forum first pointed to the inverse relation between foreclosures and new single family permits at its 11th Annual Southern Colorado Economic Forum in October 2007. Evidence of the relationship continued through 2008. Until the problem in foreclosures is resolved, single family construction is not expected to rebound. At this time, the Forum anticipates a slight decline in foreclosures in 2009, much of this being dependent on a boost from the troop buildup at Fort Carson.



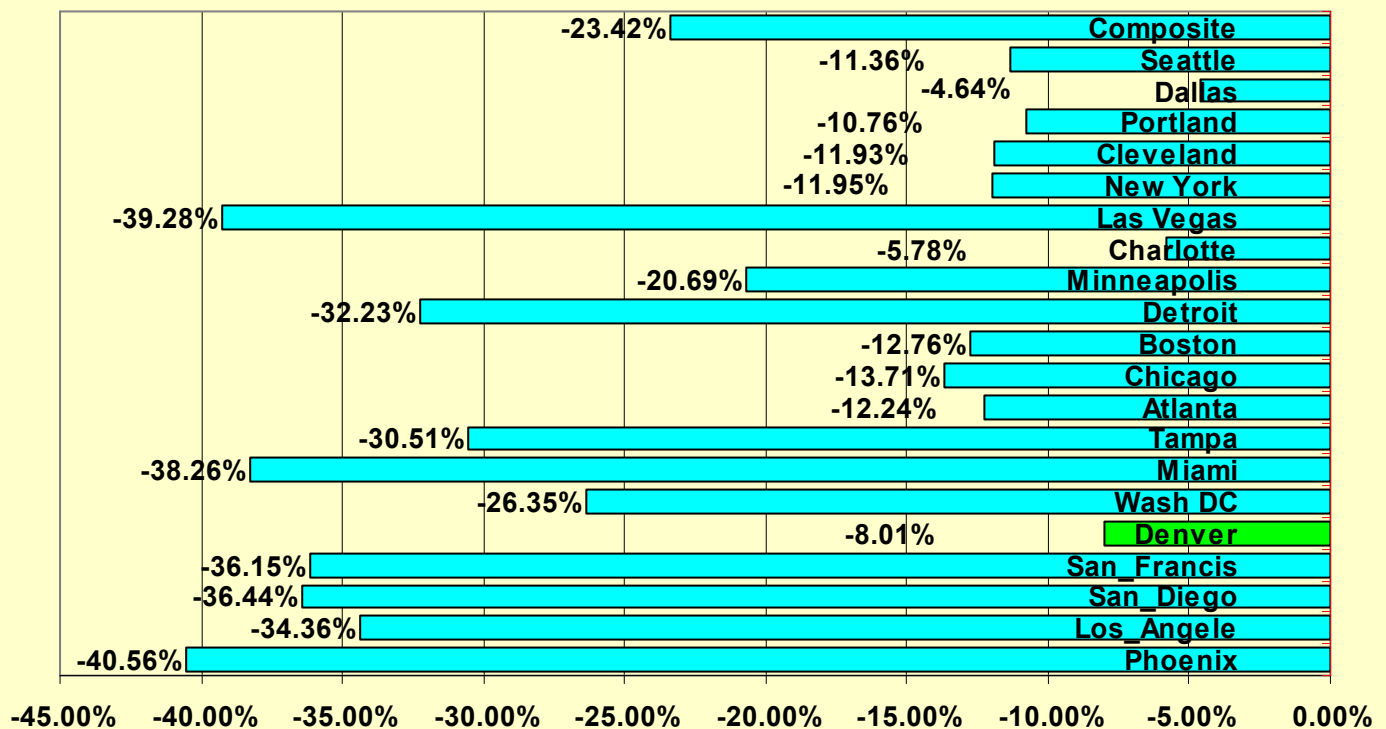
Housing Bubbles

A different measure of local housing prices is available from the Office of Federal Housing Enterprise Oversight. It measures the price change for same house sales. New homes are excluded. **Over the past five years, housing prices in the Colorado Springs MSA saw the second highest appreciation in Colorado.** An energy driven bubble drove Grand Junction prices up an unsustainable 66 percent over the last five years. The Case/Shiller Index identifies is based on the largest 20 metropolitan areas. Compared to their respective peaks, housing in Phoenix, Las Vegas and Miami have dropped around 40 percent. There is nothing to suggest the Colorado Springs housing market will experience a burst housing price bubble. At this time.

Compound Annual Housing Price Appreciation

	Last 12 Months Q3 2007 to Q3 2008	Last 24 Months Q3 2006 to Q3 2008	Last 60 Months Q3 2003 to Q3 2008
Boulder, CO	2.37%	5.47%	15.24%
Colorado Springs, CO	-2.80%	-1.52%	15.60%
Denver-Aurora, CO	-0.95%	-1.64%	6.67%
Fort Collins-Loveland, CO	-0.52%	0.46%	9.84%
Grand Junction, CO	4.67%	20.10%	66.11%
Greeley, CO	-5.70%	-7.40%	-5.49%
Pueblo, CO	-6.37%	-6.00%	5.53%
Colorado	-0.31%	1.76%	14.42%
U.S.	-4.00%	-2.27%	28.79%

Case/Shiller Housing Price Index Change (Oct 2008 vs Recent Peak: Mostly in 2006)



Multi-family Market

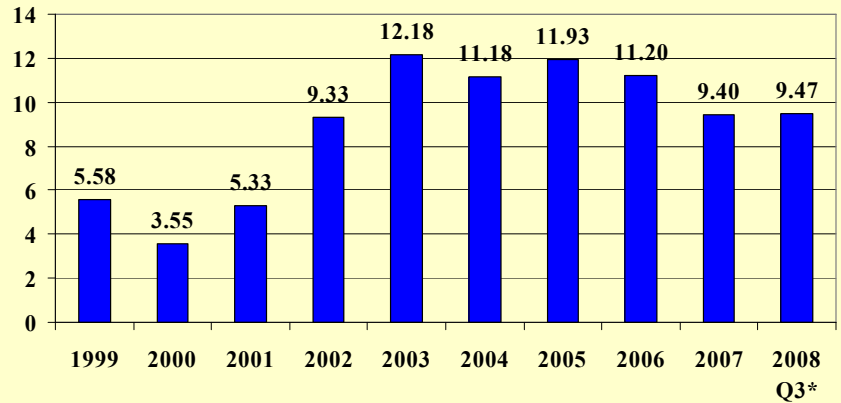
The estimated annualized multi-family vacancy rate stood at 9.47 percent in the third quarter. Continued new construction, the lack of job growth and the sustained deployment of troops from Fort Carson contributed to this. The Rand institute estimated 40 percent of the troops who live off base will rent housing. The anticipated return of troops and additional troops under BRAC05 are expected to help reduce vacancies in 2009 provided new multi-family construction takes a substantial.

Rents in the region have been rising steadily since 2002. Rents for 2008 are expected to average a little under \$700 a month.

Despite the increase in nominal rents, real apartment rents were estimated to be \$592 in September 2008 compared to \$685 in September 2001. Alternatively stated, landlords are collecting 13.6 percent less real revenue per rented apartment than they did approximately seven years earlier.

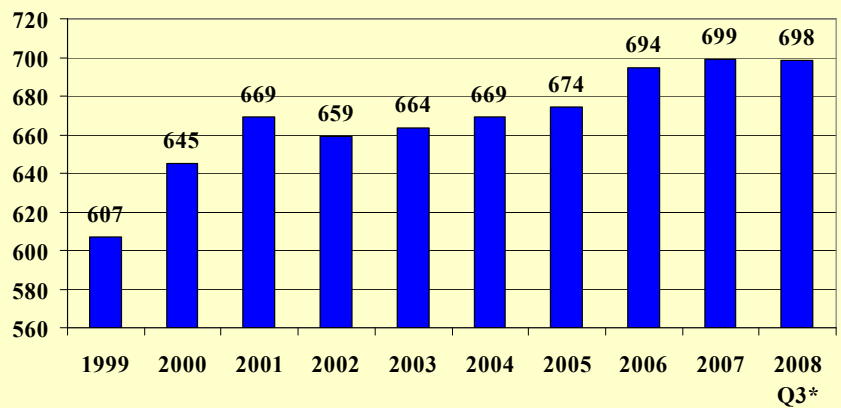
The increase in new multi-family units and the modest increases in occupancy rates suggest real rents for multi-family units will remain weak through the next 6 to 9 months.

Multi-Family Vacancy Rates in El Paso County



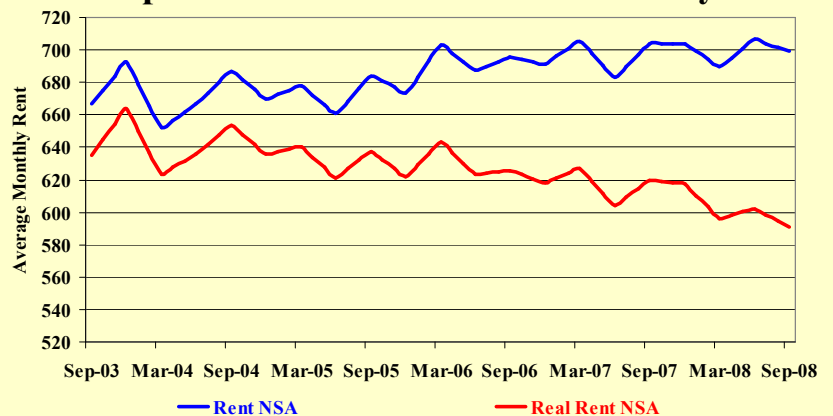
Source: Colorado Division of Housing, *= Estimated Yearly Rate

Multi-family Rents in El Paso County



Source: Colorado Division of Housing, *= Estimated Yearly Rate

Nominal and Real Apartment Rents in El Paso County



Source: Colorado Division of Housing, UCCS Forum

Statewide Comparison of Multi-Family Rents

Multifamily permit activity was noticeably stronger than might have been expected in the current market. Actual vacancy rates were approximately 9.2% in El Paso County in September 2008 (9.47%, estimated annual vacancy rate). A comparison of vacancy rates with other cities in Colorado is provided below. The Colorado Springs market has the highest vacancy rate of all cities in the state. ***On average, vacancy rates in the Colorado Springs market are approximately 2.2 time higher than the average for all other areas in Colorado.*** Together with the ongoing decline in real rents, it appears the local economy does not need additional multi-family units until the existing ones can be absorbed, presumably by the returning troops and expected new troops arrivals at Fort Carson in 2009.

Multi-Family Vacancy Rates in Colorado: 9/08

Area	Vacancy Rate	Area	Vacancy Rate
Alamosa	5.4	Glenwood Springs	2.7
Aspen	2.1	Grand Junction	2.4
Buena Vista	6.0	Greeley	5.5
Canon City	4.8	Gunnison	2.0
Colorado Springs	9.2	Lake County	4.0
Denver (2008 Q2)	6.2	Montrose	5.5
Durango	3.4	Pueblo	6.8
Eagle County	2.9	Salida	2.6
Fort Collins/Loveland	4.1	Southeastern Colorado	4.0
Fort Collins	4.2	Steamboat Springs	3.9
Loveland	3.5	Sterling	7.3
Fort Morgan/Brush	5.2	Summit County	2.9

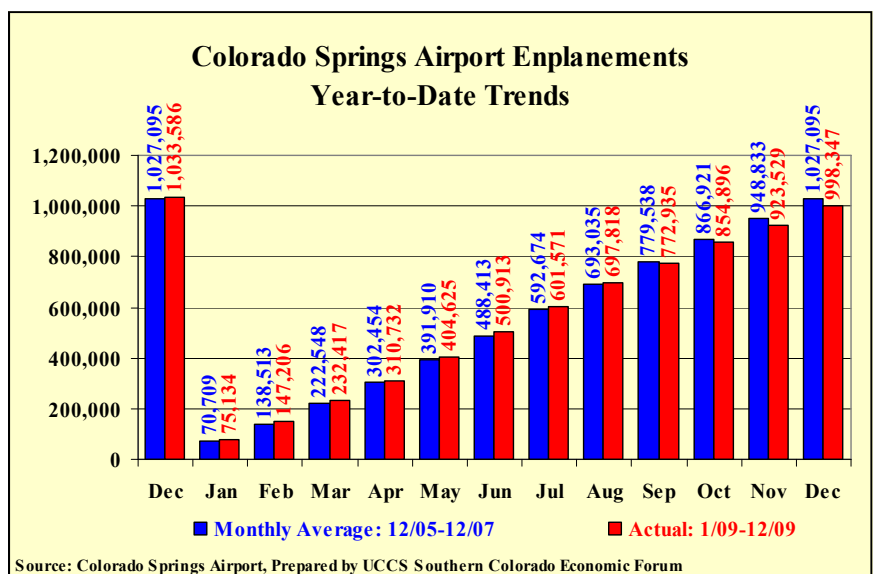
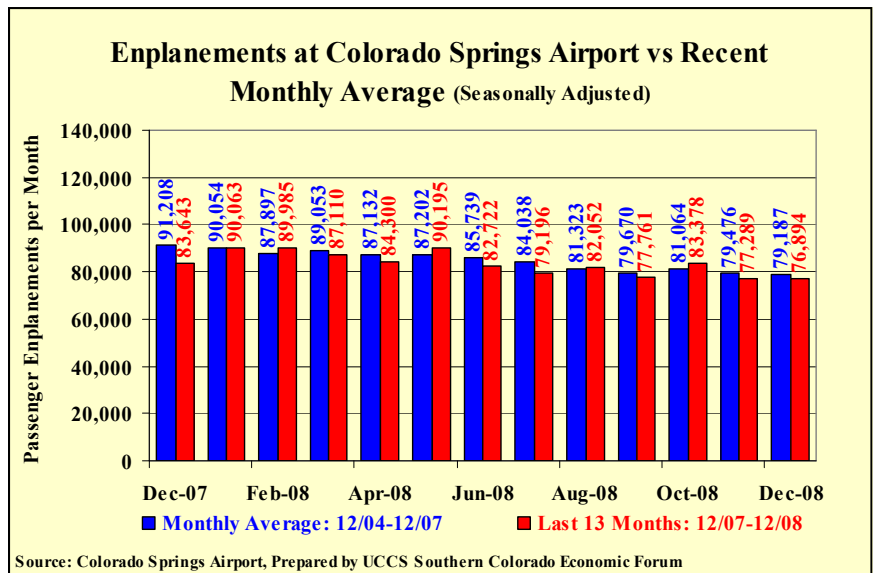
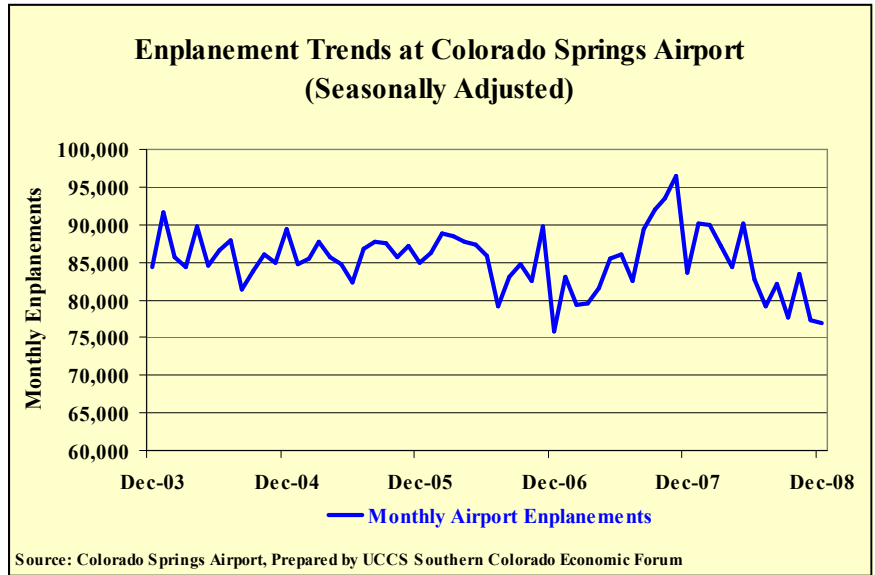
Source: Colorado Division of Housing

Colorado Springs Airport Trends

As expected, enplanement activity at the airport declined in the last quarter of 2008. Strength is not expected until the economy begins its expected recovery in latter portion of 2009.

Monthly enplanement activity fell behind its recent historical average in August and September. A decline in the number of flights, higher fares, slowing economy and declining consumer sentiment are believed to be the causes for the drop in enplanements.

The Forum repeats its expectation that monthly enplanements will continue to lag their recent past averages. At the current trend, enplanements in 2009 are expected to be 3 to 5 percent below 2008 levels.

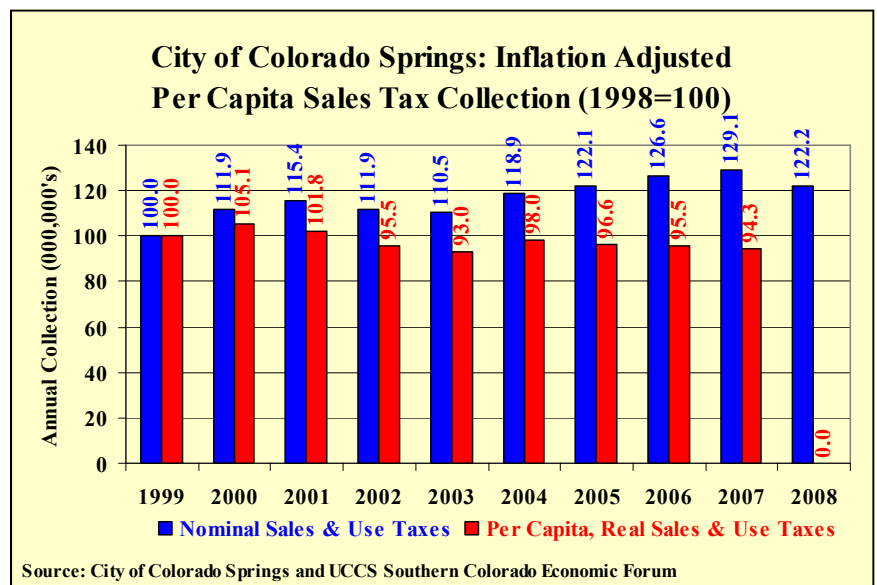
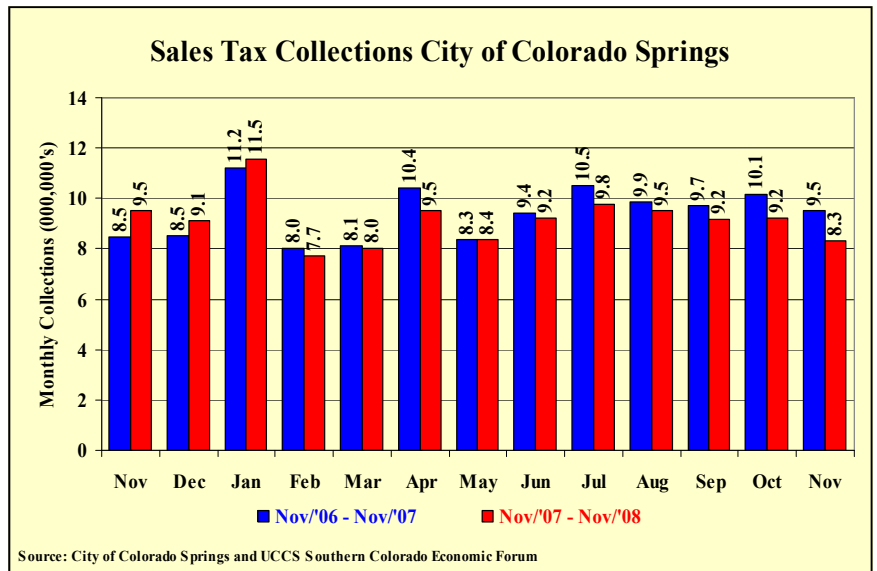
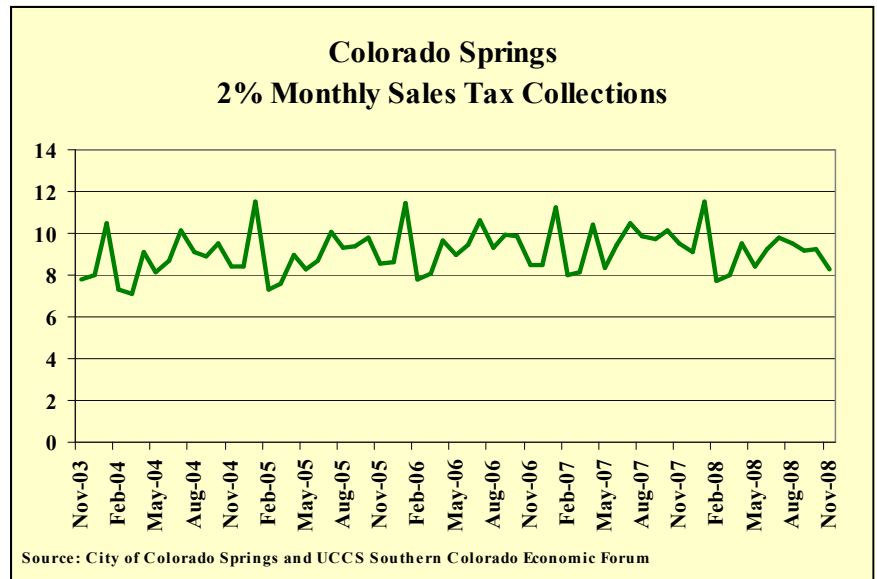


Colorado Springs Sales Taxes

The City of Colorado Springs sales tax collections appear to have peaked in 2007. The current decline reflects the recession and the ongoing flight to suburbia. Retailers will follow the roof tops. TABOR limits will inhibit a post recession, sales tax collection recovery. Sales tax revenue relief for the city will not be realized unless it captures unique retailers which require population and income densities which are found within city limits. Voter approval will be needed to modify TABOR limits.

Monthly comparisons with the current and average for the same month over the previous three years indicate sales tax collections for Colorado Springs have declined steadily throughout 2008. Current conditions indicate relief will not be forthcoming in 2009 for the City of Colorado Springs or El Paso County.

Per capita, sales tax collections, adjusted for inflation have been on a downward trend for the City of Colorado Springs for several years. The city's 2007 share of taxable retail sales declined to 87.45 percent in the county compared to 89.2 percent in 2001. This is a shift of approximately \$121 million taxable retail sales to areas outside of the city. Per capita, real, sales tax collections are expected to be approximately 10 percent below the 1999 reference point. TABOR limits will prevent a recovery in municipal revenues in 2009.

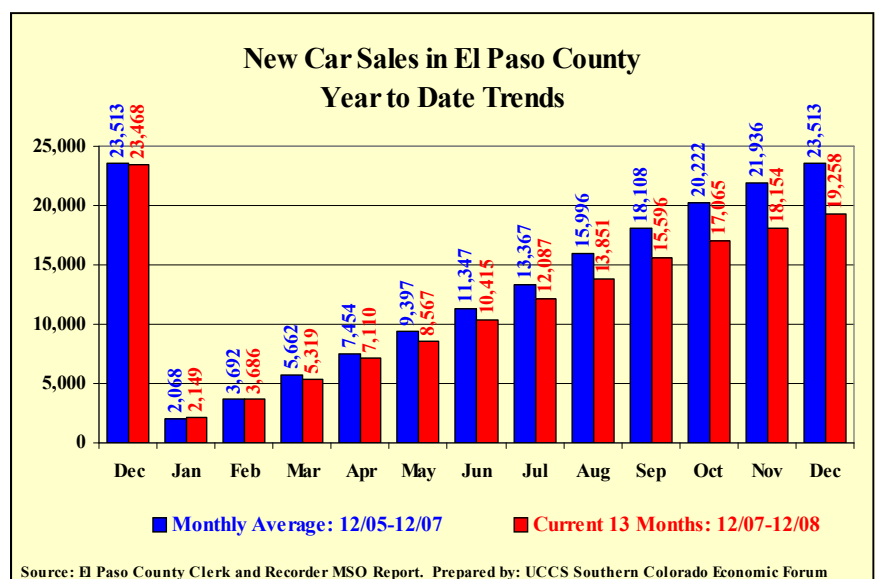
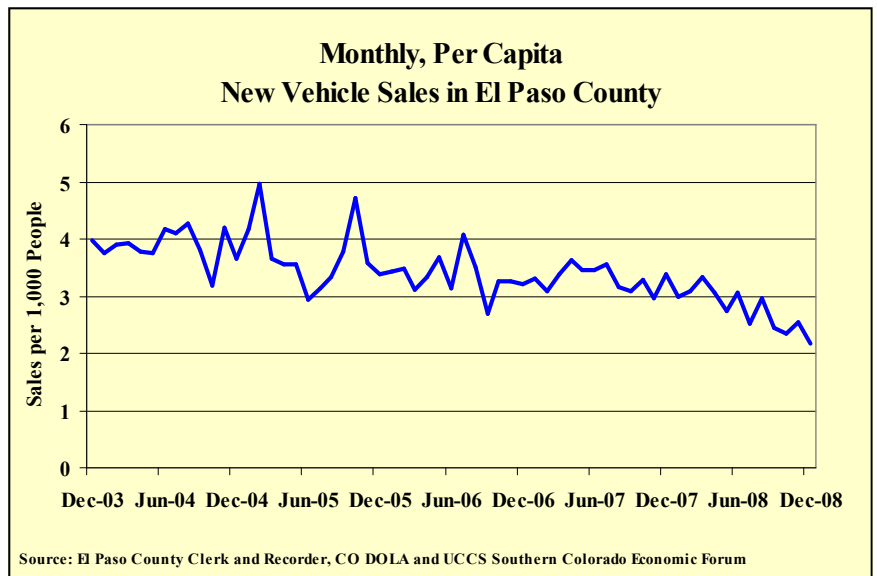
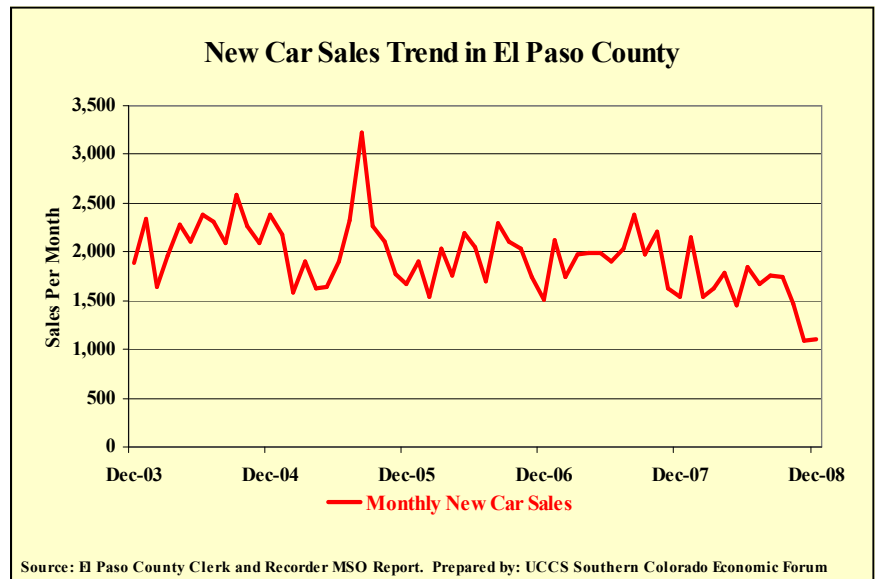


New Car Sales Trends

Automobile sales continued their decline in the 4th quarter. New car sales declined approximately 18 percent from 2007 levels.

On a per capita basis, new car sales are doing worse than the absolute decline in car sales. New car sales have declined almost 50 percent since 2003, when adjusted for population growth.

The economics of the bail out loans to General Motors and Chrysler appear to be intended to get the two companies through the slow winter sales months. Both seem to be counting on a resurgence in sales in the spring, a typically strong selling season for the automobile industry. Current consumer sentiment measures suggest there will not be a spring tide of demand for new cars. Without this surge, Chrysler is a good candidate to be out of business. General Motors is a good candidate for Chapter 11. Fewer local dealerships are expected in 2009.



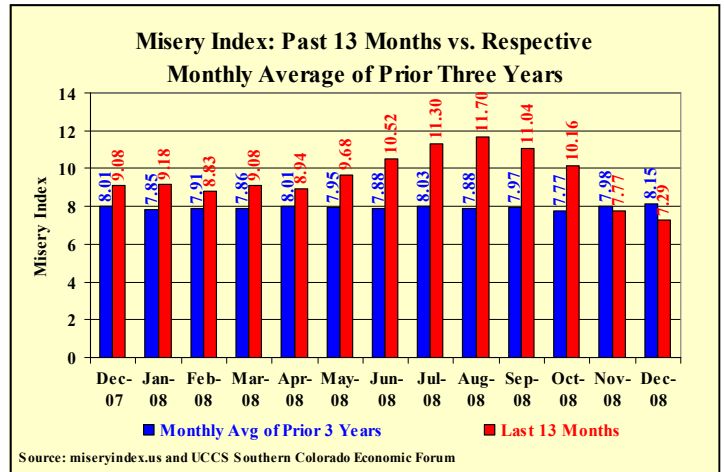
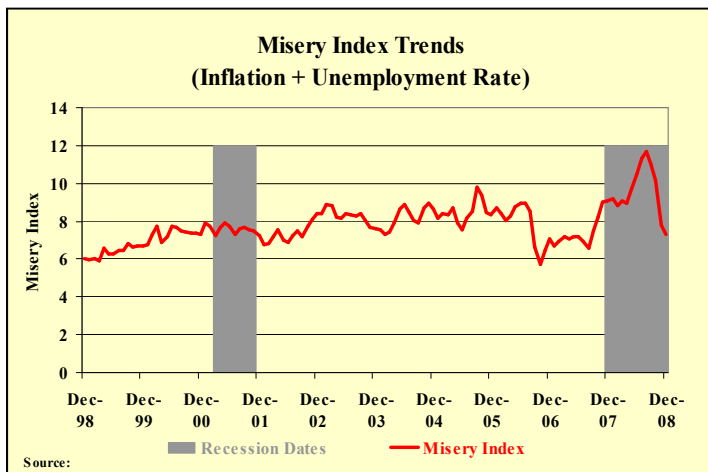
National Expectations

The Federal Reserve Bank of Philadelphia November 2008 *Survey of Professional Economists* is very pessimistic for the first half of 2009. Declines are expected in industrial production, housing and employment. Interest rates are expected to stay low before rising in the third quarter. Housing is expected to show signs of recovery by the second quarter. The link is: <http://www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professional-forecasters/>

Annualized Rate for					
	Q4-08	Q1-09	Q2-09	Q3-09	Q4-09
10-Year T-Bond Rate	3.8	3.8	3.9	4.0	4.0
3-Month T-Bill Rate	0.7	0.7	0.8	1.0	1.2
AAA Corp Bond Rate	6.1	6.0	5.9	5.8	5.8
Housing Starts Annualized Growth Rate %	-27.9	-2.6	7.8	15.5	25.7
Industrial Production Index	108.4	107.4	107.2	107.5	108.0
Inflation Rate %	-2.6	0.8	1.8	2.2	2.2
Real GDP Growth %	-2.9	-1.1	0.8	0.9	2.3
Unemployment %	6.6	7.0	7.4	7.6	7.7
Employment Growth					
Nonfarm Payroll Employment Growth (000's)	-222.4	-218.8	-108.4	-7.2	19.8
Nonfarm Payroll Employment Growth (%)	-1.9	-1.9	-1.0	-0.1	0.2
Recession Likelihood					
Median Probability of a Decline in Real GDP	95.0%	75.0%	50.0%	30.0%	25.0%
Mean Probability of a Decline in Real GDP	90.1%	74.8%	49.8%	32.8%	23.6%

Misery Index

The Misery Index, a consumer economic wellness measure, (www.miseryindex.us), defines consumer discontent as the sum of the rate of unemployment and the rate of inflation. The lower left figure illustrates the historical values for the last ten years through December 2008. The rise in the Misery Index beginning in late 2007 identified the current recession correctly. The Misery Index is currently declining due to a decrease in inflation. The decline in inflation is attributed to falling energy prices and to a lesser extent basic commodities. The current 7.2 percent national unemployment rate suggests it is too soon to begin feeling good.



Fort Carson Troops are Expected to Arrive in 2009

The local economy has been expecting the arrival of new troops at Fort Carson for approximately five years. Infrastructure requirements at the base are almost done. Significant troop increases are expected beginning in February of 2009. First, there are approximately 3,800 troops returning from deployment. Small pluses and minus due to deployments in 2009 suggest these troops will be here on a nearly permanent basis. In addition to these troops, the BRAC05 promise of troops appears to be on schedule for the middle of 2009. The currently anticipated arrival of BRAC05 troops and their dependents are summarized to the right.

Year	Troops	Dependents	Total
2009	4,893	9,137	14,030
2010	364	680	1,044
2011	3,923	7,325	11,248
2012	626	1,169	1,795
2013	25	47	72
Total	9,831	18,357	28,188

The sectors of the local economy which are expected to benefit most from the arrival of the troops and their families are listed below. This refers to the new troops in 2009. It does not include the approximate 3,800 troops returning to the base in February after being deployed throughout 2008 and part of 2007.

Sector	Jobs	Avg. Wage	Sector	Jobs	Avg. Wage
Food svcs/restaurants	495	\$15,128	Miscellaneous retailers	99	\$10,260
State & local education	343	\$39,277	Households	95	\$5,602
Physician & dentist offices	256	\$50,162	Hospitals	87	\$47,370
Nonstore retailers	199	\$3,498	Commercial and ind bldgs	80	\$36,285
State/local non-education	173	\$57,059	Clothing stores	77	\$14,779
General merchandise stores	156	\$23,055	Auto repair/maintenance	74	\$25,353
Real estate	149	\$11,079	Employment services	71	\$28,007
Nursing & care facilities	122	\$30,722	Colleges	71	\$27,898
Food/beverage store	120	\$28,930	Health and personal care	69	\$22,125
New residential bldg	118	\$36,164	Bldg mat & garden supply	68	\$36,739
Wholesale trade	111	\$57,162	Architect & engineer svcs	67	\$65,285
Social assistance	103	\$28,862	Banks & credit unions	67	\$49,862
Motor vehicles & parts	102	\$43,166	Summary	3,370	\$35,373

Doing Business with the Military — A Primer

In addition to general retail activity from the troops, there are also significant opportunities for B2B relations with the military installation in the area. Tom Daschbach, President and CEO of TD Support Services Corporation has provided the following article on some of the things you might need to know if you want to do business with the military. Tom estimates close to 40 percent of contracting goes to small businesses.

A PERSPECTIVE ON DOING BUSINESS WITH THE MILITARY



There are basically three types of defense contractors. The large contractors (the “heavies”) who are now fewer in number than in the past, but are certainly a major source. Next, are the middle size contractors who are in that challenging area of beyond being a small business, but not a large business. Then, there are the rest of us who make up the small business arena. According to the Small Business Administration (SBA), “small businesses won a record \$83.2 billion in federal contracts in FY 2007. Federal agencies awarded 22 percent of their contracting dollars to small businesses. Locally, the USAF bases and Fort Carson have worked hard to meet their small business goals. However, it is a big contracting world out there and opportunities are found in many areas across the globe.

There is certainly a lack of consensus these days on the future of contracting opportunities with the military. It is hard to plan on what the U.S. Government (i.e. Military) says let alone does. There is no intent of deception here; it is simply that they are not sure themselves. If you still want to be a player in defense contracting, what can you do?

First, you will need to assemble your basic business documentation. You will need to apply with the U.S. Government through the Central Contractor Registration (CCR) process and obtain all the required registration numbers. Now you are off and running and ready to identify some initial contract opportunities on Fed Biz Ops (www.fbo.gov). As your business grows, you will want to be identified for additional opportunities by U.S. Government Contracting Offices, business associates, possible teaming partners, and other potential sources. Also, become familiar with the U.S. Government’s ground rules (i.e. Service Contract Act, Federal Acquisition Regulations, etc.). Once you get to a level of 50 or more W-2 type employees, you will also need to develop an Affirmative Action Plan.

Next, get your top notch team together. A good attorney, accountant, business banker, and insurance agent are the initial cadre (maybe even a SCORE counselor!!). For various contracts, the U.S. Government will want you to have liability and workers comp insurance. You don’t really have to have a previous background with military contracts or minimum years of experience, but it helps.

Funding sources are really tight these days. But whether it is a bank loan, SBA loan, your own resources, family and friends, or just do it yourself (“bootstrap”) and turn your revenues back in to the company, it can still be done. There are numerous sources out there to assist you. The U.S. Government will select you based on two criteria: your proposed price and your “relevant” past performance. The latter can be challenging when you first get started, but keep at it and it will come. They will also want you to have financial sustainability which is an assurance that you can complete the contract.

When does Uncle Sam pay you? Well, one great thing is that you know you will always be paid with this customer. No defaults. However, the U.S. Government is required to pay you within 30 days of accepting your receiving report/invoice to the Defense Finance Accounting Service (DFAS). This can take a little patience and persistence, but the key is to stay on top of your invoicing process from beginning to end.

What is the future of U.S. Government contracting? In this contractor's opinion, pretty good. The trend is to maintain and even expand contracting opportunities as additional functions are contracted out (outsourced). They are still engaging the uniformed (military) folks with actual wartime duties and then support them with contract support.



One of the primary keys to success is never to become "greedy." Don't try to make a killing or make all your revenue on one contract. Building a successful, long lasting business takes some time. It can, and probably will be, one of the most challenging and satisfying challenges you ever attempt!! It is also a great opportunity to do something for our country through contract support and have some memorable experiences with your own business.

Finally, the real keys to success in contracting with the military are persistence, an outstanding reputation, and top notch customer service! So, come join us with an attitude of "send me in coach, we're ready to play!!"

Tom Daschbach is the President & CEO of TD Support Services Corporation. He can be contacted at tomd@tdsupportservices.com or at (719) 331-0108.

Outsourcing and Local Government

Local governments' current fiscal crises have become a high profile item. Private business groups advocate they can provide a good/services for less than it costs the local government to provide the same items. A lengthy study would be required to determine the merits of the argument.

A less complicated analysis involves examining the use of professional services by a local vendor vs. a vendor outside of the area. In either situation, the local government does not have the professional expertise to do the work itself or it does not have the time to do the work. Enter the RFP process.

The Forum examined a hypothetical situation in which a million dollars in professional services are contracted by a local government. The choice is to hire a local firm or a firm outside of the area. A standard Input/Output model for El Paso County was used. The professional services sector is defined in the model (Implan) as sector 444. It was assumed all of the money would be spent and captured in the local economy if a local vendor provided the services. Conversely, it was assumed 100% of the funds would escape the local economy if an outside vendor provided the services. Data for 2006 were used in this analysis.

The analysis provides five measures of output. The direct effect is felt by the firm. For example, the firm would generate 7.4 jobs from the contract. Indirect effects are felt by subcontractors to the consulting firm. This could range from custodian services to utilities. A total of 3.8 indirect jobs are expected. Induced effects are felt by local business which sell goods and services to the employees of the direct and indirect firms. These are called local resident services jobs and include automobile dealerships to zoos. Nine induced jobs are expected. A total of 20.2 jobs are expected. This generates an employment multiplier of 2.73. That is, for every direct job generated from a million dollars in professional service contracts to local businesses, approximately 1.73 additional jobs would be expected in the local community. None of these would take place if the consulting contract is sent out of the community.

The Following table summarizes the results for employment, wages, business profits, property income and indirect business taxes. Based on this analysis, there appears to be a significant potential for local economic stimulus if a local firm is hired for the professional service rather than a firm from outside the area.

Input/Output Results from a Hypothetical \$1,000,000 Professional Services Contract by a Local Government

	Direct Effect	Indirect Effect	Induced Effect	Total Effect	Economic Multiplier
Employment	7.40	3.80	9.00	20.20	2.73
Wages	433,769	121,767	370,955	926,491	2.14
Business Profits	71,263	13,931	40,148	125,343	1.76
Other Property Income	9,163	58,208	168,666	236,037	25.76
Indirect Business Taxes	3,990	15,915	42,008	61,913	15.52

This preliminary analysis means it is in the best interest of the community to use local services where possible. In the event a local contractor is not the low-cost bid, it might still be in the community's best interest to use the local contractor if the incremental economic benefits are greater than the higher contract cost of a local

vendor. This might have to be done on a case by case basis.

Given the number of local government agencies and enterprises, it would appear the community might benefit from an ongoing effort if local governments could contract with local industry rather than a contractor from outside the area.



Twelfth Annual 2008-2009 Southern Colorado Economic Forum Audio Files

Audio files of the 12th Annual Southern Colorado Economic Forum are available to download. You can access the files at: <http://business.uccs.edu/html/scefl.html>.

Four files can be downloaded. They are mp3 files. The files are:

- I.** Main Panel Presentation by James Paulsen, Wells Fargo
- II.** Main Panel Presentation by Fred Crowley, Tom Zwirlein, Scott Smith and Fred Veitch
- III.** Colorado's Tax Policy, State Treasurer Carey Kennedy, Chuck Berry and Alan Poe
- IV.** Creating Better Public Private Partnerships in the Pikes Peak Region, Bruce Benson, Bill Hybl and Mayor John Hickenlooper,

Table 2: Selected Economic Indicators

National Quarterly Data	2008			2008			2008			2008			Vs Year
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Ago
Ttl Loans/Lease Charge-off Rate			1.01			1.24			1.46			na	0.86
Loan Delinquency Rate			2.87			3.31			3.65			na	1.52
Benefit Costs SA 2005=100			106.4			106.9			107.5			na	2.50
Compensation Costs SA 2005=100			107.3			107.9			108.6			na	3.00
Retail Sales SA (billions)			966			1,049			1,021			na	8.94
e-Sales SA (billions)			32.4			32.5			31.6			na	1.40
e-Sales as % of Retail Sales SA			3.4%			3.1%			3.1%			na	0.11%
GDP Real % Growth (Chained) SA			0.9%			2.8%			-0.5%			-3.8%	-8.60%
Consumer Debt to Disposable Inc			14.4%			13.9%			14.0%			na	-0.39%
National Monthly Data	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Vs Year Ago
Capacity Utilization SA	81.0	80.7	80.4	79.9	79.6	79.6	79.4	78.3	75.0	76.3	75.2	73.6	-7.40
Car & Lt Trk Sales Millions SA	15.3	15.3	15.0	14.5	14.2	13.6	12.5	13.7	12.5	10.5	10.1	10.3	-5.69
Consumer Sentiment (1966=100) SA	78.4	70.8	69.5	62.6	59.8	56.4	61.2	63.0	70.3	57.6	55.3	60.1	-15.40
CPI-U 1982-84=100 SA	212.5	212.6	213.3	213.7	215.1	217.4	219.2	218.9	218.8	216.7	213.1	211.5	-0.09%
Federal Funds Rate (Effective)	3.94%	2.98%	2.61%	2.28%	1.98%	2.00%	2.01%	2.00%	1.81%	0.97%	0.39%	0.16%	-4.08%
Industrial Production (1997=100) SA	112.6	112.3	112.0	111.4	111.2	111.3	111.2	109.8	105.2	107.1	105.7	103.6	-8.79
Inventory/Sales Ratio SA	1.26	1.28	1.26	1.25	1.24	1.23	1.24	1.27	1.30	1.34	1.41	na	0.15
30 Year Conventional Mtg Rate NSA	5.76%	5.92%	5.97%	5.92%	6.04%	6.32%	6.43%	6.48%	6.04%	6.20%	6.09%	5.33%	-0.77%
Prime Rate (%) NSA	6.98	6.00	5.66	5.24	5.00	5.00	5.00	5.00	5.00	4.56	4.00	3.61	-3.72
Purch Mgr Index SA	50.80	48.80	49.00	48.60	49.30	49.50	49.50	49.30	43.40	38.70	36.60	32.90	-16.20
Real Rtl/Food Svc Sales SA (billions)	178.82	177.87	178.16	178.15	178.39	176.66	174.09	173.14	170.48	166.26	165.51	162.30	-17.50
S&P500	1,379	1,331	1,323	1,386	1,400	1,280	1,267	1,283	1,165	969	896	903	-565.11
Tech Index SA - Mar 2001 = 100	112.9	112.9	111.0	110.6	113.5	113.5	111.4	110.8	109.2	106.4	110.2	na	-4.79
Trade Weighted Dollar	73.1	72.6	70.3	70.5	70.7	71.4	70.9	74.1	75.5	80.4	82.7	80.7	7.00
West Texas Oil Spot Price NSA	93.0	95.4	105.6	112.6	125.4	133.9	133.4	116.6	103.9	76.7	57.4	41.0	-\$50.71
Colorado Data	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Vs Year Ago
Denver-Boulder CPI SA	-	-	-	-	-	208.74	-	-	-	-	-	211.98	4.53%
Kansas City Fed Mfg Index	9.3	5.4	5.4	8.5	10.6	6.5	16.5	9.7	0.7	-9.5	-19.0	-16.3	-3.44
Labor Force NSA (000's)	2,743	2,739	2,745	2,743	2,746	2,784	2,792	2,767	2,762	2,766	2,749	2,743	2.37
Labor Force SA (000's)	2,760	2,758	2,767	2,766	2,766	2,760	2,764	2,745	2,749	2,753	2,748	2,750	11.46
Employment NSA (000's)	2,614	2,609	2,615	2,626	2,618	2,636	2,648	2,624	2,626	2,618	2,593	2,580	-43.83
Employment SA (000's)	2,644	2,637	2,646	2,646	2,631	2,620	2,619	2,597	2,607	2,597	2,589	2,583	-47.07
Unemployment Rate % NSA	4.7%	4.7%	4.7%	4.3%	4.7%	5.3%	5.2%	5.2%	4.9%	5.3%	5.7%	5.9%	1.68%
Unemployment Rate % SA	4.2%	4.4%	4.4%	4.4%	4.9%	5.1%	5.2%	5.4%	5.2%	5.7%	5.8%	6.1%	2.11%
Colorado Springs Data	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Vs Year Ago
Business Conditions Index SA	91.76	88.00	86.35	85.97	87.17	83.17	84.42	81.13	82.98	74.45	70.74	69.86	-18.66
Colorado Spgs Airport Boardings SA	90,063	89,985	87,110	84,300	90,195	82,722	79,196	82,052	77,761	83,378	77,289	66,804	-16,840
Foreclosures SA	326	437	418	409	353	477	397	269	276	429	386	379	10
New Car Sales SA	2,007	1,845	1,653	1,821	1,586	1,767	1,544	1,475	1,571	1,359	1,265	1,347	-528
Sales & Use Tax SA (000's)	10,586	9,762	10,226	9,997	9,996	10,835	9,214	10,190	9,740	9,158	9,270	8,987	-1,578
Single Family Permits SA	166	146	136	135	174	113	145	95	134	83	82	80	-68
Labor Force NSA (000's)	306.0	306.5	306.5	306.1	306.5	309.8	307.3	304.8	302.6	302.1	303.5	302.0	-2.56
Employment NSA (000's)	293.7	294.0	294.3	293.1	290.1	287.2	285.1	283.5	282.8	280.3	282.5	281.5	-8.41
Unemployment Rate NSA	4.0%	4.1%	4.0%	4.2%	5.4%	7.3%	7.2%	7.0%	6.5%	7.2%	6.9%	6.8%	1.98%
Unemployment Rate SA	5.1%	5.3%	5.4%	5.3%	5.8%	5.9%	6.0%	6.1%	6.0%	6.8%	6.7%	7.0%	1.98%

Estimates were made for the June 2008 Denver-Boulder CPI



About the Forum

The Southern Colorado Economic Forum (SCEF) is part of the College of Business outreach to the Colorado Springs Community. The Forum gathers, analyzes and disseminates information relevant to the economic health of the region. Through its efforts, the Forum has gathered a number of unique data sets. The Forum and its staff are available for fee-for-service work to analyze business situations, develop forecasts, conduct and analyze surveys and develop solutions to other business problems you may have. Examples of prior work include Small Area Forecast for the Pikes Peak Area Council of Governments, Colorado Springs Airport Passenger Survey, exit survey for La-Z-Boy, and a Community Audit for the Pikes Peak Workforce Center. If you would like additional information about how the Forum can assist you, contact Fred Crowley at (719) 255-3531 or e-mail at fcrowley@uccs.edu.

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