

Mesa State College

Listening to Business-Regional 2010

A Survey of Businesses in Western Colorado

Listening To Business

BACKGROUND

Listening to Business (L2B) is a program that surveys the opinions and perceptions of businesses. The program was launched in 2004 by ED Partners, a group of public and private organizations focused on implementing unified economic development strategies in Mesa County, Colorado. The goal of the L2B program is to increase the success of local businesses by identifying trends, opportunities, and issues around which community resources can be aligned. As a result of the L2B program, Mesa County has successfully addressed several business climate issues and capitalized on opportunities to meet the needs of expanding business. Given the success of its county wide effort, the L2B program was expanded in 2008 across north western Colorado as part of the El Pomar Socio Economic Impacts of Growth study. The report that follows is a further expansion of the project and has added counties from southern Colorado.

METHODOLOGY

The 2010 Listening to Business study presented in this report was sponsored by the El Pomar Foundation in collaboration with the western Colorado economic development organizations. The study interviewed 81 businesses in western Colorado during the first quarter of 2010. Data is included from the following counties:

- Delta (9 interviews)
- Garfield (29 interviews)
- La Plata (Region 9) (21 interviews)
- Mesa (4 interviews)
- Moffat (19 interviews)
- Montezuma (included in Region 9)
- Rio Blanco (included in Moffat data)
- Routt (included in Moffat data)
- Pitkin (included in Garfield data)

The L2B program uses the e-Synchronist software program as a tool to gather, analyze, and confidentially report company data in aggregate form. This software provides a questionnaire giving a consistent collection format and the ability to compare the data collected. The software is being used by business retention and expansion programs throughout Colorado and the nation allowing relative comparisons and perspective to some of the data gathered.

The interview process provides a networking and learning opportunity for the business leaders who participate in the interviews. For this reason, this study utilized economic development professionals from each county to survey their county's businesses. The surveys were then collected and analyzed by the L2B Program Coordinator.

This type of study provides insight into the business's perceptions of strengths and weakness within the community. This report uses the data collected to frame the issues impacting each community enabling the communities involved to efficiently and effectively work on key issues.

The program has focused on interviewing companies that receive the majority of their income from outside the local economy i.e. *primary* business. In addition to bringing new dollars to the community, primary employers tend to pay a higher wage rate than secondary tier employers represented by the retail and service industries. Growth in this sector therefore exponentially improves the local economy.

The small, geographically diverse sample size does not necessarily provide statistically reliable data, but these studies have proven to reveal real time anecdotal information and is especially useful for monitoring trends.

WHAT WE LEARNED

The e-Synchronist survey has seven sections probing issues regarding product, markets, industry, technology, management, workforce, and community service factors. Results are presented in the order they were collected in the survey. Since the sample size was limited in each county, county-specific results will only be mentioned if they differed significantly from the entire group.

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PRODUCT

Most of the companies interviewed viewed growth as their company's greatest achievement over the past three years. Yet, nearly as many companies viewed survival as their companies greatest achievement. This seems to indicate the companies interviewed acknowledge the difficult economic times, yet are taking advantage of the downturn to expand their markets and gain market share.

Companies are introducing new products to enable their company to survive. These companies have also increased their focus on making their products more competitive and their production process more efficient enabling them to grow and expand their business in difficult economic conditions.

MARKETS

The market section of the survey shows that, though the growth trend of sales has slowed significantly since 2008, 67% of the companies interviewed had increasing or stable sales. This accomplishment comes from companies introducing new products and developing new markets for their products. In terms of potential growth in sales, over 90% of the companies interviewed are increasing or at least maintaining market share, positioning themselves for increasing sales as the economy recovers.

Sixty-five percent of the businesses interviewed are planning to expand. The table below summarizes the projected expansion.

	Estimated Dollar Investment	Estimated New Space (ft²)	Estimated Jobs created
High	\$600,000,000	217,800	281
Low	\$0	0	0
Average	\$18,417,745	10,294	13
2010-Total	\$939,305,000	525,000	681
2008-Total	\$376,305,208	785,001	285

While several big projects make up half of the expansion, it is important to note that over 50% of the productive space expansion and job creation is spread over 40 companies. The projected expansion in terms of real estate is down significantly from the 2008 survey. This decline is most likely due to the high cost of land and building as described later in the survey. The trend for job creation is up significantly since 2008, with companies interviewed expecting a 14% expansion of their current workforce. In 2008, the companies interviewed only project a 7% increase in their workforce.

INDUSTRY

The ability of government entities to impact industry is viewed as a major concern for 90% of the companies interviewed. Most of the concern was in terms of federal legislation and state regulation. Few local regulatory concerns were mentioned. The issues seen as having potential negative impact include:

- health care reform legislation,
- small business taxes,
- energy regulation,
- cap and trade legislation, and
- cutbacks in Enterprise and HUB zones.

Health care reform and tax incentives were viewed as possible positive legislative outcomes, as was a change in the currently political environment.

The concern over the negative impact of pending legislation voiced by businesses has increased substantially since the 2008 survey—from 66% in 2008 to 90% in 2010

MANAGEMENT

Management is projecting moderate growth over the next three years that will be spurred by the product, market and industry trends outlined above. The confidence in the community's ability to support that growth is brought to light by their perceptions of the community's strengths and weaknesses.

The strengths of the western Colorado community as a place to do business have consistently been

- quality of life and
- location in terms of access to customers and natural resources.

The primary community weaknesses which could lead to actual barriers to growth had to do with the high cost of doing business in the region. These costs include:

- land and building costs,
- access to resources and the cost of getting them delivered,
- cost of shipping products, as well as
- the added costs of government regulations.

WORKFORCE

The fifth section of the survey covers issues pertaining to the available local workforce. In terms of availability, quality, and productivity the western Colorado workforce rating was consistent with state and national workforce rating with quality and stability being slightly lower and productivity being slightly higher.

The most mentioned workforce skill gaps included:

- Management
- Sales
- Healthcare
- Engineering
- Machinist

COMMUNITY SERVICES

Child care was only item rate low in comparison to state and national ratings. This low rating was attributed to the lack of quality childcare available in their communities. Though the ranking of childcare has risen slightly since 2008, it continues to be ranked much lower than the 2009 national data.

CONCLUSION

The 2010 regional Listening to Business interviews revealed a stable business climate in which businesses are anticipating growth. The data collected in this study disclosed that most of the businesses interviewed have stable or are increasing sales even in difficult economic conditions. The companies are working to gain market share by introducing new products, expanding their market area, and increasing the production efficiency.

These businesses are competing with regional, national, and international companies. The majority of the businesses interviewed project to expand their businesses and create jobs. These businesses are facing barriers to growth in terms of high cost of doing business. Some of the high cost of business is unique to the western Colorado rural environment. High cost of air and ground transportation is due to the geographic terrain and distance between communities. Relative high cost of land and services such as child care in part can be attributed to the pull for use of these resources (land and labor) in the recreation industry (skiing, tourism, second-home). A factor unique to western Colorado when compare to the rest of the state.

Business also voiced concern that increased state and national legislation may add to these costs. The ability to deal with these cost pressures will determine whether these companies continue to compete successfully in their growing markets, thus creating a healthy regional economy.

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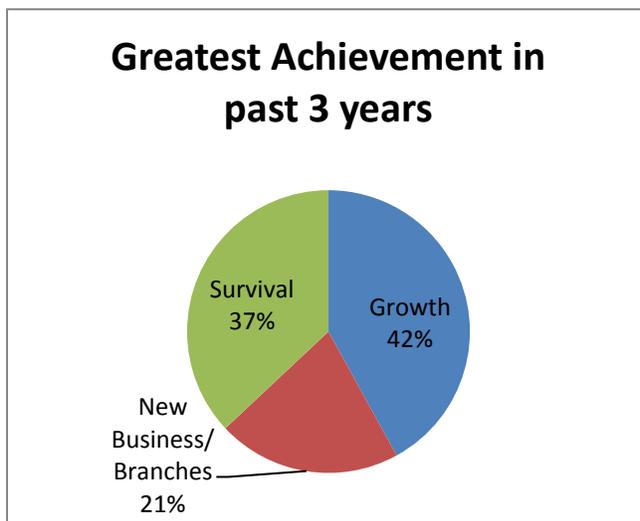
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PRODUCT

The first section of the survey and analysis attempts to determine where the companies are in terms of their primary product's market. The responses incorporate past achievements, product life cycle, technological developments, and amount of research and development occurring in each company. This analysis provides a background of a company's operation over the past five years and how they are positioned to capitalize on upcoming opportunities and changes.



Achievements

Forty-two percent of the companies interviewed saw *growth* as their greatest achievement in the past five years. Growth was stated in terms of creating jobs, higher sales, and developing new markets. An

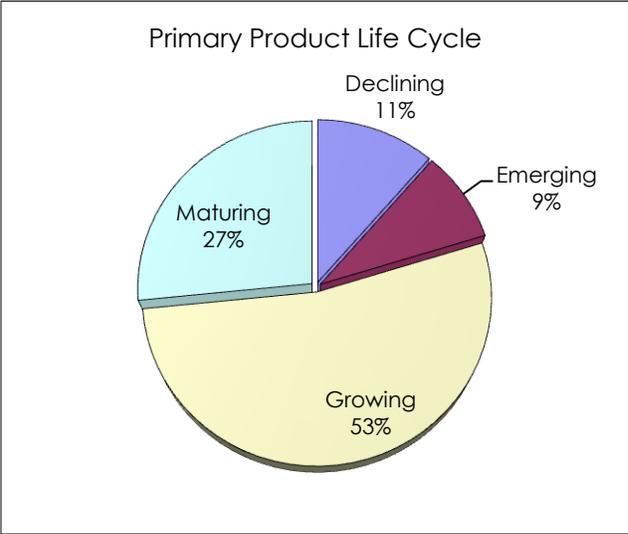
additional 21% developed new businesses or opened new branches, also an aspect of business growth. When this same survey was completed in 2008, 47% of those responding saw growth as their primary achievement.

In contrast, in the current survey 37% of those responding saw their greatest achievement as survival. Survival was not mentioned as an achievement in the 2008 survey.

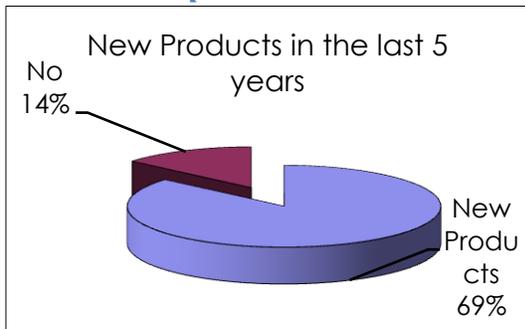
Life Cycle

The majority of the participating companies interviewed (53 %) classified their primary products in the growth stages of the product life cycle. While 9% saw their primary product in the emerging stage of development.

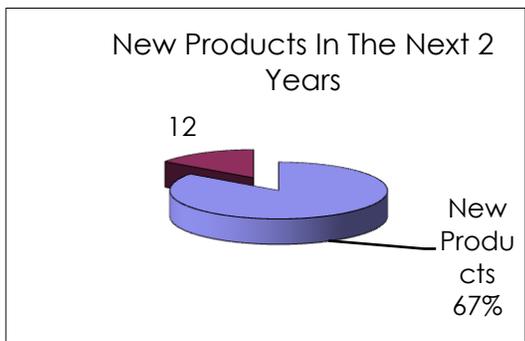
Only 27% of the interviewed companies' products are in the mature stage of the life cycle, with 11% identifying their product in the declining life cycle stage. These numbers represent the mix of the companies selected, not necessarily the make-up of the regional economy. It should be noted that the relative mix shifted only slightly from the 2008 study. For comparison, national survey data shows most communities have companies with products in the mature stage of the life cycle. Western Colorado data has consistently shown more companies in the growth stage of the life cycle.



Product Development and Innovation



Sixty-nine percent of the companies interviewed have introduced new products in the last five years (up 17% since the 2008 survey). Sixty-seven percent expect new products in the next two years (up 22% from the 2008 survey).

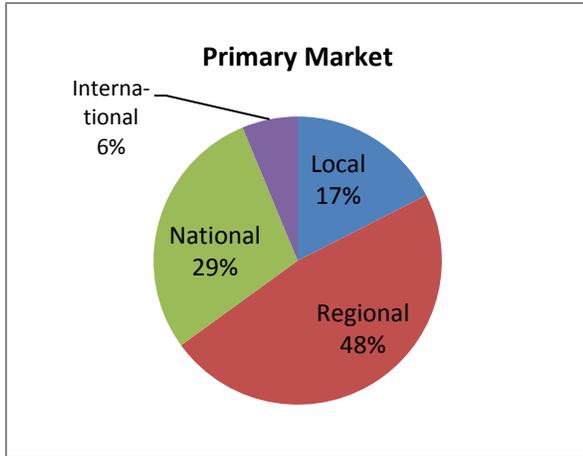


Fifty percent of the companies responding budget less than 3% of their sales to research and development with 34% spending over 3%. For those responding, these research dollars are split between all three approaches R & D: Product Development, Product Improvement, and Production Improvement. In 2008, less than one percent of the companies interviewed were budgeting for actual research and development for new products, indicating that new products were coming from expanding their product lines provided by an outside vendor. The increase in research and development is consistent with increase in introduction of new products and market growth.

This first section of the study shows that many of the companies interviewed continue to see their products in the growth stage of their life cycle though the number is down slightly from 2008. This number is interesting when juxtaposed with huge increase in the number of companies viewing survival as an achievement over the last three years. This seems to indicate the companies interviewed acknowledge the difficult economic times, yet are taking advantage of the downturn to strengthen their product offering and production efficiency.

More companies are introducing new products to enable their company to survive. These companies have also increased their focus on making their products more competitive and their production process more efficient enabling them to grow and expand their business in difficult economic conditions.

MARKETS

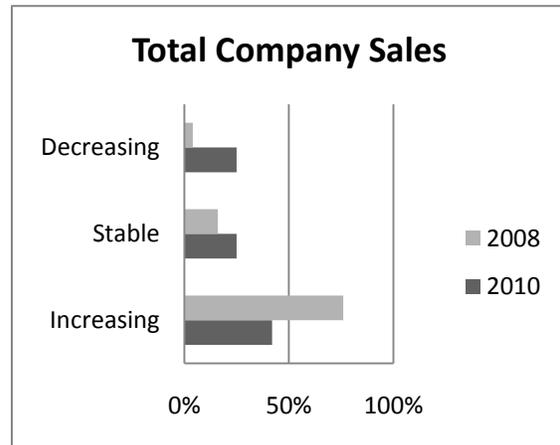


The next section of the survey provides insight into how effectively the companies are competing in their respective industries. Items such as market share, sales, plans for expansion, and international influences are discussed.

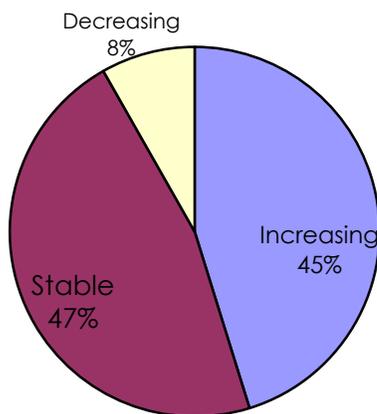
Forty-eight percent of the companies interviewed view their primary market as being regional (Rocky Mountain states). National markets make up the primary market for 29 percent of the companies. Seventeen percent of those interviewed regarded the

local market as contributing to the majority of their sales. Though the study focused on primary business, many of those interviewed had begun to market locally during the economic downturn.

The growth trend for the companies interviewed has shifted significantly from the 2008 study. In 2008, 76 % of participants had increasing sales, compared to 42% in 2010. Twenty-five percent of those interviewed see their sale decreasing compared to only 4% with decreasing sales in 2008. Though



Market Share of Key Products



this change is significant, it should be recognized that 67% of the companies interviewed had increasing or stable sales; an accomplishment when comparing economic conditions in 2009-10 versus the hyper-growth conditions occurring in 2008.

In a recession a better indicator of the future viability of the selected companies may be their market share. In other words—the whole pie is shrinking; therefore, so are company sales. But what percentage of the pie is the company getting in order to position themselves for more sales when industry growth resumes—or the pie

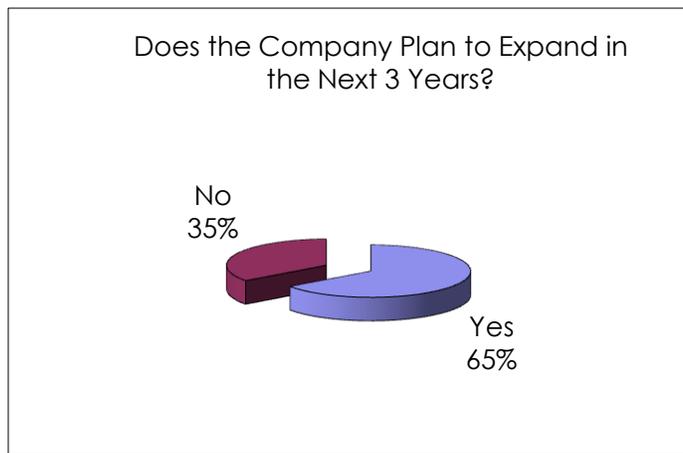
expands. Forty-five percent of those interviewed see their market share as increasing with 47% seeing their market share as stable. In fact, one percent less of the companies interviewed views their market share decreasing in 2010 than did in 2008.

The increasing or stable market share in a shrinking economy was attributed to several factors including:

- Increasing production efficiency
- New markets/products
- Increase/more effective marketing
- A shift to cultivating local and international markets
- Competitors going out of business

The companies mentioning a decline in market share attributed the decline to economic conditions.

Sales and market share trends translate into 65% of the interviewed companies planning to expand within the next three years. This is 16% increase in companies planning to expand over 2008 data (49%).



The planned expansion results in over \$900 million being invested in the area over the next five years. Just over 80% of that investment (\$752.5 million) comes from the energy industry. Forty-nine percent of the building expansion and 45% of job creation come from the transportation industry. The other 55% workforce expansion comes from almost 40 companies adding between 2 to 40 positions to their workforce. The remaining building expansion shows a similar broad-based expansion and is spread amongst 20 companies adding between 1,000 to 50,000 square feet to their business facilities.

Projected Total Investment Western Colorado (5 years)

	Estimated Dollar Investment	Estimated New Space (ft2)	Estimated Jobs created
High	\$600,000,000	217,800	281
Low	\$0	0	0
Average	\$18,417,745	10,294	13
2010-Total	\$939,305,000	525,000	681
2008-Total	\$376,305,208	785,000	285

If the highest projected investments are removed from these projections and compared to 2008 projections which were in a rapidly expanding economy, dollar investment is down only slightly; building expansion is also down, but potential jobs being created is up 40%.

Projected Total Investment by Community

County (% of surveys)	Estimated Dollar Investment	Estimated New Space (ft ²)	Estimated Jobs created
Delta (11%)	\$1,505,000	4,000	26
Garfield (36%)	\$872,400,000	414,300	469
Mesa (5%)	\$1,850,500	12,000	18
Moffat(23%)	\$33,500,000	50,000	46
*Region 9 (25%)	\$30,050,000	44,700	122

* La Plata and Montezuma counties

The market section of the survey shows that though the sales growth trend has slowed significantly since 2008, 67% of the companies interviewed had increasing or stable sales. This accomplishment comes from companies introducing new products and developing new markets for their products. In terms of potential growth, over 90% of the companies interviewed are increasing or at least maintaining market share, positioning them for increasing sales as the economy recovers.

Sixty-five percent of the businesses interviewed are planning to expand. While several big projects make up half of the expansion, if these two big Garfield county projects are not included, it is important to note that over 50% of the productive space expansion and job creation is spread over 40 plus companies expanding their businesses. The projected expansion in terms of real estate is down significantly from the 2008 survey. This decline is most likely due to the high cost of land and building as described later in the survey. The trend for job creation is up significantly since 2008, with companies interviewed expecting a 14% expansion of their current workforce. In 2008, the companies interviewed only project a 7% increase in their workforce.

INDUSTRY

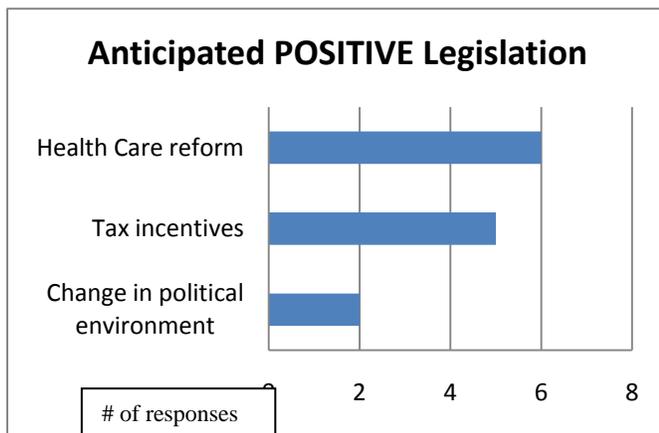
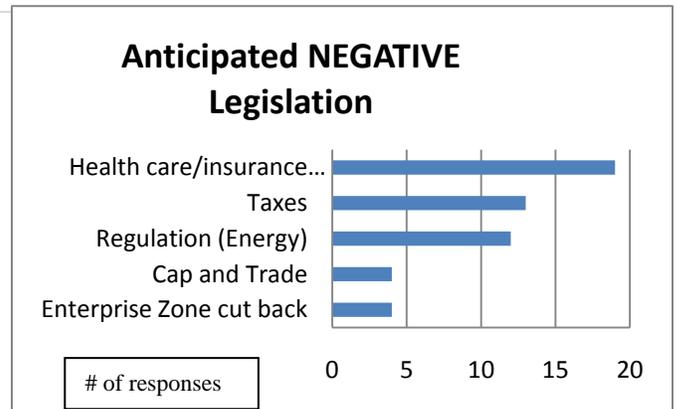
The third section of the L2B questionnaire researched the viability and competitive factors of the industry in which these companies are competing. This section looks at factors internal to the industry such as consolidation and capacity, as well as external influences of potential legislation and regulation.

Merger and Acquisition

Forty-eight percent of the companies surveyed thought that merger, acquisition, and divestiture activity was increasing in their industry. This is down from 69% experiencing increased activity in their industry in 2008. This type of activity reflects companies combining to gain market share or enter new markets as well as companies getting out of markets. Reduced consolidation pressure translates to local businesses not having as many buyers for their business; increased consolidations could indicate that companies could be purchased and leave the community.

Legislative and Regulatory Concerns- Negative

The impact of legislation and regulation continues to be a concern for area businesses. Ninety percent of the companies interviewed perceived that pending local, state, or national legislation would adversely impact their business (compared to 66% in 2008). The legislative issues specifically mentioned that had potential for impact are summarized in the chart above.



Legislative and Regulatory Concerns- Positive

Fifty-two percent of those interviewed anticipated potential local, state, local, federal legislation that would benefit their company. The positive legislative issue are summarize in the chart to the left. In should be noted that healthcare reform legislation is perceived as both positive and negative—sometimes by the same company.

Industry Capacity

Most of the companies interviewed are in industries are viewed as balanced (enough production for market needs) at 35%. Twenty-eight percent viewed their industries as under capacity, and 28% are in industries viewed as over capacity. This mix reflects the diverse industries represented by this survey, yet it also shows a balanced economic base. Forty-eight percent of companies interviewed feel their industries are consolidating, though lower than in 2008, it continues to indicate that local businesses could be purchased to gain market share.

The ability of government entities to impact business is viewed as a major concern for most of the companies. Most of the concern was in terms of federal legislation and state regulation. Few local concerns were mentioned. The issues seen as having potential negative impact include:

- health care reform legislation,
- small business taxes,
- energy regulation,
- cap and trade legislation, and
- cutbacks in Enterprise and HUB zones.

Health care reform and tax incentives were viewed as possible positive legislative outcomes. Several of those interviewed believed that a change in the currently political regime would be a positive impact.

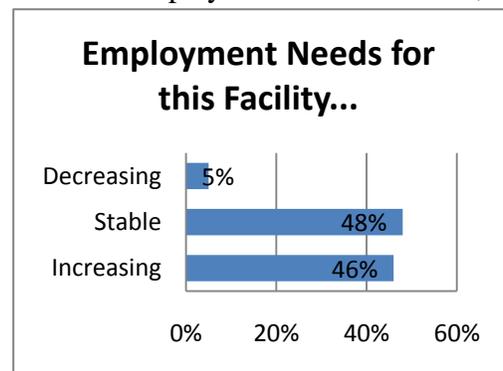
The concern over the negative impact of pending legislation voiced by businesses has increased substantially since the 2008 survey—from 66% in 2008 to 90% in 2010.

MANAGEMENT

The fourth section of the survey provides insight into expected changes in management, employment, and the effect of management decisions. This section also shows the perception of management towards the local business environment as a place to do business.

Ownership of the interviewed companies has been fairly stable with only 12 percent seeing a change in the past 18 months or expecting to change in the next 18 months. So, while industry consolidation pressures were mentioned in the previous businesses, few of the businesses interviewed have yet to be affected by being purchased. Eighteen percent of the companies interviewed saw changes in top management in the past eighteen months. The volatility in the top management has decreased significantly (39%) down from 59% of companies changing top management in 2008. This indicates a change in the labor market, with skilled employees no longer changing jobs as much.

The employment needs will be increasing in 46% of the companies interviewed. Only 19% are experiencing an increase in the number of unfilled positions; 48% view employment needs as stable, and 5% have decreasing employment needs. For comparison, the Listening to Business survey completed in 2008 in Western Colorado had 55% of employers expecting an increase in needed employees. This projected workforce growth is consistent with the 65% of companies projecting overall expansion in the previous section.

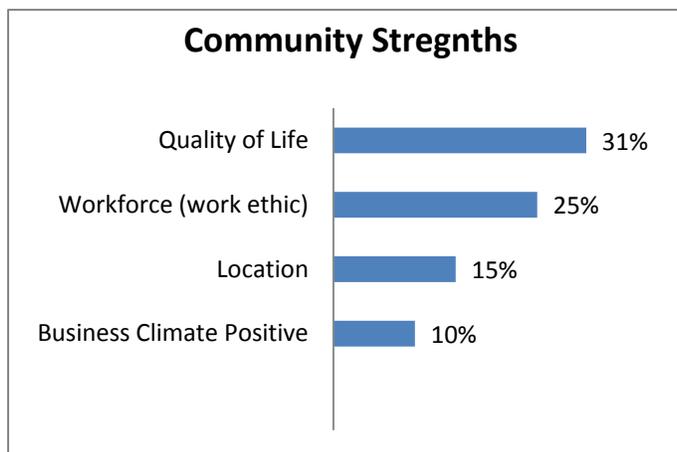


Satisfaction with Utilities

The projected expansion does not result in any significant increase in the need for utilities. The most significant concern with utilities was in the consistency of cell phone reception in the region. Satisfaction with cell phone service was also a concern in the 2008 survey.

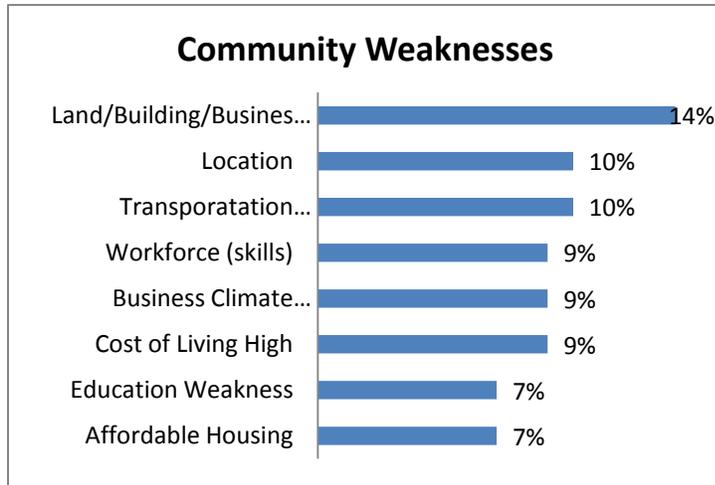
Perceived Community Strengths

Thirty-one percent of those interviewed said that Quality of Life was a community strength (up from 20% in 2008). Workforce, specifically the work ethic of the workforce, was viewed by 25% of those interviewed as a community strength (not mentioned in 2008). Location was mentioned by 15% of respondents as community strength. This strength refers to proximity to customers and natural resources. Ten percent of businesses interviewed believed their community had a positive business climate. Positive business climate was described as: community understanding of industry, “good people”, and appreciation for locally owned businesses. In 2008, 26% consider this to be a strength, but in contrast they identified a



positive business climate as: a regional hub with access to growing markets networking opportunities, growing and diversified economy, and an abundance of natural resources in the area.

Perceived Community Weaknesses



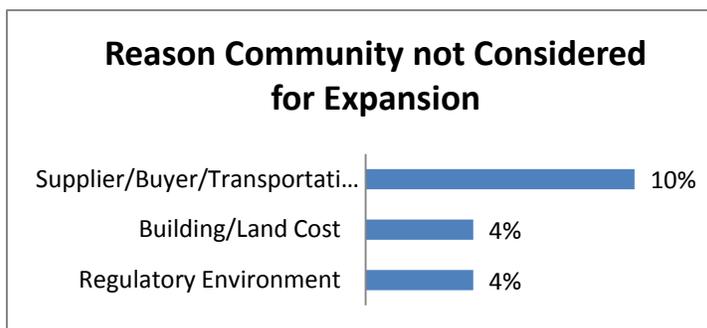
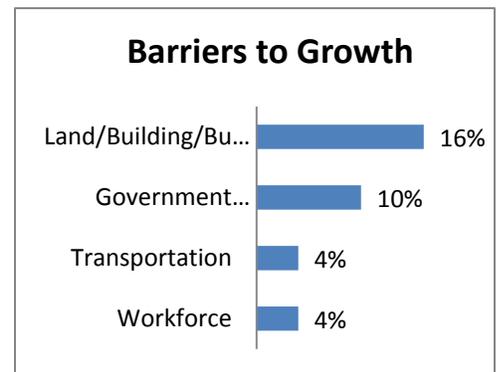
The chart at the left shows the community weaknesses mentioned by those interviewed. The primary weaknesses have to do with the cost of doing business. Specifically:

- land and building costs,
- cost of getting supplies
- cost of shipping finished goods,
- cost of living—including housing,
- and availability of an educated, skilled workforce.

In order to determine the severity of these community weaknesses, companies were asked to identify what they perceived to be actual barriers to growth.

Perceived Barriers to Growth

Cost of doing business in terms of land, building, and other resources is a real concern and could inhibit business growth. Government regulations was also mentioned as a barrier to growth, but not mentioned as a community weakness. This indicates that regulations are attributed to government (state and national) and not to the local community. Availability of transportation could inhibit growth as well as access to an educated, skilled workforce. Transportation issues, building/land costs, and regulatory environment are confirmed as potential



growth issues when businesses were asked for the reasons the community may not be considered for expansion. In 2008, cost of living, negative business climate, and workforce were viewed as actual barriers to growth.

Management is projecting moderate growth over the next three years that will be spurred by the product, market and industry trends outlined above. The confidence in the community's ability to support that growth is brought to light by their perceptions of the community's strengths and weaknesses. The strengths of this community as a place to do business have consistently been quality of life and location in terms of access to customers and natural resources. The primary community weaknesses which could lead to actual barriers to growth had to do with the

high cost of doing business in the region. These costs include land and building costs, access to resources and the cost of getting them delivered, cost of shipping products, as well as the added costs of government regulations.

WORKFORCE

The fifth section of the e-Synchronist survey covers issues pertaining to the available local workforce. Questions review quality, stability, productivity and training needs.

	2010	2008	2009 Colorado	2009 National
Availability	5	3	5	5
Quality	4	3	5	5
Stability	4	4	5	5
Productivity	6	6	4	6

The table above summarizes the overall evaluation of the local workforce as rated on a 1-7 scale, with one being poor and seven excellent. The perceived availability of workers has risen dramatically. This trend is consistent with state and national numbers; as well as rising unemployment rates. The perceived quality of the workforce rose as well though not to state and national levels. This can be attributed to the overall skill level of the available workforce. It is interesting to note that in the 2008 study the lower quality rating was attributed to lack of work ethic, dependability, and drug usage—these attributes were not mentioned in this study. In fact work ethic was ranked as a community strength, as previously mentioned. Sixty-two percent of those interviewed had recruiting problems (up from 12% in 2008). These recruiting problems were almost equally attributable to the community (51%) and the industry (49%).

Workforce Skill Gaps

The most frequently mentioned workforce skill gaps included:

- Management
- Sales
- Healthcare
- Engineering
- Machinist

Engineering and Healthcare skills were also mentioned as workforce skill gaps in 2008. While skills needed specifically reflect the mix of companies interviewed, it is interesting to note that the most mentioned skills—Management and Sales—are generalized business skills.

COMMUNITY SERVICES

The final section of the survey reviewed services provided by the community and government entities.

Community Services Ranking

1-Low, 7-High	2010	2008	National 2009	Colorado 2010
Police protection	5.36	5	5.54	5.6
Fire protection	5.77	6	5.89	5.9
Ambulance paramedic	5.83	4	5.81	5.9
Health Care	5.29	5	5.35	5.4
Child Care	3.56	3	4.82	4.3
Schools (K-12)	4.46	4	5.03	4.9
Technical School	4.49	NA	5.18	4.4
Community College	5.46	5	5.48	5.5
College and University	5.11	4	5.53	5.5
Public Transportation	3.7	4	3.89	4.1
Traffic Control	4.67	4	4.38	4.7
Streets & Roads (local)	4.47	4	4.45	4.8
Highways	4.48	4	4.87	4.8
Airline Passenger Service	4.46	4	4.64	4.9
Air Cargo Service	4.45	NA	5.14	5
Trucking	4.71		5.41	5
Property Tax assessment	4.08	5	4.23	4.2
Zoning Changes & Bldg permits	4.11	NA	4.39	5.1
Community Planning	4.98	4	5.03	4.5
Regulatory enforcement	4.11	4	4.7	4.5
Community Services	3.81	4		na
County services	4.64	NA	4.91	4.9
Chamber of Commerce	5.14	5	5.38	5.3
Economic Development Organization	4.57	4	5.5	5.1
Workforce Center	4.29	NA	NA	4.7

Community Services Rating

The following public services are rated on a scale of one to seven (seven being highest). Child care was only item rate low in comparison to state and national ratings. This low rating was attributed to the lack of quality childcare available in their communities. Though the ranking of childcare has risen slightly since 2008, it continues to be ranked much lower than the 2009 national data.

CONCLUSION

The 2010 regional Listening to Business interviews revealed a stable business climate in which businesses are anticipating growth. The data collected in this study disclosed that most of the businesses interviewed have stable or are increasing sales even in difficult economic conditions. The companies are working to gain market share by introducing new products, expanding their market area, and increasing the production efficiency.

These businesses are competing with regional, national, and international companies. The majority of the businesses interviewed project to expand their businesses and create jobs. These businesses are facing barriers to growth in terms of high cost of doing business. Some of the high cost of business is unique to the western Colorado rural environment. High cost of air and ground transportation is due to the geographic terrain and distance between communities. Relative high cost of land and services such as child care in part can be attributed to the pull for use of these resources (land and labor) in the recreation industry (skiing, tourism, second-home). A factor unique to western Colorado when compare to the rest of the state.

Business also voiced concern that increased state and national legislation may add to these costs. The ability to deal with these cost pressures will determine whether these companies continue to compete successfully in their growing markets, thus creating a healthy regional economy.

The entire Listening to Business Regional report-2010 is available at www.mesastate.edu/business/ebi/L2B/L2B-Regional2010

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