

The Sonoma County Economy

**Presented by:
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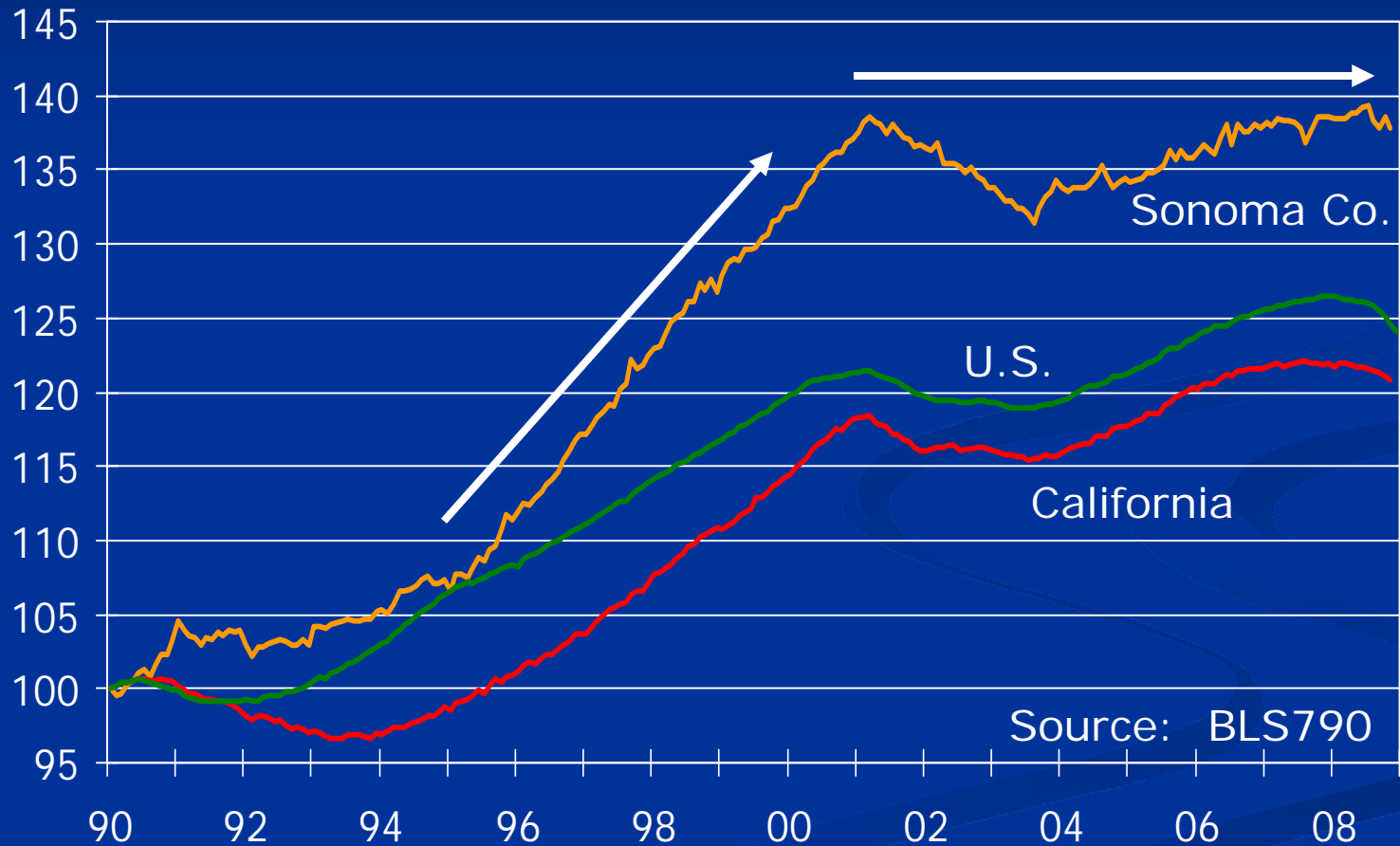
Two Parts of Presentation

1. Near-Term Economic Outlook
2. Long-Term Opportunities for the Economy

Part 1 - The Near Term Outlook: Another Year of Adjustment

A Struggling Labor Market Since 2001

Payroll employment index: Jan 1990=100



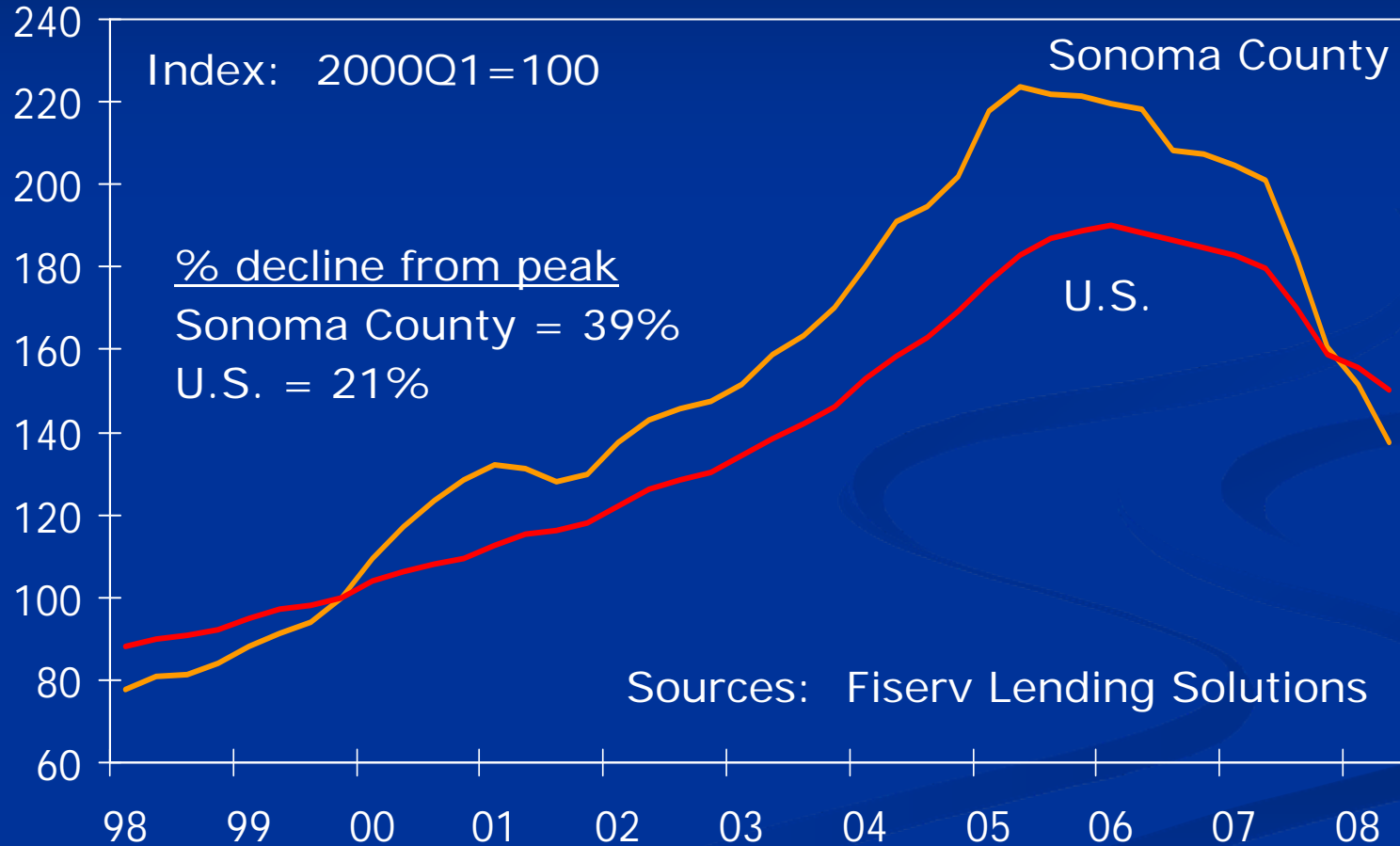
Jobless Rate No Longer Better Than U.S.

Unemployment rate, %



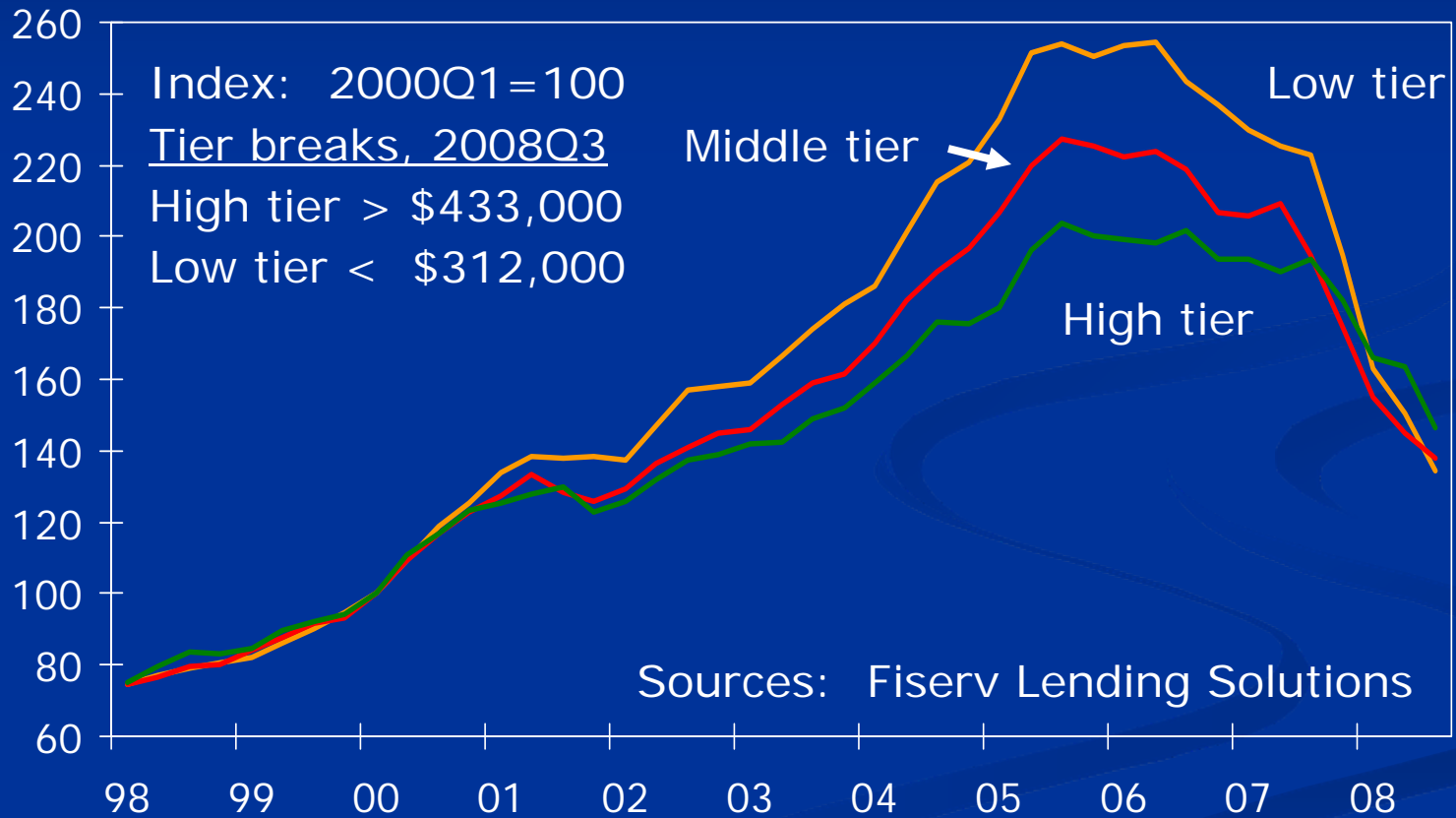
House Prices Are Still Falling Rapidly...

Price index: Case Shiller repeat purchase index



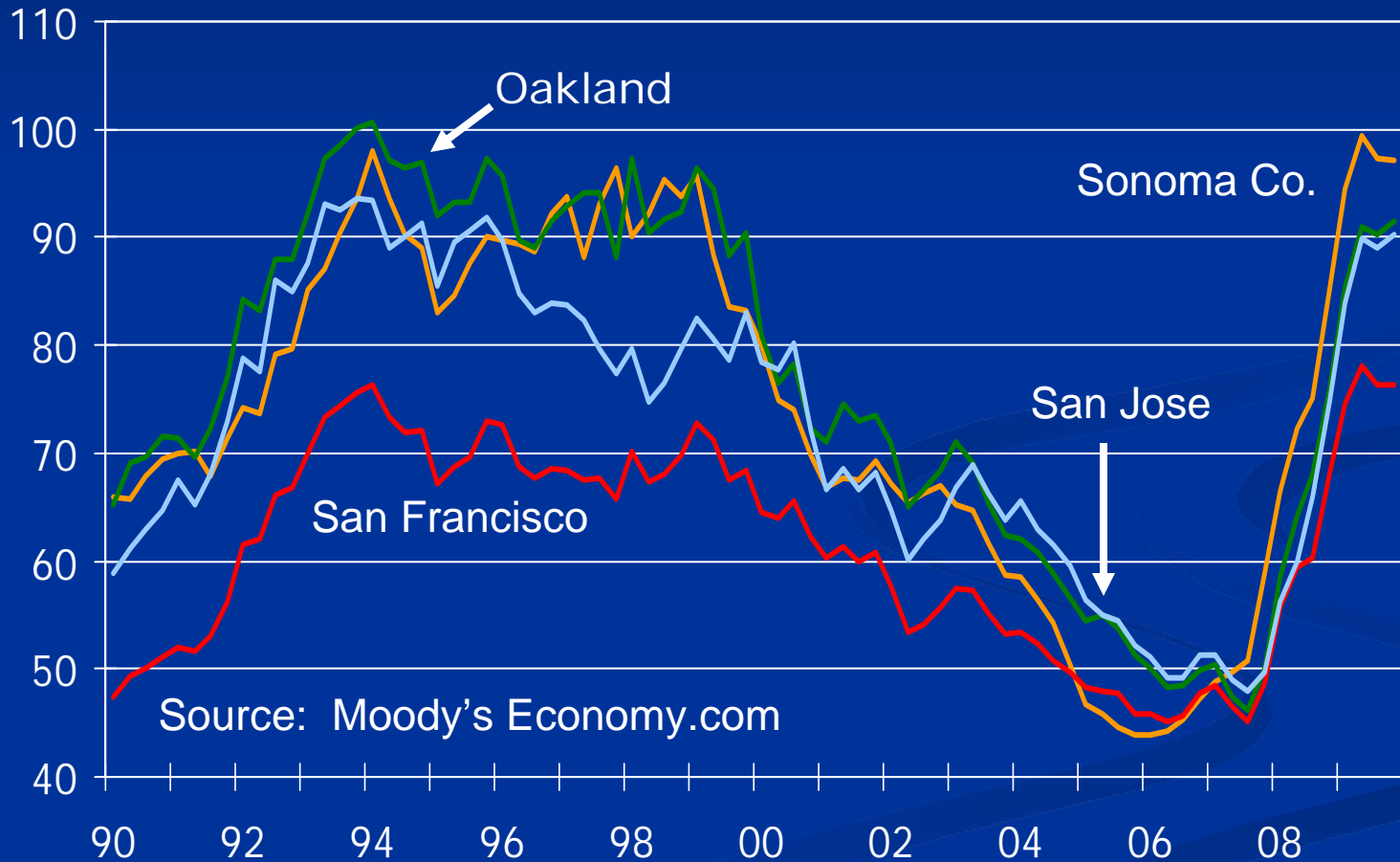
...Across All Price Tiers

Price index: Case Shiller repeat purchase index

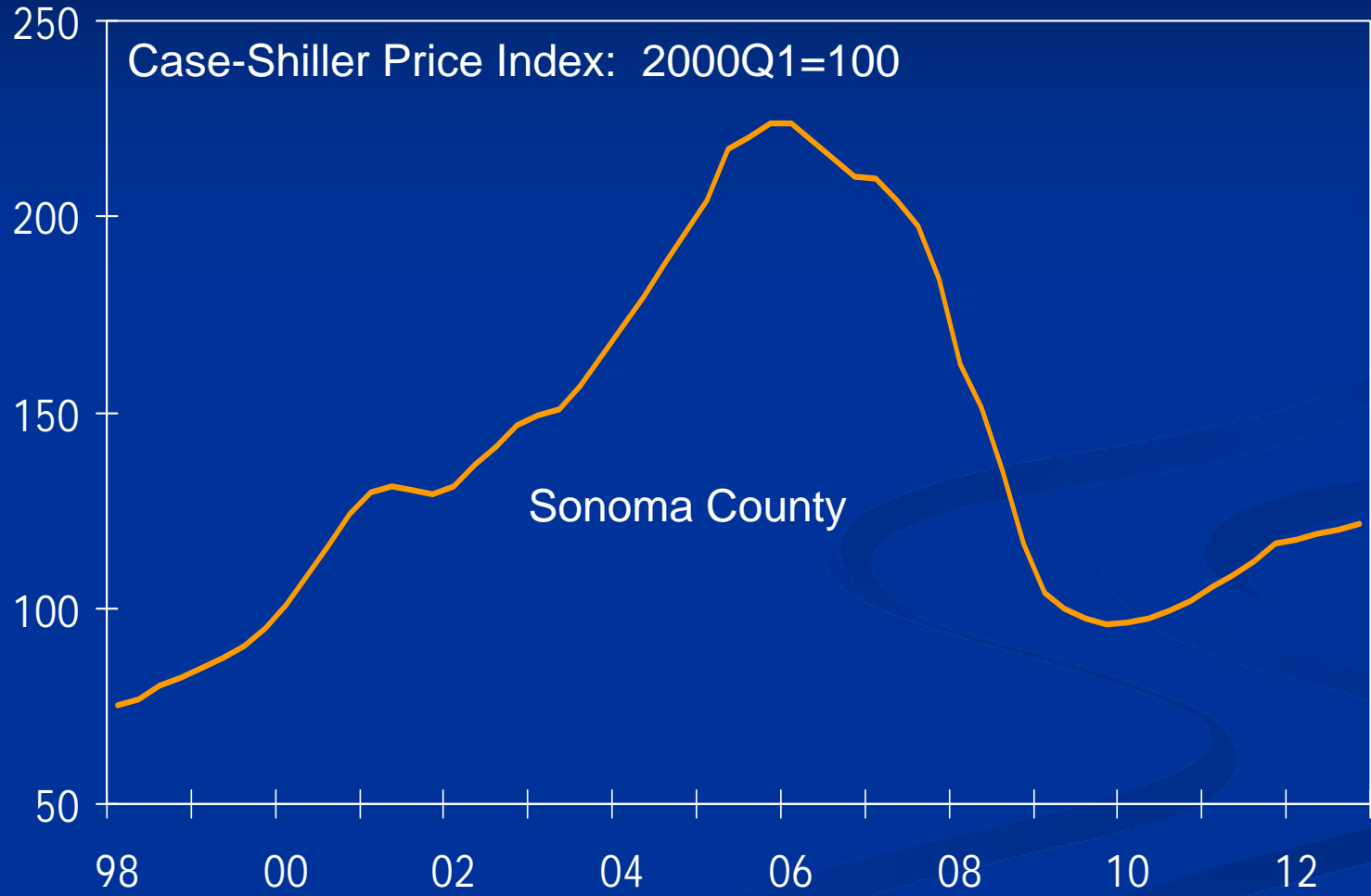


Housing Affordability is Improving...

% median existing house median earning family can afford

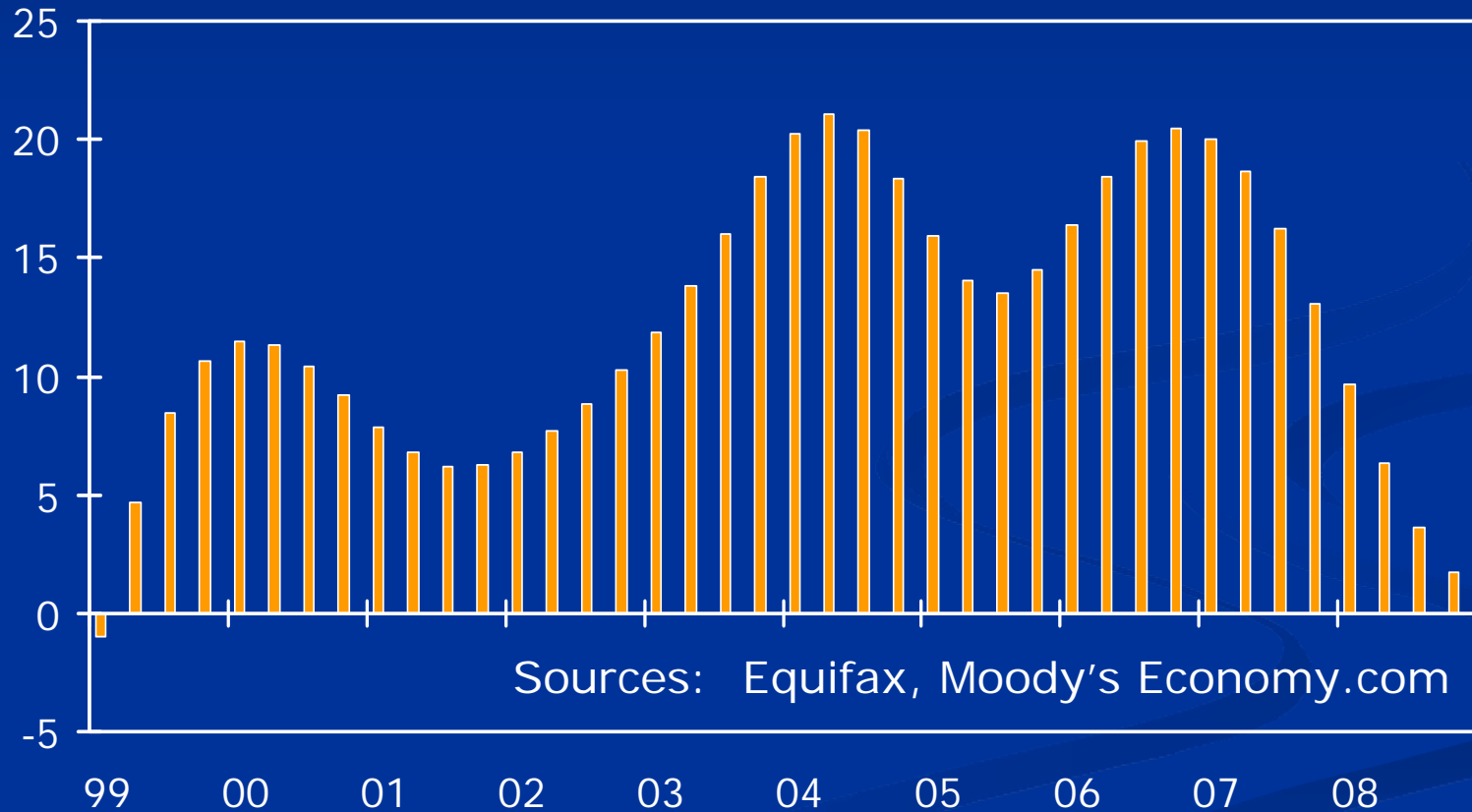


...Ultimately Stabilizing House Prices



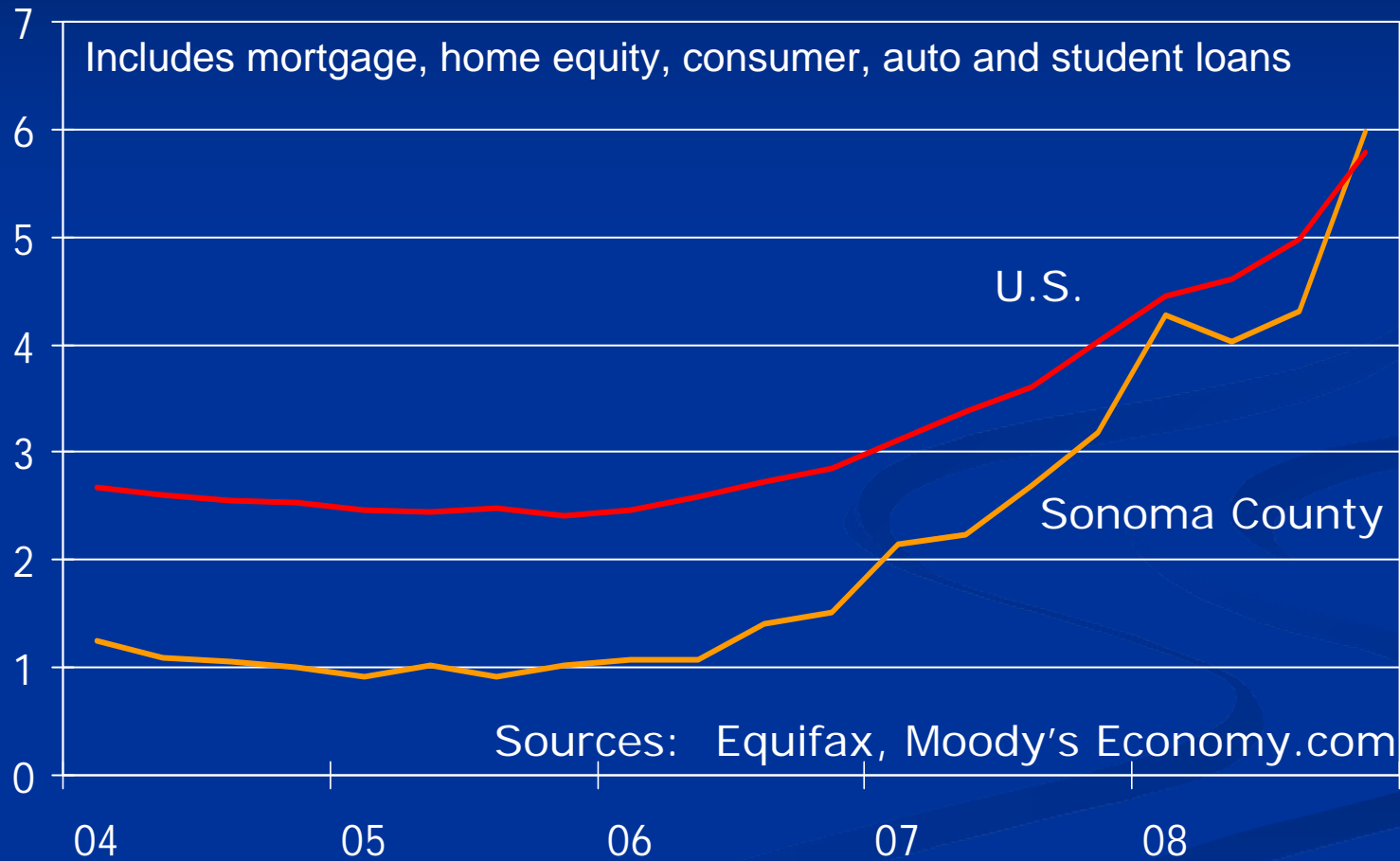
Little Home Equity Lending to Support Retailing

Equity extraction to income ratio, %



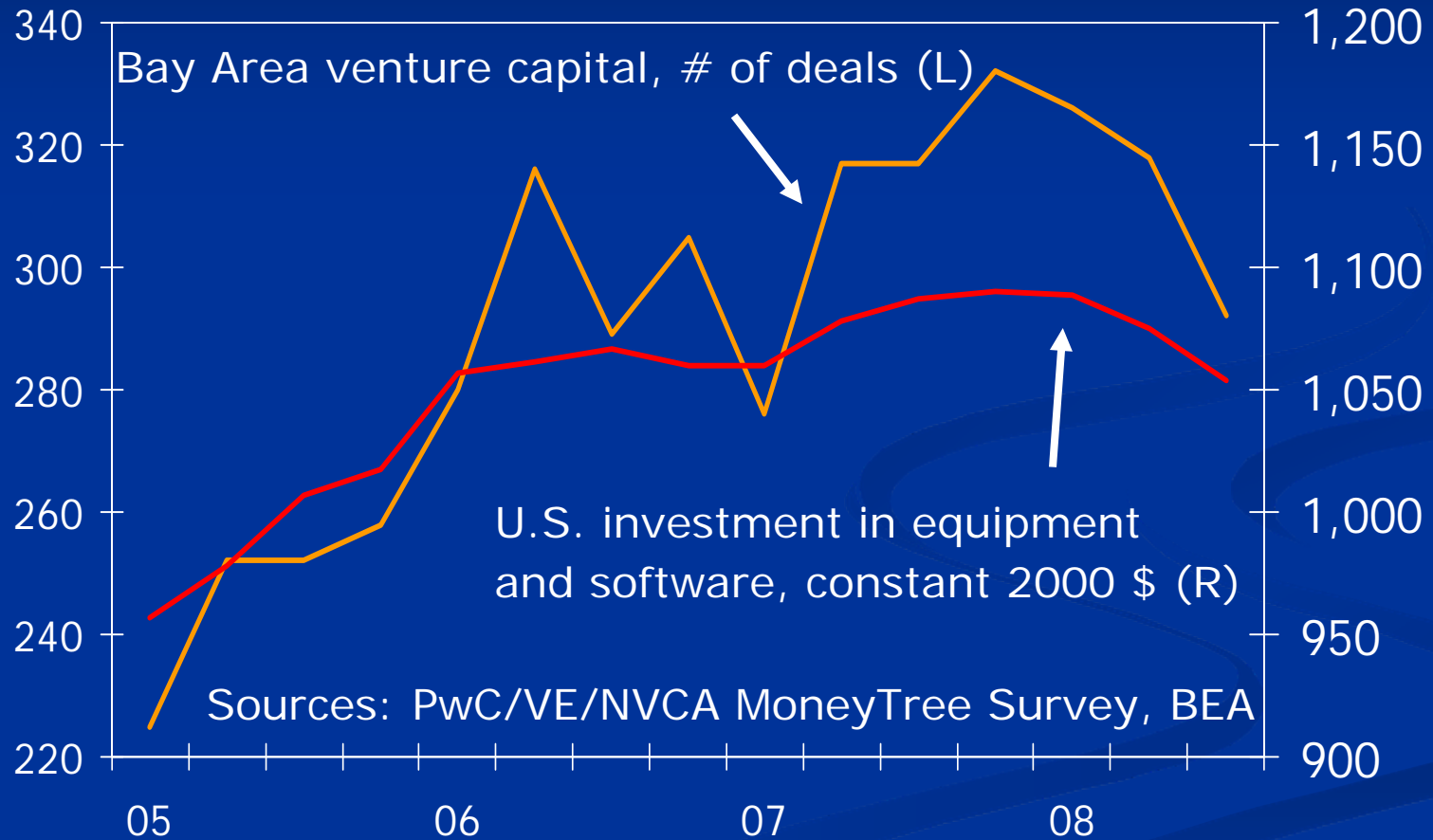
Credit Conditions Are Still Worsening

Delinquency rate, % of \$ value of outstanding loans



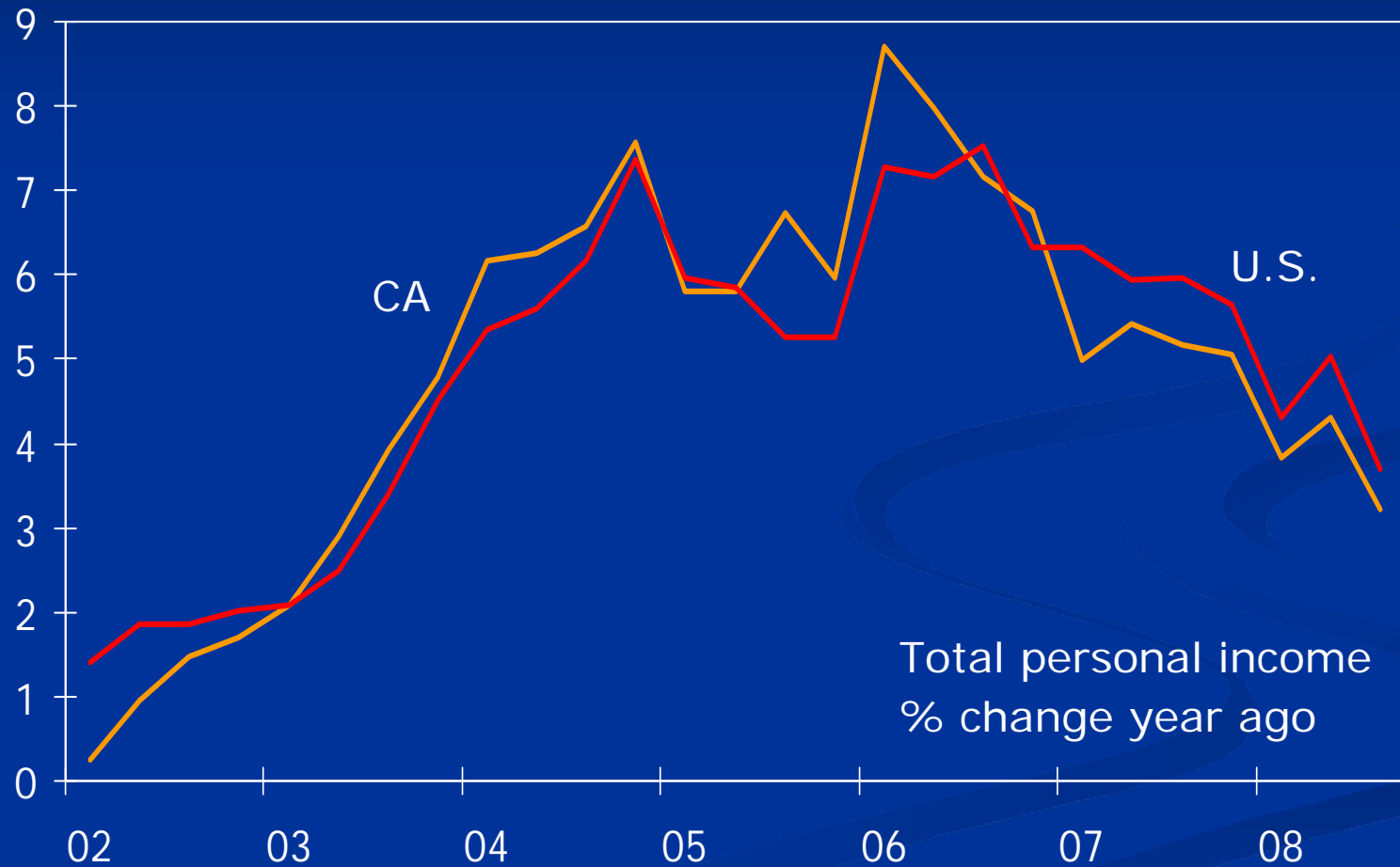
Falling Investment Weakens Tech Outlook

Delinquency rate, % of \$ value of outstanding loans



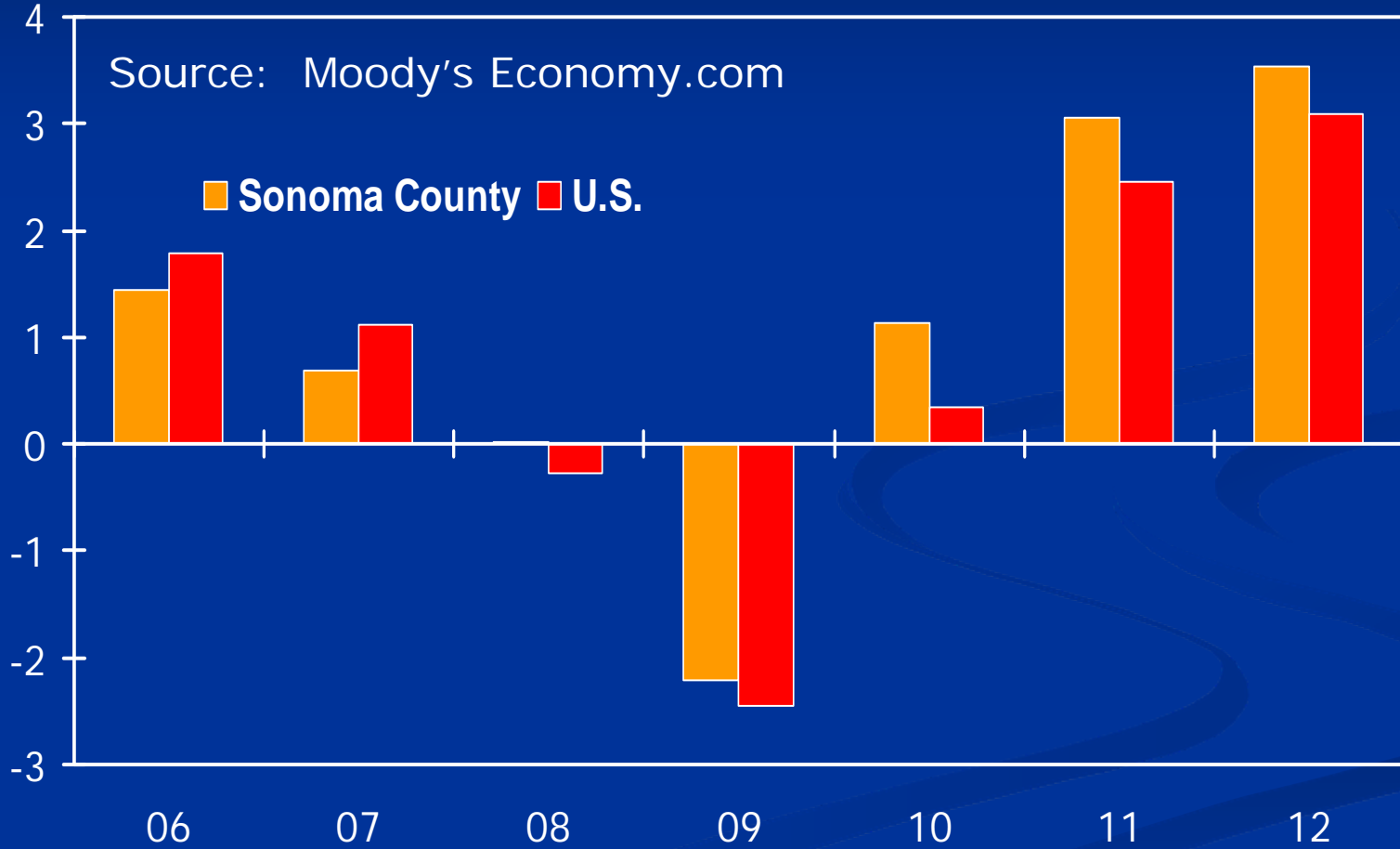
Weak Income Weighs on Spending

California indicators weaker than U.S.



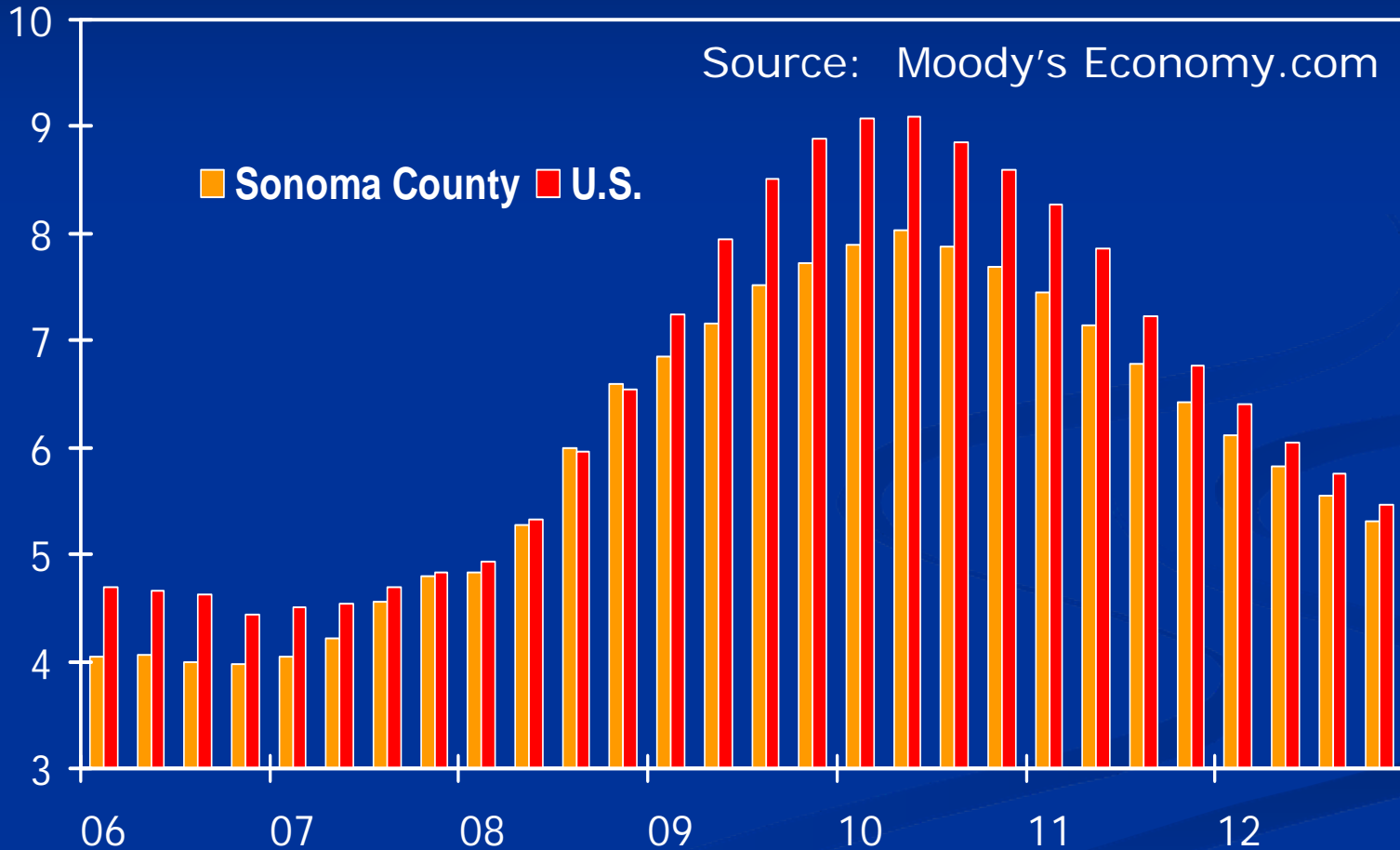
Employment Recovery Comes in 2010

% change



Unemployment Rate Improves Very Slowly

%



Part 2 – Long-Term Opportunities: Scenarios for Long-term Growth

Long Term Planning Scenarios

1. Natural Resource Constraints
2. Labor Market Resource Constraints
3. Regulatory Environment and Business Costs

Resource Constraints

1. Energy
2. Water
3. Waste Management/Emissions

Resource Constraints – Energy

Impacts by 2020 of 10% cost reductions

Energy cost savings create:

2,900 additional jobs

\$274 million additional output

**\$16 million additional county
revenue**

Resource Constraints - Water

Impacts by 2020 of 10% cost reductions

Water cost savings create:

3,800 additional jobs

\$327 million additional output

**\$19 million additional county
revenue**

Resource Constraints - Waste

Impacts by 2020 of 10% cost reductions

Waste and emissions cost savings create:

1,500 additional jobs

\$108 million additional output

**\$6 million additional county
revenue**

Labor Market Constraints

Labor force quality is a key determinant for sustainable economic growth and household well-being.

A high school graduate earns 50% more than an adult with no diploma.

Labor Market Constraints

To improve labor force quality, “narrow the gap” in educational attainment.

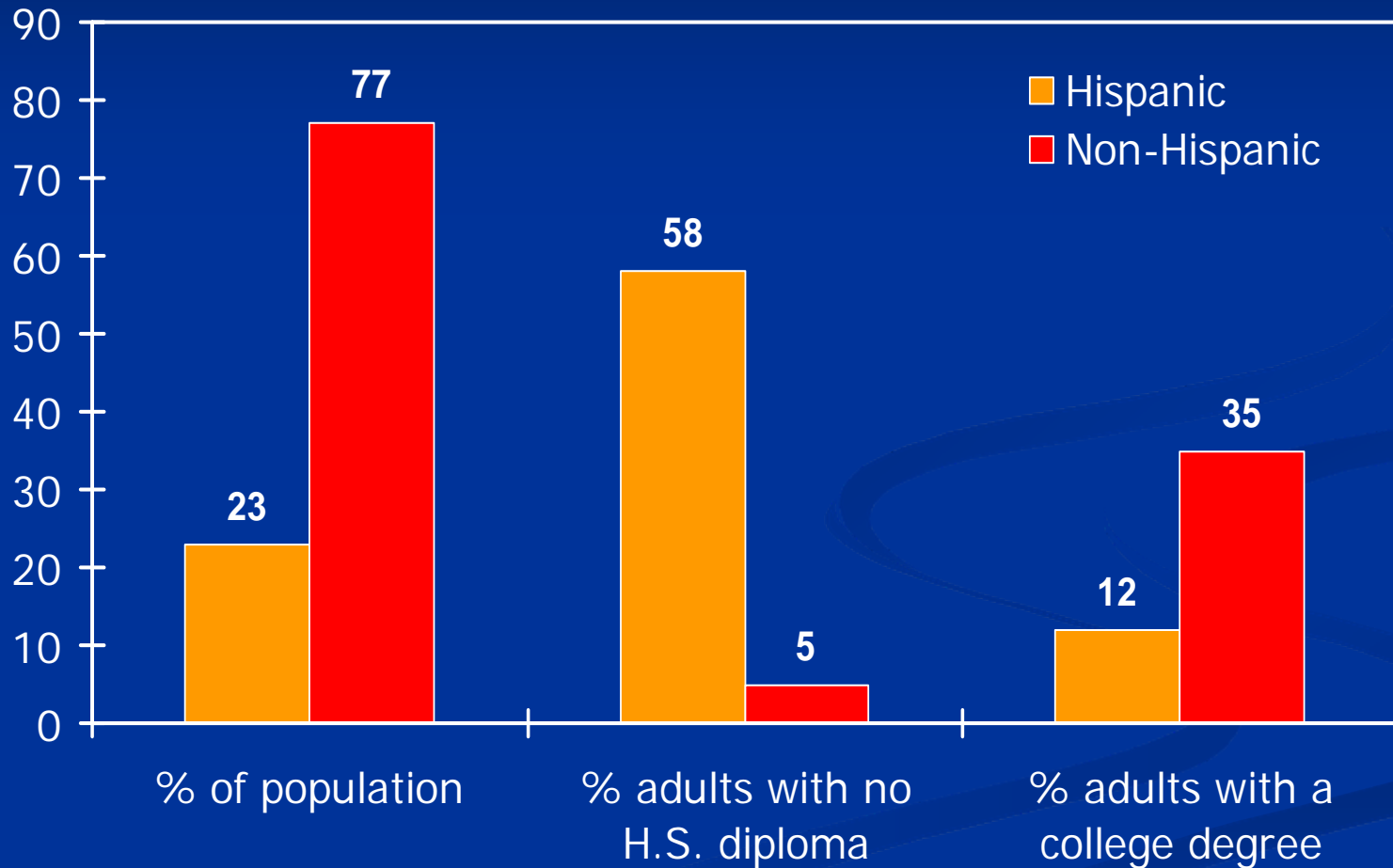
One gap in Sonoma County: High school graduation rate is 62% for Hispanics; 78% for others.*

*Source: Sonoma Co. Office of Education, 2006

The Gap: Educational Attainment

Gaps as of 2006

Source: Census



Narrowing The Gap: Economic Impact 2020: Modest Improvements

**Modest rise in high school and college
graduation rate generates by 2020:**

4,800 additional jobs

\$600 million in output

**\$40 million in additional county
revenue**

Narrowing The Gap: Economic Impact 2020: More aggressive improvements

**High school attainment rate rises by half and
college attainment rate rises by 10%
generates by 2020:**

5,100 additional jobs

\$700 million in output

**\$42 million in additional county
revenue**

Regulations and Costs

2020: Lower Tax Burden

10% reduction in effective corporate tax rate generates:

900 additional jobs

\$82 million in output

\$6 million in additional county revenue to offset tax cuts

Regulations and Costs

2020: Increased Regulatory Efficiency

Savings of 100 hours worked per firm:

600 additional jobs

\$28 million in output

**\$2 million in additional county
revenue**

Summary

Innovative solutions can create additional economic output by 2020 of:

Resource solutions

\$108 to \$327 million

Labor market improvements

\$600 to \$700 million

Cost and regulatory improvements

\$28 to \$82 million