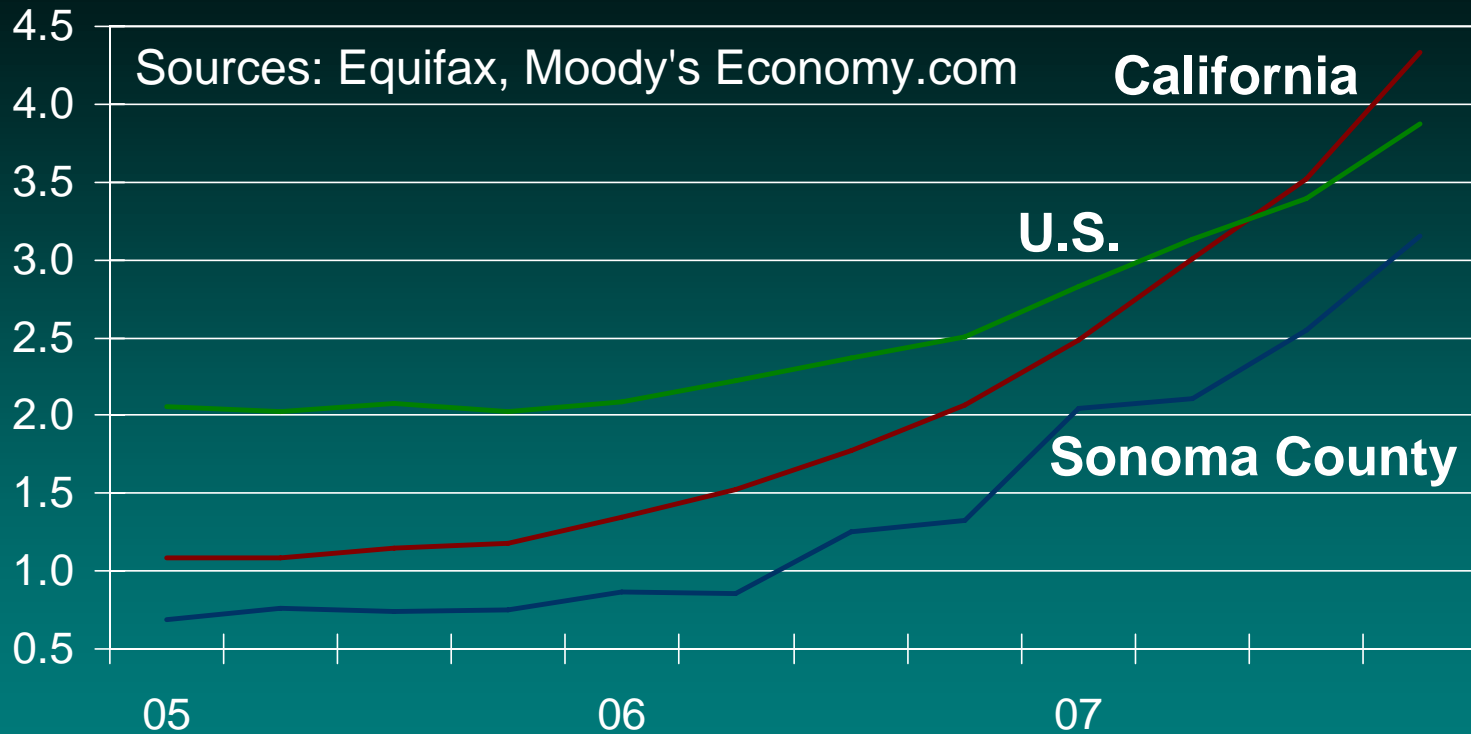


Long-Term Outlook for Sonoma County

**Steve Cochrane
Senior Managing Director
Moody's Economy.com
January 23, 2008**

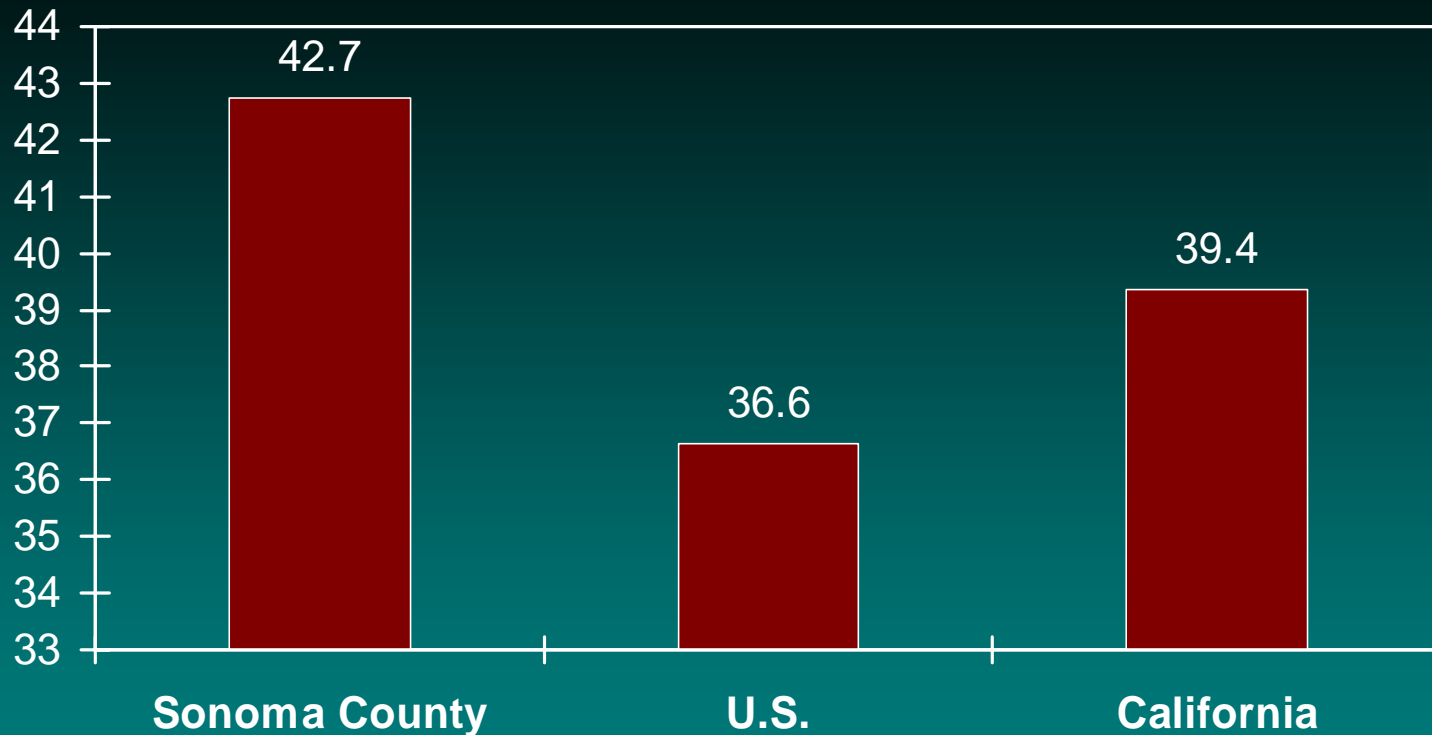
A Weakening Economy

Delinquency rate, all mortgages, % of value



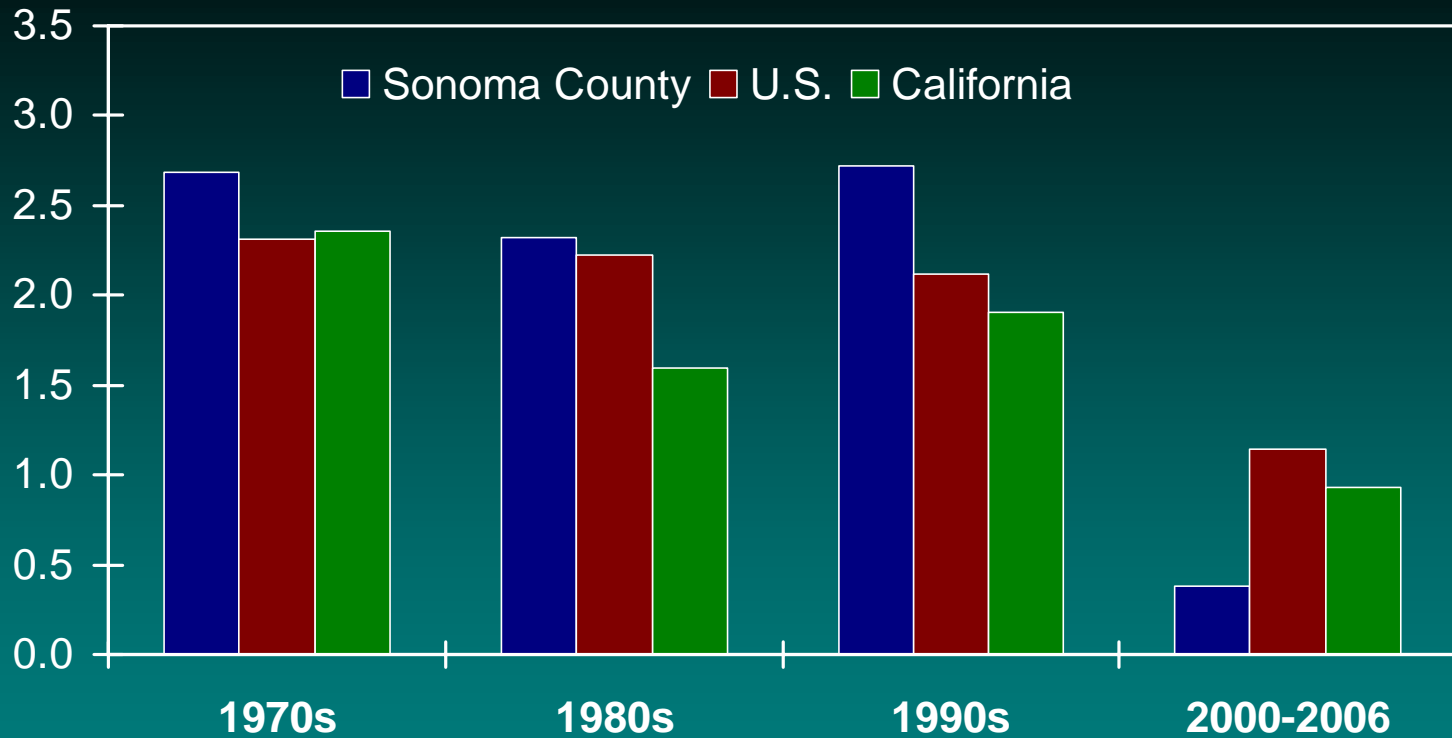
High Per Capita Income in Sonoma County

Per capita income, 2006, \$ths



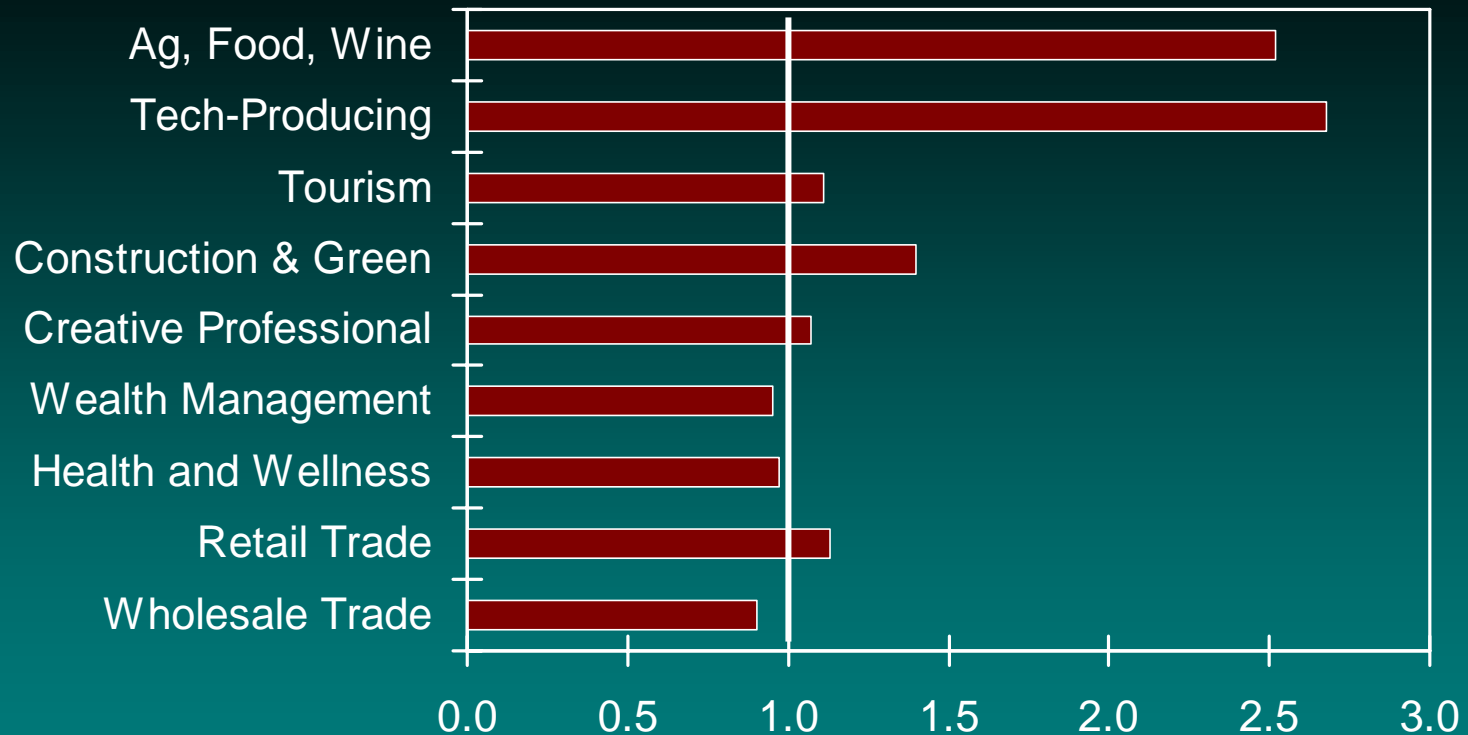
...But Sonoma County No Longer Leads

Real per capita income, annualized % change



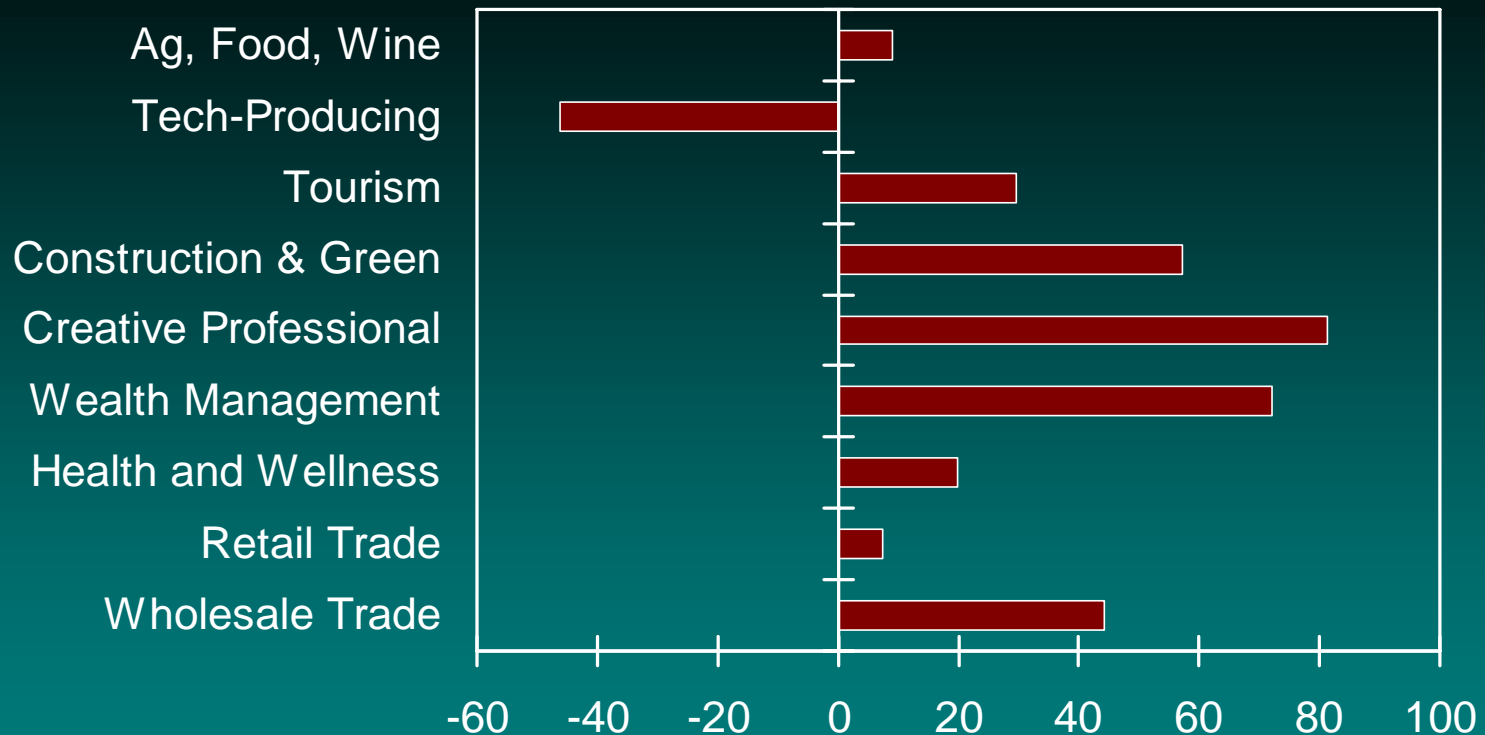
Diverse Clusters Drive the Economy...

Location quotients, 2007, U.S. average = 1.0



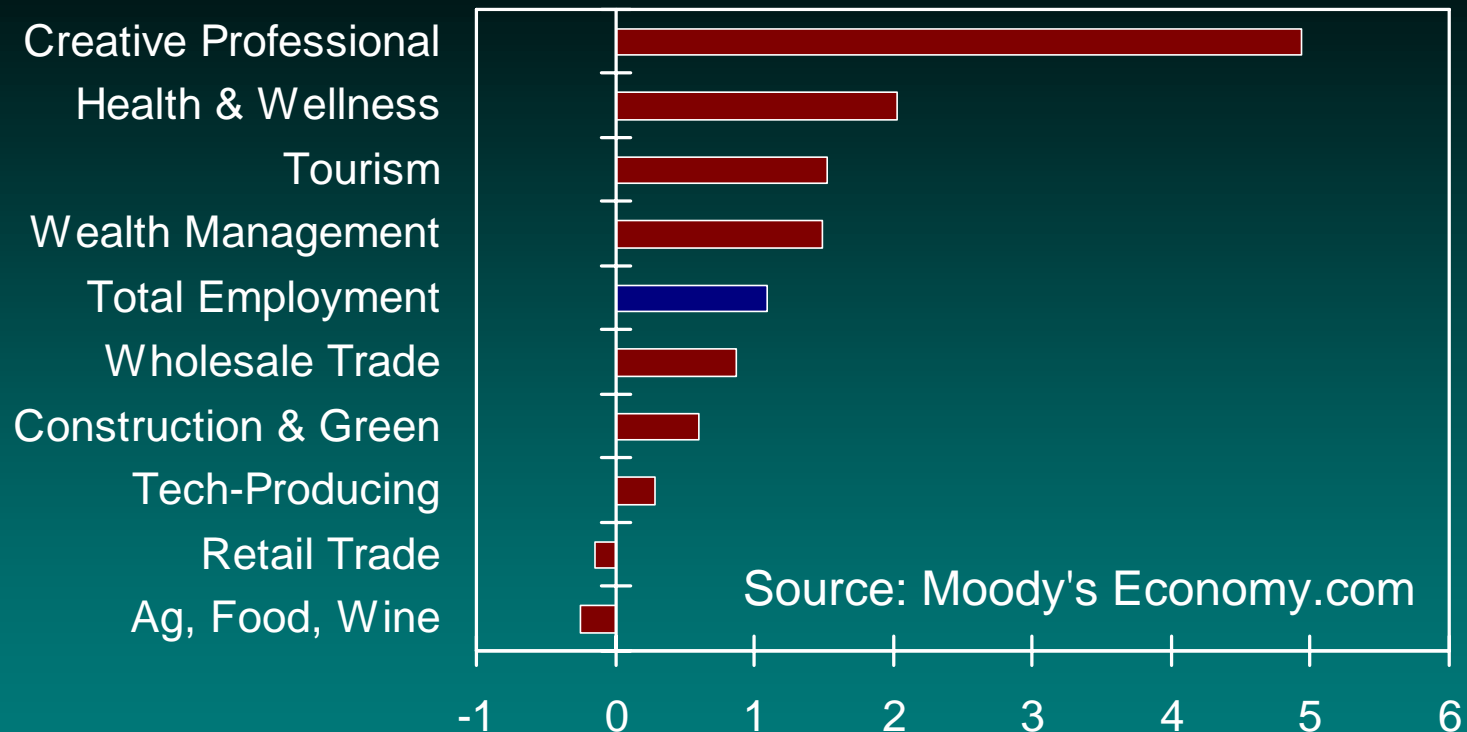
...But There Are Shifts in Industrial Structure

Employment, ten-year % change, 1997 to 2007



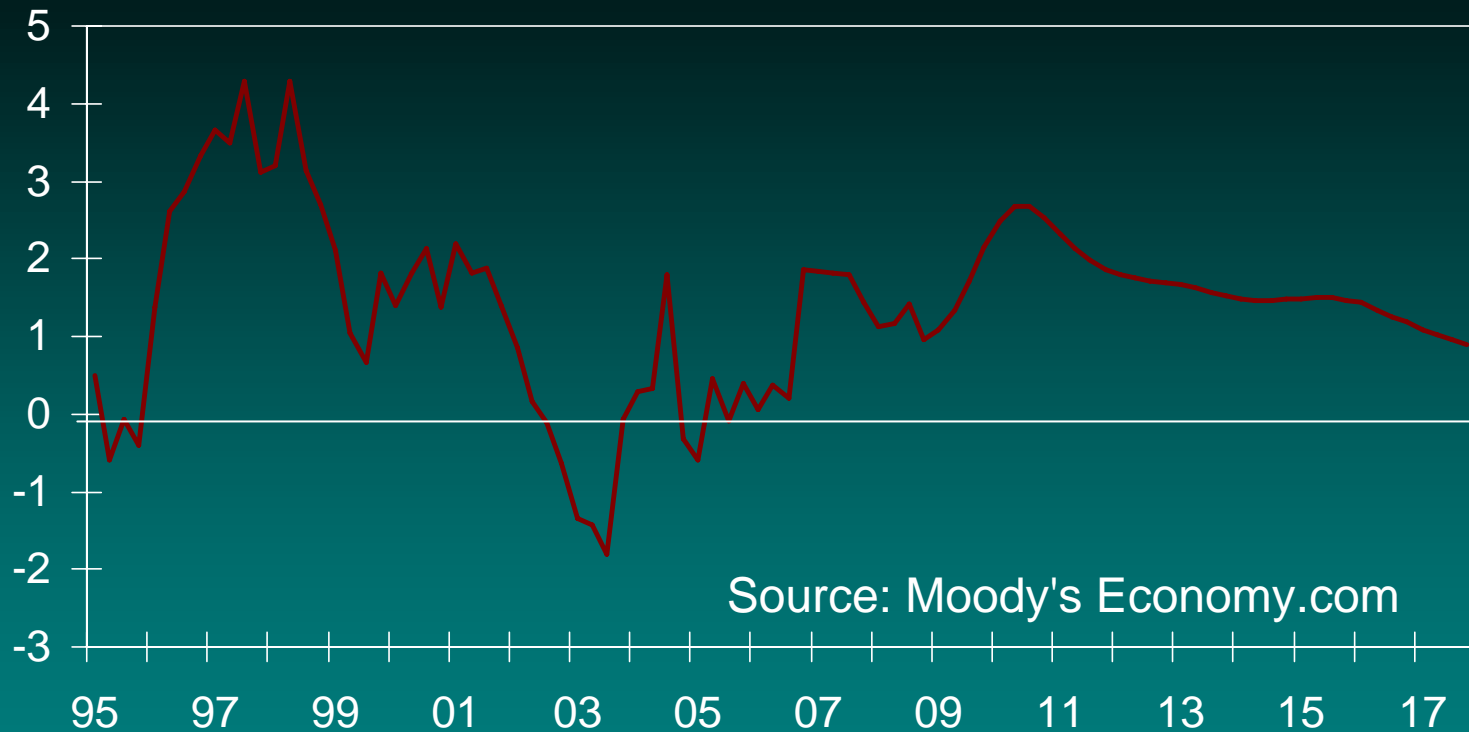
Where Might Future Jobs Come From?

Employment, average annualized growth, 2007-2017, %



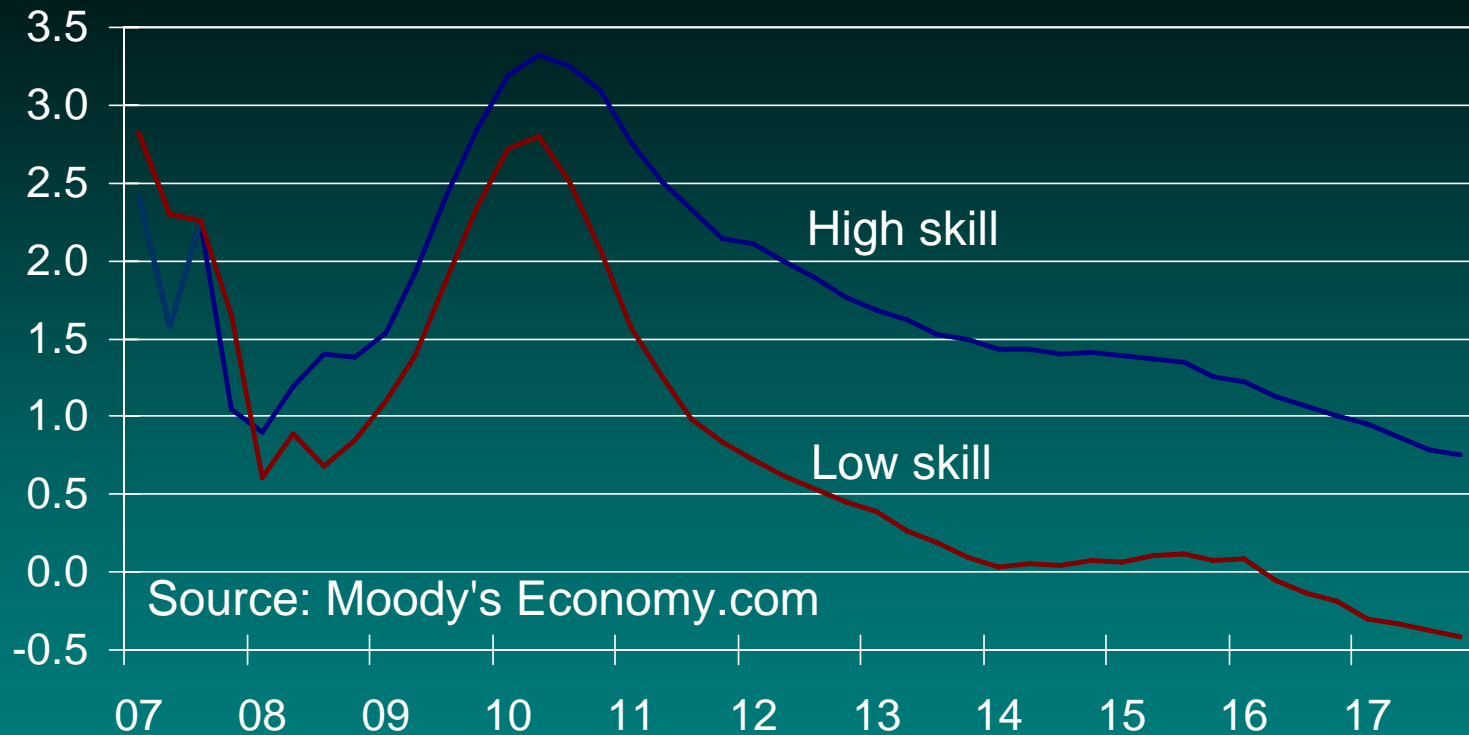
Long-Term Slowdown in the Labor Force...

Labor force growth, % change year ago



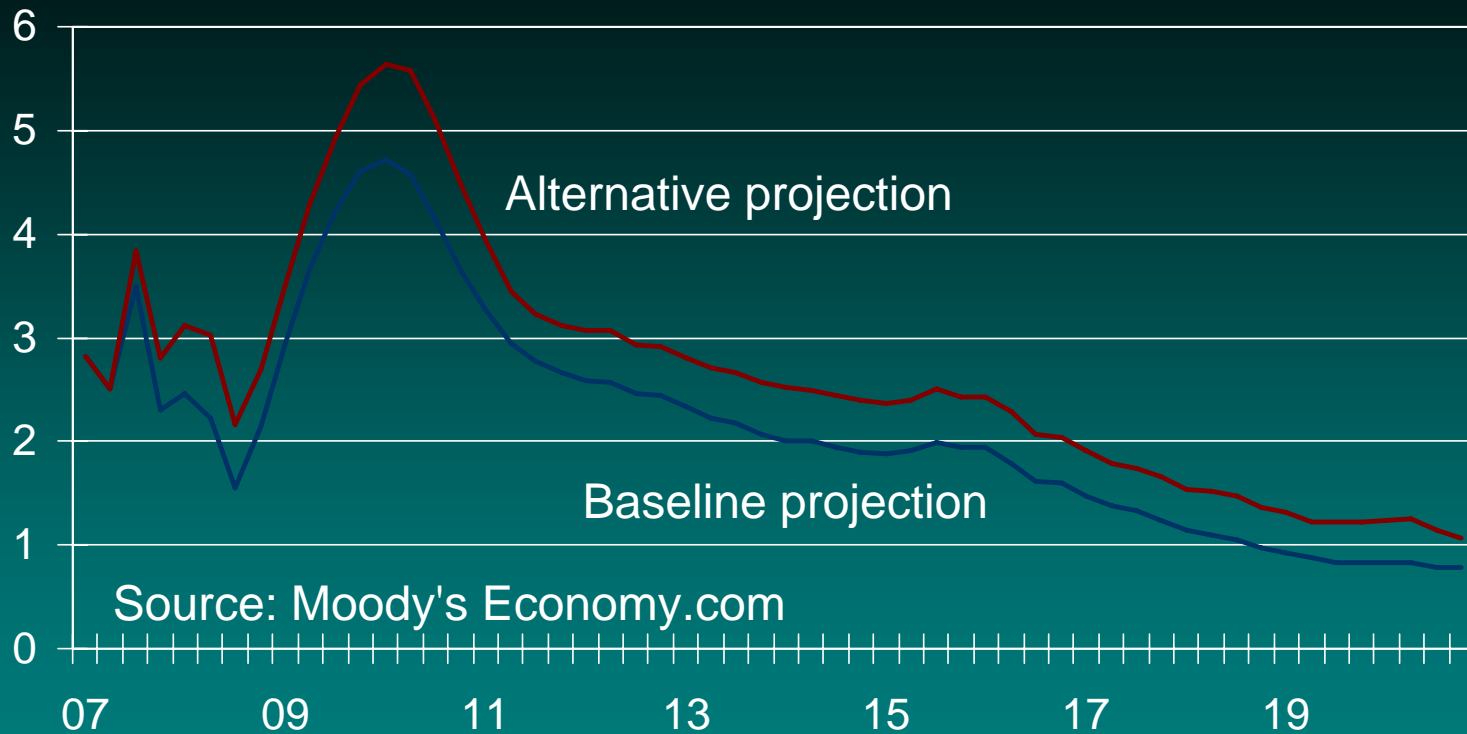
...Puts Emphasis on Education and Training

Employment, % change year ago



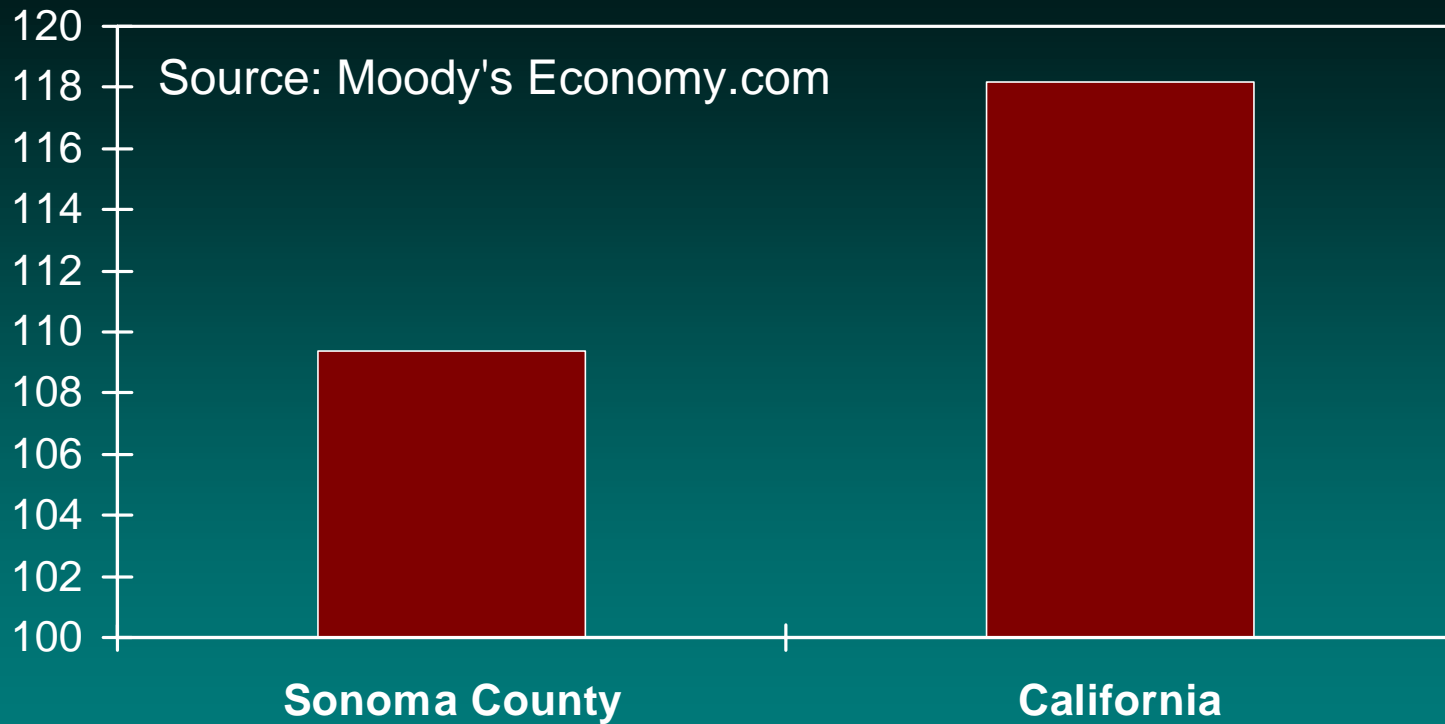
Model Alternative Outcome: Higher Skills

Real gross county product, % change annualized



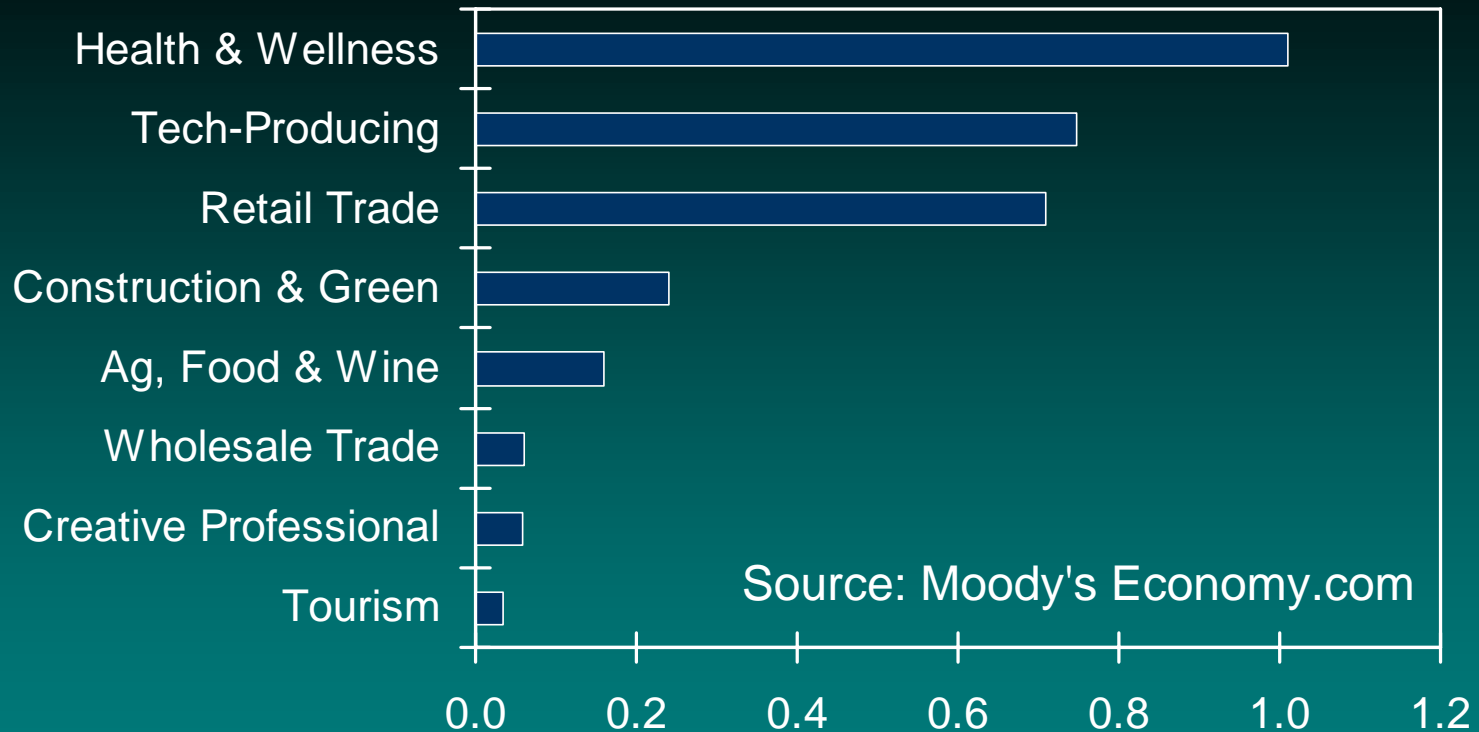
High Business Costs

Cost of doing business index, 2006, U.S. = 100



Alternative Outcome: Resource Constraints

% drop in jobs due to 1% rise in costs



Economic Potential

1. Diverse Set of Building Blocks

- Tied well into global and national markets.
- Provide many unique products and services.
- But they require a complex set of skills and resources to successfully compete globally.

Challenges/Opportunities

2. Public and Private Partnerships to Maintain High Skills and Productivity

- Workforce development
- Education at all levels
- Infrastructure
- Capital investment
- Resources and their effective use