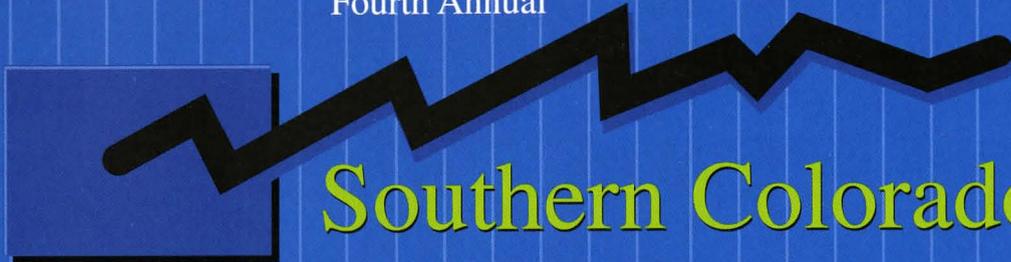


2000 - 2001

Fourth Annual



Southern Colorado Economic Forum

October 18, 2000

College of Business and Administration
University of Colorado at Colorado Springs
Colorado Springs, Colorado 80933-7150



University of Colorado
at Colorado Springs



First
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Welcome From the Chancellor

The University of Colorado at Colorado Springs is pleased to join with our important business partners in presenting the fourth annual Southern Colorado Economic Forum. This program provides a look at the economy and quality of life in the region over the past year and an opportunity to peek at our community's future. Projections on employment and other economic and quality of life indicators presented at this Forum are based on an in-depth analysis of data collected from a variety of sources. With this information we hope to provide insight to policy makers in business and government and to aid them in making informed decisions about growth in our region. We also hope to provide a realistic economic forecast for the coming year.

We are fortunate to have many committed individuals involved in this project. I wish to thank Jeff Ferguson and Tom Zwirlein, professors of business, for their data analysis and its presentation in this report. I also wish to thank our panel of experts for their contributions as well as those of Joe Rallo, Dean of Business and his dedicated staff for putting together this excellent program.

A special thank you is in order for our business community sponsors: First Business Brokers, Ltd., Vista Bank, Fittje Brothers Printing, La Plata Investments, LLC., Biggs Kofford & Co. P.C., ADD STAFF, Inc., and the Antlers Adam's Mark Hotel. We are grateful for the support we receive from the Economic Development Corporation, the Chamber, and the City of Colorado Springs.

Thank you for coming to the Southern Colorado Business Economic Forum. We wish you a productive and successful 2001!

Linda Bunnell Shade, Chancellor, University of Colorado at Colorado Springs

Welcome From the Dean of the College of Business and Administration

It is my distinct pleasure to welcome you to the fourth annual Southern Colorado Economic Forum. The Forum exists to answer the forecasting requirements of our rapidly expanding, dynamic business community. By annually gathering and analyzing critical sets of indicators, the Forum provides an historic record on which to base future business decisions.

We intend to enhance the value of the Forum to the business community by embedding it within a new, more comprehensive Institute for Business. The Institute will provide a broad spectrum of business related services through the additional resources of CITTI, SBDC, and the Center for Creativity.

We value your support and pledge to continue our efforts to forge a model business and academic partnership for the region.

Joseph C. Rallo, Dean, College of Business and Administration

First Business Brokers, LTD.

Founding Partner of the Fourth Annual Southern Colorado Economic Forum
Ron Chernak, President (719) 635-9000

First Business Brokers, Ltd. is a firm that deals exclusively with the sale of privately-owned companies. Established in 1982 by Ronald V. Chernak, JD, CPA, FCBI, the firm is one of Colorado's largest and most successful brokerage companies representing privately-owned organizations. First Business Brokers, Ltd., has completed over 700 business sales covering a wide variety of industries.

First Business Brokers, Ltd. assists with the complex legal, accounting, and negotiation issues involved with the sale of a business. The firm complements comprehensive professional services with an acute awareness of current market conditions to assist clients in making easier, more informed, and financially stronger transactions. The firm's strength lies in its professional approach and customized strategy to each and every business transfer. A successful transaction requires the input of skilled professionals who are experienced in, and sensitive to, the process of effectively bringing the buyer and seller together. First Business Brokers, Ltd. understands what building the business has meant to the seller and what opportunity, through acquisition, is perceived by the buyer.

First Business Brokers, Ltd. offers professional assistance at every phase of the business sale transaction including: valuations, preparation of a detailed business presentation package, development of a sound marketing strategy, pre-screening of potential purchasers, negotiating the structure of the transactions, and interfacing with accountants, attorneys and bankers during the closing process.

Table of Contents

Introduction.....	2
Indicators	
Population of Colorado Springs and El Paso County	7
Births, Deaths, and Migration in El Paso County	7
The Unemployment Rate in El Paso County, Colorado, and the U.S.	8
The Denver/Boulder and U.S. Consumer Price Index (CPI) for all Urban Consumers	8
Employment in 1999 by Sector	9
Average Annual Wages in El Paso County by Sector	9
Real Wages in El Paso County by Sector	10
Number of Employees in Cluster Industries	10
Average Wages of Employees in Cluster Industries	10
Military Employment in El Paso County	11
Military Expenditures	11
Hotel Occupancy Rates	11
Lodgers and Rental Car Tax Collections	11
Colorado Springs Airport Activity	12
Index of Apartment Rents, Single-Family Home Prices, and Household Income and Wages	12
Residential Building Permits	13
Value of Construction	13
Total Local Electric Sales on System (GWh)	13
Average Vacancy Rates for Office, Shopping Center, and Industrial Space	14
Average Asking Rents For Office, Shopping Center, and Industrial Space	14
Growth in Retail and Wholesale Sales in Colorado and El Paso County	14
El Paso County Retail Trade by Sector	14
Colorado Springs Sales and Use Tax Collections	15
Colorado Springs Merchandise Exports to Selected Areas	15
Low Birth Weight in El Paso County	16
Colorado Student Assessment Program Results	16
High School Graduation Rates	17
Grade 7 through 12 Drop-Out Rates	17
ACT Scores in Selected El Paso County School Districts, Colorado and the U.S.	17
Enrollments at Public Institutions of Higher Learning in El Paso County	18
Carbon Monoxide	18
Particulate Matter	18
Traffic Flows Near Major Intersections in Colorado Springs	19
U.S. and Colorado Springs Crime Index (Index per 1,000 inhabitants).	19
Parks and Open Space in Colorado Springs and El Paso County	20
Acres Per 1,000 Inhabitants	20
Expected Business Performance Next Year Compared with This Year's Performance	20
Business Performance Compared to Projections	20
Survey Results: Factors That Have a Positive Impact on Operations	21
Survey Results: Factors That Have a Negative Impact on Operations	21
Survey Results: Key Business Development Areas For the Next 18 Months	21

Introduction

The Southern Colorado Economic Forum is now in its fourth year of providing businesses in El Paso county with information to assess local economic conditions in order to help them make more informed and better decisions. The objective in preparing the Economic Forum is to provide timely and useful information focused specifically on the Pikes Peak Region. This information serves as a community progress report; identifying areas where we excel, as well as areas where we face challenges.

We analyze both primary and secondary information to assess the health of the region. In order to find out what is on the minds of regional business people, we conducted a mail survey of over 2,500 local businesses. The survey was designed to ascertain the major issues facing business including a variety of factors that positively or negatively influence operations. We asked questions about hiring projections for the coming year, special areas where businesses will concentrate their attention, export activity, and how well businesses are doing in 2000 compared to their projections for the year.

The secondary economic data concentrates on labor market information, retail and wholesale trade, military employment and expenditures, local construction information, commercial property activity, exports, hotel occupancy, airport activity, utility use and tax collections. In addition, we examine a number of quality of life and education indicators for El Paso county to ascertain community progress in dealing with issues such as growth and in meeting the educational needs of our citizens.

From this information, we develop a set of graphic economic and quality of life indicators for El Paso county. These indicators provide a picture of the economy and the quality of life in the area and help to answer the questions of 'how we are doing' and 'where are we going' in the future.

The indicators are used to help assess our progress by measuring changes over time. No single indicator can provide a complete picture of the economy, the quality of life, or the educational status of our citizenry. Examined collectively, economic and quality of life

indicators provide a picture of the health of the region, the welfare and educational attainment of the citizens who live and work here, and the progress of the businesses and organizations who operate here.

The Southern Colorado Economy

The Southern Colorado economy is enjoying another solid year of performance. Unemployment remains low and employment levels in all economic sectors are high. We are near the end of the tenth year of expansion and we are poised to make it eleven years in 2001. A summary of where we are and where we are going follows.

Employment / Unemployment

Job growth was strong in Colorado and El Paso county in 1999 and continues at an impressive pace again this year. Average annual employment in El Paso county increased by 9,500 or 4.3 percent in 1999. Employment growth was higher than we had expected last year. This year wage and salary employment is estimated to grow by 3.7 percent in the county. The Office of State Planning and Budgeting estimates statewide nonagricultural employment to grow 3.5 percent in 2000 and 3.4 percent in 2001. We base our estimate on the fact that county wage and salary employment has grown at a faster rate than the state in four out of the past five years. Further, with Intel Corporation starting chip manufacturing in the near future, employment growth should remain healthy at 3.5 percent in 2001.

Manufacturing employment which grew over 2.4 percent in 1999 should grow again next year with Intel coming on line. Cluster industry employment continues to increase while overall military establishment employment remains stable. Construction; finance, insurance, and real estate; and transportation, communication, and public utilities employment should all remain stable and healthy.

Wages and Income

Average wages in El Paso county increased 4.29 percent in 1999 to \$30,676 after increasing 7.75 percent in 1998. Healthy gains were reported in banking, business services, manufacturing, and wholesale trade. Average wages in cluster industries were \$36,700 in

1998, the most recent year with data availability. With inflation at 3.0 percent in 1999, many sectors of the economy realized real wage increases.

Average wages in communications dropped from \$63,083 in 1998 to \$50,502 in 1999 or by 20 percent. The cause is most likely traced to the 1,500 new employees added to the payrolls in 1999.

Median household income is estimated to have grown by 6 percent in 1999 and is forecast to grow 5.7 percent this year and next.

Construction and Commercial Activity

The housing market is strong again this year. The interest rate hikes over the last year have not had much effect on the demand for new housing in the county. Permits for over 5,900 residential dwelling units were pulled in 1999 and all indications are that builders will exceed this level in 2000. The strong trends in housing show no signs of abating in 2001.

The value of non-residential construction totaled over \$249 million in 1999 and reached \$217.8 million through August of this year. Construction of office space reached 640,000 square feet in 1998. Prime office space remains tight in the downtown area and north I-25 corridor. There are numerous public works projects in progress throughout the area and this translates into full employment for construction crews and an upward pressure on the cost of new projects.

Office vacancy rates decreased in 1999 to 7.5 percent. Palmer McAllister reported that 500,000 square feet of speculative office space was added in 1999. Another 746,000 square feet of dedicated space will be completed in 2000. Leasing activity and absorption remain high. The strong demand will put additional pressure on office leases and rents. Asking rents for Class A space ranges from \$15.00 to \$18.00 per square foot triple net.

Industrial vacancy rates declined marginally to 6.5 percent in 1999. Palmer McAllister reports that a lack of supply of adequate industrial space continues to hinder growth in this sector. The retail and shopping center market also remained active in 1999. Palmer McAllister reported leasing activity of over 757,000 square feet in 1999. Four grocery-anchored centers added 435,000 square feet of retail space in 1999.

Retail vacancy rates were down to 6.7 percent in 1999 and asking rents varied from \$5.50 to \$30.00 per square foot.

Retail and Wholesale Trade

Retail sales advanced 4.26 percent in 1999. The always volatile wholesale sales figures dropped 24.3 percent in 1999 after increasing 15.6 percent in 1998. Apparel, auto dealers, general merchandise, and building materials retailers all experienced double digit growth. Retail sales so far this year look good, increasing 9.6 percent for the annual period ending in June from the year earlier figures.

Where are We Headed in 2001?

If you like what you see in 2000, you should like next year as well or even better. We expect Southern Colorado to extend the current economic expansion into the 11th year. The opening of the Intel plant will keep the labor market tight which should lead to more wage and salary increases next year. We expect the average real wage in the county to rise for a sixth straight year given new job creation in high tech and relatively modest inflation. The Office of State Planning and Budgeting expects consumer prices statewide to increase by 3.2 percent this year and next. This prediction could be low if energy prices remain volatile.

Employment should also increase, although at a slower rate than in 1999 because of a tight labor market and a slowdown in migration into the county. Expect non-agricultural employment to increase roughly 3.7 percent for all of 2000 and 3.5 percent next year. Unemployment will remain at historically low levels because of healthy job creation and low in-migration into the area.

Single family and town house permits increased 8.9 percent in 1999 and are on track to increase 6 percent this year. Some slow down in the growth in residential housing should occur in 2001 due to some slowing of in-migration. This still means 4,800 to 5,000 new single family and town houses could be built in 2001.

Commercial activity in El Paso county should remain healthy. Office and industrial space will remain tight due to high demand and relatively modest increases in supply. The lack of adequate and desirable industrial space remains a problem. The buildout of North Academy Boulevard will just about be complete next year. The attention of developers will increasingly turn toward

Powers Boulevard. Will this roadway turn into another Academy Boulevard before the city has the opportunity to turn it into a limited access highway?

Business Survey Results

Each year, we survey businesses and organizations in Southern Colorado in order to gain some insight into the minds of business leaders in the community. Some of the major findings of this survey are provided near the end of this report. This section summarizes some of the findings.

First, business optimism is extremely high this year. Eighty-three percent of the companies responding to our survey indicate that performance in 2000 is as projected or better. Last year this figure was seventy-nine percent. An encouraging and bullish sentiment is that 82 percent of businesses expect that 2001 will be better than 2000.

Business operations are being positively impacted by a number of external and internal factors. Most notably, state and national economic conditions are positive external factors. Internally, changes in technology, automation/computerization changes, and the ability to offer competitive prices are positively affecting businesses in the county.

Workforce issues and certain governmental factors continue to negatively impact business. For several years now, businesses have reported difficulty finding trained workers and workers with a strong work ethic. These factors continue to be a problem this year. Wage and salary increases are another negative factor impacting business. Governmental factors including mandated benefits, changes in taxes, and domestic government regulations are negatively affecting local businesses.

Business development areas are crucial to success in a fast paced global economy. Local area businesses will continue to emphasize their delivery methods and marketing using e-commerce and the internet. They also will revise and add to current product and service offerings. Finally, workforce development, worker training, compensation packages, and cost reductions are internal areas that business will emphasize over the next 18 months.

These survey results support our assessment and analysis of the economic indicators that we track. Overall, we predict continued economic expansion in El Paso county over the next 18 months. Estimates and forecasts for important national, state, and local economic indicators for 2000 and 2001 are provided in the table on the next page. The national and state estimates and forecasts are from the Colorado Economic Perspective, June 2000, prepared by the Office of State Planning and Budgeting in Denver. The El Paso county estimates and forecasts are CU-Colorado Springs, College of Business projections.

Acknowledgments

We wish to thank all of the individuals from the community who took time from their busy schedules to talk with us about conditions in the local economy and for providing us with the information for this year's Forum. The many discussions provided valuable insight into a variety of economic sectors and gave us a good sense of where the local economy is headed and where we stand in terms of quality of life. We wish to thank the employees from numerous state and local agencies who provided timely information. A special thank you goes to our valuable partners who provide us with generous financial support and guidance in producing the Forum. We wish to especially thank our partners: First Business Brokers, Ltd., Vista Bank, La Plata Investments LLC, Fittje Bros. Printing Company, Biggs Kofford & Co PC, ADD STAFF, Gerald H. Phipps Inc., Branden Frindt & Stinar LLC, and Antlers Adam's Mark Hotel for their financial support. We plan to strengthen and increase these partnerships in the years to come. Finally, we could not have completed the Forum and arranged this event without the superlative and dedicated staff in the College of Business.

Jeff Ferguson, Ph.D.

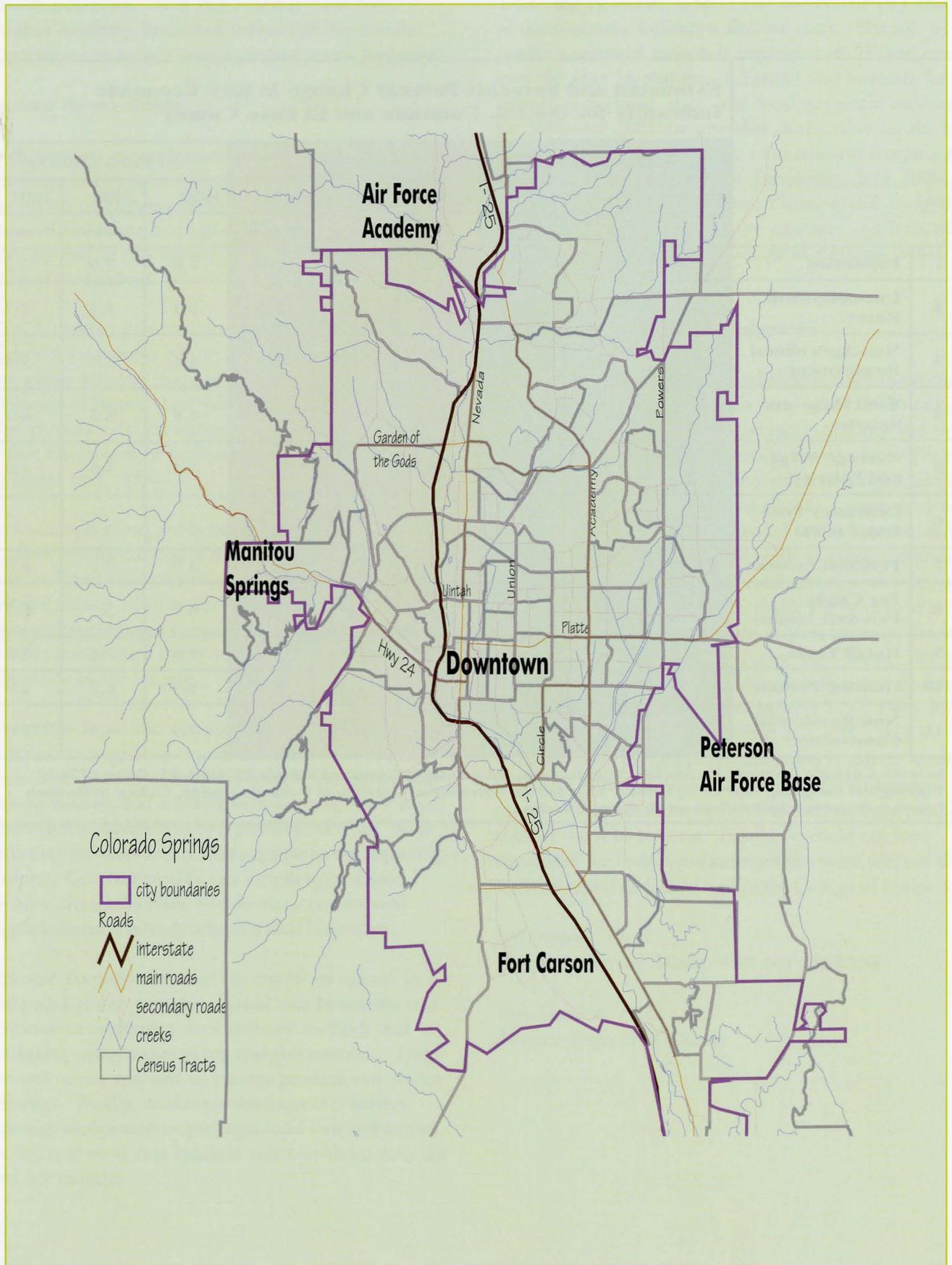
Professor of Service Management and Marketing

Tom Zwirlein, Ph.D.

Associate Professor of Finance

		Estimated and Forecast Percent Change in Key Economic Indicators for the US, Colorado and El Paso County								
		United States			Colorado			El Paso County		
		1999	2000	2001	1999	2000	2001	1999	2000	2001
			Estimate	Forecast		Estimate	Forecast		Estimate	Forecast
1	Population	0.9	0.9	0.9	2.2	2.1	2.0	2.0	2.0	2.0
2	Unemployment Rate*	4.2	4.0	4.0	2.9	2.9	3.2	3.3	3.3	3.7
3	Non-Agricultural Employment	2.2	2.1	1.4	3.7	3.5	3.4	4.3	3.7	3.5
4	Total Wage and Salaries				9.6	8.3	8.9	8.8	8.5	8.7
5	Average Wage and Salaries				6.0	4.6	5.3	4.3	4.6	5.0
6	Consumer Price Index (CPI)	2.2	3.0	2.2	2.9	3.2	3.2			
7	Personal Income	5.9	6.3	5.9	7.9	8.2	8.0	8.0	8.0	8.0
8	Per Capita Personal Income	4.9	5.3	4.9	5.6	6.0	5.9	6.0	5.7	5.7
9	Retail Trade	9.1	9.3		7.7	8.6	7.0	7.5	8.5	7.0
10	Housing Permits	2.8	-5.5		-1.3	1.6	-3.9	8.9	6.8	2.0
11	Non-Residential Construction				7.7	8.6	7.0	7.5	8.5	7.0

Sources: Colorado Economic Perspective, State Revenue and Economic Projections through FY 2004-05, Office of State Planning and Budgeting, June 2000, Denver, CO, and the University of Colorado at Colorado Springs, College of Business.
* refers to the unemployment rate and not the change in the rate



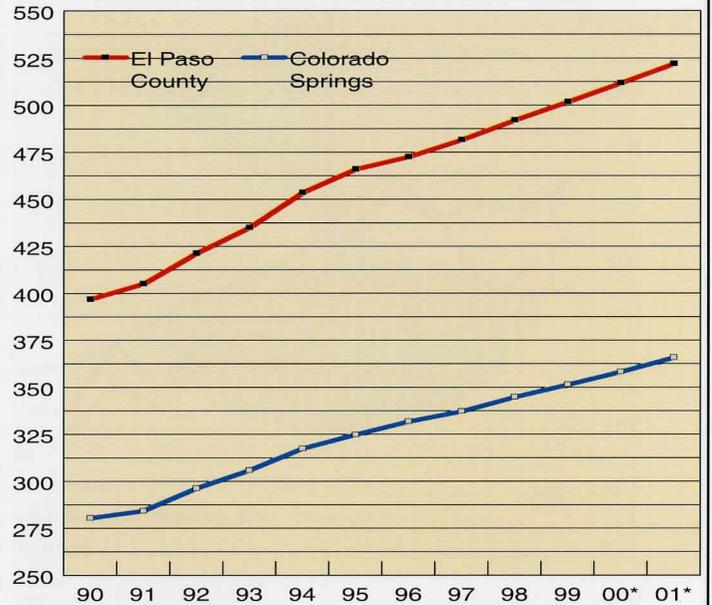
WHY IS THIS IMPORTANT?

Population growth is important because it influences the labor market and the health of the economy in general. Understanding population trends helps city and county officials, builders, retail establishments and others plan for growth.

HOW ARE WE DOING?

Colorado's population continues to increase. The strong state economy, growing key industries, economic development efforts, quality of life, natural beauty of the state, and an educated workforce, all play a role in this increase. Colorado Springs is the second largest city in the state and its continued growth has put severe pressure on the infrastructure. El Paso county is one of the fastest growing counties in the state. The county's population pushed past the one-half million point last year and we can expect another 10,000 new residents this year. County population has increased by 25 percent or by more than 102,000 residents since 1990.

Colorado Springs and El Paso County Population (000s)



* 2000 through 2002 are City of Colorado Springs Department of Utilities forecasts. Sources: Colorado Department of Labor: State Demography Section and City of Colorado Springs Utilities.

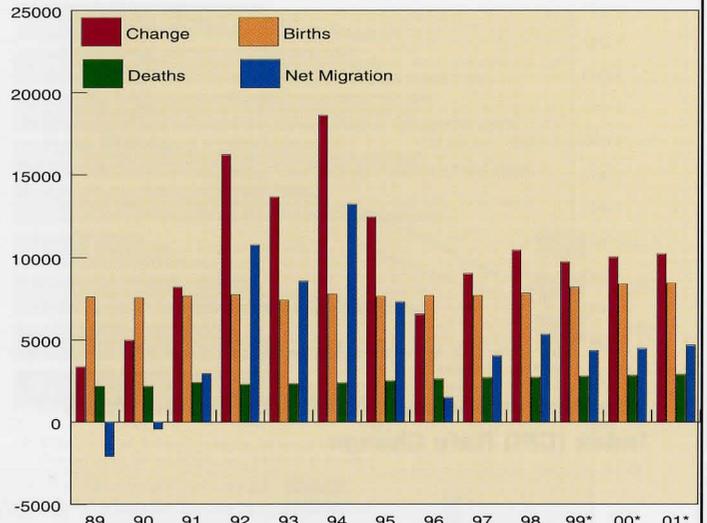
WHY IS THIS IMPORTANT?

Births, deaths, and migration combine to produce the changes in population. Identifying trends in these indicators helps project future changes in the county's population and impact on the economy.

HOW ARE WE DOING?

The number of resident births and deaths have remained relatively stable over the past ten years. Total in-migration into the county represents about 48 percent of the change in population since 1989. Net in-migration has remained relatively stable over the past several years. We expect this trend to continue over the next several years as long as there are no major positive or negative surprises in the employment picture. A sudden jump in inflation, volatility in the semi-conductor industry, lay-offs at one of our large employers or other unpleasant surprises could affect these trends.

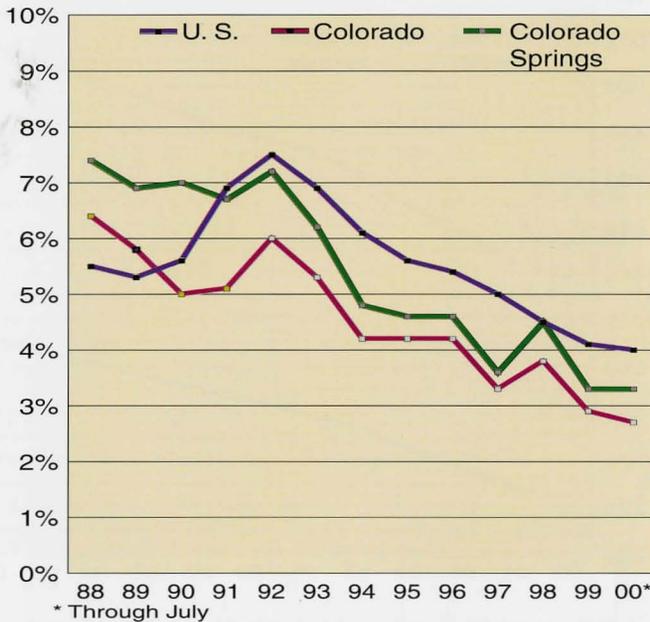
Births, Deaths, and Migration in El Paso County



* 1999 estimated deaths; 2000 and 2001 forecasts

*1999 deaths are estimated; 2000 and 2001 are forecasts. Sources: Colorado Department of Labor: State Demography Section; Colorado Department of Public Health and Environment, Health Statistics and Vital Records; Forum estimates.

The Unemployment Rate in El Paso County, Colorado, and the U.S.



Source: Colorado Department of Labor

WHY IS THIS IMPORTANT?

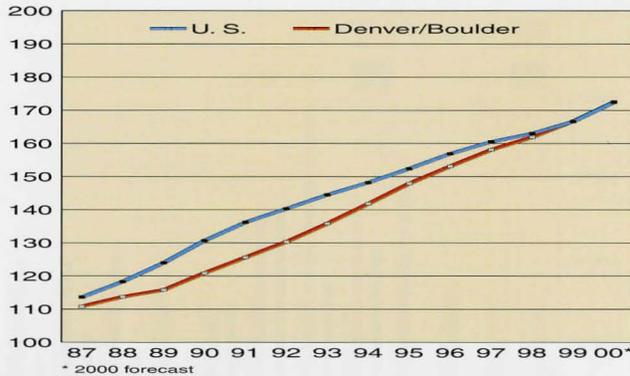
The unemployment rate is the percentage of the work force without a job. There will always be some unemployment due to seasonal factors, workers between jobs, recent graduates looking for work, and others. Comparisons with the state and national unemployment rate provide information regarding how well the region is doing in providing jobs for the workforce.

HOW ARE WE DOING?

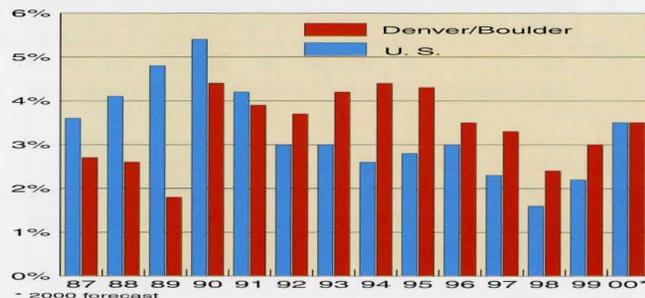
The unemployment rate in the U.S. dropped to a 30 year low in 2000 and currently stands at 4.0 percent. Colorado's unemployment rate stood at 2.7 percent in July, down from 3.7 percent one year earlier. The Colorado Springs MSA unemployment rate is currently 3.3 percent which is down from 3.7 percent one year earlier. The labor force in Colorado and Colorado Springs is fully employed.

With unemployment at near-historical lows, businesses and organizations throughout the area are having difficulty finding qualified workers to fill job openings. Costs to business naturally are expected to increase since new workers will demand higher wages. Further, additional time must be devoted to training inexperienced workers and once they are trained, these same workers may shift jobs as new and better opportunities come along.

The Denver/Boulder and U.S. Consumer Price Index (CPI) for all Urban Consumers (1982-1984=100)



The Denver/Boulder and U.S. Consumer Price Index (CPI) Rate Change



Source: U.S. Department of Labor, Bureau of Statistics

WHY IS THIS IMPORTANT?

The consumer price index (CPI) measures the average price change (inflation) for a basket of goods and services selected by the U.S. Department of Labor, Bureau of Statistics. The CPI measures the period-to-period loss of purchasing power of a dollar caused by rising prices. The CPI is often used to compute real wages, income, and wealth to determine whether consumer purchasing power and household wealth are increasing, decreasing, or remaining constant.

HOW ARE WE DOING?

We use the Denver/Boulder CPI since the Bureau of Labor Statistics does not compile an index for Colorado Springs. The Denver/Boulder CPI rose 3.0 percent in 1999. This compares to the U.S. urban CPI which rose 2.2 percent. For the first six months of 2000, the Denver/Boulder CPI increased by 1.8 percent which on an annualized basis is 3.7 percent. From June 1999 to June 2000, consumer prices rose 3.76 percent.

The Office of State Planning and Budgeting expects consumer prices in Colorado to rise 3.2 percent in both 2000 and 2001. These estimates may be low given the recent increases in energy prices. In the first half of this year, energy prices in Denver/Boulder increased 6.9 percent. From July 1999 to July 2000 the increase was 17.4 percent. Gasoline and natural gas prices are fueling the increase. Although OPEC recently agreed to increase crude oil production by 800,000 barrels per day, there is a great deal of uncertainty whether this increase in supply will push crude oil prices lower.

WHY IS THIS IMPORTANT?

The size and mix of jobs is an important indicator of the quality and sustainability of the economy during both good times and bad. During good economic times we expect the economy to grow, to expand, and to change the mix through the addition of higher quality job opportunities. A diversified economy is better able to withstand the economic downturns.

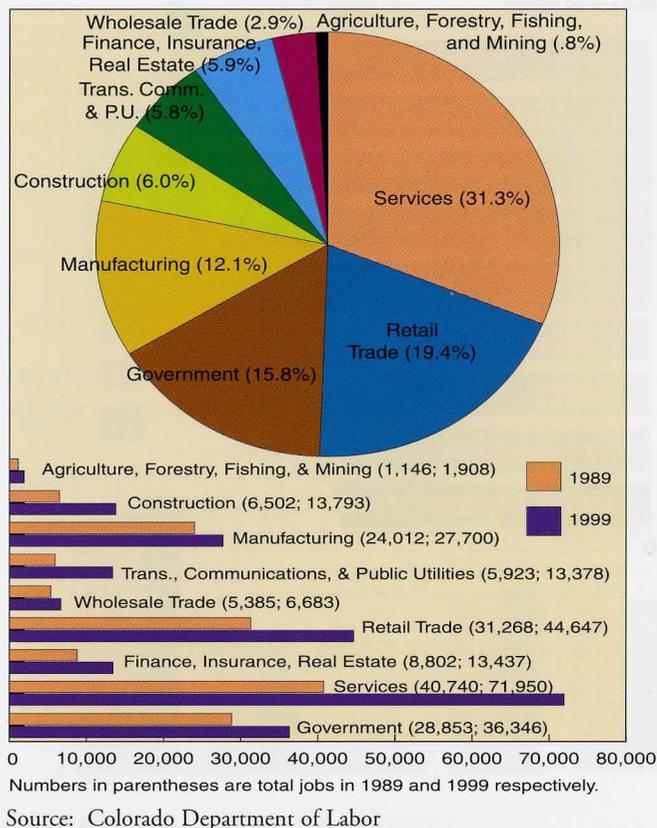
HOW ARE WE DOING?

Average annual employment in El Paso county reached 229,842 in 1999 for a 4.33 percent increase over 1998 levels. The Colorado Department of Labor and Employment reported county employment at 259,899 in July on a non-seasonally adjusted basis. Since 1989, a total of 77,211 jobs have been created in El Paso county, an increase of 50.6 percent. The transportation, communications, and public utilities sector gained almost 1,800 jobs in 1999 for an increase of 15.5%.

Manufacturing jobs grew by 660 in 1999 for a 2.4 percent increase. Over the past ten years, 3,688 employees were added to manufacturing payrolls, which represents a growth rate of 15.4 percent.

Other areas showing strong employment growth include finance, insurance, and real estate; and construction.

Employment in 1999 by Sector



WHY IS THIS IMPORTANT?

Wages are an indicator of the wealth-generating capacity of the community. High wage jobs help to attract and keep qualified, well-trained employees. With today's full employment environment, it is imperative that employers offer competitive wages in order to attract and retain high quality employees.

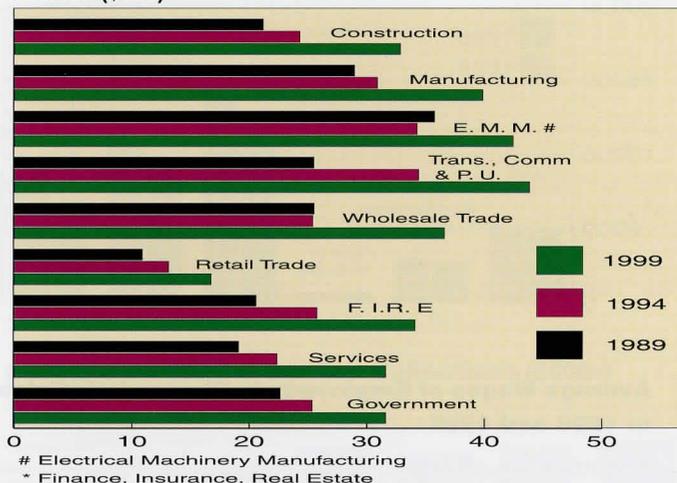
HOW ARE WE DOING?

Average annual wages for all industries in El Paso county were \$30,676 in 1999, which represents an increase of 4.3 percent over the year earlier figure. Wage growth has averaged 5.25 percent annually over the last five years. These increases can be attributed both to the tight labor markets, as well as to the increase in higher paying jobs in the county.

Many sectors benefited from the strong wage gains. Gains were particularly strong in manufacturing (9.9%), banking (10.1%), and business services (10.8%).

The average wage gap between El Paso county and the state as a whole grew again in 1999 to \$3,513. In 1998, this gap was \$2,844.

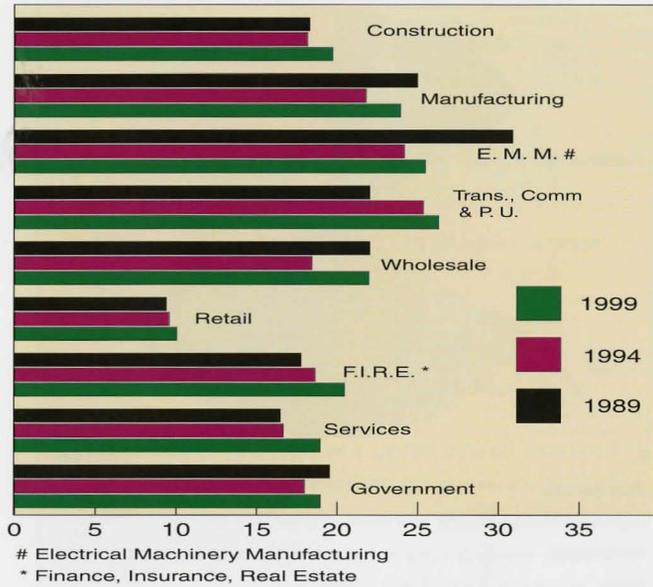
Average Annual Wages in El Paso County by Sector (\$000)



Source: Colorado Department of Labor

Real Wages in El Paso County by Sector (1987)

dollars in \$000



Source: Derived series from Colorado Department of Labor Data

WHY IS THIS IMPORTANT?

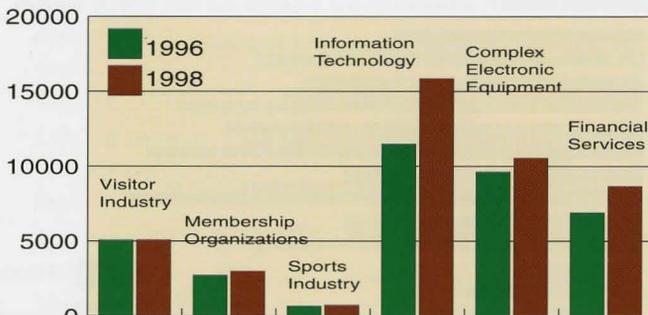
Real wages and real wage growth indicate how well employees fare against inflation. Job creation serves as an indicator of the quantity of jobs in the economy while real wages and real wage growth are indicators of job quality.

HOW ARE WE DOING?

Helped by another year of modest inflation, a tight labor market, and healthy wage gains, average real wages (in 1987 constant dollars) increased in 1999 by 1.3 percent to \$18,402. Statewide, real wages increased to \$20,509 in 1999 for a 2.9 percent increase. Real wages in non-electrical machinery manufacture and instrument manufacture showed strong growth of 10.4 and 13.4 percent respectively. In spite of these gains, average real wages in the manufacturing sector remain below the 1989 figures.

Since 1989, real wages have also declined in the wholesale trade and government sectors. Real wages have increased in all other sectors with the healthiest increases occurring in transportation, communications, and public utilities (19.5 percent); finance, insurance, and real estate (15.2 percent); and services (15.1 percent).

Number of Employees in Cluster Industries in 1996 and 1998



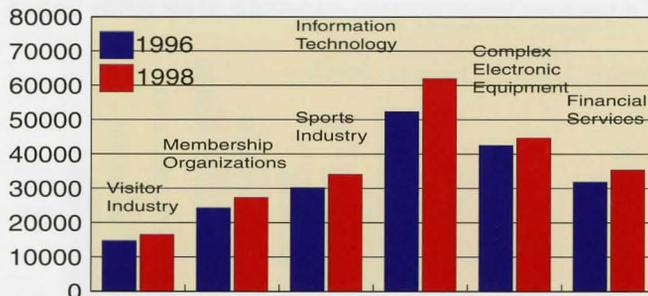
WHY IS THIS IMPORTANT?

The Economic Development Corporation has identified key industry clusters as targets for economic development. The clusters group industries complement each other and generate income and wealth for the community by exporting out of the region. Employment, growth and the wages derived from these industries help to support induced sectors of the economy such as services, retail, and construction.

HOW ARE WE DOING?

In 1998, these clusters accounted for approximately 20 percent of the wage and salary labor force in El Paso county. Employment in the clusters was estimated at 43,876 in 1998, the most recent year in which cluster data is available. Over 60 percent or 26,400 jobs in the clusters are in the high paying information technology and complex electronic equipment industries. All of the growth is taking place in the high wage clusters.

Average Wages of Employees in Cluster Industries in 1996 and 1998



Average wages in the cluster industries grew 7.5 percent to \$36,691 in 1998. In comparison, average wages for all industries in El Paso county were \$29,413 in 1998. Average wages in information technology grew 11.6 percent to \$62,024. Average wages reached \$44,711 in complex electronic equipment, \$35,402 in financial services, and \$34,103 in the sports industry, all well above the all industry average. The EDC's efforts to attract higher quality jobs to the region is paying dividends.

Sources: State of Colorado Department of Local Affairs; State of Colorado Division of Local Government

WHY IS THIS IMPORTANT?

The military has been an important contributor to the economy since World War II. Even though the economy has diversified dramatically in the past decade, the military sector remains an important piece of the regional economy.

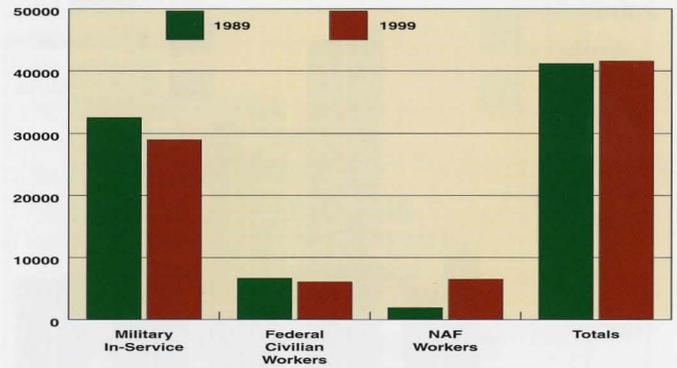
HOW ARE WE DOING?

Active duty and civilian employment at military establishments showed a slight reduction from 42,570 in 1998 to 41,589 in 1999. The reduction most likely reflects troop deployments occurring at Fort Carson and not permanent reductions. If anything, we expect a slight increase in total military employment over the next several years due to planned increases at Schriever and Peterson AFBs. In 1999, total military employment was 18.1 percent the size of El Paso county wage and salary employment. In 1989, this ratio was 27 percent. While still very important, the military impact on the economy has steadily declined over time.

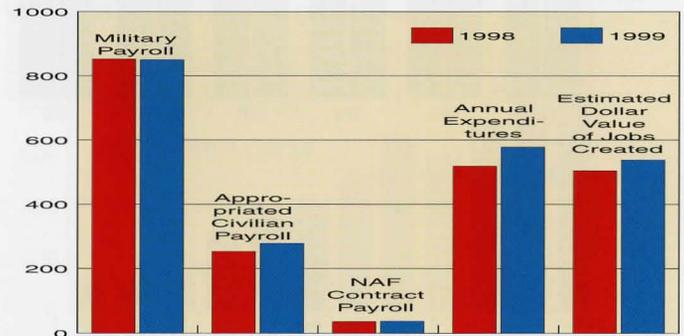
Payroll to military and civilian employees topped \$1.1 billion in 1999. Annual expenditures by the military establishment in Colorado Springs was \$578.1 million. Using a number of multipliers, the PPACG estimates that the dollar value of indirect jobs created by the military presence in Colorado Springs was \$538.2 million.¹ Thus, the total estimated impact of the military in El Paso county including salary and wages was \$2.28 billion in 1999.

1. See Pikes Peak Area Council of Governments, Military Profile, 1999.

Military Employment in El Paso County



Military Expenditures (\$millions)



Source: Pikes Peak Area Council of Governments

WHY IS THIS IMPORTANT?

The hotel occupancy rate is a general indicator of the health of tourism. Changes in these rates can potentially signal changes in the popularity of Colorado Springs as a tourism destination. The lodgers and auto rental tax is an additional indicator of tourism activity.

HOW ARE WE DOING?

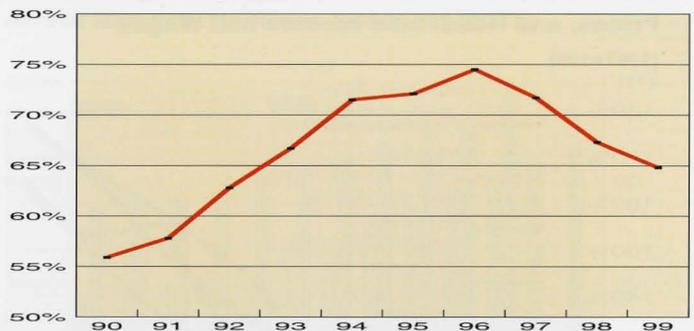
The Colorado Springs Convention and Visitors Bureau reports that there are approximately 13,000 hotel and motel rooms available in Colorado Springs. This is a 53 percent increase in the room inventory since 1995. Many of the new rooms are in economy-priced facilities in the \$60 to \$70 range.

The rapid growth in the room supply has obviously affected occupancy rates which have been on the decline since 1996. Hotel occupancy rates declined by 2.5 percent in 1999 to a yearly average of 64.8 percent. The statewide occupancy rate was 63 percent in 1999. In Denver, the hotel occupancy rate was 67.2 percent. Seasonal hotel occupancy rates reached a high of 87.4 percent in June of last year.

Room rates averaged \$77.50 in 1999 which compares favorably to Denver where rates averaged \$87.35 and statewide where the average was \$96.78. Level I room rates in the area are holding steady in the mid-\$80.00 range while Level II rates average near the mid-\$60's.

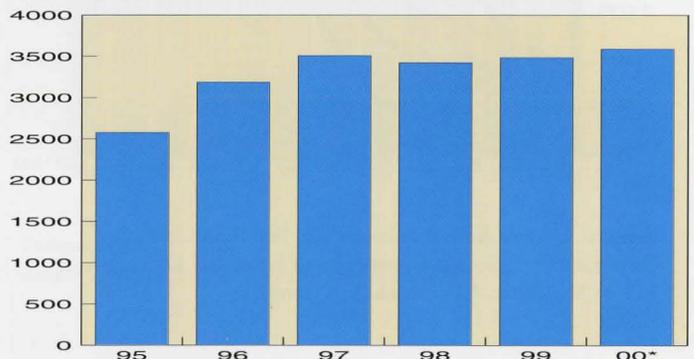
Lodger and auto rental tax collections were up 1.8 percent in 1999 and were up 3.3 percent through June of this year.

Hotel Occupancy Rates



Source: Pikes Peak Convention and Visitors Bureau

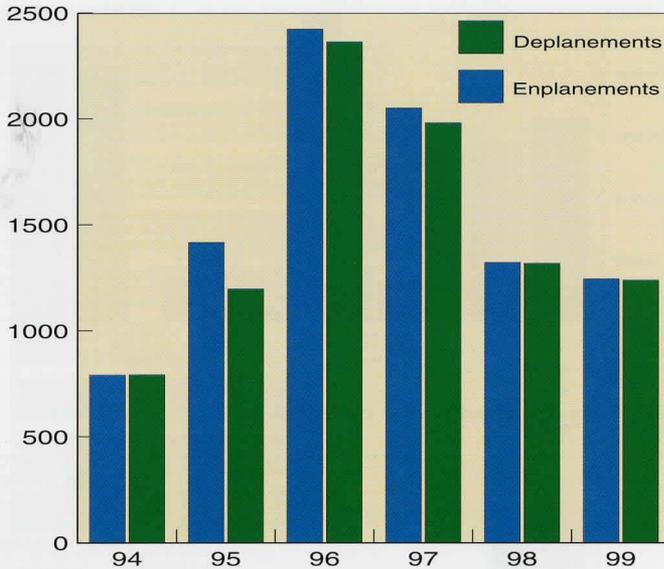
Lodgers and Rental Car Tax Collections (\$000s)



* Forecast

Sources: City of Colorado Springs, Sales Tax Division; Forum forecast

Colorado Springs Airport Activity (000s)



Source: Colorado Springs Airport

WHY IS THIS IMPORTANT?

Air service contributes to both the quality of everyday life and the economic prosperity of Southern Colorado. Air service has a profound impact on the local economy, particularly air-dependent high tech industries. Companies need nonstop service in order to maximize productivity and minimize travel time. Company location and expansion decisions are impacted by local air service. The travel and tourism industry is heavily dependent on quality air service.

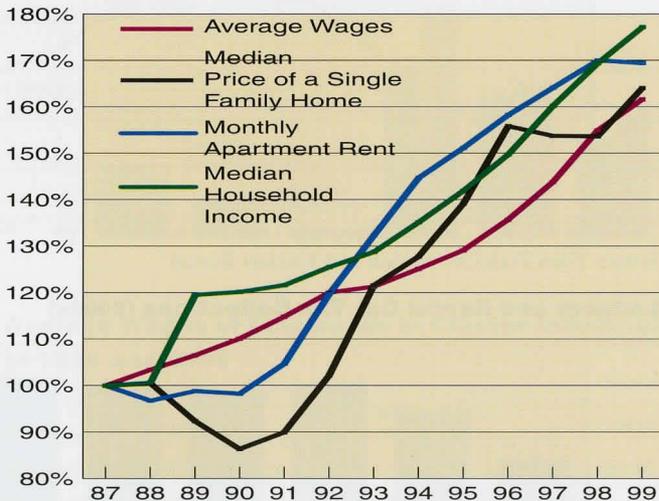
HOW ARE WE DOING?

The Colorado Springs Airport continues to be a second important gateway to Colorado serving the state for both passengers and cargo. Air service out of Colorado Springs saw substantial increases last year with over a 21% increase in seats, 23% in flights and 25% in destinations served. In spite of these service increases, both enplanements and deplanements were down in 1999. Airport officials are working to increase passenger utilization to 1.5 million enplanements and deplanements or more per year. If these efforts are unsuccessful, expect the service improvements made in 1999 to evaporate. An aggressive marketing plan to add service to east and west coast destinations is on-going.

Cargo shipments were up 14.6% over the previous year. The airport was listed in the 1999 Top 100 Fastest Growing Cargo Airports by Airports Council International.

Colorado Springs Airport is currently served by eight airlines including America West, American, Continental, Delta, Mesa, Northwest, TWA, and United.

Index of Apartment Rents, Single-Family Home Prices, and Household Income and Wages (1987=100)



Sources: Derived from data from Pikes Peak Area Council of Governments; Colorado Department of Labor and Employment; Palmer McAllister, A Frederick Ross Company

WHY IS THIS IMPORTANT?

Affordable housing is important for both the economic viability of the community and the maintenance of a high quality of life. Families and workers who find housing unaffordable may be forced into longer commutes from outside the area which leads to increased traffic congestion, the need for more roads, and a reduction in worker productivity. If the workforce is mobile, high cost housing will drive workers away from the region.

HOW ARE WE DOING?

The median household income and wages indices rose by 4.6 and 4.3 percent respectively in 1999. The median home price index rose 6.8 percent while the monthly apartment rent index remained flat in 1999.

The household income index is now above both the rental and median home price indices. The index measures suggest that, on average, wage and income increases are keeping up with rental and home prices. We must caution the reader, however, that while this may be true for the average wage earner and the average household, there is a very real concern in the community, that the stock of affordable housing for low income families and wage earners is not keeping up with the need for affordable housing.

WHY IS THIS IMPORTANT?

Growing communities like Colorado Springs must continually add to the housing stock in order to meet the needs of new residents. The El Paso county population is expected to grow by 10,000 to 12,000 residents in each of the next several years. Adequate housing must be available to accommodate the growth.

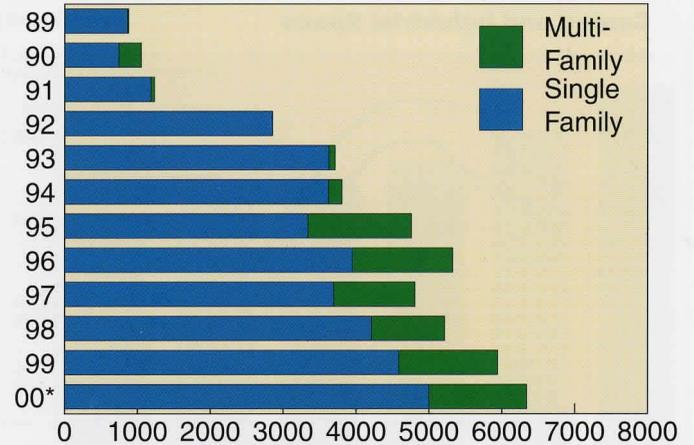
HOW ARE WE DOING?

The residential construction industry remains very healthy. A total of 4,587 single family and townhome building permits were issued in 1999. This represents an 8.9% increase over 1998. Through August of this year, 3,310 single-family and townhome permits have been issued. A total of 1,354 multi-family dwelling unit permits were issued in 1998. Through August, 988 multi-family permits have been issued. This year will be another banner year in residential construction with over 6,200 single and multi-family units constructed.

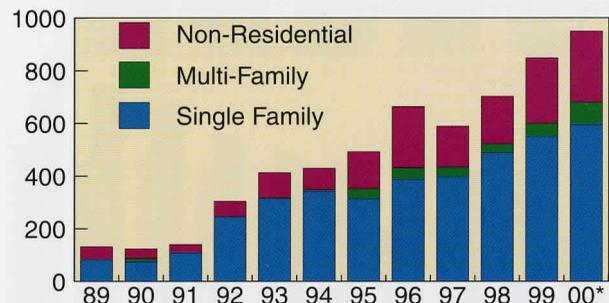
The Pikes Peak Association of Realtors reported the median price for a single family home at \$142,000 in June which is up 5.2% from the year earlier figure. The average home price in June was \$192,320 or 11.5% higher than one year ago.

The value of non-residential construction reached \$249.1 million in 1999 driven by office and professional building construction which alone was \$130.9 million. This year will be another strong year in the non-residential construction market. The value of construction through August stood at \$217.8 million propelled by a strong showing in offices and professional buildings and stores and retail buildings.

Residential Building Permits (Dwelling Units)



Value of Construction (\$ millions)



* Forecast
Sources: Pikes Peak Regional Building; Forum forecast

WHY IS THIS IMPORTANT?

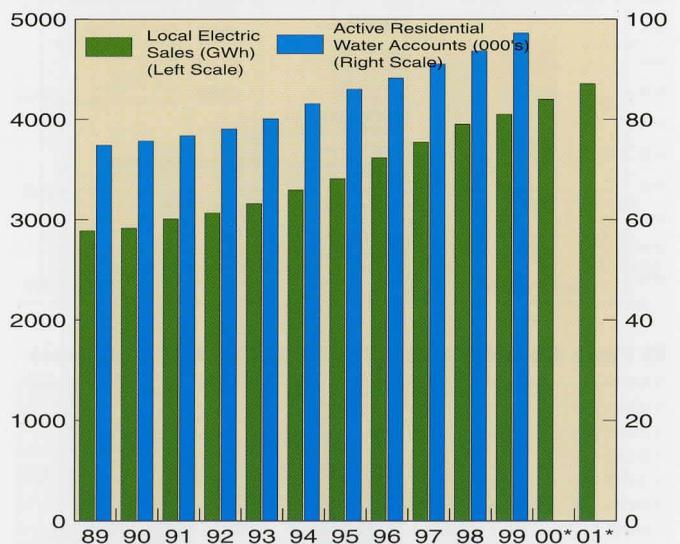
Local electric sales and residential water accounts are good indicators of growth and economic activity. Active residential water accounts correlate with residential construction and housing market activity. Changes in electric sales on system capture both residential and commercial activity.

HOW ARE WE DOING?

Both electric sales on system and active residential water accounts continue to rise and are reflective of the general health of the economy in the region. Residential water accounts have increased on average 2.65% per year over the last ten years which mirrors the average annual growth rate of 2.75% in owner and renter occupied housing units.

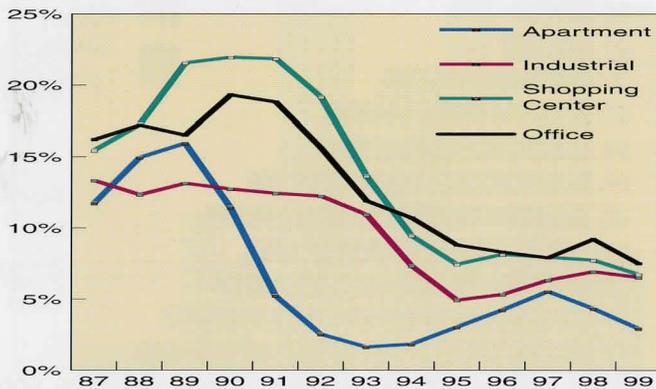
Electric sales have grown an average of 3.4 percent per year since 1989 which broadly reflects the economic expansion in the county. The Colorado Springs Utilities Department continues to improve and enhance the water and electric infrastructure to meet current and future needs and is currently planning to increase electric generation capacity.

**Total Local Electric Sales on System (GWh)
Active Residential Water Accounts (000's)**

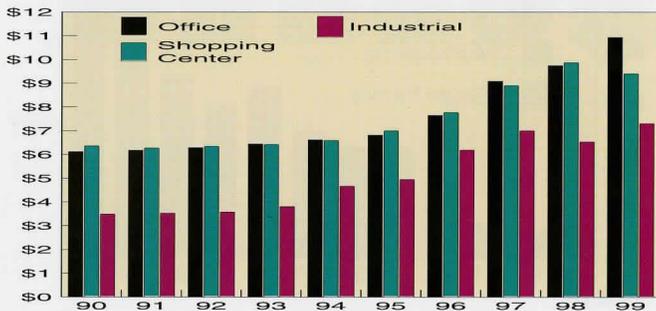


* Forecasts
Source: Colorado Springs Department of Utilities

Average Vacancy Rates for Office, Shopping Center, and Industrial Space



Average Asking Rents For Office, Shopping Center, and Industrial Space



Source: Palmer McAllister, A Frederick Ross Company

WHY IS THIS IMPORTANT?

Vacancy rates are a leading indicator of economic activity. Declining vacancy rates put upward pressure on lease rates. Low vacancy rates reduce location choices for businesses. The availability of adequate and affordable commercial space allows existing companies to expand and helps attract new companies to the area.

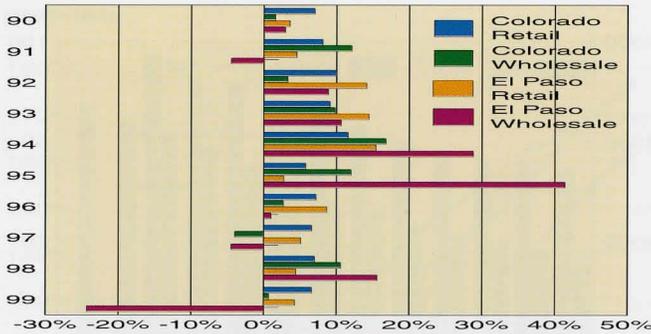
HOW ARE WE DOING?

Activity in the commercial real estate market remains robust. Office, shopping center, and industrial vacancy rates were all down in 1999; (7.5%, 6.7%, and 6.5% respectively). The tightness in the market pushed lease rates to historic highs. Palmer McAllister reported triple net lease rates at the end of 1999 were \$10.94 per sq. ft. for office space, \$9.39 for shopping center space, and \$7.30 per sq. ft. for industrial space. The tight markets will continue to put upward pressure on lease rates.

Palmer McAllister reports that leasing activity in the office market reached 666,000 sq. ft. through June 2000. Industrial leasing activity reached 787,000 sq. ft., while leasing activity in the shopping center market stood at 142,000 sq. ft through June.

Apartment vacancy rates are currently below 3 percent. The citywide apartment rent is \$625 per month. A total of 1,354 units were added to the apartment stock in 1999 with another 988 units under construction or completed through August of this year.

Growth in Retail and Wholesale Sales in Colorado and El Paso County



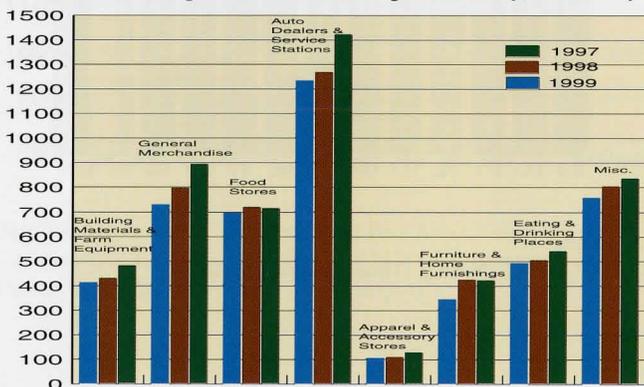
WHY IS THIS IMPORTANT?

Consumer spending is estimated to generate 65 percent of the total economy. Thus, growth in retail and wholesale sales are an important indicator of the strength of the local economy.

HOW ARE WE DOING?

Retail sales in El Paso county grew 4.3 percent in 1999 compared to a 6.6 percent growth rate overall in Colorado. The most recent figures from the Department of Revenue indicate July 1999 through June 2000 year-to-year retail sales are up 9.6 percent over the year earlier figures. Auto dealers, building materials, and furniture, appliances, and electronics establishments are reporting strong sales. Wholesale sales continue a roller-coaster ride in El Paso county. In 1998, wholesale sales increased 15.6 percent. Last year, these sales declined 24.3 percent from year earlier figures.

El Paso County Retail Trade by Sector (\$ millions)



Source: Colorado Department of Revenue: Office of Tax Analysis

Employment in the retail sector grew 3.3 percent in 1999, while the wholesale sector grew only .7 percent.

The commercial retail market remains strong and will continue this strength for some time. Palmer McAllister reports leasing activity of 757,563 sq. ft. in 1999 with average lease rate of \$9.39 per sq. ft. triple net. The retail vacancy rate stood at 6.7 percent at the end of 1999 down from 7.7 percent a year earlier. The central business district retail vacancy rate is currently near zero. Retail vacancy rates run from 1.5% to 3.6% in the northern sections of the city to 15.9% to 34.1% in the southern areas. A number of national retailers, such as Lowe's, will enter the market next year as retail expansion along Powers Boulevard continues.

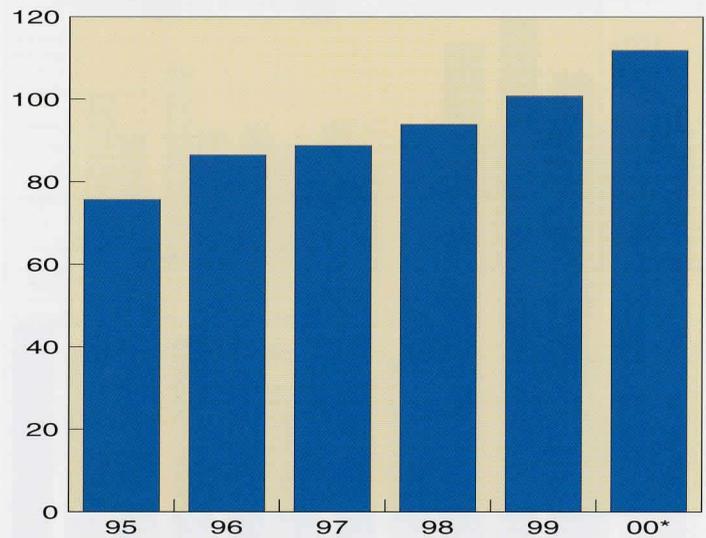
WHY IS THIS IMPORTANT?

City sales and use tax revenue is used for municipal operations by the City of Colorado Springs for such purposes as police, fire protection, street repair and park maintenance. It is critical that these revenues increase along with community growth in order for the city to provide needed and necessary services.

HOW ARE WE DOING?

City sales and use tax collections were over \$100 million in 1999, up 7.3 percent from the previous year. For the first six months of this year, sales and use tax collections are up 11.8 percent from year earlier figures. Double digit gains in auto dealer, building materials, and furniture, appliances, and electronics are propelling the increases in tax collections. Sales tax revenue from auto dealers are up 17.2 percent for the first half of the year while building material sales tax revenues are up 16.4 percent. Furniture, appliances, and electronics sales tax revenues are up 11.4 percent for the first six months of the year.

Colorado Springs Sales and Use Tax Collections (\$millions)



* Forecast

Sources: City of Colorado Springs Finance Department, Sales Tax Division; Forum forecast

WHY IS THIS IMPORTANT?

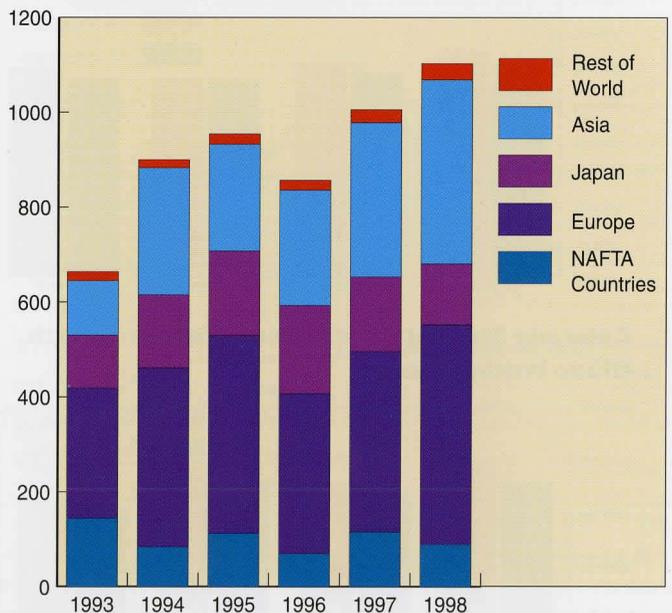
One indicator of the region's global competitiveness is the ability to export goods and services. A high level of export activity translates into more jobs and wealth for the region. Colorado Springs must continue to develop export activity as it grows to ensure that it will be a global player.

HOW ARE WE DOING?

Colorado exported over \$11.3 billion worth of goods in 1997 and \$10.7 billion in 1998, a 5.3 percent decline. Colorado ranked 19 out of the 50 states in the value of merchandise exports in 1998. Manufactured exports are dominated by high tech commercial industrial machinery and computer equipment.

Colorado Springs merchandise exports of goods and services topped \$1.1 billion in 1998, the most recent year of data availability. As the graph shows, Asia (including Japan) is the largest export destination for Colorado Springs exports followed by Europe and the NAFTA countries. Between 1997 and 1998 exports increased 9.7 percent overall, 21.7 percent to Europe, 19.1 percent to Asia (excluding Japan), and 17.5 percent to Canada. Exports to Japan decreased 18.3. Exports to Mexico declined 66 percent in 1998 although this is probably an aberration in the data caused by a bulge in Mexican exports in 1997. Since 1993, exports to Mexico are up 259.1 percent.

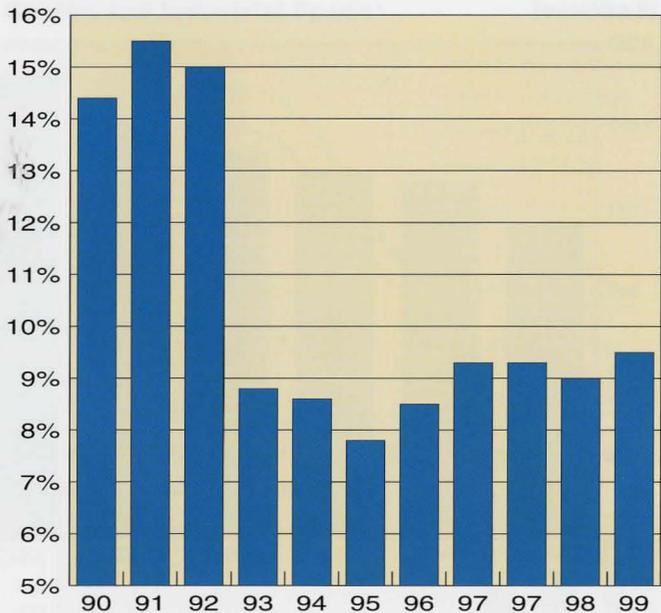
Colorado Springs Merchandise Exports to Selected Areas (\$ millions)



Source: Exporter Location Series, Census Bureau; Prepared by: International Trade Administration, U.S. Department of Commerce

China is becoming a more prominent trading partner for Colorado Springs exporters. In 1993, exports to China amounted to \$419,000. In 1998, exports to China were 41,454,000, a 9,792 percent increase.

Low Birth Weight Rate in El Paso County



Source: Colorado Department of Public Health and Environment, Health Statistics and Vital Records

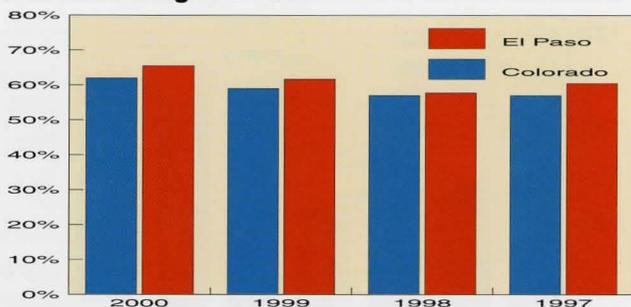
WHY IS THIS IMPORTANT?

The proportion of low birth weight children is a predictor of future costs of both health care and special education. Proper nutrition and prenatal care can reduce the incidence of low weight births. A healthy community will help ensure that mothers of all backgrounds have access to, and are encouraged to receive prenatal care and practice proper nutrition.

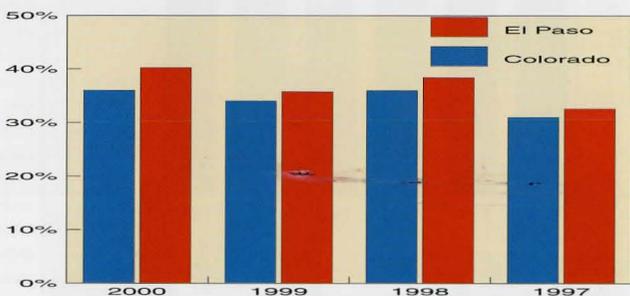
HOW ARE WE DOING?

Traditionally, Colorado has had a high proportion of low weight births. El Paso county has made substantial improvements during the past decade. Low weight births have decreased from the 14-15 percent level in the early '90s to the 9-10 percent level since 1993. Currently, the low birth weight rate stands at 9.5 percent in El Paso county and 8.4 percent in the state. The current low birth rate figures remain above the 5% target set by the U.S. Public Health Service.

Colorado Student Assessment Program Fourth Grade Reading Results



Colorado Student Assessment Program Fourth Grade Writing Results



Source: Colorado Department of Education

WHY IS THIS IMPORTANT?

Beginning in 1995, the State of Colorado adopted content standards in the areas of reading, writing, mathematics, science, social studies, foreign languages, visual arts, physical education and music. Content standards define *what students should know and be able to do* at various levels in the schooling process. The Colorado Student Assessment Program (CSAP) is administered to give parents, the public, and educators a uniform source of information on how proficient students in Colorado are at meeting the standards. These scores provide a benchmark for assessing the educational progress of our children.

HOW ARE WE DOING?

All fourth grade students in the state of Colorado were given the first CSAP reading and writing assessment in the spring of 1997. During a five-year phase-in process, additional grades and subject matter are scheduled to be given Colorado's standard based assessments. Standards-referenced assessments differ from norm-referenced tests, like the ITBS and CAT, in several ways. Norm-referenced tests are designed to measure how much a student knows in comparison to other students, not what particular knowledge and skills have been mastered. CSAP is designed to measure how close students are to the targets of *what they should know and be able to do* by the time they reach a given grade, giving a performance level score for each student. Results from the first four administrations of CSAP given to Colorado fourth graders indicate that 35 to 40 percent of El Paso county students score at or above the proficient level in writing and 62 to 65 percent of the students are considered at or above proficiency in reading. Students in El Paso county continue to perform above the state averages on these tests.

WHY IS THIS IMPORTANT?

A skilled work force is essential for an economy to be competitive in world markets. Completion of high school is a minimal requirement to obtaining the necessary skills needed in the 21st century. High school graduation and drop-out rates are indicators of possible future societal costs from un- or underemployment and low earning potential.

In a global economy, a multicultural, skilled workforce is a requirement for success. Providing a quality education to all ethnic groups is important to our economic well-being. Reducing the drop-out rate for all ethnic groups is one measure of success.

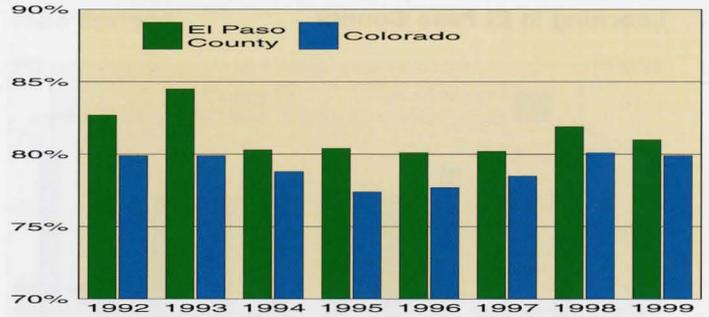
HOW ARE WE DOING?

Graduation rates in El Paso county are higher than those for Colorado but are still below the Colorado Department of Education target of 90%. For the past five years the graduation rates in El Paso county have remained around 80%. The graduation rate stood at 81 percent in 1999.

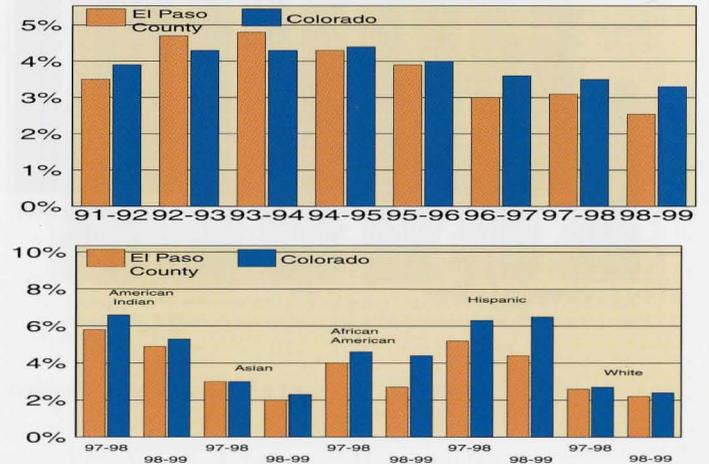
Drop-out rates for all students have been falling since the '93-'94 school year. In 1998-'99, the overall dropout rate showed a marked improvement as it declined to 2.54 percent in El Paso county and 3.3 percent in Colorado.

The drop-out rate is lowest among whites and Asians in El Paso county which is similar to the statewide averages for these two ethnic groups. Drop-out rates for American Indians, African Americans, and Hispanics although higher, are below the statewide averages for the three ethnic groups.

High School Graduation Rates



Grade 7 through 12 Drop-Out Rates



Source: Colorado Department of Education

WHY IS THIS IMPORTANT?

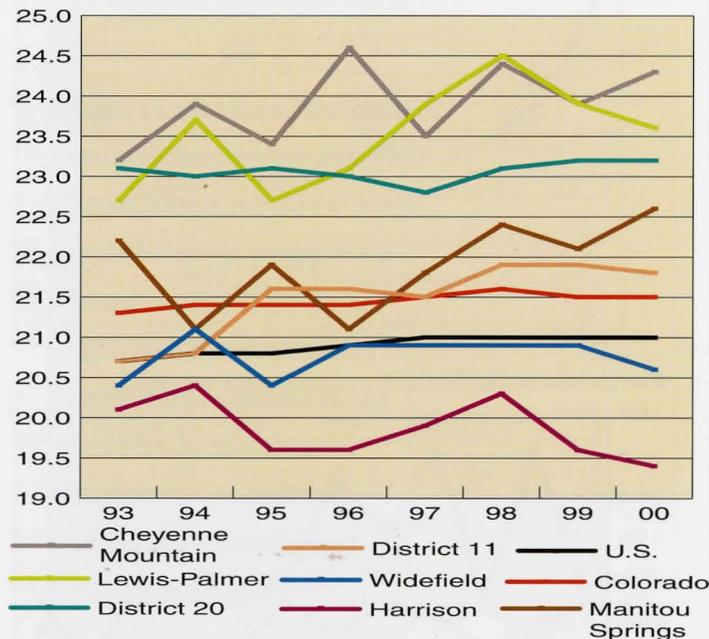
Academic performance of high school students is an important indicator of the knowledge base of the workforce of the future. In our high technology economy this is especially significant. The American College Test (ACT) is a comprehensive achievement test that reflects the cultural and sociological differences in society, making it more representative for all ethnic groups taking the test.

HOW ARE WE DOING?

ACT scores for most school districts in El Paso county remain above the state and national averages. The scores reported in the graph do not include every El Paso county school district, but do provide a representative profile of the performance of a large portion of our students. The percentage of students in a district who take the ACT can affect the average scores.

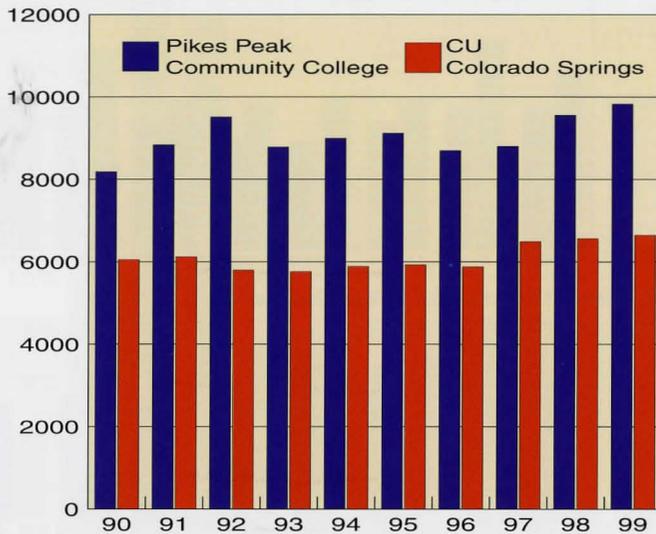
Cheyenne Mountain and Manitou Springs showed improvement in ACT scores this year. Scores in District 20 were unchanged while District 11 scores were down slightly. Scores in the Lewis-Palmer district declined for a second year but remain above the state and national average. Scores in the Harrison district also declined for a second year and are well below the state average. Scores in Falcon District 49 (not reported in the graph) were at the state average of 21.5.

ACT Scores in Selected El Paso County School Districts, Colorado and the U.S.



Sources: The Colorado Springs Gazette; American College Testing program; Colorado Department of Education; local school districts

Enrollments at Public Institutions of Higher Learning in El Paso County



Sources: Registrars' offices at CU-Colorado Springs and Pikes Peak Community College

WHY IS THIS IMPORTANT?

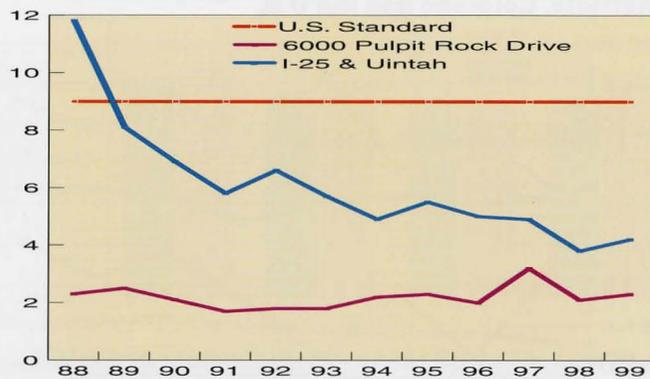
With a population now over one-half million, an extremely tight labor market, and an ever increasing demand for skilled labor, El Paso county needs quality public higher education institutions capable of meeting community needs. A well-trained and educated workforce is essential for economic growth. Enrollments are an indicator of the future supply of qualified workers and how well the region is preparing individuals for a growing and competitive workforce.

HOW ARE WE DOING?

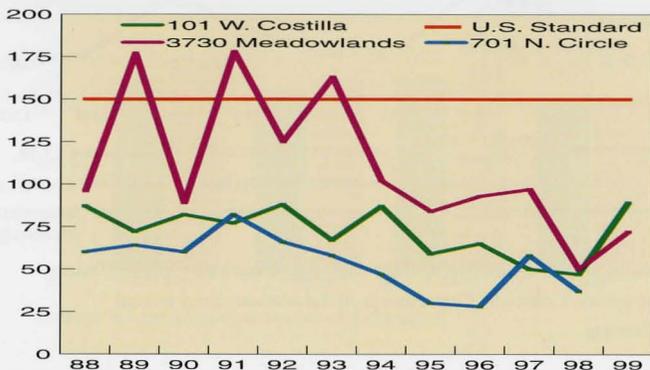
At CU-Colorado Springs, enrollments surpassed 6,600 in 1999-2000 and the university increased about 2 percent this fall. The campus is earmarked as the growth campus in the CU system. The \$30 million El Pomar Center will be completed in 2001 and plans are now being made for additional growth. Renovation will begin soon on the Main and Cragmor complex. Plans are in the works to expand the Engineering and Applied Sciences building, renovate Dwire Hall, build a natural science and nursing complex and possibly more residential hall capacity.

Pikes Peak Community College enrollments reached 9,830 students in 1999-2000. PPCC opened its Rampart Range Campus in northern Colorado Springs in the fall of 1998. Construction is currently underway on a new office building on the Centennial Campus.

Carbon Monoxide (ppm)



Particulate Matter (10 microns and smaller)



Source: Colorado Department of Public Health and Environment

WHY IS IT IMPORTANT?

Air quality is fundamental to community health, the environment, and our economy. There is growing concern over the interdependence between the health of the environment and our economy. A key selling point of our area is the quality and opportunity for outdoor activities. In fact, many people move west to escape the "smokestack" industrial areas back east. While there is no overall index of environmental health, carbon monoxide and particulate concentrations provide an indication of air quality.

HOW ARE WE DOING?

The metro area enjoys clean air. A press release by the Pikes Peak Area Council of Governments in October 1999 states, "Colorado Springs is the first large Front Range city to keep the carbon monoxide pollution in its air beneath the standards set by the Environmental Protection Agency for 12 consecutive years. It is the first city to move from "moderate non-attainment" to "attainment," in EPA parlance, in EPA Region 8 (Colorado, Wyoming, Utah, Montana, North Dakota and South Dakota)."

"Nationwide, concentrations of CO have decreased by 37 percent in the past ten years, but Colorado Springs has reduced its concentration by 55 percent in the same time period."

WHY IS THIS IMPORTANT?

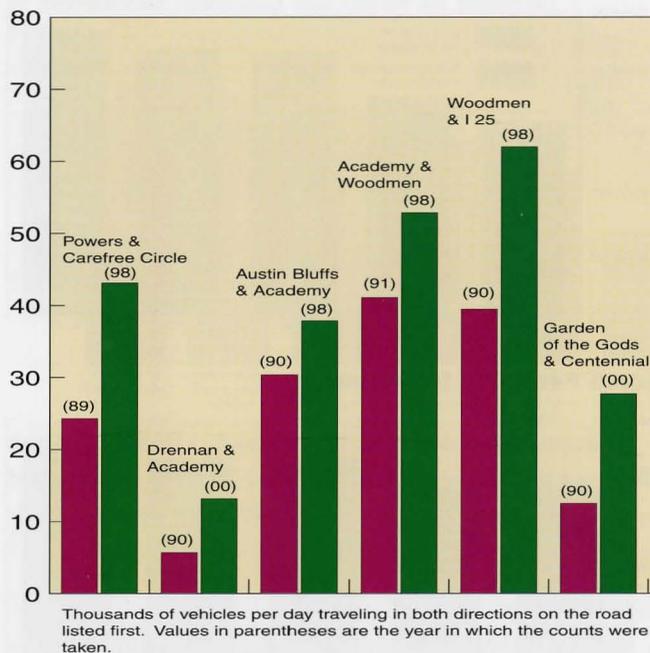
As the city grows, increased traffic leads to congestion, longer travel times, and more pollution. Roadway improvements will not necessarily improve the situation. Communities interested in quality of life and mobility will seek out other alternatives to relieve traffic congestion. These may include better use of public transit, building housing and offices near each other, and improving the walking and biking infrastructure.

HOW ARE WE DOING?

Traffic flows in many parts of the city have increased tremendously over the past decade. Traffic along the interstate now surpasses 90,000 to 100,000 vehicles per day in many parts of Colorado Springs. Many intersections on surface streets are increasingly congested during the day, leading to delays, accidents, pollution, and an overall decrease in quality of life.

The backlog of surface street repair and improvement is being hampered by a very restricted city budget. The I-25 road improvements continue, but it will be years before a needed third lane is added. The city is currently soliciting input on an east-west mobility study. City Council should act on the final recommendations without delay once the study is finalized. The Powers Boulevard extension and other roadway improvements should be moved forward as quickly as possible.

Traffic Flows Near Major Intersections in Colorado Springs



Source: City of Colorado Springs

WHY IS THIS IMPORTANT?

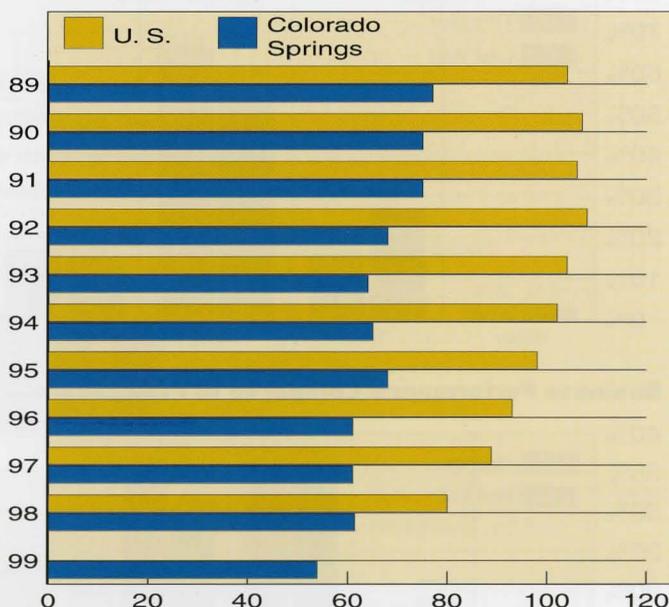
Index crimes are serious crimes (murder, forcible rape, robbery, aggravated assault, burglary, larceny, theft and motor vehicle theft). Violent crimes result in the loss of life and property. Fighting crime is expensive and uses valuable community resources. Crime affects an individual's perception of the quality of life in the community as well as the business climate.

HOW ARE WE DOING?

Index crime in Colorado Springs declined 9.47 percent in 1999. Overall, the city remains well below the U. S. average for cities of its size. Violent crimes (murder, rape, robbery, and aggravated assault) have been on the increase in Colorado Springs for the past several years, but remain below national levels for cities with populations between 250,000 - 499,999. Non-violent crimes (burglary, larceny, and motor vehicle theft), which are included in the index crime statistics, decreased in 1999.

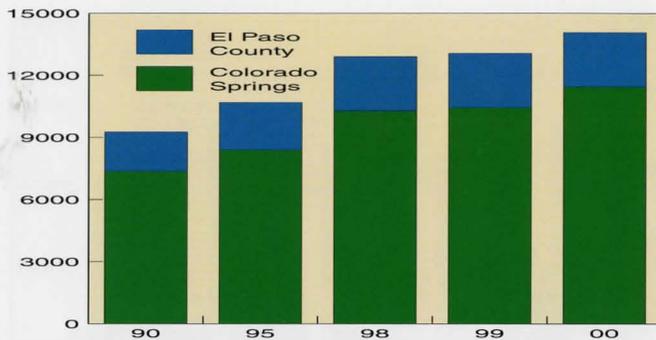
There were a total of 18,941 indexed crimes reported in 1999. The majority of the index crimes reported involve larceny/theft (68%) followed by burglary (16%), motor vehicle theft (6%), aggravated assault (6%), robbery (3%), forcible rape (1.3%), and homicide (.13%).

U.S. and Colorado Springs Crime Index (Index per 1,000 inhabitants)

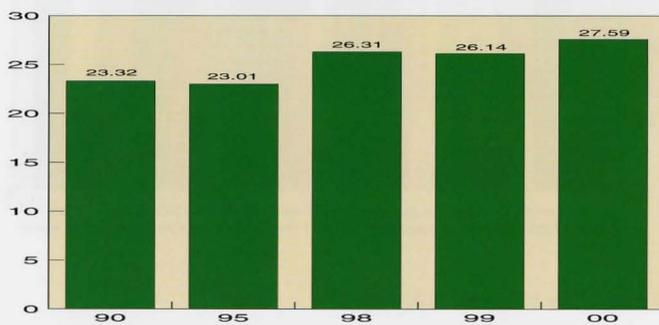


Sources: Colorado Springs Police Department; FBI

Parks and Open Space in Colorado Springs and El Paso County (Acres)



Acres Per 1,000 Inhabitants



Sources: City of Colorado Springs and El Paso County Parks Departments

WHY IS THIS IMPORTANT?

Open space, trails, and park land provide important areas for recreation and leisure activity, support natural habitat, and enhance the visual appeal of the region. Open spaces have a significant impact on the quality of life in the area. The beauty and attraction of the region is enhanced by parks and other open space available for public use.

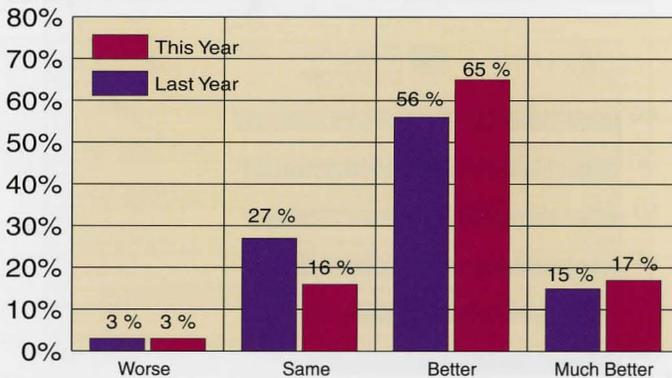
HOW ARE WE DOING?

The Pikes Peak region is blessed with beautiful views and natural scenic areas. The city and county combined manage over 14,000 acres of open space and park land or 27.6 acres per 1,000 residents in 2000.

In January, the Colorado Springs Parks and Recreation Department completed a master plan for development of parks, recreation facilities and trails which covers the period 2000 to 2010. Major features include the planned development of 313 acres of community parks, 294 acres of neighborhood parks, one new sports complex and additions to existing facilities, 153 miles of additional trails, and additional recreation centers. The total cost for these new facilities and improvements is estimated at over \$121.5 million in 1999 dollars. Projected funding from TOPS, the lottery, GOCO, and other grants are estimated at \$37.7 million leaving a shortfall in funding of \$83.8 million.

Survey Results

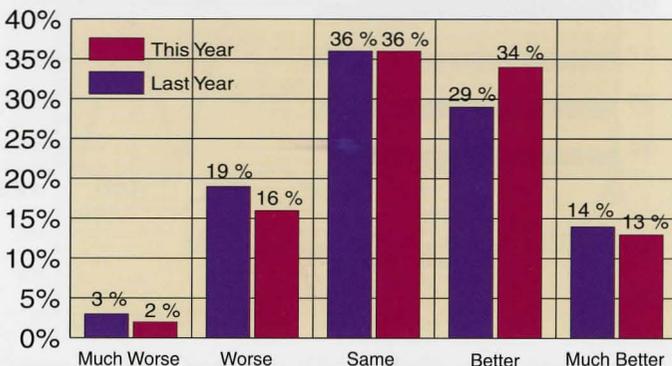
Expected Business Performance Next Year Compared with This Year's Performance



HOW DID WE COLLECT THE DATA?

A survey packet was mailed to 2,450 local business leaders. Each person received a cover letter explaining the importance of the study, a postage-paid return envelope, and a questionnaire. Out of the total mailing, 250 questionnaires were returned in time to be included in our analysis. The response rate of 10.2 percent is not uncommon for mail surveys but less than we hoped for. While 250 responses is a good number for making general assessments, we should be cautious about making specific numerical projections based on these data.

Business Performance Compared to Projections



WHAT DID WE ASK?

The purpose of the survey was to gauge the level of local business optimism in the economy. We listed a number of factors on the questionnaire to determine which factors positively or negatively impact company operations. We also inquired about a number of business development areas that these companies will emphasize over the next 18 months.

The questions are important since they provide valuable insights regarding what is on the minds of business policy and decision makers at our local businesses. We provide a summary of business optimism and factors that are currently and will continue to affect business operations over the next year. The last charts provide some insight into expected areas of business development for next year and compares them to the business development areas that were important this year.

WHAT DID WE FIND OUT?

Businesses are even more optimistic this year than last. This year, 47% of responding firms say that 2000 performance is "better" or "much better" than expected (graph previous page). This is up from 43% last year. Additionally, 82% expect that business performance in 2001 will be "better" or "much better" than 2000. This is a remarkably bullish sentiment coming from the business community.

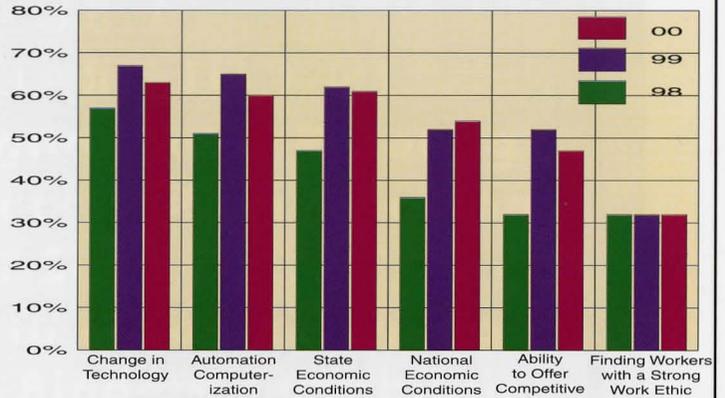
Expected hiring patterns are also strong. Responding companies, on average, predict a 17.5% increase in regular full-time employees, and a 6.6% increase in both temporary full-time, and part-time employees. We asked what factors will affect employment levels in the coming year. The responding firms indicated that growth opportunities and the availability of income and capital were among the important factors contributing to employment. Once again, companies report that their biggest challenge is finding qualified people with a strong work ethic. These results confirm our analysis of the secondary data. Low unemployment and slower in-migration will continue to affect businesses' ability to find qualified workers.

The positive factors impacting operations have changed very little since last year. Businesses continue to report that change in technology, automation/computerization, and the state economic conditions will have the most positive impact on operations over the next 18 months. The graph compares results over the past three years.

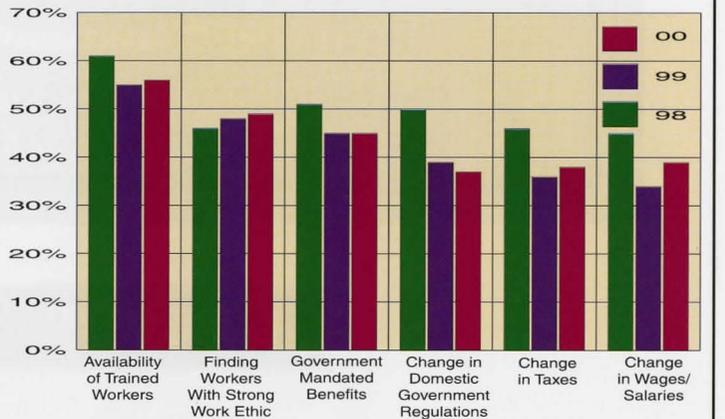
The negative factors impacting operations also changed little from last year. The availability of trained workers continues to be a big challenge for companies. This factor may reduce the growth potential of county businesses again this year and next.

The final charts show business development areas for the coming year. Companies remain focused on a set of activities similar to last year. The graphs below allow a comparison between this year's and last year's development initiatives. E-commerce, service offerings, delivery methods, and worker training remain important development areas.

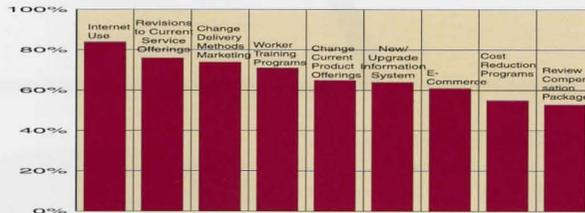
Survey Results: Factors That Have a Positive Impact on Operations (Values represent the percent of companies reporting the factor as positive)



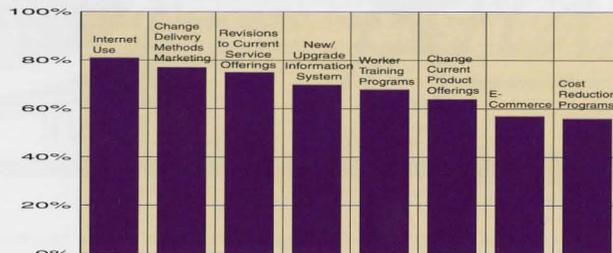
Survey Results: Factors That Have a Negative Impact on Operations (Values represent the percent of companies reporting the factor as negative)



Survey Results: Key Business Development Areas For the Next 18 Months (Values represent the percent of companies reporting the development area. Bottom graph presents last year's results.)



Business Development Areas for 2000-2001



Business Development Areas Reported Last Year

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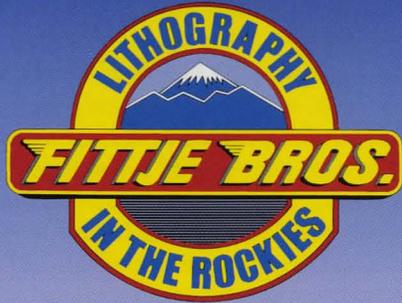


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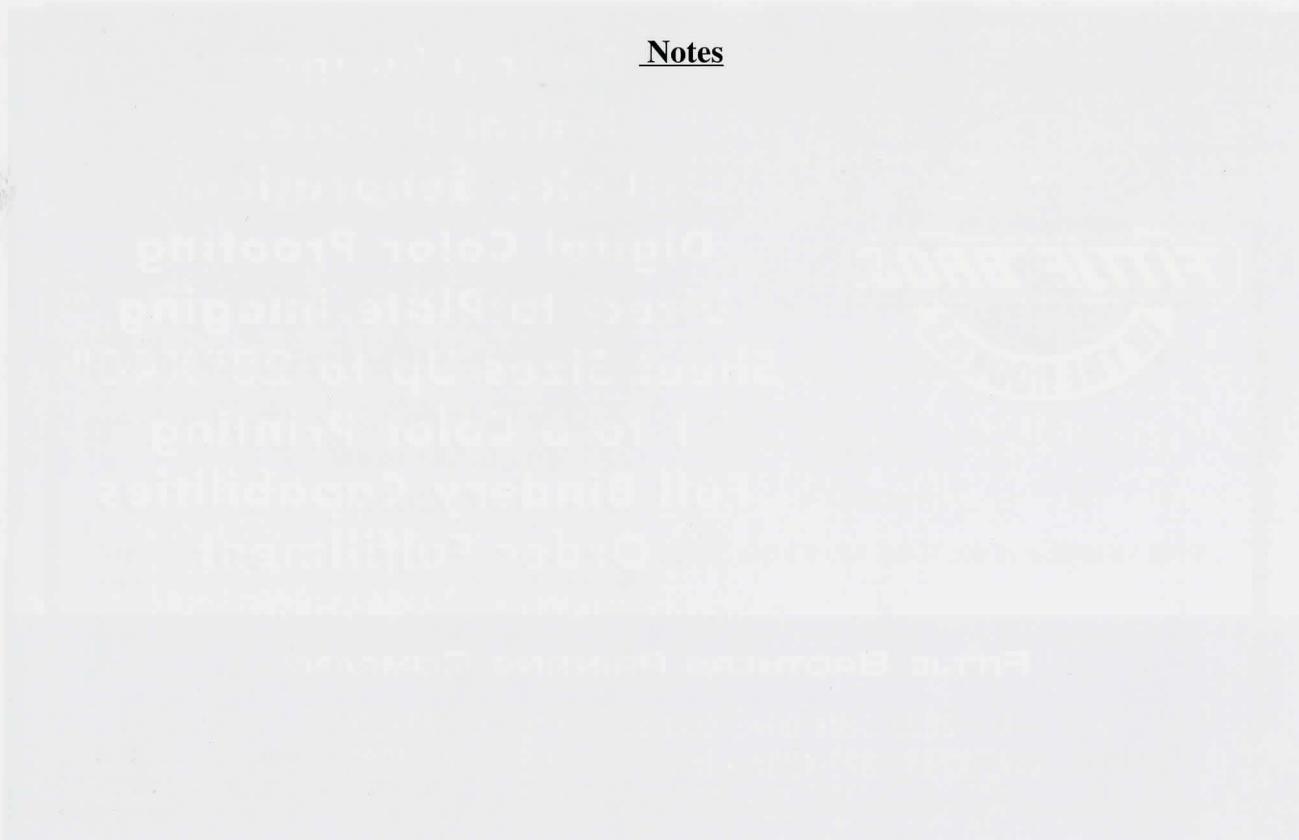
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Notes



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CU-Colorado Springs College of Business and Administration and Graduate School of Business Administration

Contact: College of Business (719) 262-3400

The University of Colorado at Colorado Springs was established in 1965, with the College of Business and Administration being formed at that time. The College awards the Bachelor of Science in Business Administration degree and a Masters of Business Administration (MBA) degree. All degree programs are accredited by the International Association for Management Education (AACSB), placing the College in the top 28% of business schools nationally. CU-Colorado Springs is the only BS and MBA program in the Pikes Peak Region that has earned this recognition. Indeed our Distance MBA has been ranked in the top 20 nationally by Forbes magazine. CU-Colorado Springs has excellent partnerships with the business community. Local businesses help the College develop course work that focuses on issues important to managers today. The ability to infuse current business practice into the classroom is consistent with the mission of the CU-Colorado Springs campus within the CU system, while also insuring a direct, continuing relationship with business partners in the region.

The faculty is internationally acclaimed and doctorally qualified from leading institutions such as the Universities of Arizona, Colorado, Minnesota, Oregon, Texas and Washington. The classroom experience is enriched by their efforts in leading-edge research, academic publishing, community involvement, and industry consulting.

Professors at the College of Business provide intense, effective teaching, focused on understanding the fundamentals of business solutions. Technology might change but the principles of good business practice are constant, so our business graduates learn how to adapt and grow with the marketplace.

The College of Business and Administration trains students for a competitive edge in diverse career fields such as banking, advertising, accounting, information systems, marketing, financial services, computer technology, manufacturing and many more exciting fields.

Institute for Business

Contact: CU-Colorado Springs College of Business and Administration (719) 262-3433

The College of Business recently established a new outreach arm, the Institute for Business (IFB), to coordinate all outreach activities of the College. The Institute for Business is being established to bring together the many successful outreach activities of the college, including: the Colorado Institute for Technology Transfer and Implementation (CITTI), the Small Business Development Center (SBDC), the Center for Creativity, the Southern Colorado Economic Forum, and External Relations.

Each of these centers and organizations will remain independent under the IFB. However, each entity will coordinate external College activities under the IFB in order to provide a uniform set of outreach services, leading to an increase in the level and quality of service to all of our constituents. We believe that the IFB will allow us to provide rapid response to the special needs of the business community which we serve.

About the Authors and Presenters of Results

Dr. Thomas J. Zwirlein is an Associate Professor of Finance at the University of Colorado at Colorado Springs. He received his Ph.D. in 1985 from the University of Oregon with a major in finance and minors in economics and quantitative methods. He teaches managerial and international finance. His research interests are in the areas of investments, financial strategy, and corporate control and organizational issues. While earning his MBA, Dr. Zwirlein worked for the Bureau of Business and Economic Research at the University of Wisconsin at LaCrosse. (719) 262-3241.

Dr. Jeffery M. Ferguson, Associate Dean and Professor of Service Management and Marketing has been on the faculty of the University of Colorado at Colorado Springs for twenty years. He has a Ph.D. in business from Arizona State University, an MBA from the University of Montana, and a BS in physics from Denison University. As an educator, Dr. Ferguson teaches courses in service management, marketing research, and marketing. His research interest is in the area of marketing of services including health care, financial services, and nonprofit organizations. Dr. Ferguson is a consultant in marketing research and service quality. (719) 262-3228.

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