

# Econometer

**A Newsletter of Economic Indicators in Southwest Colorado  
from the Fort Lewis College School of Business Administration  
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## ENERGY, CONSTRUCTION LEAD LOCAL ECONOMY DURING FIRST QUARTER

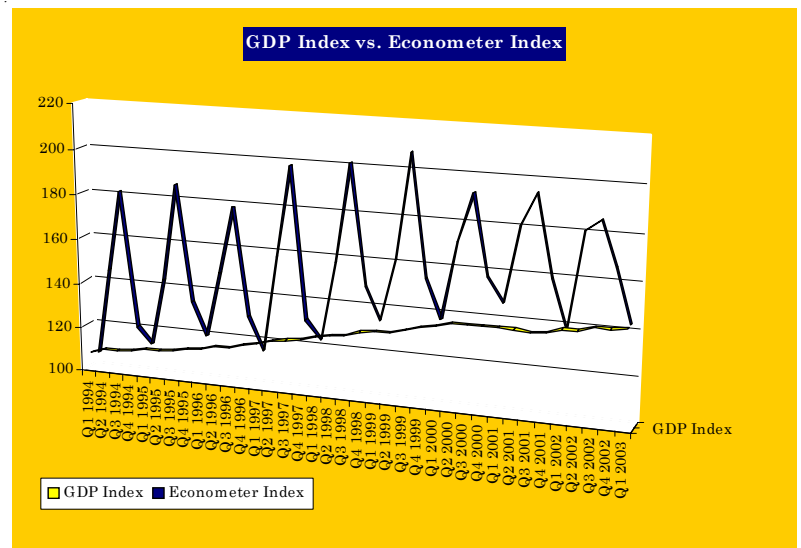
The La Plata County economy grew moderately during the first quarter of 2003, following similar expansion during the fourth quarter of 2002. The Econometer Index, which includes several sectors of the local economy, increased by 4.2 percent over the first quarter of 2002. The local economy has now expanded for six months since the period of flat or declining economic activity that occurred during the first three quarters of 2002.

The national economy continued to grow slowly during the first quarter of 2003. Inflation-adjusted Gross Domestic Product (GDP) increased at an annual rate of 1.9 percent during the first quarter, following growth at the rate of 1.4 percent during the fourth quarter of 2002. The slow growth in the nation's output was not rapid enough to require increases in employment. The unemployment rate of the nation's labor force was 5.8 percent in March 2003. The Consumer Price Index, the most widely-followed measure of inflation at the retail level, increased by 3.0 percent during the twelve months ending in March 2003. Residential construction was strong during the first quarter, but business investment declined. Many analysts believe that the economy will not experience sustained strong growth until business investment recovers from its current low levels.

The Colorado economy continued its poor performance during the first quarter of 2003. The unemployment rate of the state's labor force was 5.7 percent in March. Non-farm employment continued to decline throughout the first quarter. Both residential and non-residential construction in Colorado were significantly lower than year-earlier levels.

One benefit of the slow state economy is lower price inflation. The Denver-Boulder-Greeley consumer price index increased only 1.9 percent during 2002. The Colorado Economic Chronicle of the Colorado Legislative Council gave the state economy an overall rating of "weak" during the first quarter of 2003.

The graph that compares the Econometer Index of the local economy with the GDP of the United States shows the seasonal change of the local economy from the fourth quarter of 2002 to the first quarter of 2003. The year-to-year change of the local economy may be seen by comparing the index for the first quarter of 2003 to the index for the first quarter of 2002. The graph of the GDP Index shows the slow growth of GDP since the recession of 2001. Both the Econometer Index and the GDP Index are based on 1990, with an average value of 100 for that year.



On an annual, or year-to-year basis, the various sectors of the local economy displayed an uneven pattern during the first quarter of 2003. Sectors that were improved on an annual basis included energy prices, construction, bank deposits, employment, industrial activity, alfalfa hay prices, and population. Residential real estate prices, after adjustment for inflation, were stable. Posting year-to-year declines were tourism, calf prices, retail trade, and college enrollment.

The La Plata County economy is very seasonal, so that some sectors of the local economy fluctuate significantly during the course of the year. Sectors of the local economy which expanded from the fourth quarter of 2002 to the first quarter of 2003 included energy prices, calf prices, and population. Declining on a quarter-to-quarter basis were construction, tourism, retail sales, college enrollment, residential real estate, industrial activity, and alfalfa hay prices. Bank deposits and employment were stable from quarter to quarter.

# Economic Indicators

## Tourism

Tourism measures showed decreases from the fourth quarter of 2002 to the first quarter of 2003. Also, on a year-to-year basis tourism measures fell by more than twelve percent. Uncertainty concerning the international situation probably contributed to the weak performance of the tourism sector.

## Retailing

Retail sales, after adjustment for inflation, decreased seasonally by more than fifteen percent. On a year-to-year basis retail sales fell by 1.7 percent after adjustment for inflation. The year-to-year decline may also have been due to the preoccupation of consumers with the international situation.

## 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 decreased very slightly from the fourth quarter of 2002 to the first quarter of 2003 and increased by 7.3 percent from the first quarter of 2002 to the first quarter of 2003.

## Agriculture

Agricultural prices were mixed during the first quarter of 2003. Calf prices increased by 0.5 percent from quarter to quarter but fell 7.8 percent year over year. In contrast alfalfa hay prices fell by 4.3 percent from quarter to quarter but increased by 2.3 percent on an annual basis.

## Industrial Activity

Industrial kilowatt-hours used fell by 4.7 percent from the fourth quarter of 2002 to the first quarter of 2003. On a year-over-year basis usage increased by 5.4 percent. Most industrial usage of electricity in La Plata County is to compress natural gas for transmission through gas pipelines.

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:

Dr. Vernon Lynch, Director  
Office of Economic Analysis & Business Research  
E-mail: [lynch\\_v@fortlewis.edu](mailto:lynch_v@fortlewis.edu)



School of Business Administration  
1000 Rim Drive, EBH Building  
Durango, Colorado 81301-3999  
Web Address: [soba.fortlewis.edu](http://soba.fortlewis.edu)  
Phone: (970)-247-7404

## Tourism Indicators First Quarter 2003

Indicator	Number	Percentage Change from Previous Year
Mesa Verde Nat'l Park	22,191	-14.9%
Durango & Silverton Narrow Gauge Railroad	7,412	-24.8%
Durango-La Plata County Airport	24,890	-8.9%
Durango Mtn Resort (2002-2003 Season)	264,000	5.4%

## Population

The number of residential electric meters in La Plata County increased by 0.7 percent on a quarterly basis, and also increased by 1.9 percent from the first quarter of 2002 to the first quarter of 2003. The annual increase in the number of residential electric meters suggests that the population of La Plata County is continuing to grow.

## Finance

After adjustment for inflation, bank deposits in La Plata County fell slightly from quarter to quarter but increased strongly, by 7.4 percent, on a year-over-year basis. Bank deposits are an important indicator of the economic health of the community as well as an indicator of the ability of local banks to make loans.

## Fort Lewis College

Enrollment at Fort Lewis College showed a normal seasonal decline during the first quarter of 2003 as the college made the transition from the Fall to the Winter trimesters. On an annual basis, enrollment decreased by 1.6 percent, probably due to a gradual improvement of admissions standards. 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 seasonally during the first quarter of the year. On an annual basis, after adjustment for inflation, the value of construction increased by 26.8 percent.

## Energy Prices

The federal government's energy price index increased by 36.1 percent from the fourth quarter of 2002 to the first quarter of 2003. The index increased by 98.4 percent from the first quarter of 2002 to the first quarter of 2003. Energy prices are known to be volatile. Energy prices are of significance 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, fell by 6.7 percent from quarter to quarter. Prices were stable from year to year.

# Small Business Planning for Fun and Profit!

By Terry Tannehill  
Visiting Instructor  
Fort Lewis College

Why does it seem that most small business owners resist preparing a written business plan? Yes, planning is a pain! But it won't compare to the pain you'll feel in your business without creating a business plan first. If you haven't written your plan yet your business is still in its fantasy stages.

Studies conducted by SBDC (Small Business Development Center) indicated that over 50% of all small business failures are the result of not having a comprehensive written business plan.

If you were driving from Durango to North Conway, NH the first information you would want would be detailed maps to get you there in the most efficient manner. You might even join AAA (American Automobile Association) to obtain a trip ticket which would help you avoid highway construction, high traffic congestion areas, etc. A business plan is your road map for how you expect to succeed and how you'll measure that success.

Your business plan is the main document that lenders such as banks, investors and the Small Business Administration use in deciding to lend you money. It can also be used to establish key supplier relations.

Before you begin, consider that most business people don't know what goes into a business plan and how to use it. Business planners say it's easier to put together a business plan if you view it as a battle plan, one that includes any and all known threats and dangers. Think of your business plan as guide through an unfriendly environment. The place you want to fail is on paper. It is important to pay attention to why your business might not work.

Here is a guide to what you will need in your company's business plan:

- **An executive summary outlining your goals and objectives.**

The executive summary introduces your business strategy and probably is the most important section for lending institutions. If you can't persuade a loan officer in the first two to three pages that you have a viable business proposal, you're going to leave empty-handed.

This section is also important as a communication tool for employees, suppliers and potential customers who need to understand, and get behind, your ideas.

Write this summary last. It is two to three pages of highlights.

- **A brief account of how the company began.**

Clearly explain the origins behind the company's creation, legal description, ownership and how you came up with the idea to start your business.

- **Your company's goals.**

Explain in a few paragraphs your short and long-term goals for the company. How fast do you think it will grow? Who will be your primary customers? Be as specific as possible.

- **Biographies of the management team.**

This management section should include the names and backgrounds of lead members of your management team and their respective responsibilities.

- **The services or products you plan to offer.**

Here you want to include a detailed description of your products or services. Focus on customer benefits and value. This is a good section to prepare an analysis of key competitors and how you differentiate your business from them. What are your sustainable advantages over competition?



- **The market potential for your products or services.**

Here you've got to convince lenders, employees and others that the market you are after is relatively large, viable and growing. What is your market size? What are the market growth rates? What market share do you expect? When? There are many good sources on the Internet to help you with this section.

- **A marketing strategy.**

How do you plan to tell the world that you are open for business? Will you advertise in print, television or on the Web? Will you use online marketing tools to get your company listed on search engines and advertised on other Web sites. What are your pricing strategies? Do you plan to sell direct to your customers or use established distribution channels? You will also need to include how much you plan to spend on marketing.

- **A three-to-five year financial projection.**

This section needs to include a summary of your financial forecast, with spreadsheets showing the assumptions and formula used to reach your projections. You will need balance sheets, income statements and cash-flow projections for the entire forecast period. The first year of the projections should be in monthly detail. The summary in this section is where you would tell prospective lenders how much money you would like to borrow to cover your operating costs. The assumptions that you make in this section will make or break your company's success. If you are unsure about using this kind of modeling, find a professional. It's worth the money.

(Continued on page 4)

## Small Business Planning

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- **An exit strategy.**

All good business plans include a section that lays out the benchmarks you'll use in deciding to call it quits. The strategy can be based on a dollar figure of profit, revenue growth, the market's reception to your idea or a consensus among management.

It takes three to five years to develop a sustainable customer base, market a product or service effectively and to work out the kinks in the business' operations. Each year complete a business exam, comparing your actual results against your projections. If you're hitting your numbers, great-stay on course. If not, track back through your business plan to see if you can identify what is holding you back.

So where do you go to start your business plan? There are many excellent business planning sources:

- The Small Business Development Center at Fort Lewis College right here in Durango has a wide variety of offerings to help entrepreneurs get started on developing a business plan. Check out the SBDC Web site at <http://soba.fortlewis.edu/sbdc/>
- The national Small Business Development Center is another good source for business plans. Their Web site is <http://sbdcnet.utsa.edu/>.
- Search engines such as Google and Webcrawler can provide a list of excellent sites for business planning information. Just type in "business plans" and go search.

So why not get started with your written business plan now! Most of the really important information is in your head. You have been thinking about your business for a long time. Set aside a few hours each day for a week and start getting everything into the computer. Wouldn't it be nice to not only know where your business is going, but to also measure how successful it has been?

## ABOUT THE AUTHOR

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Terry Tannehill has had a varied career. He was President & CEO of Hunter Fan Company during the resurgence of the ceiling fan industry. For ten years he owned and operated a top rated New England country inn and ski resort. He spent three years as Executive Director of Friends of Conservation, an affiliate company of Abercrombie & Kent, which operated wildlife conservation programs in East Africa. Among the courses he teaches at Fort Lewis College are economics and tourism and management. He is a graduate of Georgetown University with a BS Economics and a Masters in Business Administration from the Wharton Graduate School, University of Pennsylvania.

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

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## Methodology

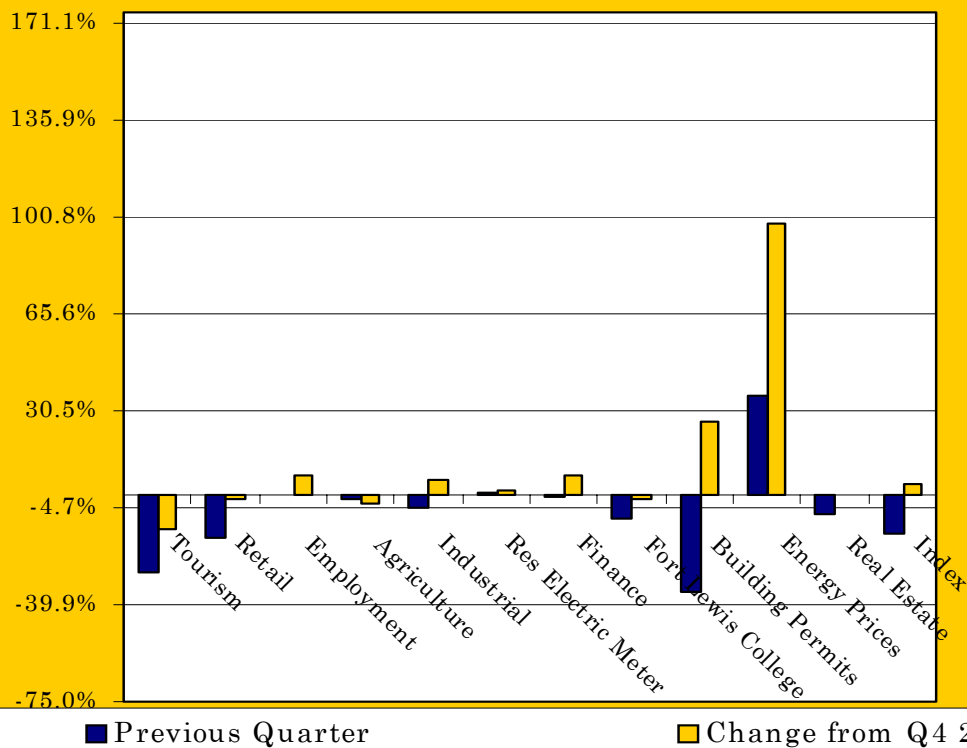
The base period for the Econometer Index is 1990. Data is developed on a quarterly basis, usually from monthly sources. Monetary data are adjusted to the 1990 price level so that analysis may be done in real terms. Weights used in the Index are: Tourism(.325), Retail Sales(.25), Employment(.05), Agriculture(.05), 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 Q4 2001
Tourism	-28.0%	-12.4%
Retail	-15.7%	-1.7%
Employment	-0.1%	7.3%
Agriculture	-1.9%	-2.8%
Industrial	-4.7%	5.4%
Res Electric Meter	0.7%	1.9%
Finance	-0.5%	7.4%
Fort Lewis College	-8.9%	-1.6%
Building Permits	-35.2%	26.8%
Energy Prices	36.1%	98.4%
Real Estate	-6.7%	0.1%
Index	-13.8%	4.2%

### Growth in Economic Indicators





This quarter's economic report requires some dissecting in order to be appropriately understood. It is certainly nice to see that our overall measure of the local economy as measured by the Econometer index increased by 4.2%. However, this single number masks some extremely significant variations in individual sectors. I know I have said this many times before but we are certainly blessed to have a diverse economy.

There were clearly strong gainers and losers in the economic equation. The biggest loser, tourism, is probably no surprise to anyone, having declined by 12.4% year-to-year. Other declines included Fort Lewis College, agriculture, and retail. The enormous gainer was energy where prices almost doubled year-over-year and building permits came in at a whopping 26.8% increase. It is clear that energy prices and construction continue to support our local economy by the infusion of employment and income for individual spending.

The substantial impact of increased bank deposits may continue to be related to the flight to safety by investors who have not been pleased with their results in the stock markets. One could anticipate that this number may decline if the current rebound in equity markets continues. The arrival of some timely snowfall helped Durango Mountain Resort and provided some relief from the drought. The agricultural community is enjoying a better water year than last and with irrigation pumps and the hot weather the hay is growing. But we desperately need more moisture soon to curb the drought and head off potential wildfires. That is well worth praying for.

To give you an update on the College situation, we were significantly challenged by state budgetary rescissions in the neighborhood of \$4,000,000. However, through creativity and hard work the College administration, working in cooperation with faculty and staff, and the new board of trustees, has been able to meet the challenge without eroding the quality of the educational product delivered to our students. We are indeed fortunate to have built up the campus at a time when funds were available. Even though there are components of the campus

which need repair and maintenance, the overall facility is magnificently beautiful and in wonderful condition. This positions us very nicely for the future because the physical attractiveness of the campus and the new buildings create a wonderful learning atmosphere which is attractive to faculty, staff, and students alike. While we do not have any recent reports on the state's intentions to further adjust downward the budgets for higher education if no further drastic cuts are made the College should be a strong position as fiscal recovery occurs. There are signs at the national level that the economy is improving and Colorado should participate in that recovery. Clearly people continue to find Colorado and Durango in particular attractive. This should bode well for the community as well as for the College.

On a final note I attended the the Leading Edge participants last night in the School of Business Administration Lupien board room. For those of you that don't know, the Leading Edge program is put on by the Small Business Development Center that is run by Joe Keck. The program teaches start-up and continuing small business owners who are upgrading their skills in planning, finance, marketing, and all the other critical functions of business. It was truly gratifying to listen to each of these entrepreneurs tell their story of how the course and curriculum had helped them prosper in their businesses. These entrepreneurs came from Cortez, Pagosa Springs, Durango, and other outlying areas. All of them were particularly impressed by what they had learned and talked about how it would assist them making their businesses successful. I note this in the context of *Econometer* because these small businesses are the ultimate long term drivers of local, regional, and national economies. These are the types of businesses that create new jobs, new opportunities, new wealth, and a new tax base for our economy. These types of enterprises are the true heartbeat of America and a substantial component of the American dream. As I participated in the program I also thought that if it weren't for community support the program might not exist. So let me close by again thanking the community for all the wonderful support for the College, the School of Business Administration, and in this case, the Small Business Development Center, and the Office of Economic Analysis and Business Research that produces this publication. Your continued help and support of our mission is deeply appreciated.



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Durango, Colorado 81301-3999  
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