

Econometer

**A Newsletter of Economic Indicators in Southwest Colorado
from the Fort Lewis College School of Business Administration
Volume 13, Number 1 • Winter 2002**

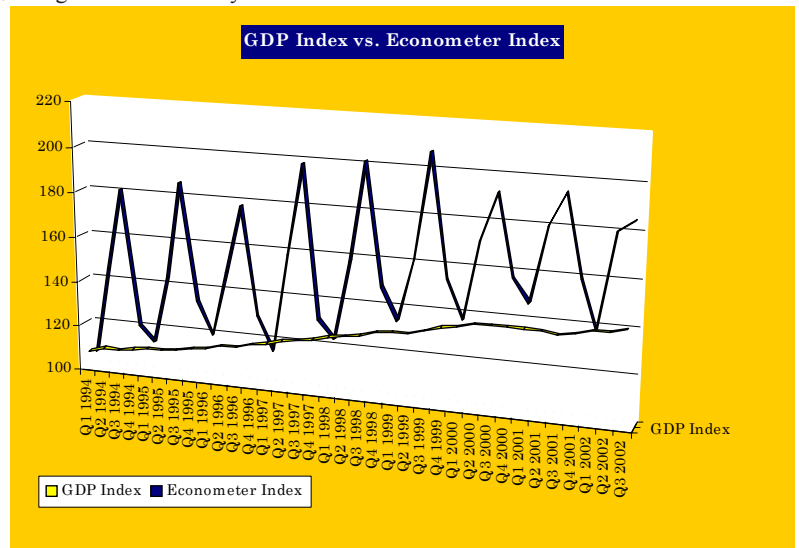
TOURISM DECLINE DURING THIRD QUARTER

Tourism declined sharply in La Plata County during the third quarter of 2002. The drop in tourism caused the Econometer Index, which includes several sectors of the local economy, to decline by 4.8 percent for the period July through September compared to the same period for the previous year. The Econometer Index fell 6.1 percent during the first quarter of 2002 and 0.5 percent during the second quarter of the year.

The national economy experienced relatively strong growth during the third quarter of 2002, increasing at an annual rate of four percent. Consumer spending continued to grow, led by strong auto sales. However, the number of non-farm jobs was slightly lower in September 2002 than it had been in September 2001. The unemployment rate of the nation's labor force was 5.6 percent in September 2002. High levels of consumer debt and declining levels of consumer confidence were seen as threats to continued strong consumer spending. Positive indications included low interest rates, which stimulate residential and non-residential construction, and low price inflation. Consumer prices increased by only 1.5 percent during the twelve months ending in September 2002.

The Colorado economy experienced difficulties during the third quarter of 2002. The unemployment rate of the state's labor force was 5.2 percent in September 2002, while employment was 1.8 percent below year-earlier levels. Drought and wildfires caused significant damage to the agricultural and tourism sectors of the state's economy. Both residential and non-residential construction were significantly lower during the third quarter than during the same period of the previous year. The Colorado Economic Chronicle of the Colorado Legislative Council gave the state economy an overall rating of "bad" during the third quarter of 2002.

The graph that compares the Econometer Index of the local economy with the Gross Domestic Product (GDP) of the United States shows the seasonal change of the local economy from the second to the third quarters of 2002. The year-to-year decline of the local economy during the third quarter can be seen by comparing the Econometer Index for the third quarter of 2002 to the Econometer Index for the third quarter of 2001. The graph of the GDP Index shows the growth of the national economy during the third quarter of 2002 and the recovery of the national economy from the recession of 2001. Both the Econometer Index and the GDP Index are based on 1990, with an average of 100 for that year.



On an annual, or year-to-year basis most sectors of the local economy increased during the third quarter of 2002. These increasing sectors were more than offset by a sharp year-to-year drop in tourism. Sectors that were improved on an annual basis included real estate, construction, finance, agricultural prices, industrial activity, population, and retail sales. Declining were tourism and energy prices. Almost unchanged were employment and college enrollment.

The La Plata County economy is highly seasonal, so that some sectors of the local economy vary significantly during the course of the year. Sectors of the local economy which expanded from the second to the third quarters of the year included tourism, real estate, agricultural prices, retail sales, bank deposits, industrial activity, and employment. Declining from the second to the third quarters of the year were construction activity, college enrollment and energy prices. Almost unchanged was population.

Economic Indicators

Tourism

Tourism in La Plata County was adversely affected by drought and wildfires during the third quarter of the year. The tourism component of the Econometer Index fell by almost thirty percent on a year-to-year basis due to sharp decreases in ridership on the Durango & Silverton Narrow Gauge Railroad and visitation at Mesa Verde National Park. An exception to the overall trend in tourism was the Durango-La Plata County airport, which experienced an increase in passenger enplanements. On a seasonal basis tourism increased from the second to the third quarters of the year.

Retailing

Retail sales, after adjustment for inflation, increased by more than eight percent from the second to the third quarters of the year. Also, retail sales increased by more than one percent on a year-over-year basis.

Employment

Employment in La Plata County is estimated by the Colorado Department of Labor and Employment. These estimates are subject to significant revisions. According to state estimates, employment in La Plata County increased by 3.3 percent from quarter to quarter and by 0.8 percent from year to year.

Agriculture

Calf prices increased by 0.6 percent from the second to the third quarters of the year but fell by 10.7 percent on an annual basis. Alfalfa hay prices increased by 22.4 percent from quarter to quarter and by 20.0 percent from year to year. However, due to drought conditions, these price measures

Tourism Indicators Third Quarter 2002

Indicator	Number	Percentage Change from Previous Year
Mesa Verde Nat'l Park	181,339	-34.6%
Durango & Silverton Narrow Gauge Railroad	62,721	-42.7%
Durango-La Plata County Airport	28,785	33.2%

do not fully present the state of agriculture in La Plata County during the third quarter of 2002. Local agricultural experts estimate that more than one-half of the cows in La Plata County have been sold because of poor grazing conditions. Also, it is estimated that ninety percent of the 2002 hay crop was lost because of the drought.

Industrial Activity

Industrial kilowatt-hours used increased by 3.7 percent from the second to the third quarters of the year. Usage also increased by 4.5 percent from year to year. Most industrial use of electricity in La Plata County is to compress natural gas for transmission through gas pipelines.

Population

The number of residential electric meters increased by 0.3 percent from quarter to quarter and also increased by 2.1 percent as compared to the same quarter during the previous year. These numbers suggest that the population of La Plata County was continuing to grow during the third quarter of 2002, although perhaps at a slower rate than during previous years.

Finance

After adjustment for inflation, bank deposits in La Plata County increased by 5.3 percent from the second to the third quarters of the year. Bank deposits also showed a sharp 8.7 percent increase year over year. Deposit increases are a good indicator of the ability of local banks to make loans.

Fort Lewis College

Enrollment at Fort Lewis College showed a normal seasonal decline from the second to the third quarters of the year. Enrollment was almost unchanged from year to year. Several studies have shown that the college is responsible for about ten percent of the economic activity in La Plata County.

Construction

Construction activity decreased by 19.6 percent from quarter to quarter. However, on an annual basis construction increased by 14.0 percent. The wages of construction workers are generally higher than the wages of other workers in La Plata County. Strong construction activity has helped to offset the adverse effects of the drought and wildfires in La Plata County.

Energy Prices

The federal government's energy price index decreased by 5.9 percent from quarter to quarter and also decreased by 4.9 percent from year to year. Energy prices are important to La Plata County because the county is a major producer of natural gas. Rents and royalties, as well as property tax revenues associated with natural gas production, are very important to the local economy.

Real Estate

The median price of residential real estate in La Plata County, after adjustment for inflation, increased by 15.5 percent from the second to the third quarters of 2002. Prices also increased by 14.5 percent as compared to the same period during the previous year.

The Econometer is a newsletter on economic indicators of Southwest Colorado published by the Office of Economic Analysis and Business Research in the Fort Lewis College School of Business Administration. For information, contact:

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Small Business Development Centers: Your Local Small Business Resource

By Joe Keck, Director, Fort Lewis
College SBDC

As the recently hired new director (six months on the job) of the Fort Lewis College Small Business Development Center (SBDC), I'm pleased to provide an overview of our local SBDC and the Colorado SBDC network. Small Business Development Centers provide business assistance and training to existing and start-up businesses all over the nation. In 2001, SBDCs provided assistance to over 500,000 businesses across the nation. The Fort Lewis College SBDC is located within the Fort Lewis College School of Business Administration in the Education-Business Hall, Room 140. Much of my time is allocated to providing one-on-one small business counseling with existing and start-up businesses from throughout the region. For the first six months I have worked with approximately 100 clients from a broad cross section of businesses. Our local SBDC has also sponsored or co-sponsored, with public and private individuals and organizations, 5 small business workshops with approximately 120 participants. Workshops have covered a number of key business areas including marketing, small business start-up, and computer recycling opportunities. The SBDC approach is to help interested individuals and businesses to *self-educate* themselves by providing small business counseling and training opportunities.

The Fort Lewis College SBDC is a member of the Colorado Small Business Development Center Network, an organization which is dedicated to helping small businesses throughout Colorado achieve their goals of growth, expansion, innovation, increased productivity, management improvement and success.¹ The Small Business Development Centers (SBDCs) provide free one-on-one counseling to existing and prospective business owners throughout the State of Colorado. To

give you an idea of the magnitude of business services provided by the Colorado SBDC network, the following partial summary of SBDC activities during 2002 follows: 738 workshops, 8,711 attendees, 5,005 client cases, 16,778 hours of counseling, \$ 9,062,083 of loans assisted. This a partial listing as all centers have not reported.

SBDCs are funded through a partnership between the State of Colorado, the Small Business Administration (SBA), Colorado's institutions of higher education, local economic development organizations, chambers of commerce and local governments. The Fort Lewis College Small Business Development Center is funded through a partnership between the college, the Colorado Office of Economic Development & International Trade, the Small Business Administration (SBA) and the La Plata Economic Development Action Partnership. The Colorado SBDC Network includes 20 community based SBDC service-centers located throughout the State of Colorado. The Fort Lewis College SBDC provides business assistance services throughout the five (5) county area of southwestern Colorado identified as State Planning Region 9 (Archuleta, Dolores, La Plata, Montezuma, and San Juan counties). The Fort Lewis College SBDC could not function effectively without a working partnership with chambers of commerce, economic development organizations, local governments and private sector businesses and lending institutions. Several of the area chambers of commerce provide in-kind assistance by providing meeting room space and general support of the SBDC program.

SBDCs provide a variety of small business assistance including free one-on-one counseling services in the areas of business research and marketing, new business feasibility analysis, business plan preparation, finance package review, business legal structure

alternatives, review of SBA financing programs, business licensing and registration, and other small business topics. SBDCs can provide a one-stop center for addressing many small business needs. Several of the SBDCs in Colorado specialize by providing technical assistance in areas such as international trade, government procurement, manufacturing, home-based businesses, small business innovation/research grant applications, and technology resources. A number of the SBDCs provide assistance to forestry and agricultural related businesses.

Through a partnership with the US Forest Service a forest industry business planning module has been developed and is being used by SBDC counselors in working with forestry related start-up and existing businesses. Utilization of this business planning resource is available to area forestry related businesses by contacting the SBDC.

The SBDCs also offer extensive small business training through the Colorado Leading Edge Program (NxLevel) and other specialized workshops. The Leading Edge Programs include intensive 10-14 week business education training programs in entrepreneurship, business start-up, agricultural business, and youth entrepreneurship. Successful graduates of Leading Edge will have completed a comprehensive business plan for their business. Course content varies between each of these training areas but the general theme is to provide existing and prospective business owners with skills necessary to manage their businesses effectively. The NxLevel Entrepreneurial Training Program provides training in a number of key business management areas including: business legal structures; business goals and vision statements; understanding market research, market studies, advertising plans; developing and using cash flow statements, balance sheets, profit and loss statements; business insurance issues; business management issues; financing your business; and exit strategies for the business owner. The end product of the Leading Edge Program is business owners and managers with significantly enhanced business management skills. The NxLevel Entrepreneurial Training Program is best suited for existing business owners who are looking to improve the performance of their business. SBDCs can also provide seminars and workshops on locally relevant small business

(Continued on page 4)



SBDC

topics including small business financing options, business plan overview, marketing and market research, government procurement, international trade, small business innovation and research grants programs, etc. SBDC's also partner with existing private sector business training and consulting companies to provide specific training programs. If you or your organization has an unmet need regarding business training, please contact the SBDC.

SBDCs also belong to a national small business resource network called the Small Business Development Center National Information Clearinghouse. This organization maintains the sbdcnet, a network of small business resources from across the nation. The sbdcnet network provides information on most major business needs including getting started, demographics, company information, copyright/trademark, international trade, industry research, finance, e-commerce, home businesses, business human resources, business plans, marketing, government procurement, tax-accounting, etc. The Clearinghouse maintains a library of research completed on most major industries. The sbdcnet also maintains research on business/industry trends. Overall, the sbdcnet and the national clearinghouse provide a tremendous resource available to the small business owners through their local SBDC. SBDC directors and counselors can access the information over the sbdcnet to assist you in addressing your business needs. The National Clearinghouse also conducts database research should the information not be available in the existing network. SBDC counselors can submit requests for such research to be conducted to the National Clearinghouse. The National Clearinghouse can be a great resource to the small business owner/manager who wants to compare their business with industry standards, or who is having difficulty finding industry information. Updated State of the Industry reports are provided on a number of key industries. The sbdcnet is a partnership between the SBA, SBDC, the University of Texas @ San Antonio, and the Association of Small Business Development Centers.

The Association of Small Business Development Centers (ASBDC) is a national organization made up of SBDCs and business support organizations from around the country. The ASBDC is also an advocate and training organization for small business development centers. The ASBDC conduct's an annual national conference to provide training and education to SBDC directors and counselors to insure a well trained and competent business assistance network. Workshops include a variety of topics including business information resources, business planning models, demographic and market research database acquisition, business analysis techniques, etc. At the National ASBDC Conference held last September, I attended workshops on Advanced Financial Management, Cash Flow Projections for Start-ups, Using Census Data, etc.

In summary, SBDCs and the SBDC Network can assist your business to develop that competitive edge needed to accomplish your business growth and development goals. From business start-ups to exit strategies SBDCs can put you in touch with excellent resources so that you can make educated and well informed decisions. To contact the Fort Lewis College Small Business Development Center by phone call 970-247-7009 or email at sbdc@fortlewis.edu. The Center's web address is <http://soba.fortlewis.edu/sbdc>. The web site includes business planning and training resources as well as links to many relevant business resource sites.

¹ Colorado Office of Economic Development & International Trade, Small Business Development Centers, Web Page

ABOUT THE AUTHOR

Joe Keck is the Director of the Fort Lewis College Small Business Development Center. Joe has co-owned and operated small businesses in Cortez since 1993 and has worked in planning and economic development capacities with Colorado's Southern Ute and Ute Mountain Indian Tribes from 1977-1993. Joe is a 1975 graduate of Fort Lewis College. He has attended specialized training from the National Development Council's Economic Development Finance Professional Certification Program, the Hallmark Corporation's Advanced Retail Training Seminars (ARTS), and the Colorado Lending Sources' SBA 504 Loan Program. Joe currently serves on the Cortez City Council, the Region 9 Economic Development District Board, and the Colorado Aeronautical Board.

Visit the Econometer on the web at
<http://soba.fortlewis.edu/soba/econometer.html>

Articles published in the Econometer present only the opinions of the authors and do not represent the views of the School of Business Administration of Fort Lewis College.

Methodology

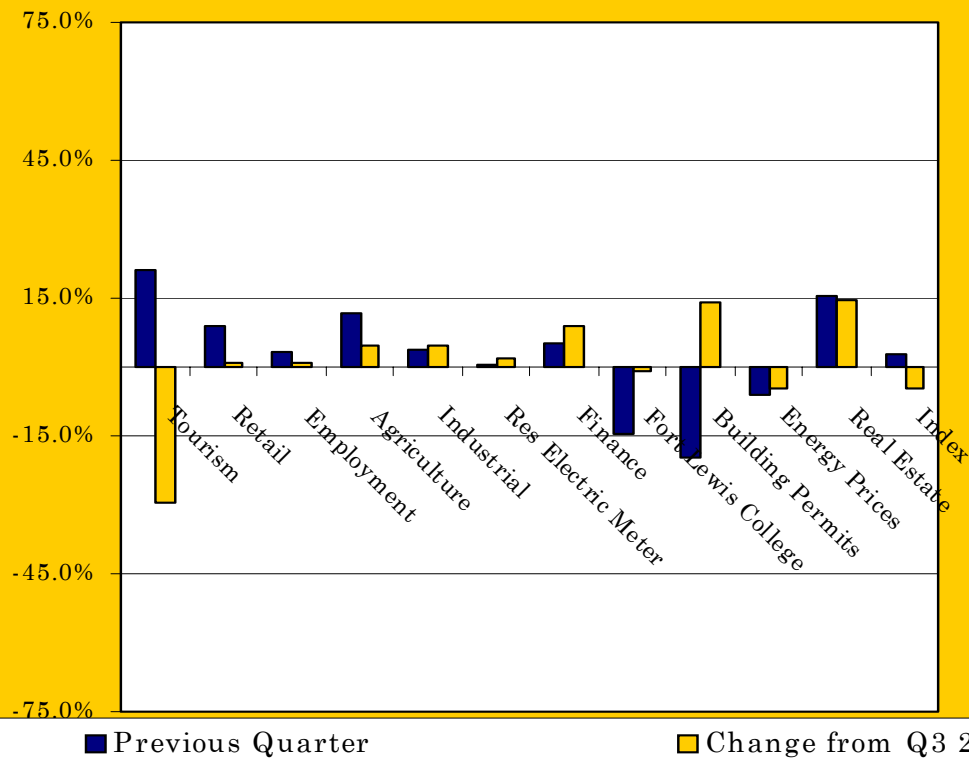
The base period for the Econometer Index is 1990. Data is developed on a quarterly basis, usually from monthly sources. Monetary data are adjusted to the 1990 price level so that analysis may be done in real terms. Weights used in the Index are: Tourism(.325), Retail Sales(.25), Employment(.05), Agriculture(.05), Industrial Kilowatt Hours(.025), FLC Enrollment(.10), Building Permits(.075), Energy Prices(.025), Residential Real Estate Prices(.025), Residential Electric meters(.025), Bank Deposits(.05).

Tourism includes train ridership, Mesa Verde visitors, and airport passenger activity. Agriculture includes calf and alfalfa hay prices.

The index is revised periodically to ensure that it accurately reflects the developing economy of Southwest Colorado.

Indicator	Previous Quarter	Change from Q3 2001
Tourism	20.9%	-29.6%
Retail	8.8%	1.1%
Employment	3.3%	0.8%
Agriculture	11.5%	4.7%
Industrial	3.7%	4.5%
Res Electric Meter	0.3%	2.1%
Finance	5.3%	8.7%
Fort Lewis College	-14.5%	-0.9%
Building Permits	-19.6%	14.0%
Energy Prices	-5.9%	-4.9%
Real Estate	15.5%	14.5%
Index	3.0%	-4.8%

Growth in Economic Indicators



Let me begin by commenting on the astounding success of the 11th Annual Southwest Business Forum. Over 160 people attended, including individuals from virtually every sector of our local economy. There were bankers, real estate agents, accountants, oil and gas company representatives, agricultural implement dealers, ranchers, city and county officials, hotel/motel property owners, and the list goes on to include all those decision makers who depend upon our economy for their business success and prosperity. It is truly gratifying to see the level of interest the community has shown in the Forum. Also, quite striking is the level to which the audience has risen in their sophistication of the understanding of the economic issues, challenges, and solutions to economic problems. Since Fort Lewis College is in the business of education I am personally delighted to see that we are helping to educate the community about economics. We are very pleased to provide this service and hope the community continues to feel that it is valuable. If you see Patty Burkholder, President of Wells Fargo Banks of Durango and Ignacio, I hope you will give her a big personal thank you for hosting the Forum. Without the banks support we could not provide the Forum so make sure you let the Wells Fargo folks know that it is valued and appreciated.

I hope you will also recognize the contribution of our speakers. Our own, Dr. Vern Lynch did his usual excellent job in helping us understand the dimensions of our local economy and how they are performing. Dr. Rich Wobbekind's data, information, and personal stories made his presentation a true delight. And Dr. Michael Swanson is one of the best I have ever seen at putting economic issues in an understandable context. It truly is a group of marvelous presenters. If you get a chance I hope you will thank them for their good work.

If you attended the Forum and read the [Econometer](#) you already know that Colorado and La Plata County are going through some tough times. But speaking

locally the diversification of our economy continues to help us get through tough times as certain sectors counterbalance each other—as one declines another may increase to offset the impact. Durangoans are resilient and tend to hang in there. Most of them have been through tough times before and will survive these difficult times. As you know from reading the papers Fort Lewis College has not been immune to economic woes. Ours are primarily caused from external factors particularly budget rescissions by the state due to declining tax revenue. We have already cut 1.25 million dollars from our base budget and it is quite possible more to come in the following year. However, I think the good news that we learned in the Forum was that the national and Colorado state economies have shown signs of a bottom formation with a possible upturn. Obviously tax revenues will lag behind the economic turnaround but there should be some good news on the tax revenue front in the not too distant future. Speaking for Fort Lewis College we are using this economic challenge to find ways of being more cost effective, while continuing to deliver a top quality educational service to our students. That is what you pay taxes and tuition for and that is what we will continue to do.

I hope you have read Joe Keck's excellent article on the Small Business Development Center located on the Fort Lewis College campus. We are very proud of our Center and Joe Keck is doing superb job of working with the community and meeting clients' r He has also assembled an impressive advisory board to keep us on track and enhance our links with the many counties and communities that we serve and as a result, we gain insights on how we might improve.

I hope you enjoyed this edition of the Econometer. We are pleased to be able to offer you information about your economy and how it is changing. Please accept my best wishes for economic prosperity and health as we go forward.

**Dean's
Corner**
By Skip Cave, Dean
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