

A healthy community has a diverse economy that is resilient in the face of change.

# Economic Health & Diversity



**Alpine Bank**

## ECONOMIC HEALTH & DIVERSITY

### Executive Summary

The **Southwest Colorado Index**, previously called the Pathways to Healthier Communities Indicator Report, was first published in 1996 by Operation Healthy Communities Inc. (OHC). That first edition was conceived before data was readily available on the Internet, and there was a tremendous need for localized data as well as a single document to measure community trends. OHC developed vision statements with broad-based community input that defined what a healthy community would look like, and various measures were collected and developed to track changes and evaluate trends over time. After producing five editions of the Indicator Report, the Region 9 Economic Development District of Southwest Colorado (Region 9) took over publication of the document in 2008. The 2015 edition, produced in a series of installments, is provided courtesy of several regional organizations that recognize the importance of up-to-date information.

A healthy community has a diverse economy. Diverse communities offer resilience in the face of change. Resiliency is the ability of a region or community to anticipate, withstand, and bounce back from any shocks to its businesses and overall economy. If our goal is to foster a resilient economy, we need to develop more diversity to improve the number, quality, and variety of jobs that are available to local residents. In turn, a well trained workforce is essential to provide the necessary skills that will draw desirable employment industries into the region. The continuing challenge is to grow our economy in a way that balances the needs of the environment and society with those of economic growth and development.

**Key Findings** - Population declines throughout the region were common during the last recession as people followed jobs. Post recession, the region's economic conditions have stabilized and economic confidence is currently good, as evidenced by a 5% increase in the number of jobs since 2010. Each county in the region has varying numbers of jobs in base industries. The Archuleta, La Plata and San Juan County economies are based primarily on tourism. The provision of regional services, such as road construction, is important to Montezuma County. Agriculture related services and forestry remain significant sources of employment for certain parts of the region, especially Dolores County. In 2014, unemployment rates in Archuleta, Montezuma and San Juan Counties were higher than the state (5.0%) and nation (5.1%). However, when we compare these rates to those of 2010 - 2013 we see a positive trend of substantial decreases in unemployment rates in all counties. The five counties in southwest Colorado vary in their composition of total personal income. Most income is job based (employment), though significant amounts of income enter our economy from other sources, such as transfer payments and dividends, interest and rents.

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This report examines a variety of economic indicators and trends, including: population, employment sectors, base industries, unemployment, per capita income, and total personal income.

A healthy community has a diverse economy. Diverse communities offer resilience in the face of change. Resiliency is the ability of a region or community to anticipate, withstand, and bounce back from any shocks to its businesses and overall economy. These could include:

- The closure of a large employer (i.e. a factory, power plant)
- The decline of an important industry (i.e. oil and gas)
- Changes in the workforce (i.e. youth out-migration, skill specialization)
- Natural disasters or hazards (i.e. flooding)
- Climate change (i.e. increasing temperatures, decreasing water availability)

If our goal is to foster a resilient economy, we need to develop more diversity to improve the number, quality, and variety of jobs that are available to local residents. In turn, a well trained workforce is essential to provide the necessary skills that will draw desirable employment industries into the region. The continuing challenge is to grow our economy in a way that balances the needs of the environment and society with those of economic growth and development.

The regional economy (Region 9) encompasses a five county area including Archuleta, Dolores, La Plata, Montezuma and San Juan Counties, as well as the Southern Ute and Ute Mountain Ute Indian Tribes. The larger economy actually includes the entire "Four Corners" area, including southwest Colorado, northwest New Mexico, northeast Arizona, and southeast Utah. People in the area often commute long distances, across state and county lines, to take advantage of better employment opportunities, better shopping, or lower real estate prices.

This *2015 Update* provides a snapshot – and some long term trends – of demographic and economic information for the region as a whole, and for each of the individual counties. The release of economic information is always about two years behind the current year, so 2014 is the benchmark year for this report.

**Notes on Sources** - The Demography Section - Colorado Division of Local Government (CDLG) provided employment and Total Personal Income (TPI) income estimates using 2014 data from the Colorado Department of Labor (ES202) and information from the Bureau of Economic Analysis (BEA). That data was provided in the framework of the North American Industry Classification System (NAICS).

Unemployment data is drawn from the Colorado Labor Market Information Unemployment Statistics. These data are not seasonally adjusted. Per Capita Income (PCI) is supplied by the Bureau of Economic Analysis, the currently available year is 2013.

## Population Trends

A look at the annual average population change for each county gives an idea of growth trends in the region from 1970 to 2014. The long term declines seen in Dolores and San Juan Counties are due to declines of mining in those areas, resulting in job and population losses. The population within the five counties of Region 9 grew at a rate of about 37% from 1990 to 2000, and about 15% between 2000 and 2010, with most of the growth consistently seen in Archuleta County.

Average Annual % Change				
	1970-1980	1980-1990	1990-2000	2000-2010
<b>Archuleta</b>	3.4%	4.6%	8.5%	2.2%
<b>Dolores</b>	0.1%	-0.9%	2.3%	1.3%
<b>La Plata</b>	4.2%	1.9%	3.6%	1.7%
<b>Montezuma</b>	2.7%	1.4%	2.7%	0.8%
<b>San Juan</b>	0.0%	-1.1%	-2.5%	2.5%
<b>Region 9</b>	3.3%	1.8%	3.7%	1.5%

Source: Colorado State Demography Office

Much of this growth can be attributed to what is being termed "amenity migration". Some people move here for economic reasons, such as the availability of jobs. Others cite quality of life issues, such as clean air and water, and outdoor recreation opportunities.

Many of these newcomers are retirees or 2<sup>nd</sup> home-owners that bring along their pensions and other retirement benefits. This "new" money impacts the local economy positively as it is spent on new homes and goods and services.

Population declines throughout the region were common during the recession as people followed jobs. Most of the communities in the region are starting to see growth again (though slow) as the economy stabilizes. Population estimates for 2014 are not currently available.

	2010	2013	Ann. Avg % Change 2010-13
Archuleta	12,060	12,168	0.3%
Dolores	2,060	2,012	-0.8%
La Plata	51,411	53,446	1.3%
Montezuma	25,532	25,650	0.2%
San Juan	709	687	-1.0%
<b>Region 9</b>	<b>91,772</b>	<b>93,963</b>	<b>0.8%</b>

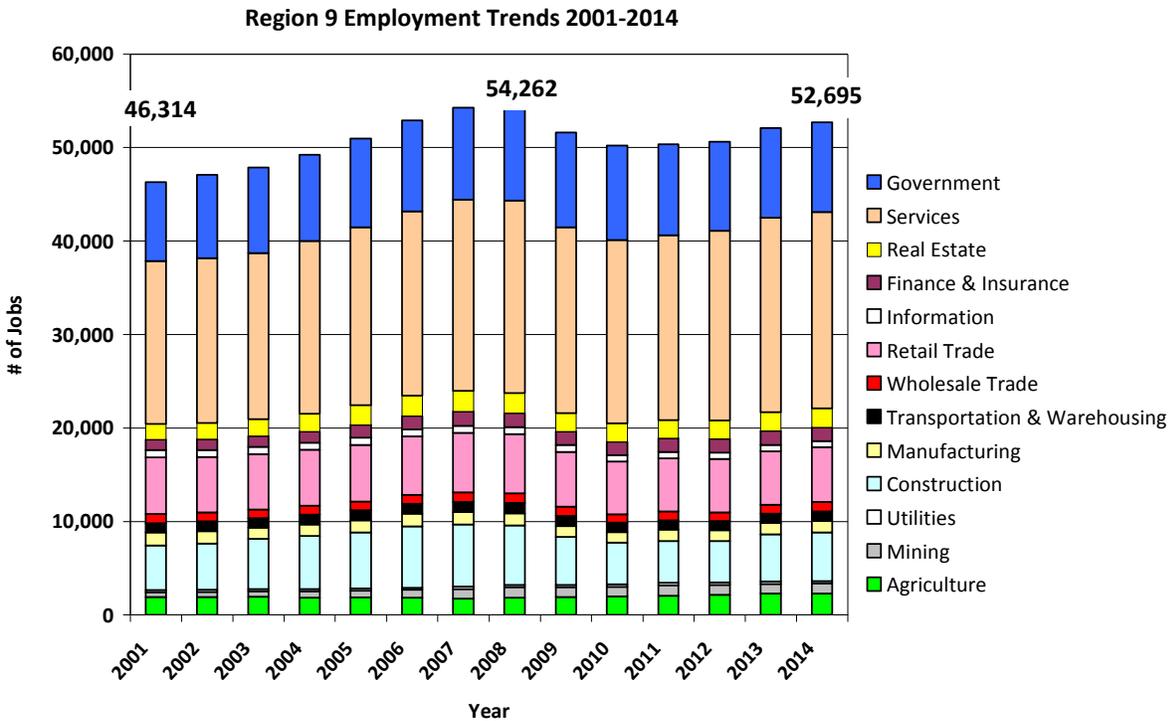
Region 9 is forecast to grow at a higher percentage rate than the state as a whole.

Regional Population Forecast					
	2015	2020	2025	2030	2035
Region 9	98,018	110,029	123,813	136,498	148,831
Avg. Ann. % Change		2.3%	2.4%	2.0%	1.7%
Colorado	5,439,290	5,924,692	6,429,532	6,915,379	7,352,327
Avg. Ann. % Change		1.7%	1.6%	1.5%	1.2%

Source: Colorado State Demography Office October 2014

## Employment Trends

An employment “sector” combines jobs into categories that are alike, and allows us to measure the relative strength of that industry in the local economy. Using trend analysis we can see how those industries have grown or declined within a specific timeframe. This chart demonstrates steady job growth until 2007 (2% - 4% per year), when jobs in many sectors began to decline. Post recession, the region’s economic conditions have stabilized and economic confidence is currently good, as evidenced by a 5% increase in the number of jobs since 2010.



In 2014 the service sector provided the highest percentage of jobs (40%) and job income (33%) in the region. These service jobs include highly paid professionals as well as lower paying unskilled labor.

Government jobs are also important in the regional economy, and include federal jobs through the U.S. Forest Service and National Parks.

Region 9 2014 Total Employment	# of Jobs	% of Jobs	Income (\$000)	% of Inc.
Agriculture	2,290	4%	\$ 5,979	0%
Mining	1,076	2%	\$ 157,063	7%
Utilities	262	0%	\$ 23,147	1%
Construction	5,208	10%	\$ 240,849	11%
Manufacturing	1,213	2%	\$ 45,809	2%
Wholesale Trade	1,013	2%	\$ 64,479	3%
Retail Trade	5,855	11%	\$ 175,253	8%
Transportation & Warehousing	1,031	2%	\$ 70,944	3%
Information	656	1%	\$ 36,068	2%
Finance Activities	1,444	3%	\$ 128,668	6%
Real Estate	2,040	4%	\$ 39,325	2%
Services	20,996	40%	\$ 709,596	33%
Government	9,612	18%	\$ 464,997	22%
<b>Total</b>	<b>52,695</b>	<b>100%</b>	<b>\$ 2,162,177</b>	<b>100%</b>

## Economic Base Analysis

Base industries are composed of related groups of economic activities. These industries produce exports or derive their sales or income *directly* from outside sources, or *indirectly* by providing supplies to export industries. These activities **bring in outside dollars** to circulate within the local economy. Base analysis distinguishes which industries are responsible for overall economic growth and change. They are also known as economic “drivers”.

In 2014, there were an estimated 52,695 total jobs in the various employment sectors spread across the region. Of these, 38,603 jobs (73%) are in base industries. The remainders of jobs (27%) are known as *local resident services*, which are jobs that don't bring outside dollars into the economy but exist to meet the needs (grocery, clothing, and personal services) of the local population.

Region 9 2014 Base Industries	# of Jobs	% of Jobs	Income (\$000)	% of Inc.
Agribusiness	3,199	8%	\$ 51,493	3%
Mining	1,169	3%	\$ 171,735	11%
Manufacturing	553	1%	\$ 19,333	1%
Government	3,012	8%	\$ 162,187	10%
Regional Services	6,046	16%	\$ 279,064	18%
Tourism	8,979	23%	\$ 244,944	15%
Households	10,071	26%	\$ 387,901	25%
Indirect Unassigned	5,574	14%	\$ 265,396	17%
Total	38,603	100%	\$ 1,582,053	100%

Source: Colorado State Demography Office

For example, to provide a more accurate picture of the agricultural sector we can link agricultural production to other segments of the economy that directly and indirectly support agriculture. This cluster of industries is known as *agribusiness*, and includes services such as processing food products, trucking, storage, sales of farm equipment and supplies; as well as impacts on credit institutions and commodity brokers. *Tourism* is another good example because it generates jobs in a range of industries including accommodations, food services, admissions, transportation and shopping. *Regional services* include hospitals, airports or regional construction industries that build highways or other infrastructure.

One very important base industry in our region (26% of jobs and 25% of job income) is created by *households* that spend money earned elsewhere (such as commuters), or at a different point in time (i.e. retirees). Household income includes money from transfer payments to retirees, the unemployed and disabled; as well as interest, dividends and rent that come from outside of the local economy. That income is spent on purchases of local goods and services. Those jobs might be the local barber, a waitress, or a clerk in the supermarket where a retiree or commuter shops.

Some jobs cannot be directly assigned to these categories, but do support the base industries, these are designated as *indirect unassigned jobs*. The reason why many indirect basic jobs are unassigned is due to the fact that they can provide support or business services to a number of different industries.

A good example of this is an accountant who might provide accounting services to a mining firm, a hotel, and also to retirees in the area. If it were not for these basic industries being located in the region, the accountant would have no reason to be there either. Since these suppliers and service providers often cross a number of industries, it is difficult to assign the proportion of each basic industry that they support so we lump them into the "Indirect Basic" category.

Each county in the region has varying numbers of jobs in base industries. The Archuleta, La Plata and San Juan County economies are based primarily on tourism. Agriculture related services and forestry remain significant sources of employment for certain parts of the region, especially Dolores County, yet provide relatively little employment income.

Region 9 - Percentage of Jobs in Base Industries						
2014	Archuleta	Dolores	La Plata	Montezuma	San Juan	Region 9
Agribusiness	10%	28%	7%	10%	0%	8%
Mining	1%	1%	4%	3%	0%	3%
Manufacturing	1%	1%	1%	3%	2%	1%
Government	3%	5%	10%	5%	4%	8%
Regional Services	10%	7%	16%	19%	11%	16%
Tourism	28%	6%	26%	15%	48%	23%
Households	34%	43%	20%	36%	32%	26%
Indirect Unassigned	14%	8%	17%	9%	4%	14%
Total # jobs	4,713	764	23,437	9,365	324	38,603

Data on employment and earnings in agriculture is unusually difficult to obtain for several reasons. First, agricultural producers (farmers) are not required to report their employees under the Employment Security program. While some do, the reporting that does occur covers only a small fraction of the actual employment. Second, the industry includes large numbers of proprietor-operators (farmers) and their families, and there are no good estimates on the numbers of these that represent full-time workers. Finally, farm income fluctuates widely with market prices and changes in inventories. Thus, the income data are not necessarily an accurate measure of activity as they are in other industries.

Local economic development efforts work to achieve diversity among key local base industries. The successful result of this objective is to minimize the relative impact of any sudden change in fortunes, and hence employment, of any one (large) firm or industry. Region 9 hopes that this information will provide a starting point for public discussions to review the data and plan for the future – for each county and the region – of the potential strengths, weaknesses, opportunities and threats accompanying each economic driver.

## Unemployment

In 2014, unemployment rates in Archuleta, Montezuma and San Juan Counties were higher than the state (5.0%) and nation (5.1%). However, when we compare these rates to those of 2010 - 2013 we see a positive trend of substantial decreases in unemployment rates in all counties.

Labor Force Statistics 2014				
Area	Labor Force	Employed	Unemployed	Unemployment Rate
Archuleta	5,751	5,407	344	6.0%
Dolores	1,285	1,233	52	4.0%
La Plata	30,136	28,861	1,275	4.2%
Montezuma	12,711	11,934	777	6.1%
San Juan	473	448	25	5.3%

Source: Colorado Labor Market Information Unemployment Statistics  
Not Seasonally Adjusted

## Retail Sales

Retail trade sectors are another measure of economic health. Analyses have been prepared by Region 9 in 2006, and again in 2013, that measure how each community's retail sales compare to other towns of similar size across the state. These reports can be seen at <http://www.scan.org/index.php?page=retailsales>.

Silverton, Pagosa Springs, Durango and Cortez compared positively to other communities their size in Colorado. These reports provide information on whether there is a sales surplus, demonstrating which communities are drawing in shoppers from outside the region; or leakages, identifying what goods are being purchased outside the region. An update to these reports is planned for 2016.

## Per Capita Income (PCI)

All income in a region is added together (total personal income), and then divided by the number of residents. PCI in most of our counties, with the exception of La Plata, are still not on a par with state and national incomes.

Per Capita Income Comparison		
	PCI 2013	% of USA
USA	\$ 44,765	100%
Colorado	\$ 46,897	105%
Archuleta	\$ 35,263	79%
Dolores	\$ 32,107	72%
La Plata	\$ 46,633	104%
Montezuma	\$ 36,524	82%
San Juan	\$ 34,922	78%

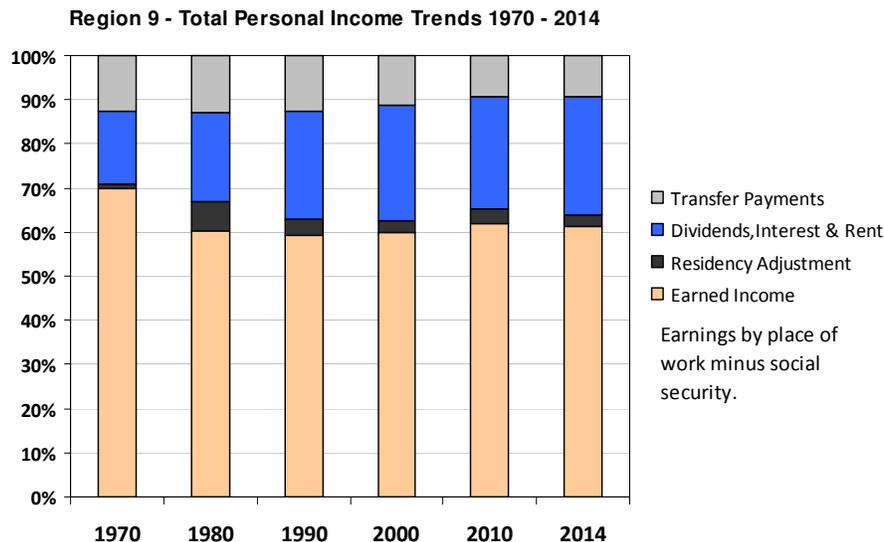
<http://www.bea.gov/regional/bearfacts>

## Total Personal Income (TPI)

(TPI) is another important tool to understand our local economy. Total personal income is divided into four main components.

- Transfer payments consist primarily of retirement and disability benefit payments, medical payments (i.e. Medicare and Medicaid), income maintenance benefits, unemployment insurance, veteran’s benefits and payments to nonprofit institutions.
  
- Dividend income is income that is paid in cash or other assets to stockholders by corporations in the U.S. or abroad. Interest income consists of monies received from money market mutual funds and interest from other sources. Rental income consists of income from the rental of real property, the net income of owner - occupants of non-farm dwellings, and the royalties received from patents, copyrights, and from the rights to natural resources.
  
- Residency adjustments are made when a person receives income for work performed and paid for from outside their place of residency, (i.e. commuters). Negative numbers mean that more people were coming into the county for work than were commuting out.
  
- Earned income is derived by place of work, including farm and non-farm earnings (minus social security contributions).

This chart allows us to see how the components of Total Personal Income have changed over the long term. Generally, we see a trend of decreasing employment income, and increasing income from dividends, interest and rent. Transfer payments seem to be shrinking, though this trend might see a reversal as baby boomers retire and start receiving retirement benefits.



Region 9 2014 Total Personal Income (\$000)		% of Total
Employment Earnings	\$ 2,162,177	61%
Residency Adjustment	\$ 94,812	3%
Dividends, Interest & Rent	\$ 940,083	27%
Transfer Payments	\$ 327,384	9%
<b>Estimated TPI</b>	<b>\$ 3,524,456</b>	<b>100%</b>

Income comes from a variety of sources. For example, payments to retirees (60+) accounted for about \$608 million (17%) of the estimated TPI in the region in 2014.

The five counties in southwest Colorado vary in their composition. Most income is job based (employment), though significant amounts of income enter our economy from other sources, such as transfer payments and dividends, interest and rents.

2014 Total Personal Income						
	Employment Income	Residency Adjustment	Div., Int & Rent	Transfer Payments	Total (\$000)	60+ Share
Archuleta	50%	3%	33%	15%	\$ 374,805	23%
Dolores	39%	16%	28%	18%	\$ 45,197	22%
La Plata	67%	0%	27%	7%	\$ 2,279,691	16%
Montezuma	53%	11%	24%	13%	\$ 803,183	17%
San Juan	48%	10%	32%	10%	\$ 21,580	20%
Region 9	61%	3%	27%	9%	\$ 3,524,456	17%

The economic indicators and trends presented in this report underscore the need for economic diversification and cooperation across the region. In rural communities, survival can depend on neighboring communities collaborating to define an area large enough to provide jobs and cost-effective goods and services.

The Colorado Office of Economic Development and International Trade (OEDIT) is examining how best to serve rural communities around the state through the Colorado Blueprint 2.0 initiative. The objective of Blueprint 2.0 is to identify additional opportunities to leverage available resources as a way to advance the regional economic development priorities. Region 9 has aligned regional economic priorities with the state-wide Blueprint initiatives. These include: the expansion of broadband /fiber optics infrastructure; the improvement of community amenities necessary to attract, retain and grow business; being business friendly; diversifying the economy; and encouraging the retention and growth of area businesses. More information is available at [www.advancecolorado.com/blueprint](http://www.advancecolorado.com/blueprint).