

ECONOMIC HEALTH & DIVERSITY

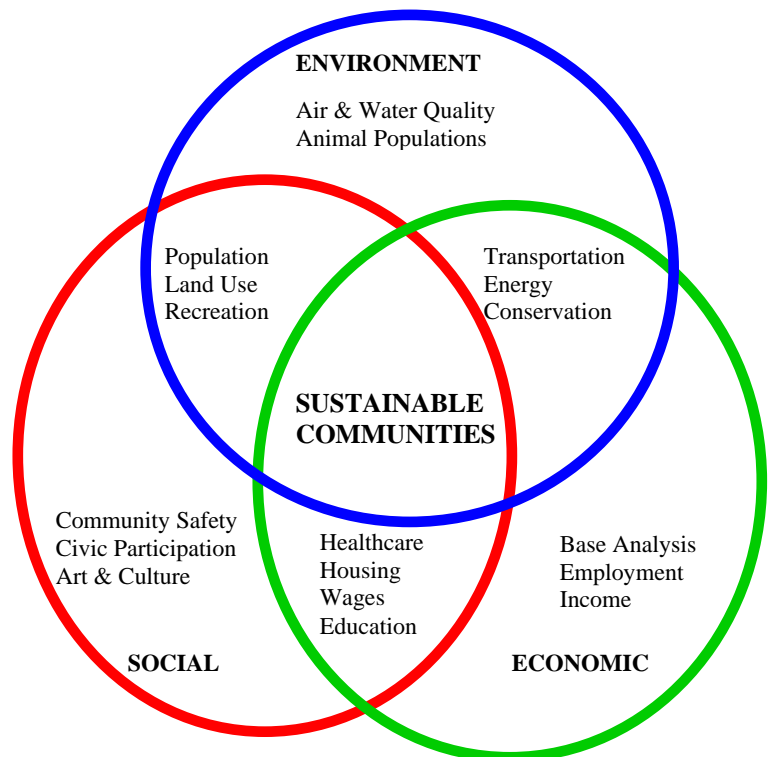
Community Vision – We strive to encourage economic development that preserves our small-town and traditional heritage, takes care of our natural resources, and provides opportunities for our children to stay in Southwest Colorado.

The regional economy 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 to take advantage of better employment opportunities, better shopping, or lower real estate prices.

Sustainable economic development is a high priority for the region. The 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. These three areas overlap, and are inseparable; a concept we have tried to address in all sections of the Index.

If our goal is to foster a sustainable economy, we need to develop more diversity to improve the number, quality, and variety of jobs that are available to local residents. Sustainable economies should be diverse so that one industry's decline does not negatively affect the entire economy. In turn, a well trained workforce is essential to provide the necessary skills that will draw desirable employment industries into the region.

If you are interested in learning more about the issues and economic trends in our region go to www.scan.org to view the latest *Comprehensive Economic Development Strategy* (CEDS).



Tools for Understanding the Local Economy

- Total Personal Income (TPI)
- Per Capita Income (PCI)
- Unemployment
- Employment by Sector
- Base Analysis
- RIMS II Economic Model

Total Personal Income (TPI)

TPI is the sum of all income that enters a county or region, regardless of source. It is divided into four main components:

- **Employment earnings** are derived from wage and salary employment as well as from business proprietor’s income.
- **Dividends, Interest and Rent** - Dividend income is cash and other assets paid to stockholders who are residents of the area. Interest income consists of monies received by local residents from money market mutual funds and other sources. Rental income consists of the rental of real property, royalties received from patents, copyrights, and from the rights to natural resources paid to local residents.
- **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 local residents.
- **Residency adjustments** are made when a person is paid for work performed outside their place of residency (i.e. commuters). Negative numbers indicate that more people are commuting into a county for employment than are commuting out for employment.

Region 9 - Total Personal Income Components by County - 2006					
	Employment Income	Residency Adjustment	Div., Int & Rent	Transfer Payments	Total (\$000)
Archuleta	48%	3%	33%	16%	\$ 305
Dolores	42%	18%	17%	23%	\$ 48
La Plata	66%	-1%	24%	10%	\$ 1,782
Montezuma	49%	12%	21%	18%	\$ 713
San Juan	53%	11%	20%	15%	\$ 17
Region 9	60%	3%	24%	13%	\$ 2,865

The five counties of our region vary in their composition of TPI. Most income is job based (employment), though significant amounts of income enter the local economy from other sources. 2006 is the latest year of data available from the Bureau of Economic Analysis (BEA).

Source: Bureau of Economic Analysis

Region 9		% of Total
2006 Total Personal Income (\$millions)		
Employment Earnings	\$ 1,705	60%
Residency Adjustment	\$ 91	3%
Dividends, Interest & Rent	\$ 695	24%
Transfer Payments	\$ 375	13%
Estimated TPI	\$ 2,865	100%

La Plata		% of Total
2006 Total Personal Income (\$millions)		
Employment Earnings	\$ 1,178	66%
Residency Adjustment	\$ (13)	-1%
Dividends, Interest & Rent	\$ 436	24%
Transfer Payments	\$ 181	10%
Estimated TPI	\$ 1,782	100%

Archuleta		% of Total
2006 Total Personal Income (\$millions)		
Employment Earnings	\$ 147	48%
Residency Adjustment	\$ 10	3%
Dividends, Interest & Rent	\$ 99	33%
Transfer Payments	\$ 49	16%
Estimated TPI	\$ 305	100%

Montezuma		% of Total
2006 Total Personal Income (\$millions)		
Employment Earnings	\$ 351	49%
Residency Adjustment	\$ 84	12%
Dividends, Interest & Rent	\$ 147	21%
Transfer Payments	\$ 131	18%
Estimated TPI	\$ 713	100%

Dolores		% of Total
2006 Total Personal Income (\$millions)		
Employment Earnings	\$ 20	42%
Residency Adjustment	\$ 8	18%
Dividends, Interest & Rent	\$ 8	17%
Transfer Payments	\$ 11	23%
Estimated TPI	\$ 48	100%

San Juan		% of Total
2006 Total Personal Income (\$millions)		
Employment Earnings	\$ 9	53%
Residency Adjustment	\$ 2	11%
Dividends, Interest & Rent	\$ 3	20%
Transfer Payments	\$ 3	15%
Estimated TPI	\$ 17	100%

Per Capita Income (PCI)

When we divide Total Personal Income (TPI) by the number of people in each county we get an estimate of **Per Capita Income**. This indicator allows us to compare the per capita personal income between counties in our region, the state, and the nation.

All of the counties in our region had per capita incomes below state and national levels in 2006 (latest year available).

Per Capita Income 2006		
	PCI 2006	% of USA
USA	\$ 36,714	100%
Colorado	\$ 39,491	108%
Archuleta	\$ 25,145	68%
Dolores	\$ 25,347	69%
La Plata	\$ 36,493	99%
Montezuma	\$ 28,547	78%
San Juan	\$ 30,096	82%

Source: Bureau of Economic Analysis

Unemployment Rates

These rates are seasonally adjusted because unemployment rates are generally much higher during the winter months than they are during the summer.

When unemployment rates are compared, we see that La Plata County was below state and national levels in 2007, and that all counties have shown improvement since 2001.

Unemployment Rates Compared 2000 - 2007								
	2000	2001	2002	2003	2004	2005	2006	2007
Archuleta	3.7%	4.3%	5.7%	5.5%	4.9%	4.8%	4.2%	3.9%
Dolores	9.3%	6.8%	11.0%	10.6%	7.7%	6.9%	6.5%	5.0%
La Plata	3.8%	3.7%	4.4%	4.5%	4.1%	3.9%	3.4%	2.8%
Montezuma	5.4%	4.8%	5.9%	5.5%	5.3%	5.3%	4.5%	4.0%
San Juan	12.7%	16.0%	16.0%	15.7%	11.1%	7.5%	4.8%	4.5%
State Unemploy. Rate	2.8%	3.7%	5.7%	5.7%	5.2%	5.0%	4.3%	3.8%
National Unemploy. Rate	4.0%	5.3%	5.8%	6.0%	5.5%	5.1%	4.6%	4.6%

Source: Bureau of Labor Statistics

Employment and Income by Sector

An employment sector groups jobs into categories that are alike, and allows us to measure the relative strength of that industry in the local economy. Region-wide, 77% of jobs were wage and salary employment, while 23% were proprietors (owners). In 2006, the service sector provided the largest percentage of jobs (37%) and 29%

Region 9 2006 Total Employment	# of Jobs	% of Jobs	Income (\$000)	% of Inc.
Agriculture	2,018	4%	\$ 3,963	0%
Mining & Utilities	1,144	2%	\$ 118,966	6%
Construction	6,723	12%	\$ 312,928	16%
Manufacturing	1,376	3%	\$ 42,047	2%
Transportation & Warehousing	1,054	2%	\$ 46,697	2%
Wholesale & Retail Trade	7261	13%	\$ 221,227	11%
Information	727	1%	\$ 40,669	2%
Finance, Insurance & Real Estate	3,733	7%	\$ 157,966	8%
Services	20,060	37%	\$ 567,656	29%
Government	9,716	18%	\$ 439,003	23%
Total	53,811	100%	\$ 1,951,122	100%

of job income in the region. These jobs include highly paid professionals as well as lower paying unskilled labor. Trade is also important in the regional economy, providing 13% of jobs and 11% of job income. These figures reflect the dependency and benefits, of tourism as a primary economic force. The government sector also provides a sizeable number of jobs and income in each of the counties.

All employment and employment income numbers are provided by the Colorado Demographer's Office.

Currently, the Archuleta and La Plata County economies are based primarily on tourism and retail trade. Agriculture related services and forestry remain significant sources of employment for certain parts of the region, especially Dolores and Montezuma Counties, yet provide relatively little employment income. Since the 1991 closure of the Sunnyside Mine in Silverton, San Juan County is almost entirely dependent on income and employment generated from tourism.

Archuleta County’s economy developed as a result of a unique combination of natural resources and natural attributes (i.e. the Hot Springs located in Pagosa Springs). Initially these resources were "traditional west" commodities such as timber, cattle and minerals. In 1970, manufacturing (primarily wood products) provided 30% of the county's total work income and generated \$7.4 million in earnings. Over the next 20 years

Archuleta County 2006 Total Employment	# of Jobs	% of Jobs	Income (\$000)	% of Inc.	Avg. annual wage
Agriculture	260	4%	\$ (5,623)	-3%	*
Mining & Utilities	79	1%	\$ 4,462	3%	\$ 56,481
Construction	1,181	18%	\$ 34,299	20%	\$ 29,042
Manufacturing	109	2%	\$ 2,141	1%	\$ 19,642
Transportation & Warehousing	43	1%	\$ 1,174	1%	\$ 27,302
Wholesale & Retail Trade	917	14%	\$ 26,180	16%	\$ 28,550
Information	67	1%	\$ 4,267	3%	\$ 63,687
Finance, Insurance & Real Estate	735	11%	\$ 26,645	16%	\$ 36,252
Services	2,446	38%	\$ 45,335	27%	\$ 18,534
Government	668	10%	\$ 29,100	17%	\$ 43,563
Total	6,505	100%	\$ 167,980	100%	

manufacturing wages decreased with the decline of the timber industry in the late 1970's playing a large role in this decrease. The 1980's were a time of relative stability in terms of population and economy, reflecting the "flat" state and national economies. Since that time, Archuleta County

has been in transition from a traditional rural community to a more urban environment in which tourism is the number one industry. In 2006, about 61% of total employment was by wage earners, while 39% were proprietors.

The Dolores County economy is dominated by agriculture. New opportunities are being developed in the agricultural sector including the introduction of irrigated farming with water from McPhee Reservoir and the development of new crops and value added businesses. Historically, the mountainous (eastern) part of Dolores County supplied a number of small saw mills and was the site of gold, silver, copper, lead, zinc and

Dolores County 2006 Total Employment	# of Jobs	% of Jobs	Income (\$000)	% of Inc.	avg. annual wage
Agriculture	233	27%	\$ 2,865	11%	\$ 12,296
Mining & Utilities	21	2%	\$ 2,870	11%	\$ 136,667
Construction	109	13%	\$ 3,793	14%	\$ 34,798
Manufacturing	14	2%	\$ 590	2%	\$ 42,143
Transportation & Warehousing	13	2%	\$ 857	3%	\$ 65,923
Wholesale & Retail Trade	93	11%	\$ 2,068	8%	\$ 22,237
Information	3	0%	\$ 1,767	7%	\$ 589,000
Finance, Insurance & Real Estate	19	2%	\$ 1,999	8%	\$ 105,211
Services	155	18%	\$ 3,282	13%	\$ 21,174
Government	201	23%	\$ 6,086	23%	\$ 30,279
Total	860	100%	\$ 26,177	100%	

molybdenum mining in the Rico area. Uranium mining in Western San Miguel County to the North provided important supplemental income to the Dolores County economy until the mines closed in the mid-1980s. Access to scenic public lands in the county provide recreational opportunities, however, the tourist base is

served primarily by businesses outside of the county. In 2006, about 57% of total employment was by wage earners, while 43% were proprietors.

Historically, La Plata County developed as a result of "traditional west" commodities such as minerals, cattle and timber. Since the 1970's La Plata County has been in transition from a traditional rural county to a more urban environment in which tourism is the number one industry. People moving in for quality of life issues or "amenity migration" drove population growth in the 1990's, a trend still seen today. Because of its location

La Plata County 2006 Total Employment	# of Jobs	% of Jobs	Income (\$000)	% of Inc.	avg. annual wage *
Agriculture	710	2%	\$ (1,322)	0%	**
Mining & Utilities	835	3%	\$ 95,308	7%	\$ 114,141
Construction	4,156	13%	\$ 223,693	17%	\$ 53,824
Manufacturing	728	2%	\$ 23,243	2%	\$ 31,927
Transportation & Warehousing	762	2%	\$ 36,460	3%	\$ 47,848
Wholesale & Retail Trade	4,429	13%	\$ 143,689	11%	\$ 32,443
Information	538	2%	\$ 30,384	2%	\$ 56,476
Finance, Insurance & Real Estate	2,281	7%	\$ 110,234	8%	\$ 48,327
Services	13,173	40%	\$ 420,159	31%	\$ 31,895
Government	5,513	17%	\$ 272,069	20%	\$ 49,350
Total	33,125	100%	\$ 1,353,917	100%	

within the larger region Durango has developed as a tourist crossroads and regional trade center, as well as being the county seat. Bayfield has served as a supply town and social center for area farmers and ranchers, and more recently as a bedroom community for Durango. Ignacio is a crossroads for the oil and gas industry, and serves as a supply center for the surrounding Southern Ute Indian reservation. The Southern Ute Tribal headquarters is located just north of Ignacio and provides administration and services to tribal members. In 2006, about 80% of total employment was by wage earners, while 20% were proprietors.

Montezuma County developed as a result of providing mining towns in the San Juan Mountains with supplies. The extensive timber resources in the Dolores area were harvested to supply mine timbers and building lumber. The Town of Mancos built up around cattle raised to feed the mining communities. The lower elevations of the Montezuma Valley supplied agricultural products, with the City of Cortez developing as a center due to the

Montezuma County 2006 Total Employment	# of Jobs	% of Jobs	Income (\$000)	% of Inc.	Avg. annual wage
Agriculture	814	6%	\$ 8,043	2%	\$ 9,881
Mining & Utilities	208	2%	\$ 16,027	4%	\$ 77,053
Construction	1,243	10%	\$ 50,570	13%	\$ 40,684
Manufacturing	519	4%	\$ 15,780	4%	\$ 30,405
Transportation & Warehousing	235	2%	\$ 8,138	2%	\$ 34,630
Wholesale & Retail Trade	1,772	14%	\$ 48,070	12%	\$ 27,128
Information	119	1%	\$ 4,073	1%	\$ 34,227
Finance, Insurance & Real Estate	684	5%	\$ 18,731	5%	\$ 27,385
Services	4,061	31%	\$ 94,881	24%	\$ 23,364
Government	3,260	25%	\$ 128,907	33%	\$ 39,542
Total	12,915	100%	\$ 393,220	100%	

creation of the Montezuma Valley Irrigation Company. By the turn of the 20th century, the mining boom had played out and the remaining settlers turned to subsistence agriculture and the export of agricultural and timber products. In the 1980's, the construction of McPhee Reservoir (the Dolores

Project) and its extensive irrigation systems allowed increased agricultural production and enhanced recreational opportunities for locals and tourists. In 2006, about 78% of total employment was by wage earners, while 22% were proprietors.

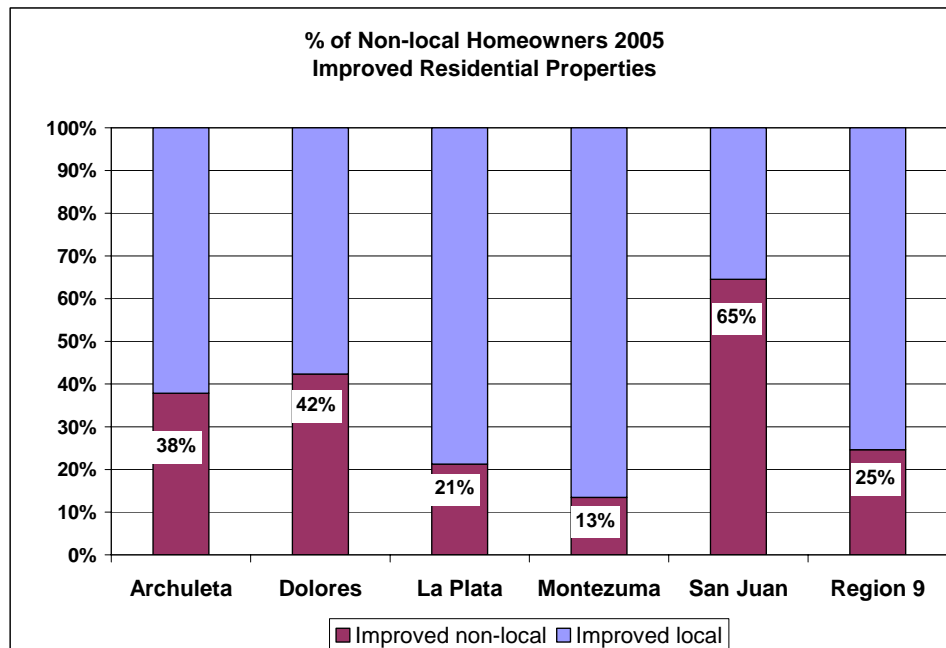
The discovery of gold in the county by Charles Baker in 1860 was followed by a late breaking gold rush in the 1870's. After the signing of the Brunot Treaty with the Ute Indians in 1874 the Town of Silverton was

San Juan County 2006 Total Employment	# of Jobs	% of Jobs	Income (\$000)	% of Inc.	avg. annual wage*
Agriculture	1	0%	\$ -	0%	\$ -
Mining & Utilities	1	0%	\$ 299	3%	\$ 299,000
Construction	34	8%	\$ 573	6%	\$ 16,853
Manufacturing	6	1%	\$ 293	3%	\$ 48,833
Transportation & Warehousing	1	0%	\$ 68	1%	\$ 68,000
Wholesale & Retail Trade	50	12%	\$ 1,220	12%	\$ 24,400
Information	0	0%	\$ 178	2%	
Finance, Insurance & Real Estate	14	3%	\$ 357	4%	\$ 25,500
Services	225	55%	\$ 3,999	41%	\$ 17,773
Government	74	18%	\$ 2,841	29%	\$ 38,392
Total	406	100%	\$ 9,828	100%	

established, it remains the only community in San Juan County. The Denver and Rio Grand Railroad reached Silverton from Durango in 1882. With the dedication of the "Million Dollar Highway" in July of 1924 the transportation of gold, silver, lead, copper and zinc moved from the narrow gauge train to

Highway 550 which connects Silverton to Durango. Beginning in the late 1950's the rail line began instead to carry tourists up from Durango to enjoy the spectacular scenery. At the present time San Juan County has become almost entirely dependent upon tourism, primarily during the summer months when the train is running. In 2006, about 72% of total employment was by wage earners, while 28% were proprietors.

A recent study by Region 9 (*The Social and Economic Effects of 2nd Homes – July 2006*) available at www.scan.org) indicates that second homes are also affecting the economies of communities in our region. These impacts are still being evaluated, and the results of a pilot study of La Plata County are expected to be complete in July 2008.



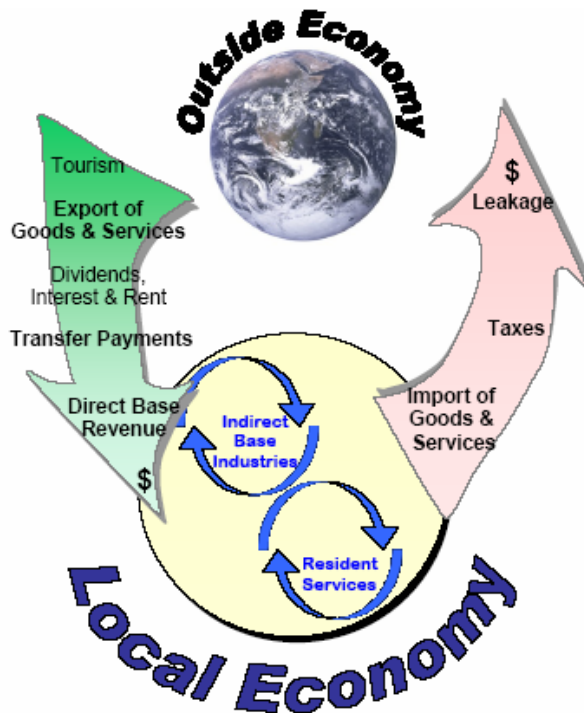
Base Analysis

The Colorado Division of Local Government (CDLG) - Demography Section provides other types of analyses based on Bureau of Economic Analysis (BEA) and ES202 - Labor Market information. **Base Analysis** distinguishes which industries and factors are **basic** to the economy and are responsible for overall growth and change. There are two types of regional industries:

Base 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. These industries include agriculture, mining, manufacturing, national and regional services, state and federal government jobs, and tourism. Another base industry is created by households that spend money earned elsewhere. For example, a retiree whose income comes from outside of the county is supporting many traditional local resident services jobs; however, since their income is basic (from outside the local economy), the local resident service jobs are also considered basic.

Local resident services provide services to local residents and also *re-circulate dollars* within the local economy. Resident services include industries that take care of the local community, such as health services, education, and employment at the local grocery store. Residential industries are *industries* because they create jobs . . . which, in turn, create demands for worker housing and services.

Outside money enters the local economy through a variety of sources, circulates through the local area, and then leaves the local economy when we purchase goods or services from outside the area, or pay federal and state taxes.



A common confusion with this type of analysis is that it focuses on the source of revenue as opposed to specific industries. Tourism is considered a direct base economic activity because the visitors are bringing their money from the outside economy and spending it in the local economy.

Looking at restaurants for example, when the person buying a meal is from outside the area (a tourist), it is a **direct base economic activity** and when the person is a resident using money earned in the local economy, it is a **local resident service activity**. So restaurants are both direct based and a local resident service.

The office of the Colorado State Demographer performs various statistical estimates, including actual surveys of businesses (calling the restaurant and asking them for estimates of how much of their sales are to residents versus tourists) to provide a percentage in various sectors of how much of their activity is direct or local resident based.

As we see from the following charts the five counties of our region vary in their composition of base industries. Ideally we want to see a high proportion of employment and income in the base industries; and we want a diverse group of base industries. Sustainable economies should be diverse and balanced, so that if one industry declines it doesn't drastically affect the entire economy.

2006 Base Industries Archuleta County	# of Jobs	% of Jobs	Income (\$000)	% of Inc.
Agribusiness	314	8%	-3,749	-4%
Mining	34	1%	\$ 1,068	1%
Manufacturing	82	2%	\$ 1,220	1%
Regional Services	375	9%	\$ 10,505	13%
Tourism	1,571	39%	\$ 32,747	39%
Government	74	2%	\$ 3,911	5%
Households	1,590	39%	\$ 37,739	45%
Total	4,040	100%	\$ 83,441	100%

Archuleta 2006	% of Total	
	Employment	Income
Base Industries	62%	56%
Resident Services	38%	44%
Total Employment	100%	100%

2006 Base Industries Dolores County	# of Jobs	% of Jobs	Income (\$000)	% of Inc.
Agribusiness	269	40%	3,770	22%
Mining	2	0%	\$ 996	6%
Manufacturing	11	2%	\$ 305	2%
Regional Services	55	8%	\$ 1,530	9%
Tourism	38	6%	\$ 1,742	10%
Government	18	3%	\$ 390	2%
Households	284	42%	\$ 8,264	49%
Total	677	100%	\$ 16,997	100%

Dolores 2006	% of Total	
	Employment	Income
Base Industries	79%	67%
Resident Services	21%	33%
Total Employment	100%	100%

2006 Base Industries La Plata County	# of Jobs	% of Jobs	Income (\$000)	% of Inc.
Agribusiness	1,285	7%	\$ 16,362	3%
Mining	838	5%	\$ 81,866	13%
Manufacturing	378	2%	\$ 10,567	2%
Regional Services	4,200	24%	\$161,412	26%
Tourism	6,018	34%	\$ 139,525	23%
Government	1,553	9%	\$ 74,372	12%
Households	3,582	20%	\$ 134,020	22%
Total	17,854	100%	\$ 618,124	100%

La Plata 2006	% of Total	
	Employment	Income
Base Industries	54%	59%
Resident Services	46%	41%
Total Employment	100%	100%

2006 Base Industries Montezuma County	# of Jobs	% of Jobs	Income (\$000)	% of Inc.
Agribusiness	947	12%	11,297	6%
Mining	104	1%	\$ 6,014	3%
Manufacturing	452	6%	\$ 10,855	6%
Regional Services	1,108	14%	\$ 32,088	16%
Tourism	1,165	15%	\$ 19,570	10%
Government	475	6%	\$ 23,646	12%
Households	3,576	46%	\$ 93,038	47%
Total	7,827	100%	\$ 196,508	100%

Montezuma 2006	% of Total	
	Employment	Income
Base Industries	61%	59%
Resident Services	39%	41%
Total Employment	100%	100%

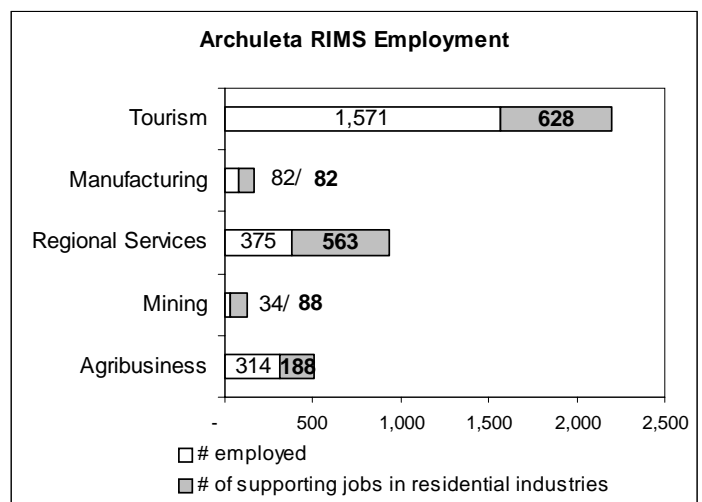
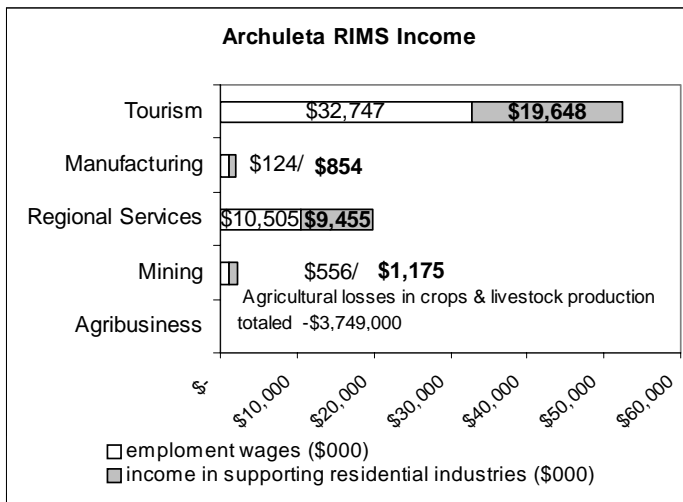
2006 Base Industries San Juan County	# of Jobs	% of Jobs	Income (\$000)	% of Inc.
Agribusiness	2	1%	\$ 50	1%
Mining	1	0%	\$ 41	1%
Manufacturing	-	0%	\$ -	0%
Regional Services	10	4%	\$ 131	2%
Tourism	175	61%	\$ 4,057	62%
Government	16	6%	\$ 534	8%
Households	81	28%	\$ 1,775	27%
Total	285	100%	\$ 6,588	100%

San Juan 2006	% of Total	
	Employment	Income
Base Industries	70%	80%
Resident Services	30%	20%
Total Employment	100%	100%

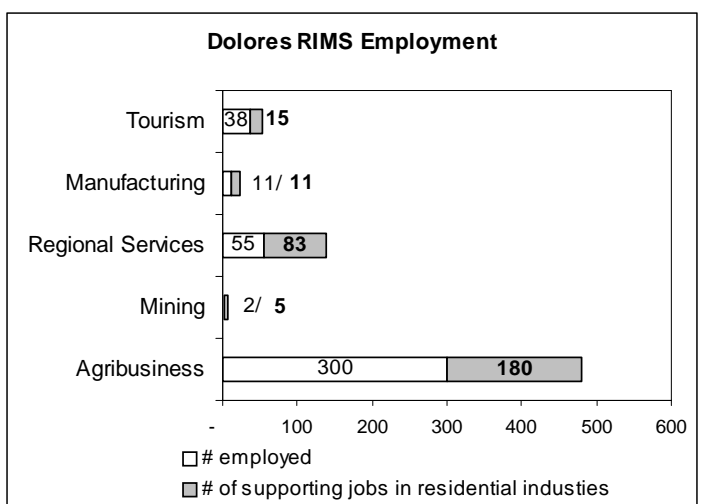
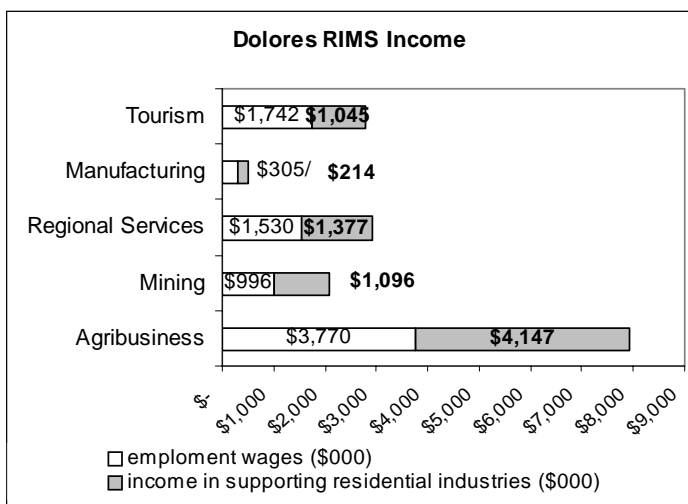
RIMS II Economic Model

Another frequently used type of analysis is a series of multipliers provided by the Colorado Demographer’s Office. Using the Regional Industrial Multiplier System (RIMS) model we can look at the direct base jobs and job income in our local area and see how the number of supporting jobs and resulting income are associated. We can also compare the relative strength of our direct base industries. This model is often used as a forecasting tool for assessing economic impacts from new or growing industries. For example, if a manufacturing company wanted to open a new plant in our area and knew how many people they would employ, we could estimate the number of supporting jobs and amount of job income this industry would add to the local economy.

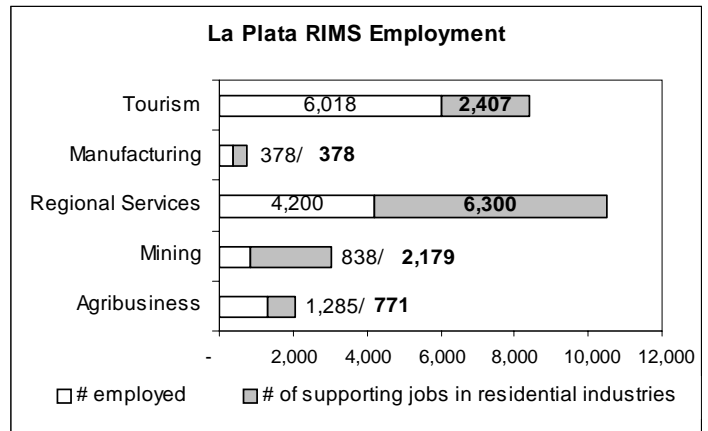
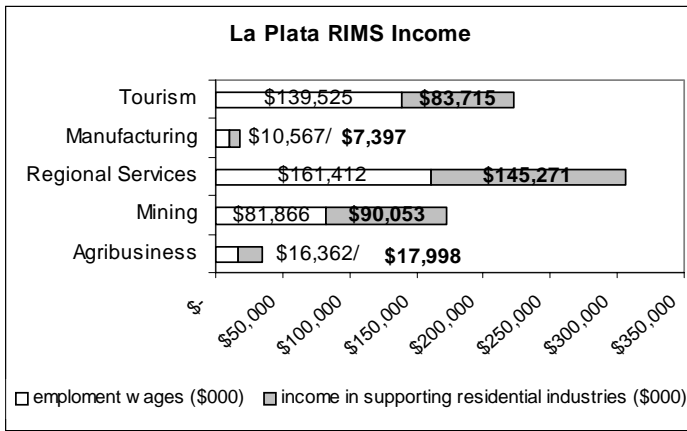
In **Archuleta County** we see that tourism provides the most jobs and job income of all base industries and generates a lot of support jobs in residential industries. Tourism includes accommodations, second homes (real estate and construction sectors) tourist services and transportation.



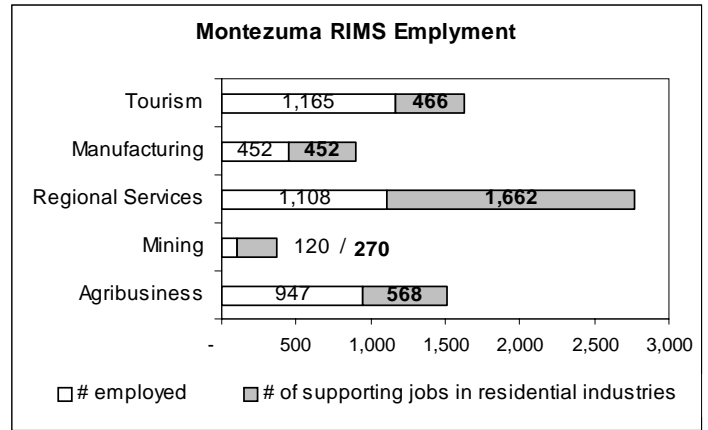
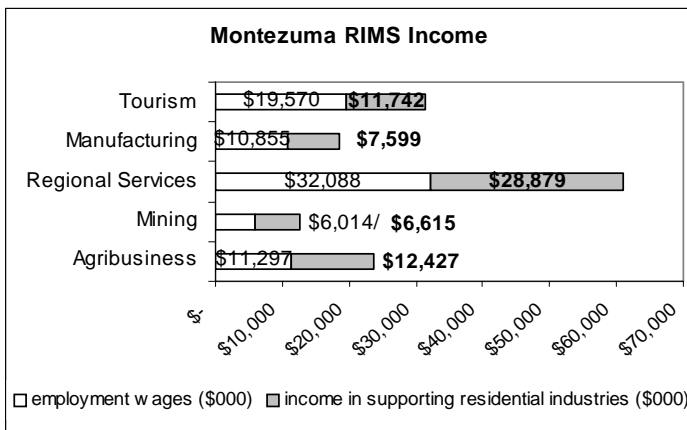
In **Dolores County** we see that agribusiness provides the most jobs and job income of all base industries. Agribusiness includes services such as processing food products, trucking, storage, sales of farm equipment and supplies; as well as impacts on credit institutions and commodity brokers.



In **La Plata County** we see the importance of regional services as a base industry. These are establishments that provide services to a region (a group of counties) or the nation. Examples include utility companies, transportation (i.e. airports), construction companies, and some financial institutions. Tourism is also a very important base industry in La Plata County.



In **Montezuma County** we see that tourism provides the most direct base jobs (those that bring in outside money). However, regional services have a higher multiplier, and account for more secondary (supporting) jobs.



In **San Juan County** we see that tourism is clearly the largest base industry. If our goal is to foster a sustainable economy, we need to develop more diversity to improve the number, quality, and variety of jobs that are available to local residents, particularly in areas that are reliant on one base industry.

