10TH ANNIVERSARY EDITION

SIERRA VISTA ECONOMIC FOCUS

2003 • 2004

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Reflections

KEN JONES, DIRECTOR
Cochise College
Center for Economic Research

It is hard to believe that this publication already marks the 10th anniversary of the Sierra Vista Economic Focus Luncheon and the 10th anniversary of the Sierra Vista Economic Focus booklet.

After bringing together a group of business and community leaders from Sierra Vista in the early spring of 1995, the first economic luncheon was held a short time later on April 26. That first year, 120 people gathered for what was to become an annual review of the past year and a forecast for the coming year's economy in Sierra Vista. Little did anyone know that the luncheon would become such a popular event. Today the luncheon draws well over 300 people with registration often selling out weeks prior to the luncheon. A lot has happened in the city over those 10 years, and we will review some of the highlights of the Sierra Vista economy during that time.

Both nationally and locally, the economy appears to be headed in the right direction. Economic indicators from fall 2003 point to a strengthening economy. Employment, a lagging indicator, continues to be the one spot in the economy that still draws concern. The third-quarter gross domestic product (GDP), the measure of the nation's output, showed a robust 8.2 percent annual growth rate. Preliminary estimates for fourth-quarter GDP show output at an annual growth rate of 4.0 percent. After three years of losses, the stock market posted gains, with the Dow Jones Industrial Average gaining 25 percent and NASDAQ up by 50 percent. Through all of this, inflation has remained a non-issue with an annual rate falling under 3 percent.

Although the Federal Reserve moved the federal funds rate down to 1.0 percent in June, look for interest rates to begin moving upward during 2004. The low interest rates have continued to fuel momentum in the housing market, both nationally and locally. Any action by the Fed to raise interest rates during the year is certain to have an impact on housing activity.

Locally, the war in Iraq and renewed threats of terrorism during the first half of 2003 had a marked effect. With the impending war in Iraq, unemployment rates across Cochise County began to rise. Cochise County cities – with the exception of Sierra Vista – saw retail sales and restaurant and bar activity slow during the first six months of the year. During this same period, a marked decline in border crossing activity was also noticed. With such a heavy dependence on shopping by our neighbors to the south, it was no surprise that along with a decline in border crossing activity came weakened sales. Along with a slowing of border crossing activity came a slow-down in tourism, as both hotel/motel receipts and park visitations across Cochise County were down during the year. The weaker-than-expected tourism activity was not unique to Cochise County, as it was also felt across the nation.

Expect 2004 to be a better year economically – at least locally – as retail sales strengthen and jobless rates dip. With the next round of Base Realignment and Closures (BRAC) set for 2005, look for the city and county to continue its efforts toward securing a strong future for Fort Huachuca. One area that BRAC may impact locally this year is the number of commercial building permits. Until the next round of BRAC is decided, some commercial establishments may postpone their decisions to locate and build in the area. New commercial construction was low in 2003, and it is believed that some of the cause can be attributed to the pending BRAC decision. All in all, look for a sound and strong year for the economy in Sierra Vista.

10TH
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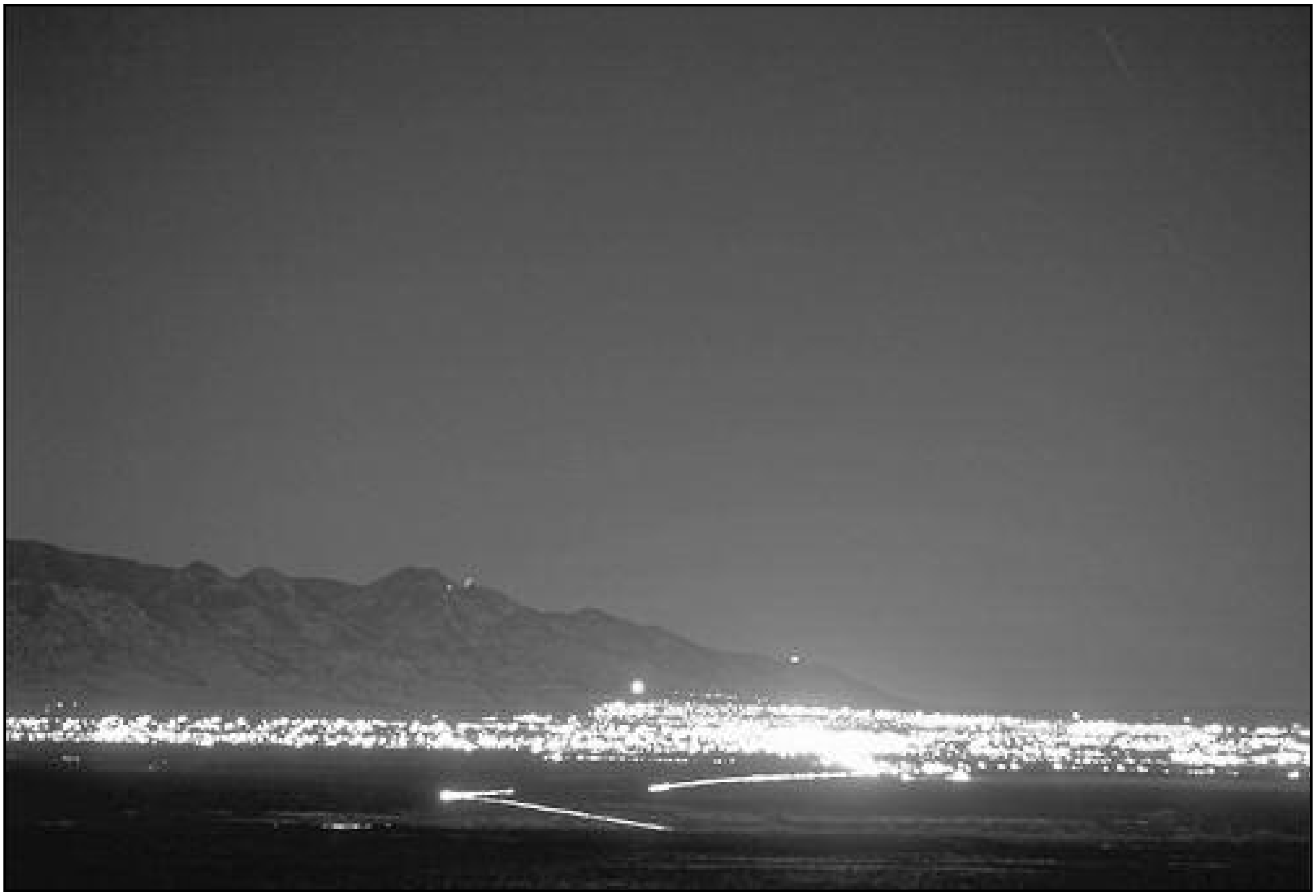


Lights of Sierra Vista glow in the evening sky. Photo: Courtesy of Sierra Vista Convention and Visitors Bureau.

Economic Focus Celebrates 10 Years: Sierra Vista Highlights

The past decade has been an auspicious one for Sierra Vista's economy. Below is an overview of the major events that have occurred in Sierra Vista over the past 10 years.

On March 9, 1995, the Arizona Board of Regents voted unanimously to designate the Sierra Vista Campus as an official branch campus of the University of Arizona. This designation permitted the University of Arizona Sierra Vista Campus, now the University of Arizona South, to request separate line funding from the Arizona Legislature, allowing the campus to expand its degree programs and service availability to southern Arizona and northern Mexico.

In 1996, Castle & Cooke broke ground on Winterhaven, an age-restricted, gated community of single-family homes bordering the 18-hole golf course located in Country Club Estates. Also in 1996, the 40-room Best Western Mission Inn opened its doors. Target, the city's third discount department store, opened in what is now the Crossroads Shopping Center.

In 1997, Federal Express opened its 18,500-square-foot facility in the Crossroads Commerce Center. That same year, Fry's Food and Drug Store opened a 40,000-square-foot store. Fry's is one of the county's top employers with approximately 150 employees. Montego Bay, a 192-unit, multi-family apartment complex was completed and began leasing.

In 1999, Aegis Communications, now the eighth largest employer in the county, expanded into Sierra Vista. That same year, Gateway Studio Suites opened, making it the only all-suite hotel in Sierra Vista. In October, the 400,000-square-foot Mall at Sierra Vista was completed. The mall is home to more than 50 businesses, including retail giants Sears and Dillard's – each employing more than 100 persons. Another major event affecting Sierra Vista's economy occurred in November with the opening of Kartchner Caverns State Park, 19 miles north of the city. The caverns draw thousands of visitors each month; many visitors are from outside the county and state and subsequently visit other attractions in the area. This contributes to various sectors of

The city's population rose from 36,855 in 1994 to 40,430 in 2003 - a 9.7 percent increase.

Sierra Vista's economy, particularly tourism and retail and trade.

In November 2000, the Arizona Department of Transportation completed the widening of Highway 90 between Sierra Vista and Benson. This improvement makes the trip from Interstate 10 to Sierra Vista a much more attractive option than it was previously, encouraging travelers – particularly visitors to Kartchner Caverns – to visit Sierra Vista.

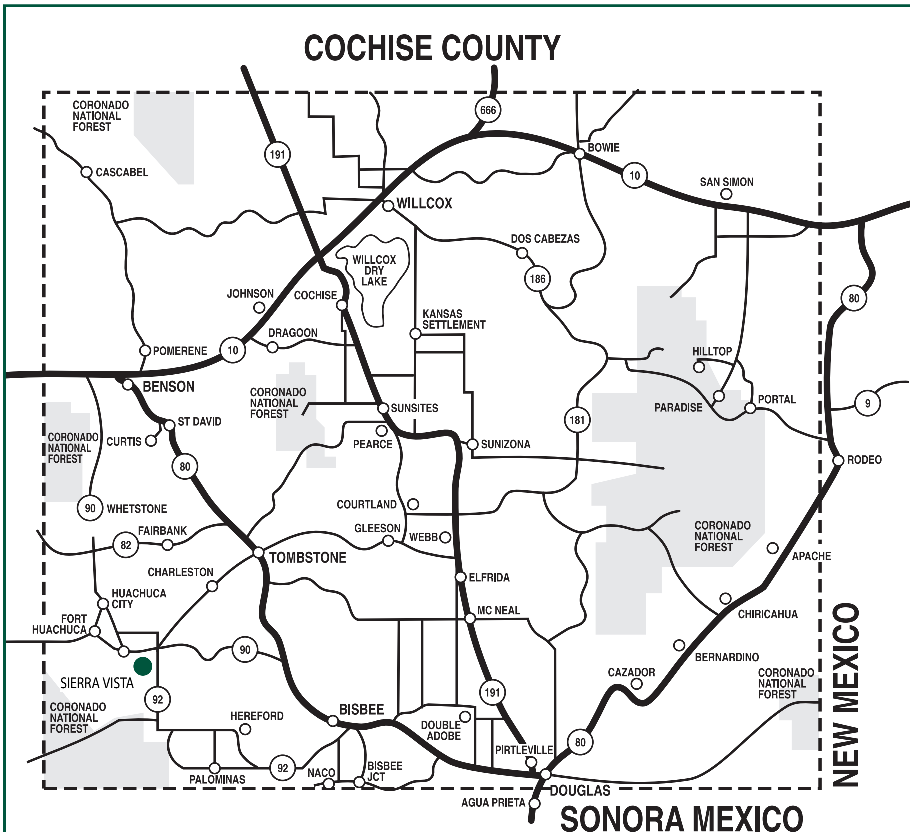
In February 2002, The Cove – Sierra Vista's $6.7 million indoor aquatic center – opened for business. Also in 2002, the Sierra Vista Regional Health Center (SVRHC) completed construction of a medical office building on the city's far east side, providing 30,000 square feet of additional professional office space. SVRHC also opened an ambulatory surgery center that doubled its surgical capacity. The opening of the county's first Home Depot came later in the year, adding approximately 135 jobs to the Sierra Vista area.

During the period 2002 to 2003, Sierra Vista saw the opening of three popular casual dining restaurants – Chili's, Outback Steakhouse, and Applebee's. In May 2003, Arizona Express Airlines returned commercial air service to the city. The airline provides daily service to and from Sky Harbor International Airport in Phoenix. Also in 2003, construction began on the Port Royale Apartments, a 250-unit luxury apartment complex. Late in the year, we saw the opening of Marshall's in Plaza Vista and the new 67-room Fairfield Inn & Suites by Marriott next to The Mall at Sierra Vista.

These events have contributed significantly to Sierra Vista's economic growth over the past decade.

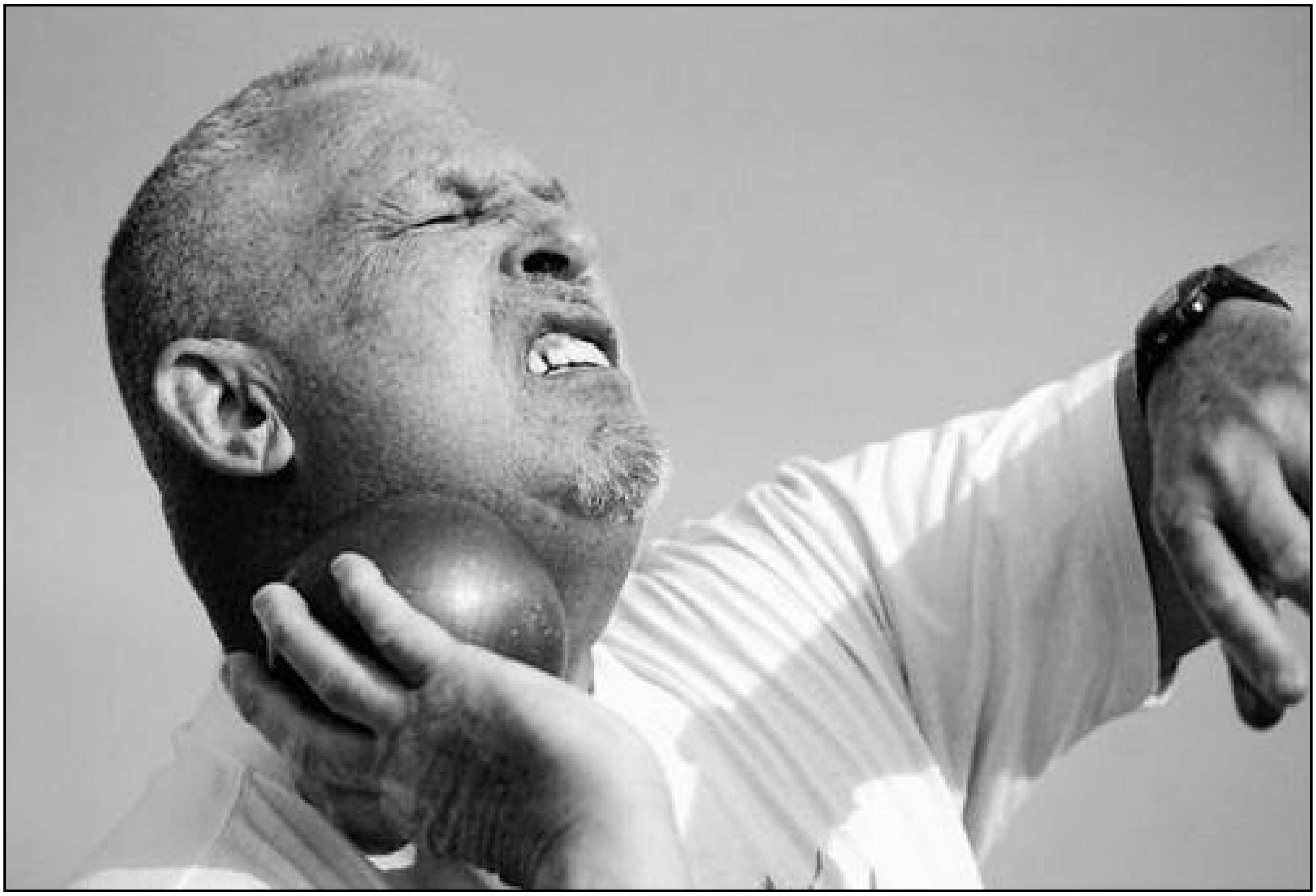
If the past 10 years have sounded busy, consider the fact that:

- The city's population rose from 36,855 in 1994 to 40,430 in 2003 - a 9.7 percent increase.
- The city's labor force moved from 14,477 in 1994 to 16,237 in 2003, an increase of 12.2 percent.
- Average unemployment has declined from 8.3 percent in 1994 to 4.0 in 2003.
- Retail sales have increased 91.4 percent in the past 10 years, moving from $212,590,253 to $406,888,567.
- Restaurant and bar sales have also increased, rising 77.1 percent from $27,913,810 to $49,436,483.
- Total taxable sales have increased 93.7 percent from $359,641,096 to $696,687,518.
- Between 1994 and 2003, a total of 2,913 single-family new home permits have been issued within the city.
- For the same period, the average price of an existing home sold went from $93,640 to $144,059, up 53.8 percent.
- 116 new commercial permits have been issued at a total value of $117,229,441 over the decade.



DISTANCE TO MAJOR WESTERN CITIES

CITY	MILES
Albuquerque, New Mexico	425
Dallas, Texas	947
Denver, Colorado	875
El Paso, Texas	318
Flagstaff, Arizona	339
Las Vegas, Nevada	469
Los Angeles, California	587
Phoenix, Arizona	186
Tucson, Arizona	70
Salt Lake City, Utah	948
San Diego, California	518



A determined Bob Beck from Tucson prepares throw the shot put during competition at the Senior Games at Loveless Stadium. Photo: Mark Levy Herald/Review

Becoming Sierra Vista *By Ethel Jackson Price*

An earthquake. Forest fires. Changing borders. A small U.S. Army post established to protect an influx of settlers. Whatever sparse community existed in the southeastern corner of what would become Arizona, its residents were too far-flung to be considered a town, and, yet, they'd be affected by all of these. Eventually, the diverse collection of adventurous pioneers – some rather colorful – would become first a frontier 'string-town' along the eastern perimeters of Fort Huachuca. It would take years to become the forward-thinking and richly diverse community of today, years that included the deactivation and reactivation (twice) of the military post now listed as the largest employer in Cochise County.

Has it always been called Sierra Vista? No. Until 1956, it was a collection of widely-spaced communities with names like Hawes, Tanner Canyon, Papingo, Overton, Garden Canyon, Buena, Fry, White City, and Hook (each with a reason). So where did the name Sierra Vista come from? Unfortunately, highly respected writers have perpetuated a story that involves the name 'Fry' and the area's hot summers. That version was merely a joke told to outsiders.

What really happened is that, almost 50 years ago, a name was needed to complete incorporation. Suggestions, some obscure and some not, were made. Marie Pfister Storment, the first city clerk, accepted them. Soon, word came back from Phoenix that incorporation was approved if the city had a name. A final tally of the mail-in votes was handled, and reported, by Nola Walker (who still lives in the city). Voila! Sierra Vista – now 48 years old – was born.

As with any community, this young city is actually a sum total of its people, who they are (or were) and what they've done. To discover 'who,' one might start in the northwest corner (the part that some want to designate as historical) and check the street names. There's Carmichael – a most important name, of course – and Hegge, Freihage, Kayetan, Martin, etc. There's Fry, a name of definite significance; cross it and head east to find Fab, Wilcox, Coronado, Moorman – and more. Lots more. They're all people, real people whose names are forever a part of Sierra Vista's history.

Along the way, an interesting situation developed. Again, in checking the streets (and addresses), it's quite obvious that the then-city fathers did not anticipate substantial growth. They did not know the number of people who would heed the siren song of the mountains. So Fry Boulevard is the dividing line between north and south addresses. And, unbelievable as it may seem to newcomers, 7th Street is the east-west divider.

Because it can't grow west (well, it once did, sort of, but that's another story), a relatively small part of the city is historically called the West End. Let's just say, for all practical purposes, that the western city limits are fixed at Fort Huachuca's eastern boundaries. Similarly, it can't grow north because both Fort Huachuca and Huachuca City are in the way. So what's left? East. And southeast.

That's where businesses have migrated, new ones been established, and residential areas built. As a result, though a certain portion of the city retains the title, downtown has – for all practical purposes – moved to what some jokingly call The Big Intersection. However, the West End still exists right where it's always been.

Sierra Vista will continue to evolve. Change is inevitable (though somewhat manageable). Predictions are that the city will continue to add richness through cultural diversity, economic growth, a uniquely symbiotic relationship with Fort Huachuca, and its people, who make it what it is.

Ethel Jackson Price published a book titled *"Sierra Vista: Young City with a Past"* in 2003, which is available in local bookstores.

SIERRA VISTA WEATHER

MONTH	AVERAGE TEMPERATURE MAX.	AVERAGE TEMPERATURE MIN.	AVERAGE TOTAL (IN.) PRECIPITATIO
January	58.4	34.2	0.74
February	61.1	36.2	0.57
March	66	40.1	0.54
April	73.8	47.2	0.18
May	82	55	0.07
June	89.8	64.1	0.38
July	88.6	66.4	4.49
August	86	64.6	3.88
September	84.3	61	1.61
October	77.3	51.9	0.74
November	6.7	41.3	0.44
December	59.8	35.8	1.00
Year	74.4	49.8	14.64

Source: Arizona Department of Commerce; City of Sierra Vista

Climate

In addition to the outstanding scenery surrounding Sierra Vista, visitors and residents enjoy a moderate climate. The 30-year average monthly temperatures testify to the attractiveness of Sierra Vista.

Education System

According to the December 16, 2002, district enrollment report, Sierra Vista Public Schools serve a total enrollment of 6,686 students. The six elementary schools have a combined enrollment of 2,500 students, while two middle schools enroll 1,609, and Buena High School enrolls 2,577 students. The school district has a full program for students with special needs. At all levels, activities meet the various interests of diverse students. Interscholastic competition is available at the middle schools and high school.

Cochise College and the University of Arizona South also serve Sierra Vista. As of fall 2003, the Cochise College Sierra Vista Campus had a student population of 2,368 students. Full-time student equivalents (FTSE) totaled 1,087 for the fall semester.

The University of Arizona South (UAS) offers students the opportunity to complete four-year degrees in the Sierra Vista area. In addition to the campus located in Sierra Vista, UAS offers programs in the Douglas community and has plans for future expansion. The student population at UAS is

POPULATION PROFILE

	COUNTY	% CHANGE	SIERRA VISTA	% CHANGE
1960	55,039	74.8%	3,121	
1970	62,800	14.1%	6,689	114.3%
1980	86,300	37.4%	24,937	272.8%
1990	97,800	13.3%	32,983	32.3%
2000	117,755	20.4%	37,775	14.5%
2001*	121,435	3.1%	38,740	2.6%
2002*	124,040	2.1%	40,415	4.3%
2003*	126,160	1.7%	40,430	0.0%

Source: U.S. Census Bureau
*Based on mid-year estimates from Department of Economic Security

POPULATION CENSUS BY AGE GROUP

AGE GROUP	SIERRA VISTA 1990	SIERRA VISTA 2000	PERCENTAGE CHANGE	COCHISE COUNTY 1990	COCHISE COUNTY 2000	PERCENTAGE CHANGE
5 and under	2,951	2,906	-1.5%	7,519	7,966	5.9%
5-19	7,618	8,381	10.0%	22,990	26,700	16.1%
20-34	9,740	9,203	-5.5%	21,988	21,272	-3.3%
35-54	8,018	9,348	16.6%	23,601	31,970	35.5%
55-64	2,255	3,363	49.1%	9,070	12,482	37.6%
65 and over	2,401	4,574	90.5%	12,456	17,365	39.4%
Median Age	28.7	32.0		32.6	36.9	

Source: U.S. Census Bureau

continuing its annual growth. As of fall 2003, UAS had 776 students. College programs also are offered through the University of Phoenix, Western International University, and Wayland Baptist University.

Population Profile

Population data for Sierra Vista from Census 2000 showed Sierra Vista had an official population of 37,775. Census figures put the population of the unincorporated area just to the east and south of the city at 14,348. This area is often referred to as Sierra Vista Southeast. According to the 1990 Census, Sierra Vista had a population of 32,983. Over the past decade, the city experienced a 14.5 percent increase in population. Based on Census 2000 information, Sierra Vista was the 13th largest city of 87 incorporated cities in Arizona. During the 1990s, Sierra Vista was the 57th fastest growing city of 87 incorporated cities in the state. Based on information from the past decade, population growth in Sierra Vista is best described as moderate.

The mid-year 2003 population estimate for Sierra Vista was 40,430. The Department of Economic Security (DES) in Phoenix provides mid-year population estimates. This population estimate puts Sierra Vista at a 7.0 percent growth rate since Census 2000 figures were gathered and having no growth since mid-year 2002 estimates. Based on mid-year 2003 population estimates, Sierra Vista is the 15th largest and the 42nd fastest growing incorporated city in Arizona.

The population of Cochise County grew by 20.4 percent between the 1990 and 2000 census, from 97,800 to 117,775. Much of the population growth across Cochise County has been in the unincorporated areas. In the 1990s, the unincorporated areas of Cochise County grew at a rate of 35.8 percent, while the incorporated areas of the county grew at a rate of 12.1 percent. The mid-year 2003 population estimates by DES put Cochise County at 126,160, an increase of 7.1 percent since Census 2000 figures were collected. Of the 15 counties in Arizona, Cochise County is both the eighth largest and the eighth fastest growing.

Approximately 31 percent of the Cochise County population is classified as ethnic Hispanic. According to Census 2000 information, Hispanics account for 16.5 percent of Sierra Vista's population. In Sierra Vista, 65.4 percent of the population is classified as white. In Cochise County, that figure is 60.1 percent. Both figures represent a reporting of non-Hispanic or Latino for ethnicity. According to Census 2000 figures, Sierra Vista has 13,055 individuals classified as minority population, or 34.6 percent. Within the city, 50.2 percent of residents are male, and 49.8 percent are female.

The fastest-growing age group in Sierra Vista is 65 years and older, growing at 90.5 percent during the past decade. During the decade between 1980 and 1990, this age group grew at 200 percent. The next fastest growing age group is those 55 to 64 years of age, growing at a rate of 49.1 percent. Over the past decade, two age groups actually showed a decline in population. The age group 20 through 34 years of age declined 5.5 percent, while the group 5 years of age and younger declined 1.5 percent. Sierra Vista, like many cities across the country, finds itself with an aging population base. In 1990, the median age was 28.7. By the year 2000, the median age in Sierra Vista was 32 years of age. Cochise County has an even older population with a median of 36.9 years. The median age is the age at which half the population is older and half the population is younger.

Sierra Vista has a total of 15,685 housing units. Of this total, 14,196 dwellings are occupied. As of Census 2000, Sierra Vista had an average of 2.48 persons per household. Of the population aged 25 years and older, 91.5 percent have at least a high school diploma, and 25.7 percent have a bachelor's degree or higher.

POPULATION BY RACE AND HISPANIC OR LATINO ORIGIN

	SIERRA VISTA	COCHISE COUNTY
Total Population	37,775	117,755
White Not Hispanic or Latino	24,720	70,754
Black or African American Not Hispanic or Latino	3,943	5,062
Hispanic or Latino	5,971	36,134
American Indian or Alaska Native Not Hispanic or Latino	247	978
Asian Not Hispanic or Latino	1,317	1,876
Native Hawaiian & Other Pacific Islander Not Hispanic or Latino	163	271
Some Other Race Not Hispanic or Latino	87	194
2 or More Races Not Hispanic or Latino	1,327	2,486
Total Minorities	13,055	47,001

Source: U.S. Census Bureau: Census 2000, Population Division

Crime

The effect of population growth on a city's crime rate is a concern for residents and businesses alike. Sierra Vista's crime index, which measures murder, rape, aggravated assault, robbery, burglary, larceny-theft, motor vehicle theft, and arson, has fluctuated between 38.6 and 65.3 crimes per 1,000 population in recent years. In 2002, Sierra Vista's crime rate rose slightly to 52.8 crimes per 1,000 population. During 2001, Sierra Vista reported the lowest crime rate per 1,000 population, 38.6, for the 12 years the Center for

Economic Research has been tracking crime.

The crime index reported for Sierra Vista is a modified version of the statistic reported in the Federal Bureau of Investigation's (FBI) publication, "Crime in the United States, 2002," the most current edition available. The FBI figure includes the population of Fort Huachuca. The figure used by the Sierra Vista Police Department does not include the fort population since crime on military posts is handled by the military police and not reported in the index.

The crime index reflects the number of crimes known to local law enforcement. The Sierra Vista Police Department has increased the size of its force in recent years. As of November 2003, the number of sworn officers was 65. Proactive law enforcement, along with citizens' involvement in the reporting of crime, impacts the volume of crimes known to police. Much of the increase in the crime index in the late 1990s is attributed to the increased reporting of larceny-theft.

Crime has both a direct and indirect impact on the economy. Crime to individuals and property translates into increased medical costs, property replacement, and repair costs. A low crime rate is an important quality-of-life factor considered by businesses and individuals in relocation.

Healthcare

Healthcare has proven to be an important indicator of the quality of life in any community. The availability of medical services, and, in particular, advanced capabilities, are likewise defining elements of the healthcare infrastructure of Sierra Vista. These advanced capabilities are the product of a combination of physician specialists locating practices in the community, as well as advancing technologies at the regional hospital.

The Sierra Vista Regional Health Center (SVRHC) has expanded both its scope of services and its physical capacity over the past several years. In addition, SVRHC is in the process of finalizing plans for an even greater expansion over the years to come. SVRHC is in the planning stages for the development of a new hospital on the east campus, where there is presently an ambulatory surgery center and a fully occupied medical office building. Construction of the new hospital is expected to commence on this site in the next five years and is intended to coincide with the continued recruitment of physician specialists. Then, the existing facility would be available for use for other types of services, such as behavioral health, extended care, and inpatient rehabilitation.

On the current site, the hospital continues to minimally invest in only those facilities that support existing high-growth services, until the new hospital is completed. In December, the hospital completed an obstetrical department expansion, which resulted in a larger nursery, additional delivery rooms, and a new four-bed obstetrical triage unit. In addition, two medical/surgical intensive care beds were also accommodated. Beginning in early 2004, the hospital plans to expand its emergency department to include a "fast track" area and, in the process, will accommodate four additional monitored (telemetry) beds.

According to the latest data available through INTELLIMED, a national provider of healthcare statistics, in calendar year 2002, SVRHC admitted 6,237 patients for inpatient care. Of these, 4,728, or 73 percent of total admissions, were from Sierra Vista. This rate of market share is largely attributable to servicing patients who formerly traveled to Tucson for their care. It should be noted that of the $85,516,095 in hospital inpatient services utilized by Sierra Vista residents, $37,626,567 (or 44 percent) was retained locally. This reflects the higher cost of services associated with the higher level of care for which patients from the local communities are referred. Additionally, for all Cochise County communities reporting, the SVRHC market share was 58 percent, which has steadily increased as fewer patients travel to Tucson for services not available in their local community, and ultimately receive services in Sierra Vista. The Sierra Vista service area includes Sierra Vista, Fort Huachuca, Hereford, Huachuca City, and Tombstone. The healthcare sector has a significant and growing economic impact on the Sierra Vista area. The regional health center ranks as the seventh largest employer in Cochise County, with a staff of more than 700, and an annualized payroll of $25 million. In addition to the hospital, there are two major physician groups, several long-term care facilities, and a host of independent physicians, behavioral health, eye, and dental providers, and other ancillary providers contributing to the local economy.

CRIME RATE PER 1,000 POPULATION

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Casa Grande	128.4	152.3	161.1	163.9	162.1	129.4	121.2	120.4	93.8	103.9	89.4	81.0
Flagstaff	83.8	85.5	91.7	101.4	106.6	95.4	91.3	86.6	79.3	79.3	89.4	99.5
Lake Havasu	67.4	55.4	57.4	55.7	57.6	49.8	51.0	32.2	29.6	30.7	33.1	40.8
Phoenix	99.9	92.6	93.1	100.5	109.1	95.7	96.3	85.7	77.4	75.1	76.8	78.2
Sierra Vista	42.0	48.6	52.2	52.7	59.3	58.0	65.3	53.3	44.5	51.8	38.6	52.8
Tucson	104.4	100.3	115.2	122.5	122.2	98.8	100.2	97.4	90.6	89.5	98.8	96.9

Source: FBI Uniform Crime Report; Sierra Vista Police Department

Sandy Nachtiweh, left, is employed by Mr. Q's Enterprises, which will provide food service to Virginia Dining Hall facility on Fort Huachuca. Soldiers, like 1st Sgt. D. Vargas-Soler, can take advantage of various types of foods from the service. Photo: Ed Honda-Herald/Review

Employment

During 2003, average unemployment dropped slightly in Sierra Vista, falling to 4.0 percent. Unemployment remained high during the first half of the year, peaking at 4.6 percent in July. By December, unemployment had fallen to 3.2 percent. When unemployment fell to 3.8 percent in September, it marked the first month since November 2002 that unemployment had dipped below 4.0 percent.

The year 2002 marked the second consecutive year for which unemployment rose in Sierra Vista. Sierra Vista ended 2002 with an average unemployment rate of 4.2 percent, up from 3.5 percent in 2001. The jobless rate climbed to 4.4 percent in July after beginning the year at a rate of 4.2 percent. By year's end, the jobless rate had fallen to 4.0 percent. After several years of the annual average unemployment rate for Sierra Vista steadily falling from the 1994 peak of 8.4 percent, the average unemployment rate for 2001 rose to 3.5 percent from the 2000 average of 3.4 percent. In 1999, the average unemployment rate was 4.4 percent, and 5.3 percent in 1998.

In 2003, unemployment in both Cochise County and the State of Arizona saw slight improvements. For Cochise County, average unemployment fell from 5.5 percent in 2002 to 5.2 percent this past year. Employment showed improvement during the second half of the year. After a high of 5.9 percent in July, unemployment had fallen to 4.1 percent by year's end.

At the state level, employment made significant improvement during 2003 with average unemployment falling to 5.6 percent from the 2002 average of 6.2 percent. As with the county, unemployment peaked in July at 6.1 percent with the jobless rate falling to 4.8 percent by year's end.

According to the Arizona Department of Economic Security Special Unemployment Report for Cochise County, the labor force for the county held steady while Sierra Vista's labor force increased only slightly (0.1 percent) during the year. Non-farm job growth in the county averaged 1.3 percent. Sierra Vista's job growth averaged 0.3 percent. Non-farm employment statistics are not available for Sierra Vista. For Sierra Vista, these calculations include both farm and non-farm jobs and are taken from the survey of households and are not held to be as reliable an indicator of job growth as is the average non-farm employment growth at the county level, compiled in a separate survey of county employers. A discussion of actual non-farm job growth for the county follows.

According to the Arizona Department of Economic Security (DES), Cochise County's average annual non-farm employment grew in 2003 by 1.3 percent, a net gain of 425 jobs. In 2002, non-farm employment expanded by 2.2 percent by gaining 725 jobs. The state's average annual non-farm employment increased in 2003 by 1.0 percent; in 2002, average non-farm employment remained essentially unchanged.


Ace Hardware owner Les Orchekowski, talks about the various paints available for all types of home improvement jobs. Photo: Ed Honda-Herald/Review

At the county level, most of the sectors in the economy reported job increases in 2003. The following sectors reported job increases: natural resources and mining (25), manufacturing (100), information (25), financial activities (25), educational and health services (75), leisure and hospitality (200), other services (25), and government (100). Job losses were reported in construction (125) and professional and business services (25). Employment remained unchanged in trade, transportation, and utilities.

The county labor force, defined as individuals 16 years of age and older who are willing and able to work, consisted of an annual average of 45,942 individuals. DES only maintains information on job gains and losses by sector at the county level, not for individual cities and towns.

The unemployment reports continue to be plagued by questions surrounding the accuracy of local figures on employment and job creation. Sierra Vista is among the many cities and towns across the state affected by the voluntary reporting of employment by location. Employers with more than one Arizona location are

SIERRA VISTA AREA UNEMPLOYMENT*

	LABOR FORCE	EMPLOYMENT	UNEMPLOYMENT RATE
Jan 02	20,546	19,627	4.5%
Feb 02	20,893	19,926	4.6%
Mar 02	20,990	20,091	4.3%
Apr 02	21,077	20,206	4.1%
May 02	21,382	20,494	4.2%
Jun 02	21,274	20,322	4.5%
Jul 02	21,839	20,855	4.5%
Aug 02	21,799	20,904	4.1%
Sep 02	21,608	20,747	4.0%
Oct 02	21,830	20,967	4.0%
Nov 02	21,897	21,038	3.9%
Dec 02	21,766	20,899	4.0%
Average	**21,408**	**20,507**	**4.2%**
Jan 03	21,504	20,627	4.1%
Feb 03	21,401	20,454	4.4%
Mar 03	21,485	20,524	4.5%
Apr 03	21,592	20,655	4.3%
May 03	21,757	20,832	4.3%
Jun 03	21,549	20,596	4.4%
Jul 03	21,446	20,465	4.6%
Aug 03	21,499	20,598	4.2%
Sep 03	21,308	20,507	3.8%
Oct 03	21,380	20,685	3.3%
Nov 03	21,173	20,504	3.2%
Dec 03	21,078	20,413	3.2%
Average	**21,432**	**20,572**	**4.0%**

Source: Arizona Department of Economic Security
*Includes Sierra Vista Southeast.

COCHISE COUNTY UNEMPLOYMENT

	LABOR FORCE	EMPLOYMENT	UNEMPLOYMENT RATE
Jan 02	44,104	41,554	5.3%
Feb 02	44,873	42,189	5.4%
Mar 02	45,035	42,539	5.4%
Apr 02	45,197	42,781	5.5%
May 02	45,858	43,392	5.5%
Jun 02	45,670	43,028	5.7%
Jul 02	46,887	44,157	5.7%
Aug 02	46,744	44,260	5.6%
Sep 02	46,317	43,927	5.4%
Oct 02	46,788	44,393	5.4%
Nov 02	46,926	44,543	5.4%
Dec 02	46,656	44,249	5.3%
Average	**45,921**	**43,418**	**5.5%**
Jan 03	46,107	43,673	5.3%
Feb 03	45,937	43,308	5.7%
Mar 03	46,121	43,454	5.8%
Apr 03	46,333	43,732	5.6%
May 03	46,674	44,107	5.5%
Jun 03	46,253	43,607	5.7%
Jul 03	46,054	43,330	5.9%
Aug 03	46,112	43,611	5.4%
Sep 03	45,644	43,420	4.9%
Oct 03	45,729	43,797	4.2%
Nov 03	45,270	43,413	4.1%
Dec 03	45,066	43,220	4.1%
Average	**45,942**	**43,556**	**5.2%**

Source: Arizona Department of Economic Security

asked by the Arizona Department of Economic Security to report job creation and job losses at each location. However, because reporting by location is voluntary, more businesses have started reporting only state aggregates. Since many of these businesses have their primary offices in Maricopa County, the Phoenix area often is credited with job activity occurring across the state. Efforts are being made by the Arizona DES to more accurately reflect the employment picture for counties across the state, including the reporting of jobs to the nearest 25 employees. This change was made in 1999. It is hoped that changes such as these will serve to better reflect the employment picture in Sierra Vista and around Cochise County.


Commercial Construction. Photo: Justin Levesque-Herald/Review

Major Employers

The largest employer in the Sierra Vista area is Fort Huachuca with 11,097 employees. The fort is followed by Sierra Vista Unified School District with 798 employees; Sierra Vista Regional Health Center with 610 employees; and Aegis Communications with 592 employees. The remainder of the list of top employers includes predominantly those within the service-providing sector, including trade, professional and business services, education and health services, leisure and hospitality, and local government.

The table listing the major employers includes both full- and part-time employees. For those employers listed that have multiple locations throughout the county, the figures shown represent only those employees who report to work at Sierra Vista locations. The Center for Economic Research conducts an annual survey of the top 75 employers within Cochise County. Copies of this survey can be obtained by contacting the Center or visiting the Center's website.

Over the next few years, job creation in the Sierra Vista area should occur at a stronger pace than in 2003. The increase in the job creation rate will be accompanied by a correspondingly lower average unemployment rate.

SIERRA VISTA AND COCHISE COUNTY AVERAGE UNEMPLOYMENT RATES

	SIERRA VISTA	COCHISE COUNTY*
1991	5.6	7.2
1992	7.0	9.4
1993	7.4	9.4
1994	8.3	10.7
1995	7.2	9.2
1996	7.6	9.7
1997	6.5	8.3
1998	5.3	6.8
1999	4.2	5.5
2000	3.4	4.4
2001	3.5	4.6
2002	4.2	5.5
2003	4.0	5.2

Source: Arizona Department of Economic Security
* Seasonally adjusted figures

COCHISE COUNTY AVERAGE NON-AGRICULTURAL EMPLOYMENT BY SELECTED CATEGORY

	2001	2002	2003*
Natural Resources and Mining	25	25	50
Construction	2,100	2,200	2,075
Manufacturing	925	850	950
Trade, Transportation, and Utilities	5,975	5,975	5,975
Information	500	475	500
Financial Activities	750	850	875
Professional and Business Services	3,450	3,475	3,450
Educational and Health Services	3,350	3,550	3,625
Leisure and Hospitality	3,700	3,825	4,025
Other Services	1,050	1,100	1,125
Government	11,150	11,375	11,475
Total Non-ag Employment	32,975	33,700	34,125

Source: Arizona Department of Economic Security

A Look at Employment in Cochise County over the Past Decade

What follows is a look at how employment and wages in Cochise County have compared with the State of Arizona over the past decade. The Center for Economic Research conducted this analysis in the winter of 2003-04.

A review of employment data for Cochise County for the period 1994 to 2003 indicates the economy performed rather well over the past decade. In 1994, the seasonally adjusted, average annual unemployment rate sat at a dismal 10.7 percent. By November 2003, this rate had fallen to a much more palatable 5.3 percent. The total number of unemployed fell from an annual average of 4,425 in 1994 to 2,425 in 2003, despite the addition of approximately 4,475 people to the county's labor force. This translates into the creation of approximately 6,475 jobs in the county over the past decade, an increase of 17.5 percent. In 1994, the annual average, total non-farm employment stood at 28,500. By 2003, this number had climbed to 34,075. This equates to 5,575 new non-farm jobs, an increase of 19.6 percent. The county's average annual growth rate for non-farm jobs over the period was 2.1 percent. Non-farm jobs in the county grew every year except 1997, which saw a modest decline of 0.8 percent.

The biggest year for non-farm job growth in Cochise County was 2000, which saw the addition of 1,250 jobs – an increase of 4.1 percent over the previous year. Two events occurring in 1999 were responsible for much of this increase. The first was the expansion of Aegis Communications to Sierra Vista, bringing with it more than 500 jobs. The second was the opening of The Mall at Sierra Vista, which brought with it more than 400 jobs. See Table 1 for a look at non-farm job growth in the county over the past decade.

For the past decade, the biggest gains in total non-farm employment were seen in the private sector. Total private sector, non-farm jobs grew from 17,200 in 1994 to 22,650 in 2003 – an increase of 31.7 percent. Government employment at all levels grew modestly with the addition of about 325 jobs, which pushed the number of government positions from 11,100 in 1994 to 11,425 in 2003. This amounts to an increase of approximately 2.9 percent over the entire decade.

The biggest gains within the private sector were seen in construction and financial activities. Construction saw the addition of approximately 675 jobs, taking that industry from 1,400 to 2,075 positions – an increase of about 48.2 percent. Financial activities, which include finance, insurance, and real estate, climbed from 700 to 875 jobs, an increase of 25.0 percent.

Industries that lost jobs included mining and manufacturing. Mining lost about 50 jobs, decreasing from 100 to 50 positions. Manufacturing saw the loss of about 125 jobs, decreasing from 1,100 to 975 positions – a decline of approximately 11.0 percent. See Table 2 for losses and gains in selected industries.

Compared to statewide averages, Cochise County performed reasonably well in non-farm job growth over the past decade. While Cochise County's average annual, non-farm job growth rate of 2.1 percent between 1994 and 2003 lagged behind the statewide average of 3.4 percent, the county outperformed statewide averages in every year beginning in 2000. For the first four years of the new millennium, Cochise County's average annual, non-farm job growth rate was 2.7 percent, more than double the statewide average of 1.3 percent.

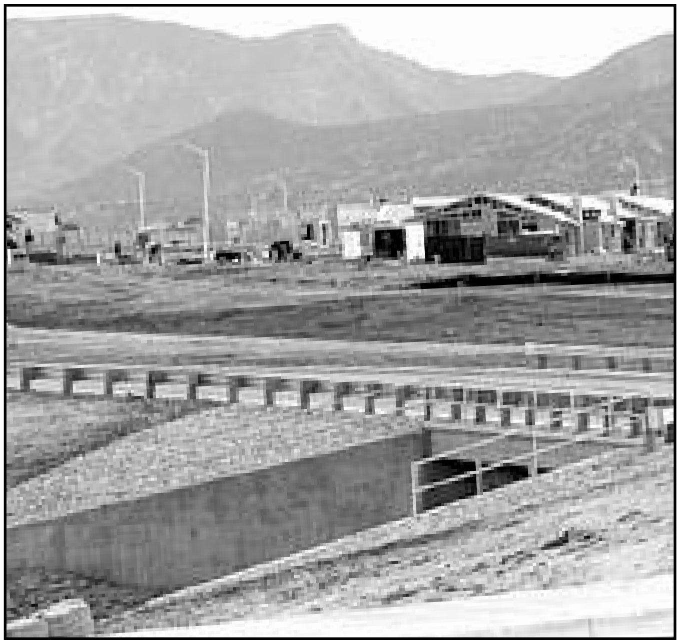
For the years 1994 to 2003, the county's seasonally adjusted, average annual, unemployment rate was 7.0 percent, looming almost two percentage points above the statewide average of 5.1 percent. However, for the first four years of the new millennium, the county's average annual unemployment rate of 5.0 percent has slightly outperformed the statewide average of 5.1 percent over the same period. As of November 2003, Cochise County's seasonally adjusted, annual average unemployment rate of 5.3 percent sat a full two-fifths of a

SIERRA VISTA'S MAJOR EMPLOYERS

EMPLOYER	EMPLOYEES
U.S. ARMY'S FORT HUACHUCA	11,097
SIERRA VISTA SCHOOL DISTRICT	798
SIERRA VISTA REGIONAL HEALTH CENTER	610
AEGIS	592
CITY OF SIERRA VISTA	404
COCHISE COLLEGE	384
WAL-MART	350
NEW TECH	257
LAWLEY AUTOMOTIVE	240
ILEX	187
LIFE CARE CENTER	182
KE&G CONSTRUCTION	175
COCHISE HEALTH ALLIANCE	166
NORTHROP GRUMMAN	155
F.C. BUSINESS SYSTEMS	153
FRY'S FOOD & DRUG	149
ALL STAR SERVICES	147
HOME DEPOT	135
VERIDIAN IT SERVICES	135
ARIZONA FAMILY CARE ASSOCIATES	135
NORTHROP GRUMMAN-NGIT	115
DILLARD'S	114
SEARS	114
APPLEBEE'S	110
SCIENCE APPLICATIONS INTERNATIONAL CORP.	109
TARGET	107
FOOD CITY	105
HACIENDA REHABILITAITON	102
PATANN, INC.(MCDONALD'S)	100

Source: Cochise College Center for Economic Research 2003 Survey of Employers percent below the statewide average of 5.7 percent for the year 2003.

The increase in jobs in the county over the past decade also brought with it a modest increase in wages. In 1994, the average wage per job in the county was $22,937. By 2001, the most recent year for which data is available, the average wage had risen to $27,772. Adjusting for inflation, this equates to an increase of 1.3 percent over the entire period. During the same period, statewide average wages rose from $24,188 to $33,018 per job, for an inflation-adjusted increase of 14.2 percent – significantly widening the gap between Cochise County and statewide average wages. However, statewide averages tend to be inflated by exceptional levels of economic performance in the major metropolitan areas. Cochise County fared much better when compared to statewide, non-metropolitan areas, which saw the average wage per job increase from $21,146 in 1994 to $25,810 in 2001, for an inflation-adjusted increase of 2.1 percent. Although the gap narrowed slightly between wages in Cochise County and statewide non-metropolitan areas, Cochise County wages remained 7.6 percent higher than those in the non-metropolitan areas. This is a drop from the 8.5 percent gap in 1994.



The St. Andrews Bridge may be finally getting ready for traffic as delays have kept the roadway from being utilized. Photo: Ed Honda-Herald/Review

The years 1994 to 2003 have been prosperous for Cochise County. While the period began with high unemployment and low job growth, with the county's performance lagging behind statewide averages, this trend reversed itself as we entered the new millennium. Since 2000, Cochise County has outperformed the statewide average in job growth, and since 2001, it has maintained an unemployment rate lower than the statewide average. Although Cochise County wages continue to lag behind statewide averages, they continue to outperform those in the statewide, non-metropolitan areas.

Earnings and Income

According to the U.S. Census Bureau, the 2001 average annual, per capita personal income for Cochise County was $20,279. This figure is 9.9 percent higher than that of the average Arizona non-metropolitan areas, which sat at $18,460. The Arizona statewide average per capita personal income was significantly higher at $25,878; however, this figure is pushed upward by the comparatively higher incomes in the major metropolitan areas of Tucson and Phoenix. The U.S. Census Bureau uses midyear population estimates to determine these figures. Estimates are not available below the county level;

COCHISE COUNTY NON-FARM JOB GROWTH, 1994-2003*

YEAR	TOTAL NON-FARM EMPLOYMENT	CHANGE	PERCENT CHANGE (GROWTH)
1994	28,500	——	——
1995	28,975	+475	1.7%
1996	29,600	+625	2.2%
1997	29,350	-250	-0.8%
1998	29,775	+475	1.6%
1999	30,700	+925	3.1%
2000	31,950	+1250	4.1%
2001	32,925	+975	3.1%
2002	33,675	+750	2.3%
2003*	34,075	+400	1.2%
Average	2.1%		

*Data available through November 2003
Source: Arizona Department of Economic Security

COCHISE COUNTY JOB LOSSES AND GAINS IN SELECTED INDUSTRIES, 1994-2003*

INDUSTRY	1994	2003	PERCENT CHANGE (GROWTH)
Total Private Sector, Non-Farm	17,200	22,650	31.7%
Construction	1,400	2,075	48.2%
Financial Activities	700	875	25%
Mining	100	50	-50%
Manufacturing	1,100	975	-11%
Government	11,100	11,425	2.9%

*Data available through November 2003
Source: Arizona Department of Economic Security

however, applying the 2000 Census, per capita personal income ratio between Cochise County and Sierra Vista, the Center for Economic Research (CER) estimates the average annual, per capita income for Sierra Vista to be $23,384, which is 17.8 percent higher than that of the county and 26.7 percent higher than the average Arizona non-metropolitan areas. The Sierra Vista figure, however, comes in at 10.7 percent below the statewide average, which, as mentioned previously, is inflated by higher incomes in metropolitan areas.

In 2001, the average wage per job for Cochise County was $27,772. This is 7.6 percent higher than that of the average Arizona non-metropolitan areas, which was $25,810. The statewide average wage per job was significantly higher at $33,810; however, as with personal income, statewide average wages tend to be inflated by the higher wages prevailing in the major metropolitan areas. The average wage per job is not available below the county level; however, using mean earnings data from the 2000 Census combined with wage data at the county level, the CER estimates the average wage per job in Sierra Vista to be $29,674, which is 6.8 percent higher than the county average and 15.0 percent higher than that of the average Arizona non-metropolitan areas.

COMPARISON OF JOB GROWTH, 1994-2003*

	ARIZONA	COCHISE COUNTY
1994	—	—
1995	6.1%	1.7%
1996	5.4%	2.2%
1997	4.9%	-.8%
1998	4.5%	1.6%
1999	4.3%	3.1%
2000	3.7%	4.1%
2001	1.0%	3.1%
2002	.0%	2.3%
2003*	.8%	1.2%
Average	3.4%	2.1%

Source: Arizona Department of Economic Security
*Data available through November 2003

COMPARISON OF UNEMPLOYMENT RATES (SEASONALLY ADJUSTED), 1994-2003*

	ARIZONA	COCHISE COUNTY
1994	6.4%	10.7%
1995	5.1%	9.2%
1996	5.5%	9.7%
1997	4.6%	8.3%
1998	4.1%	6.7%
1999	4.4%	5.7%
2000	3.9%	4.5%
2001	4.7%	4.6%
2002	6.2%	5.5%
2003*	5.7%	5.3%
Average	5.1%	7.0%

Source: Arizona Department of Economic Security
*Data available through November 2003

PER CAPITA PERSONAL INCOME

	1985	1990	1995	1996	1997	1998	1999	2000	2001
Arizona	$13,808	$17,187	$20,050	$20,883	$21,892	$23,118	$23,755	$24,988	$25,878
Arizona (Metro)	$14,354	$17,854	$20,817	$21,662	$22,732	$24,025	$24,675	$25,976	$26,845
Arizona (Non-Metro)	$10,070	$12,575	$14,605	$15,293	$15,815	$16,472	$16,903	$17,558	$18,460
Phoenix-Mesa (MSA)	$15,093	$18,836	$21,777	$22,749	$23,980	$25,329	$26,013	$27,564	$28,337
Tucson (MSA)	$13,151	$16,217	$19,551	$20,397	$21,050	$22,239	$22,967	$23,705	$24,767
Cochise County	$11,275	$14,015	$15,599	$16,442	$16,962	$17,680	$18,063	$19,153	$20,279

AVERAGE WAGE PER JOB

	1985	1990	1995	1996	1997	1998	1999	2000	2001
Arizona	$17,737	$21,254	$25,073	$26,088	$27,362	$28,986	$30,211	$32,244	$33,018
Arizona (Metro)	$17,893	$21,470	$25,395	$26,431	$27,767	$29,447	$30,722	$32,848	$33,631
Arizona (Non-Metro)	$16,101	$18,967	$21,587	$22,250	$22,781	$23,638	$24,171	$25,104	$25,810
Phoenix-Mesa (MSA)	$18,452	$22,323	$26,497	$27,581	$29,040	$30,890	$32,173	$34,663	$35,288
Tucson (MSA)	$16,873	$19,755	$23,279	$24,291	$25,101	$26,314	$27,733	$28,693	$30,108
Cochise County	$16,867	$20,391	$23,271	$23,457	$23,903	$25,276	$25,349	$26,689	$27,772

Source: US Dept. of Commerce, Bureau of Economic Analysis

Ribbon-cutting ceremony for the opening of a new business – Liberty Income Tax. Photo: Courtesy of The Greater Sierra Vista Area Chamber of Commerce

Retail and Trade

Total Taxable Sales

In 2003, total taxable sales in Sierra Vista were $696.7 million, up 8.7 percent from $640.8 million in 2002. This marked the ninth consecutive year (since CER began tracking this data) that total taxable sales have increased. Activity in construction sales, which were up 46.8 percent (making this the second largest category of sales behind only retail trade) contributed significantly to this growth.

TOTAL TAXABLE SALES

YEAR	SALES	PERCENT CHANGE
1994	$359,641,096	
1995	$392,385,200	9.1%
1996	$398,108,527	1.5%
1997	$420,534,696	5.6%
1998	$440,770,623	4.8%
1999	$517,672,468	17.4%
2000	$562,917,104	8.7%
2001	$603,447,130	7.2%
2002	$640,771,083	6.2%
2003	$696,687,518	8.7%

Source: Arizona Department of Revenue

The 2002 figure ($640.8 million, as cited above) was up 6.2 percent from $603.4 million in 2001, while 2001 total taxable sales were up 7.2 percent from $562.9 million in 2000. The most recent increase – occurring in 2003 – rivaled that of 2000, which saw total taxable sales jump 8.7 percent from $517.7 million the previous year. Taxable sales include a variety of categories, including the previously mentioned retail trade and construction, as well as manufacturing, restaurant and bar, wholesale trade, and services. Since 1998, total taxable sales have increased 58.1 percent.

Retail Sales

In 2003, the city's retail sales grew by 5.7 percent over the previous year, marking the ninth consecutive year of sales increases. Over the past nine years, sales have grown at an average rate of 7.5 percent annually. After a moderate growth rate of

4.0 percent during the first six months of the year, sales took off at an impressive 8.8 percent during the last half of the year. Sales totaled $406.9 million for the year, climbing above $400 million for the first time.

Total taxable retail sales in 2002 posted a 5.9 percent gain with receipts totaling $384.8 million. Retail sales grew by 7.9 percent in 2001 to approximately $363.4 million. During 2000, taxable retail sales increased by 16.0 percent to approximately $336.9 million for the year, breaking the $300 million barrier for the first time. In 1999, sales were up 8.1 percent, and in 1998, sales climbed 5.5 percent from 1997. Taxable retail sales in 1997 were up 7.7 percent from 1996, while in 1996, sales were up just 3.1 percent. Retail sales have risen 51.4 percent over the past five years.

TAXABLE RETAIL SALES

YEAR	SALES	PERCENT CHANGE
1994	$212,590,253	
1995	$229,677,375	8.0%
1996	$236,689,543	3.1%
1997	$254,827,951	7.7%
1998	$268,802,385	5.5%
1999	$290,453,419	8.1%
2000	$336,865,409	16.0%
2001	`$363,354,860	7.9%
2002	$384,784,067	5.9%
2003	$406,888,567	5.7%

Source: Arizona Department of Revenue

Retail sales have been helped with the addition of The Mall at Sierra Vista, which opened in late fall 1999. The mall has more than 50 retailers, including two department stores and a multiplex theater.

In the summer of 2002, the Cochise College Center for Economic Research undertook a study examining the relationship between the growth in retail business licenses and growth in sales volume in Sierra Vista. The study looked at both the number of active business licenses in 1996 and the sales volume as measured in dollars for that year. The 1996 figures were then compared with similar totals for 2001, a span of five years. Overall results showed that sales volume far outpaced the growth in active business accounts.

The study found that in 1996, Sierra Vista had 343 active business license accounts. In 2001, that total fell to 338, a decline of 1.5 percent. For consistency, both figures were collected from the November city transaction privilege tax report. Active accounts are defined as those businesses paying state transaction privilege tax for that month. During the same time period, 1996-2001, retail sales grew 53.5 percent. For the 12-month period ending November 1996, total retail volume was $236,690,000. Total retail sales volume for the 12-month period ending November 2001 was $363,355,000. For 1996, this represented an average dollar valuation of activity per license of $690,000, compared to $1,075,000 in 2001.

During the five-year period, gains in total sales volume far outpaced inflation. The consumer price index or inflation rate for the nation for the five-year period was 11.4 percent.

A couple of other observations are also worth noting. First, despite the opening of The Mall at Sierra Vista in late 1999, the number of active business licenses has actually fallen during the five years studied. This would indicate that while a number of new stores have opened in Sierra Vista, a substantial number of businesses also have closed. It is quite possible that some smaller stores have been replaced by larger national chain stores.

Second, the change in average volume per store is in no way intended to indicate that sales volume for all stores has increased by the same amount. While some stores have gained in sales volume at a pace above the average rate, others have grown at a much slower rate. Also, the growth in average sales volume is not indicative of the growth in profitability for any of these establishments. It is generally held that competition among retailers has become more intense over the past few years and, as a result, profit margins have fallen. Therefore, despite large gains in sales volume over the past five years, it's quite possible that profit margins have remained constant or have declined in some instances.

Restaurant and Bar Sales

TAXABLE RESTAURANT AND BAR SALES

YEAR	SALES	PERCENT CHANGE
1994	$27,913,810	
1995	$29,819,518	6.8%
1996	$28,547,048	-4.3%
1997	$30,733,408	7.7%
1998	$32,753,370	6.6%
1999	$35,586,083	8.6%
2000	$43,314,881	21.7%
2001	$41,234,866	-4.8%
2002	$46,545,800	12.9%
2003	$49,436,483	6.2%

Source: Arizona Department of Revenue

Restaurant and bar (R&B) sales within the city expanded by 6.2 percent during 2003, totaling $49.4 million. This growth was propelled by a 7.2 percent increase during the first half of the year. Receipts for the last six months of the year slowed to 5.2 percent growth. After falling in 2001, restaurant and bar sales made a strong rebound, climbing 12.9 percent to $41.2 million in 2002. R&B sales totaled $46.5 million for 2002. Restaurant and bar sales in 2001 dropped 4.8 percent to $41.2 million, down from the year 2000, when restaurant and bar sales reached $43.3 million and climbed past the $40 million mark for the first time. During 1999, sales totaled $35.6 million, up 8.6 percent from $32.7 million in 1998. It was in 1997 that sales first topped $30 million. Certainly, the stronger economy and improving tourism activity helped push food and drink sales upward. As incomes rise, people tend to spend more money dining out.


Christmas shoppers pour into Target on the official first day of holiday shopping to get to their toys and other items which are on sale. Photo: Ed Honda-Herald/Review

Over the past five years, restaurant and bar sales have increased by 50.9 percent. As of November 2003, there were 64 restaurant and bar facilities in the city.

In the summer of 2002, the Cochise College Center for Economic Research undertook a study examining the relationship between the growth in restaurant and bar business licenses and growth in sales volume in Sierra Vista. The study looked at both the number of active business licenses in each category in 1996 and the sales volume as measured in dollars for that year. The 1996 figures were then compared with similar totals for 2001, a span of five years. Overall results showed that sales volume far outpaced the growth in active business accounts.

Restaurant and bar active licenses for Sierra Vista increased from 60 licenses in 1996 to 63 in 2001, a gain of 5.0 percent for the period. Total sales volume in 1996 was $28,547,000 compared to $41,235,000 in 2001. The five-year gain in sales volume was 44.5 percent. The 1996 average activity per license was $475,784, compared to $654,522 in 2001.

During the five-year period, gains in total sales volume far outpaced inflation. The consumer price index or inflation rate for the nation for the five-year period was 11.4 percent.

Local Retail Study

During the fall of 2000, the Center for Economic Research conducted a study of Sierra Vista residents' shopping patterns. The shopping survey was conducted in September 2000 during the Greater Sierra Vista Area Chamber of Commerce Business Expo. A similar study was conducted in September 1999. The results of the survey reflect the responses of more than 200 Sierra Vista residents, county residents, and people from outside the county. The study sought to quantify the amount of retail shopping by local residents in and out of the Sierra Vista market. Additionally, the study captured the dollar amount of sales local retailers make to people living outside the city. The overall results showed that 76.7 percent of purchases by Sierra Vista residents occur in Sierra Vista, up from 72.2 percent in 1999. That translates into just over three of every four retail dollars spent locally. Sierra Vista loses 23.3 percent of residents' purchase dollars to outside markets, but that figure is down from 27.8 percent the previous year.

The study applied the findings of the survey to the most recent sales data available at that time for Sierra Vista. The CER used retail sales figures for calendar year 1999. During that period, the Arizona Department of Revenue reported total taxable retail sales of $290,500,000. Food sales were estimated at approximately $73,129,000 in the same period. By combining taxable retail sales and food sales, the Center for Economic Research used a total retail base of $363,629,000 for data analysis.

SIERRA VISTA RETAIL SALES STUDY

PERCENT OF SHOPPING BY CATEGORY DONE BY SIERRA VISTA RESIDENTS

CATEGORY	1999	2000	RAW PERCENT CHANGE**	ACTUAL % IMPROVEMENT**
Apparel & Accessories	60.9%	68.7%	+7.8%	+12.8%
Furniture & Furnishings	51.4%	57.4%	+6%	+11.7%
Bldg. Materials & Garden Supplies	73.4%	77.6%	+4.2%	+5.7%
Food	88.2%	92.5%	+4.3%	+4.8%
Vehicles	64.2%	65.1%	+.9%	+1.4%
Auto Supplies	77.3%	84.8%	+7.5%	+9.7%
General Merchandise	73.3%	78.9%	+5.6%	+7.7%

*2000 percent minus 1999 percent
**2000 percent divided by 1999 percent
Source: Cochise College Center for Economic Research Study, September 2000

Sierra Vista residents accounted for $292,585,000 of the total retail base. Residents from outside the city contributed about $71,044,000 in sales to the Sierra Vista market. Sierra Vista residents spent $381,590,000 in retail and food sales, with approximately $89,005,000 spent on purchases outside of town.

It is impossible to capture the entire retail market, as sales take place during recreational or planned trips out of the area and as some items are not available locally. It is hoped that as the city's retail base expands, the percentage of out-shopping will decrease. Additionally, the amount of in-shopping by individuals from outside markets, like those of other Cochise County cities and northern Mexico, should rise. The Mall at Sierra Vista has contributed to this increase. In a comparison of retail sales surveys between 1999 and 2000, the amount of in-shopping by local residents increased by 6.2 percent with the opening of the mall. In addition, from 1999 to 2000, the amount of in-shopping by non-residents increased by 11.6 percent.

Of the total respondents, approximately 77 percent were Sierra Vista residents. The remaining 23 percent resided elsewhere in the county or outside the county. A majority (68.6 percent) of respondents indicate they had lived in the same community for five or more years. Forty-eight percent indicated they shop more now in Sierra Vista than they did five years ago; 48.6 percent said their shopping patterns remain the same. In the sample of more than 200 people, the average household size was 2.4 persons. The average age of those surveyed was 43.1 years. Of those surveyed, 41.6 percent of the respondents were male, and 58.4 percent were female.

The Business Expo provided an ideal location to survey Sierra Vista residents, as it included persons who do not necessarily shop in town. In prior studies, the Center for Economic Research had chosen retail locations for sampling, thus capturing residents who were already shopping in the city.

The sales figures used in this study may not match state reports of the city's retail sales. The study focused on the most common retail sales categories but did not include all subcategories of retail sales. In addition, adjustments were made for the change in industry classifications from the Standard Industry Code (SIC) to the North American Industry Classification System (NAICS). Under the more comprehensive NAICS, categories previously listed under retail have moved to other industries.

A test of reliability in this study is the percent of food sales locally. Food sales remain the category with the highest percentage of local sales. Most families buy food in the local market. Sierra Vista residents indicated they made 92.5 percent of their food purchases in town.

2003 BUSINESS LICENSE ACTIVITY

	NEW	CANCELLED	NET
January	26	34	-8
February	37	16	21
March	33	15	18
April	24	41	-17
May	16	20	-4
June	27	13	14
July*	49	68	-19
August*	N/A	N/A	N/A
September	28	1	27
October	33	0	33
November	24	1	23
December	19	22	-3
ANNUAL	**316**	**231**	**85**

Source: City of Sierra Vista
*July and August 2003 numbers were reported together in the month of July because there was no report issued for July.

NEW BUSINESS LICENSES

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Jan.	18	21	21	36	25	24	24	26	26
Feb.	23	16	19	31	23	25	25	26	37
Mar.	40	35	17	22	23	26	26	16	33
April	42	35	45	25	20	17	19	25	24
May	27	24	24	10	26	29	30	26	16
June	27	37	23	20	33	30	20	16	27
July	12	23	23	20	30	17	22	14	49*
Aug.	39	17	34	22	31	28	35	45	N/A*
Sept.	22	19	28	23	35	26	23	33	28
Oct.	33	26	22	26	42	32	29	38	33
Nov.	30	26	13	20	36	18	22	14	24
Dec.	15	15	21	12	22	17	16	16	19
Annual	328	294	290	267	346	289	291	295	316

Source: City of Sierra Vista
*July and August 2004 numbers were reported together in the month of July because there was no report issued for July.

Business Licenses

The year 2003 was an active year for business licenses in Sierra Vista, with the city issuing 316 new licenses and canceling 231 existing licenses, resulting in a net gain of 85. This constituted the largest number of new licenses issued within a single year since 1999 (with the construction of The Mall at Sierra Vista), and brought the year-end total of existing licenses to 1,614. This is up from 1,529 in 2002. The 2002 year-end total of 1,529 had represented an increase of 23 licenses, up from 1,506 a year earlier in 2001. The 2001 figure represented an increase of 19 from the 1,487 existing business licenses in 2000.

Another measure of business activity is the number of businesses paying the Arizona transaction privilege tax (or sales tax) in the city. Between November 2002 and November 2003, the number of businesses paying the tax moved from 1,120 to 1,194, an increase of 74 businesses, or 6.6 percent. In terms of the number of new businesses paying the tax, most of this increase occurred in the retail trade sector, which saw the addition of 33 new businesses, bringing that number from 374 to 407, an increase of 8.8 percent. The next biggest gains, number-wise, were seen in construction, which moved from 175 to 198 businesses, an increase of 13.1 percent. Wholesale trade also gained an additional 14 businesses, moving from 101 to 115, a gain of 13.9 percent. Note that the biggest gains in the number of new businesses paying the tax are not indicative of the rate of growth for that sector. Several of the smaller sectors, while increasing less in real terms, outpaced the larger sectors in terms of the growth rate. For example, manufacturing saw a mere seven new businesses added to the tax base, yet these seven accounted for an increase in manufacturing of 50 percent as measured by the number of businesses paying the transaction privilege tax .

Bank Deposits

The following table shows total bank deposits as of June 30 of each year for Sierra Vista and Cochise County.

BANK DEPOSITS

	SIERRA VISTA	COCHISE COUNTY
1994	$221,192,000	$548,999,000
1995	$221,823,000	$556,320,000
1996	$219,532,000	$555,979,000
1997	$240,442,000	$573,779,000
1998	$256,152,000	$599,598,000
1999	$248,755,000	$588,283,000
2000	$263,105,000	$652,405,000
2001	$280,157,000	$637,907,000
2002	$358,248,000	$728,857,000
2003	$382,077,000	$769,197,000

Source: FDIC: Summary of Deposits Market Share

Bankruptcy Filings

In 2002, there were a record-high 1.6 million bankruptcy filings nationwide – an increase of 6.7 percent over the 1.5 million filings in 2001. These figures include both personal (i.e., non-business) and business filings. In 2002, approximately 98 percent of total filings nationwide were personal filings. Since 1994, the annual number of personal filings nationwide has nearly doubled. At the time of this publication, fourth-quarter figures for 2003 were not yet available; however, data from the first three quarters indicates 2003 figures will approximate the 1.6 million filings seen in 2002.

BUSINESSES BY INDUSTRY

	DEC-99	DEC-00	DEC-01	NOV-02	NOV-03	CHANGE
Construction	138	136	149	175	198	23
Manufacturing	0	10	16	14	21	7
Transportation, Communications, and Utilities	97	100	91	99	96	-3
Wholesale Trade	93	83	84	101	115	14
Retail Trade	363	345	338	374	407	33
Restaurants & Bars	65	65	63	65	64	-1
Finance, Insurance, & Real Estate	12	15	21	23	24	1
Hotels & Lodging	24	31	27	30	30	0
Services	219	228	211	225	223	-2
All Others Not Specified	21	13	18	14	16	2
Totals	1,032	1,026	1,018	1,120	1,194	74

Source: Arizona Department of Revenue; City of Sierra Vista
Note: The figures above reflect the number of accounts paying Transaction Privilege Tax as reported by Arizona Department of Revenue.

Locally, in 2003 there were 533 bankruptcies filed with the Tucson Division of the U.S. Bankruptcy Court from within Cochise County. This figure is up from 489 the previous year, for an increase of 9.0 percent. As with the national figures, county numbers likewise include both personal and business filings.

Looking back over the 10 years from 1994 through 2003, a total of 4,271 bankruptcies were filed from within the county. The number of bankruptcies grew each year from 1994, which saw 218 filings, through 1997, when filings reached a high of 537. From 1997 through 1999, the number of filings dropped dramatically, reaching a low of 317 in 1999. Since 1999, however, the annual number of bankruptcies in Cochise County has climbed by 68.1 percent, with most of this increase occurring in 2000. The year 2000 saw bankruptcies jump from the previous year's low of 317 to 469 – an increase of 47.9 percent. In 2001 and 2002, the annual number of bankruptcy filings increased moderately at 1.9 and 2.3 percent, respectively.

Overall, the total number of bankruptcy filings from within Cochise County more than doubled from 1994 through 2003, climbing from 218 to 533 – an increase of 144.5 percent. The vast majority of these filings were personal filings under Chapters 7 and 13 of the U.S. Bankruptcy Code. Most of these – more than 90 percent – were filed under Chapter 7, which requires liquidation of individual assets to pay debts, as opposed to Chapter 13, which establishes payment plans but allows debtors to keep the property of their estates.

The annual number of county filings under Chapter 13 doubled between 1994 and 1996, climbing from 20 to 40, but remained relatively stable between 1996 and 2002, with an average of 43.4 filings per year. Chapter 13 filings reached a high of 49 in 1998, followed immediately by a low of 34 in 1999.

Chapter 7 filings from within the county likewise surged between 1994 and 1996, climbing from 194 to 403 – an increase of 107.7 percent. This surge continued into 1997, albeit somewhat less robustly - when the number climbed to 48.8, an increase of 21.1 percent. Then, in 1998, the annual number of Chapter 7 filings began to drop, reaching a low of 283 in 1999, and then surging again by 41.8 percent to 419 in 2000. Between 2000 and 2002, the annual number of Chapter 7 filings grew steadily at an average of 2.3 percent each year.

Business filings in the county under Chapters 11 and 12 comprised a relatively small portion of total bankruptcy filings. Between 1994 and 1999, there was only one filing – in 1997 – under Chapter 12, which provides debt relief to family farmers with regular annual income. In 2000, there was one additional Chapter 12 filing, followed by two filings each year in 2001 and 2002. Chapter 11 filings, ordinarily used by commercial enterprises that desire to continue operating a business and repay creditors concurrently through a court-approved plan of reorganization, were slightly higher, with an annual average of 2.8 per year between 1994 and 2002. The high during this period was in 1996, which saw five filings, while the low was in 1999, which did not see any filings.

In reviewing the bankruptcy data for Cochise County, it is clear that there is good news and bad news. The bad news is that personal bankruptcies have soared over the past decade, following the national trend, with nearly four in every 1,000 Cochise County residents filing for bankruptcy in 2002, up from about two per 1,000 in 1994. The somewhat better news is that there appears to be a leveling of this dramatic surge, with figures from the past three years indicating a relatively moderate increase. While personal bankruptcies have surged, business reorganizations under Chapter 11 have remained relatively stable with two to three businesses each year, countywide, filing for reorganization. Family farmers have also managed to avoid bankruptcy over the past decade; however, in 2000, Chapter 12 filings began to inch upward in a disturbing trend that bears watching.

BANKRUPTCIES BY QUARTER

	2002	2003
1st Quarter	117	128
2nd Quarter	122	177
3rd Quarter	145	135
4th Quarter	105	93
Total	489	533

COCHISE COUNTY BANKRUPTCY FILINGS, 1991-2002

YEAR	CHAPT. 7	CHAPT. 11	CHAPT. 12	CHAPT. 13	TOTAL
1991	306	11	0	45	362
1992	255	2	2	37	296
1993	196	3	0	17	216
1994	194	4	0	20	218
1995	243	3	0	19	265
1996	403	5	0	40	448
1997	488	2	1	46	537
1998	467	2	0	49	518
1999	283	0	0	34	317
2000	419	4	1	45	469
2001	428	2	2	46	478
2002	439	3	2	44	488

Source: U.S. Bankruptcy Court-Tucson Division

New Rental Construction - New luxury apartments being built on N. Colombo Avenue Photo: Denise Merkel, Cochise College

Housing and Real Estate

New and Existing Homes Sales

In 2003, the volume of homes sold in the Sierra Vista area decreased for the first time since 1997. During the year, 1,086 homes were sold representing a decrease in volume of 2.1 percent. The year 2002 was best described as a healthy year for home sales, with volume surpassing that of 2001 by 12.6 percent, according to the Multiple Listing Service (MLS). In 2002, a total of 1,109 homes were sold in the Sierra Vista area.

The market for new and existing homes was active in 2001 with 985 units sold in the Sierra Vista area compared to 937 housing units sold in 2000. The year 2002 marked the fifth consecutive year of increased sales volume. The market for existing homes includes site-built homes, townhouses, condominiums, manufactured homes, and mobile homes. The Sierra Vista market area includes homes in Sierra Vista, Huachuca City, Hereford, and the surrounding areas.

While the volume of homes sold in 2003 declined, the average price for a home sold increased by 11.5 percent to $144,059. The average price was not calculated using the highest priced house sold in 2003. If the $1.2 million property had been included when calculating the average, the average price per home would increase by approximately $1,000. Along with an increase in housing sales and the pace of sales during 2002 came a strong increase in the average selling price of a home. During 2002, the average selling price rose 8.4 percent to $129,195. In 2001, the average price of a home sold in the local area was $119,227, up 4.4 percent from the average price of $114,180 in 2000.

In 2003, the median price rose even faster than the average price, increasing 14.6 percent to $134,000. The median price shot up 9.8 percent during 2002 to $116,900. The median price is the price at which half of all homes sold are priced below and half are priced above. A word of caution when dealing with MLS data is that it does not ensure a comparison between comparable homes from year to year, which varies from one period to the next as the mix of expensive and inexpensive homes changes.

As a point of comparison, while the average price for the category of new and existing homes in Sierra Vista was reported at $144,059, the average price of new and existing homes sold in the Tucson market was $172,889. New home prices in the Sierra Vista area continue to remain competitive with other markets. The average price for a new home in Sierra Vista in 2003 was $164,952. The average price for new construction in Tucson was $199,333 for the year 2003 and approximately $201,700 nationally as of 2002. A word of warning when making these comparisons is that construction design, quality, and amenities vary across the country. Home prices for the Tucson market were provided courtesy of Bright Future Consulting of Tucson.

The national trend toward high-end, upscale homes is evident in Sierra Vista. During 2003 there were 196 homes sold at prices higher than $200,000, which was 45.2 percent above the volume in 2002. There were 135 homes sold in 2002 exceeding $200,000, which was 55.2 percent above the number in 2001. A total of 65 homes were sold in 2000 for more than $200,000, and in 2001, 87 homes sold above that price. Homes priced at more than $200,000 represented 7.0 percent of all homes sold in 2000; 8.8 percent in 2001; and 12.8 percent in 2002. By 2003, that percent had increased to 18.0 percent. In 2000, three homes sold at prices above $400,000, while in 2001, the number of homes sold above $400,000 dropped to one. There were four homes in 2002 and six homes in 2003 that sold for more than $400,000. In the price range of $300,000 to $400,000, 25 homes sold in 2003 compared to 21 in 2002.

The number and overall percentage of homes selling at less than $100,000 continues to decline. In 2003, the number of homes selling under $100,000 took a drastic decline, as only 317 homes, or 29.1 percent of all homes, fell into this price range. In 2002, there were 419 homes, or 37.8 percent, sold at prices under $100,000. In 2001, there were 436 housing units priced under $100,000, slightly less than in 2000, when 441 fell into that price category. In 2001, of all homes sold, 44.3 percent priced under $100,000. In 2000, this share was 47.1 percent.

By late 2003, a traditional 30-year, fixed-rate mortgage was reported to be at just below an interest rate of 6.0 percent, near 40-year record lows. A continuation of low interest rates through 2003 has led to a flurry of homeowners refinancing and has made owning a home affordable for a large number of consumers who otherwise would be locked out of the market. Low mortgage rates have also resulted in homeowners being able to afford larger homes than they would have been able to a few years ago. With the economy showing improved strength during the second half of 2003, many believe it is only a matter of time before interest rates begin to rise.

New Home Permits

The pace of new homes under construction accelerated during 2003, with the first three quarters outpacing the levels of 2002. There were 591 new home permits issued within the city during 2003, up 57.2 percent from 2002. The year 2002 was also an active year for new home starts, with the first three

EXISTING HOME SALES BY PRICE

	1997	1998	1999	2000	2001	2002	2003
$1-29,999	7	12	7	12	9	22	13
$30,000-39,999	10	14	17	32	15	17	16
$40,000-49,999	16	21	39	28	35	39	12
$50,000-59,999	29	37	40	39	34	34	38
$60,000-69,999	47	43	65	58	59	54	37
$70,000-79,999	77	93	95	87	85	64	36
$80,000-89,999	101	81	107	93	116	103	72
$90,000-99,999	72	87	73	92	83	86	93
$100,000-119,999	107	134	141	152	150	161	135
$120,000-139,999	85	110	140	121	133	138	137
$140,000-159,999	45	66	70	73	88	120	119
$160,000-179,999	33	33	49	53	56	74	111
$180,000-199,999	11	17	25	32	36	62	81
$200,000-249,999	17	22	37	36	49	79	111
$250,000-299,999	4	7	13	20	22	31	54
$300,000-399,999	1	7	8	6	15	21	25
$400,000 or more	0	0	0	3	1	4	6

Source: Sierra Vista Area Association of Realtors; Southeast Arizona Multiple Listing Service, Inc.

quarters outpacing the levels of 2001. Total new home construction permits were up 28.8 percent with 376 permits.

The year 2003 saw the highest volume of permits issued for the 11-year period that the Center for Economic Research has kept records. For the first half of 2003 building permits were up 74.6 percent over the same period one year earlier. The fourth quarter saw the greatest increase with permits up 116.7 percent. During 2001, a total of 292 permits were issued. Over the past five years, the city has averaged 365 new home permits per year.

In 2003, the average price of a new home showed significant increase, rising 12.6 percent to $77,813. Permit prices exclude the cost of land. In 2002, the average price was $69,123, down slightly from $69,238 in 2001. Several factors contribute to the change in price from one year to another, including the size of the home, location, amenities, and building materials.

Despite the downturn in the economy in 2001 and 2002, new home affordability was helped by lower interest rates. When interest rates drop, people can afford larger homes with more property and amenities; however, when financing costs increase, some may settle for a smaller home or less property or amenities.

It is difficult to predict what is in store for the local market in 2004. Recent indications point to an improving economy with unemployment rates falling, consumer confidence rising, and profitability returning to the stock market. The housing market is helped by a continuation of low interest rates. Interest rates for a 30-year mortgage were at 40-year lows, with rates reported at just less than 6.0 percent. Permit activity should continue to be active over the next several years as the Sierra Vista area draws interest from national home builders looking to expand into the local housing market.

AVERAGE HOME PRICE BY YEAR

YEAR	AVERAGE PRICE	PERCENT INCREASE	INFLATION RATE
1994	$93,640		
1995	$96,870	3.9%	2.5%
1996	$102,013	5.3%	3.3%
1997	$104,517	2.5%	1.7%
1998	$108,717	4.0%	1.6%
1999	$111,642	2.7%	2.7%
2000	$114,180	2.3%	3.4%
2001	$119,227	4.4%	1.6%
2002	$129,195	8.4%	2.2%
2003	$144,059	11.5%	2.8%

Source: Southeast Arizona Multiple Listing Service; Bureau of Labor Statistics

HOME SALES BY QUARTER

	2001	2002	% CHANGE
1st Quarter			
Units Sold	244	269	10.2
Average Price	$120,737	$138,701	14.9
2nd Quarter			
Units Sold	309	249	-19.4
Average Price	$131,906	141,461	7.2
3rd Quarter			
Units Sold	278	305	9.7
Average Price	$128,101	151,357	18.2
4th Quarter			
Units Sold	278	263	-5.3
Average Price	$134,701	147,551	9.5

Source: Sierra Vista Area Association of Realtors; Southeast Arizona Multiple Listing Service, Inc.

NEW HOME PERMITS BY QUARTER 1997-2003

	1997	1998	1999	2000	2001	2002	2003
Jan.-Mar.	40	52	84	59	67	78	167
April-June	62	56	66	92	93	107	156
July-Sept.	58	80	71	63	42	113	99
Oct.-Dec.	49	65	52	77	90	78	169
Year	209	253	273	291	292	376	591

Source: City of Sierra Vista

Rentals

Despite record-low vacancy rates across the city, apartment prices appeared to hold relatively constant during 2003. Some rental units actually experienced price declines during the year, as more apartment complexes appeared to be in the near future for Sierra Vista.

For 2000, the average monthly rent for an apartment in a multi-unit complex in the city was $441.97. In 2001, the average rental rate increased to $451.83, a 2.3 percent increase for the year. In 2002, the average apartment rental rate again increased, this time by 4.2 percent to $470.28. In 2003, the average apartment rental rate declined slightly to an average price of $468.98 per month. Since 1995, prices have increased 15.3 percent.

For the past three years, studio apartments have experienced the largest percentage increase of any rental types. In 2003, studio apartments saw the sharpest increase in

New Business - Sierra Vista Manufactured Housing. Photo: Courtesy of The Greater Sierra Vista Area Chamber of Commerce

rent, climbing by 4.5 percent. The average studio rented for $365.17 per month. Studio apartments also saw the greatest percentage increase in 2002, increasing 5.7 percent to a monthly rental rate of $349.34 per month. In 2001, studio rates went from $313.09 to $330.63, a 5.6 percent increase. The rental price on a one-bedroom, one-bath apartment actually fell by 4.8 percent in 2003, reversing the increase reported one year earlier. The average one-bedroom apartment rented at $407.59 as of September 2002, up 4.7 percent from an average of $389.20 in September 2001. Monthly rates decreased 2.0 percent to $509.10 for two-bedroom, one-bath apartments. The average rental rate for two-bedroom, two-bath apartments increased to $610.28, up 3.3 percent since 2002. The average rate for a three-bedroom apartment increased to $756.53, up 1.7 percent in 2003.

During the summer of 2003, the Center for Economic Research conducted its annual apartment vacancy study. The study takes into account 2,500 apartments in complexes around the city. The 2003 survey revealed a city-wide vacancy rate of only 2.1 percent. In 2002, the overall apartment vacancy rate was 4.8 percent, up from the 3.3 percent vacancy rate in 2001. In 2000, the vacancy rate was 6.5 percent.

The eastern section of the city (Coronado Drive east to the city limits) had the lowest vacancy rate during 2003 at 1.9 percent. In 2002, this area had a 6.6 percent vacancy rate. The area between Seventh Street and Coronado, referred to as central, had a vacancy rate of 2.2 percent, down from 3.1 percent in 2002. Between Fort Huachuca and Seventh Street, the vacancy rate was down to 2.4 percent from 6.3 percent in 2002. Beginning in 1996, when the city vacancy rate was 9.1 percent, the rate consistently decreased each year until 2002. During that year, a 76-unit complex, San Pedro Apart-

HOME SALES BY YEAR

YEAR	NUMBER OF HOMES	AVERAGE PRICE	% CHANGE (PRICE)	MEDIAN PRICE	% CHANGE (MEDIAN)
1993	965	N/A	N/A	N/A	N/A
1994	947	$93,640	N/A	$85,127	N/A
1995	674	$96,870	3.45%	$88,182	3.58%
1996	669	$102,013	5.31%	$95,000	7.73%
1997	662	$104,517	2.45%	$96,000	1.05%
1998	784	$108,717	4.02%	$100,000	4.16%
1999	926	$111,642	2.69%	$102,000	2.00%
2000	937	$114,180	2.27%	$103,618	1.58%
2001	986	$119,227	4.42%	$106,500	2.78%
2002	1109	$129,195	8.36%	$116,900	9.77%
2003	1086	$144,059	11.51%	$134,000	14.63%

Source: Sierra Vista Multiple Listing Service ments, opened on the far eastern section. During spring 2003, construction began on the 250-unit Port Royale apartments located on the city's far northeast side. Several other apartment complexes are in the planning stage for the east side of the city.

According to the Multiple Listing Service, as of the end of 2003 there were 77 homes listed for rent at an average cost of $909. This represents an increase of 11.1 percent from one year earlier. Prices ranged from $350 to $2,400. As of the end of 2002, there were 82 active rental units available in the market. These single-family homes, condominiums, townhouses, manufactured homes, and mobile homes had an average rental rate of $818 per month, a 9.2 percent increase over the year 2001, with a range of $300 to $1,675 per month. At the end of 2001, there were 54 active rental units available.

Commercial Building

Commercial permits were down in 2003 both in dollar valuation and number of permits as compared with prior years. Not since 1993 was the volume of permits as low as during the past year, when seven permits were issued. As far as total dollar valuation, 1991 was the most recent year in which valuation was lower than the 2003 total $2,832,673.

NEW HOME PERMITS BY QUARTER 1997-2003

	1997	1998	1999	2000	2001	2002	2003
Jan.-Mar.	40	52	84	59	67	78	167
April-June	62	56	66	92	93	107	156
July-Sept.	58	80	71	63	42	113	99
Oct.-Dec.	49	65	52	77	90	78	169
Year	209	253	273	291	292	376	591

Source: City of Sierra Vista

NEW HOME SALES BY YEAR

YEAR	NEW HOME PRICE (INCLUDES PROPERTY)	% CHANGE IN NEW HOME PRICE
1996	$121,144	N/A
1997	$122,054	0.75%
1998	N/A	N/A
1999	N/A	N/A
2000	$153,090	N/A
2001	$148,630	-3.00%
2002	$168,735	13.57%
2003	$164,952	-2.24%

Source: Sierra Vista Multiple Listing Service

During calendar year 2002, both the number and the dollar value of new commercial permits were strong within the city. In 2001 and 2002, there were 15 permits issued each year. The year 2001 had a total permit valuation amounting to $11,758,330; in 2002 total permit valuation was considerably more at $16,474,786. In 2000, nine permits were issued totaling $17,445,541.

Over the past 10 years, an average of 10.9 new commercial building permits have been issued per year with an average total valuation of $11,261,362. During the second half of 2003, commercial building activity seemed to pick up. Over the past four years, the second and third quarters have seen the most activity. Of the past 20 years, 2002 was the seventh most active for number of permits issued and the fourth most active year as far as dollar valuation.

In a year when commercial building permits lagged, commercial remodeling permits took on increased importance. During 2003, remodeling permits issued totaled 63 at a combined valuation of $5,139,740. The year was superceded in activity only by 1999. That year, most activity under this category was attributed to the opening of retail shops in the soon-to-open Mall at Sierra Vista. In 2002, a total of 55 permits were issued with a total value of $7,684,801. During 2001, there were 44 commercial remodeling permits issued totaling $1,686,016. In 1998, (not included in the table), 50 permits were issued with a combined valuation of more than $1.9 million.

Beginning in calendar year 2003, the Center for Economic Research began tracking commercial additions. During the year, there were five additions with a total valuation of $2,647,747. For comparison purposes, the remodeling and additions are separated in the Commercial Building Additions and Remodeling Permits by Quarter table.

NEW HOME PERMITS BY YEAR

YEAR	NUMBER OF NEW HOME PERMITS	PERMIT PRICE	PERCENT CHANGE IN PERMIT PRICE
1993	216	N/A	N/A
1994	249	$62,037	N/A
1995	178	$68,144	9.84%
1996	201	$64,463	-5.71%
1997	209	$64,076	-0.60%
1998	253	$64,842	1.19%
1999	273	$66,402	2.40%
2000	291	$67,109	1.06%
2001	292	$69,238	3.17%
2002	376	$69,123	-0.17%
2003	591	$77,813	12.6%

Source: City of Sierra Vista

Review of the Housing Market in Sierra Vista, Mid-1990 to Present

Some of the most frequently asked questions the Center for Economic Research receives concern the housing market in Sierra Vista. The Center has received an increasing variety of questions dealing with existing home sales, new home permits, existing and new developments, and the city's housing rental market. In response to this demand, the Center set out to bring together some of this information in early 2004. What follows is a composite of some of this information in both tables and narrative. This section on housing is differentiated from the previous sections in that this analysis examines trends and generalizations in the local market as opposed to specific activity occurring over the past year.

Existing and New Home Sales

For much of the past decade, the City of Sierra Vista has seen home sales volume totaling more than 900 units per year. The exception came in the mid-1990s, when the volume of home sales dipped below 700 units. The information provided in the table concerning the number of units of home sales and prices is taken from information provided by the Multiple Listing Service in Sierra Vista. The Sierra Vista housing market includes Huachuca City to the north and Hereford to the south. By and large, the majority of homes reported are sold within Sierra Vista itself.

Over the nine years 1994 through 2003, the average price of a home sold in the Sierra Vista market has increased 53.4 percent. During the same time, the inflation rate, as measured by the Consumer Price Index (CPI), rose by 24.8 percent, further showing that housing, as an investment in Sierra Vista, has been sound, outpacing inflation for the period.

In 1994, the first year for which data is available, an average home in Sierra Vista sold for $93,640. In 2003, the price had risen to an average of $144,059. Housing remains affordable in Sierra Vista, as the national average sales price for an existing home was $201,700 in 2002.

One point to consider in the analysis of home prices in Sierra Vista is an aggregate of all homes on the market each year and thus does not include comparable homes from year to year or same home sales year to year. In other words, the analysis does not control for home size nor does it control for home amenities.

The median price, the price at which half of all homes sold sell below and half sell above, for a home sold in the Sierra Vista area has moved from $85,127 in 1994 to $134,000 in the year 2003, an increase of 57.4 percent. Nationally, the median existing home sales price in 2002, the most recent year available, was $158,300. In 2003, 196 homes were sold at prices above $200,000.

The average sales price of a new home in the Sierra Vista area increased from $121,144 in 1996 to $164,952 in 2003. This represents an increase of 36.2 percent. Nationally, the average sales price of a new home in 2002, the most recent year available, was $201,700 and $263,600 in the western United States. For the period 1996 through 2003, the average price of a new home sold rose 42.2 percent nationally and 44.4 percent in the west. A word of caution when referring to the table in this section on new home sales: the volume of homes sold is underrepresented, as the table includes only those homes sold through the Multiple Listing Service.

New Home Permits

New home permits for single family housing have shown consistent growth since 1995, with the number of single family home permits peaking at 591 in 2003. The number of new home permits in 2003 represents a 57.2 percent increase over that of 2002. Between 2001 and 2002, home permits rose 28.8

ANNUAL APARTMENT RENTAL AND VACANCY RATES IN COMPLEXES

YEAR	VACANCY RATE	AVERAGE PRICE UNFURNISHED	PERCENT CHANGE IN AVERAGE PRICE	AVERAGE PRICE FOR A STUDIO	AVERAGE PRICE FOR 1 BED/1 BATH	AVERAGE PRICE FOR 2 BED/2 BATH	AVERAGE PRICE FOR 3 BEDROOM
94-95	N/A	$405	N/A	N/A	$340	$473	N/A
95-96	N/A	$406	0.24%	N/A	$361	$525	$607
96-97	9.05%	$406	0.00%	$312	$364	$505	$620
97-98	8.30%	$403	-0.70%	$311	$362	$498	$619
98-99	7.00%	$404	0.25%	$309	$361	$503	$611
*99-00	6.40%	$408	1.00%	$312	$367	$523	$644
00-01	5.90%	$441	8.10%	$313	$374	$557	$691
01-02	3.30%	$451	2.27%	$330	$389	$566	$724
02-03	4.84%	$470	4.21%	$349	$407	$591	$743
03-04	2.14%	$469	-0.21%	$365	$389	$509	$757

Source: Cochise College Center for Economic Research
*Change is due to the readjustment in apartments in the market study.

percent to 376. In the 10 years (through 2003) that the Center has monitored average prices for new home permits, prices have risen an average of 25.4 percent. In the 12 years for which we have available data on new home permits, the number of permits per year has averaged 292. New home permit prices do not include the cost of land.

New home construction in Sierra Vista is expected to increase in the next several years as indicated by a substantial increase in inquires to the CER from builders outside of the area. These builders have indicated that they are looking for opportunities in the Sierra Vista housing market. Some have already begun to develop properties in the area.

As of early January 2004, the City of Sierra Vista has listed the following subdivisions as under construction: Canyon De Flores Phase 2 (358 units), Canyon De Flores Phase 2A (74 units), Chaparral Village North Phase 3 (106 units), Copper Pointe (52 units), Copper Sky Phase 1 (72 units), Las Haciendas (Escondido) Block A Lots 1–22 (22 units), Mesa Verde Estates Block A Lots 115-143 (28 units), Mesa Verde Heights Lots 1-15 (15 units), and Winterhaven 2E (175 units). In addition, several subdivisions have been approved for construction but have not yet begun: Casas Adobes Block B of Las Haciendas (43 units), Coronado Crossings Phase 1 (135 units), La Vista Coronado (427 units), and Silverado Estates (92 units). Some developments are under review for construction: Cimmaron Place (47 units), Canyon De Flores Phase 2B (77 units), Chaparral Village North Phase 3 (57 units), Copper Sky Phase 2 (61 units), Copper Sky Phase 3 (46 units), Coronado Crossings Phase 1A (56 units), Coronado Crossings Phase 2 (188 units), Escondido Phase II (10 units), La Terraza Phase C (28 units), Las Haciendas II (32 units), Pueblo Las Brisas (16 units), and Summit Heights (186 units).

One change that can be noted in new home construction over the past six or seven years has been a flurry of construction in gated communities. Prior to 1996, there was only one gated community in the Sierra Vista area. Today it is estimated that this number has increased to five. Some but not all of these developments are age-restricted communities. Based on the information provided on new home permits since 1993, the city has added 3,129 single-family site-built homes. Based on Census 2000 information, this has increased the total number of housing units in Sierra Vista by 20.0 percent.

Recent interest in homes in Sierra Vista can be attributed to the climate, the attractiveness of the community, and beauty of the surrounding area. As the Tucson and Phoenix metropolitan areas grow, some people are finding that they prefer to live in less-populated areas. There has also been increased interest of retirees desiring to locate in the area. Between 1990 and 2000, Census population shows the city has grown by 14.5 percent. During the same period, the number of retirees (65 and older) has increased 90.5 percent. The Census 2000 population put the incorporated area of Sierra Vista at 37,775. The most recent estimate on population by the Arizona Department of Economic Security for mid-year 2003 puts the city at a population of 40,430.

Rental Housing

The rental market in Sierra Vista has seen a lot of interesting activity over the past several years. Despite the fact that several new apartment complexes have been added, the market shows that vacancy rates continue to slowly fall across the

ANNUAL HOME RENTAL RATES

YEAR	NUMBER OF HOMES	AVERAGE PRICE FOR HOUSEHOLD	PERCENT CHANGE IN PRICE
1994	N/A	$625	N/A
1995	N/A	$650	4.00%
1996	112	$628	-3.50%
1997	81	$634	0.96%
1998	N/A	N/A	N/A
1999	90	$695	N/A
2000	48	$722	3.88%
2001	54	$749	3.73%
2002	82	$818	9.21%

Source: Sierra Vista Multiple Listing Service

COMMERCIAL BUILDING PERMITS, 1982-2003

	NO.	VALUE
1982	23	$4,179,627
1983	33	$13,065,147
1984	28	$11,307,246
1985	33	$30,000,000
1986	20	$11,747,022
1987	14	$3,504,500
1988	7	$1,480,360
1989	8	$5,078,573
1990	9	$2,333,480
1991	2	$250,000
1992	8	$5,113,454
1993	7	$4,172,982
1994	13	$8,570,150
1995	11	$14,738,241
1996	11	$3,005,992
1997	13	$5,231,573
1998	8	$15,831,193
1999	13	$21,122,312
2000	9	$17,445,541
2001	15	$11,758,330
2002	16	$16,693,436
2003	7	$2,832,673

Source: City of Sierra Vista

city. During the period 1994-2003, average rental prices have increased 15.8 percent. During the same time, the inflation rate was 24.8 percent. As of mid-year 2003, an average apartment rented for $469 within the city. Over the past nine years, four new complexes have come online with a total of more than 650 units. There is a possibility of three new apartment complexes, which are presently in various stages of planning. When taken together, that is the number of single-family homes and the number of new apartment units that have been added to the city's total housing units over the past 11 years, which amounts to an increase of more than 33.1 percent in housing units. The Census 2000 figure listed the total number of housing units in the City of Sierra Vista at 15,685. Information on vacancy rates and unit pricing was taken from an annual study conducted by the Cochise College Center for Economic Research.

Despite the number of housing units constructed in the City of Sierra Vista over the past few years, officials from Sierra Vista and Fort Huachuca note there is a housing shortage of three- and four-bedroom apartments and homes within the city. In the near future, the demand for housing in Sierra Vista is expected to increase as Fort Huachuca downsizes the number of housing units it provides on the fort. Fort officials have been working with the city to plan for this shift of housing units into the city. The number of new home permits is expected to continue at a strong pace in the future due to the interest by developers outside of the area and their marketing efforts to attract homebuyers. Sierra Vista has a large number of homes and apartments on the rental market.

The Census 2000 figures put the percentage of owner occupied housing units in Sierra Vista at 52.2 percent. Nationally, this figure is 66.2 percent. Approximately 75.8 percent of owner-occupied housing units carry a mortgage. This compares with 70.0 percent at the national level.

Conclusion

In summary, housing continues to remain affordable when compared to national prices. In recent years, home prices in both the existing and new markets have not risen as fast as those nationally. In the rental market, recent price increases have not kept up with the rate of inflation. It also appears that the housing market has been expanding at a rate that has kept pace with population growth.

NEW COMMERCIAL BUILDING PERMITS BY QUARTER

	1999		2000		2001		2002		2003	
	NO.	VALUATION	NO.	VALUATION	NO.	VALUATION	NO.	VALUATION	NO.	VALUATION
Jan.-Mar.	5	$9,517,457	0	——	3	$1,168,966	4	$4,250,000	0	$0
Apr.-June	2	$2,786,498	4	$13,842,000	6	$3,956,608	4	$5,685,158	3	$1,064,058
July-Sept.	6	$8,818,357	3	$1,700,000	5	$5,792,620	4	$5,869,900	3	$1,417,615
Oct.-Dec.	0	$0	2	$1,903,541	1	$390,136	4	$888,378	1	$351,000
Year Total	13	$21,122,312	9	$17,445,541	15	$11,758,330	16	$16,693,436	7	$2,832,673

Source: City of Sierra Vista

COMMERCIAL BUILDING REMODELING PERMITS BY QUARTER

	2000		2001		2002		2003	
	NO.	VALUATION	NO.	VALUATION	NO.	VALUATION	NO.	VALUATION*
Jan.-Mar.	15	$503,339	6	$138,000	12	$376,892	15/1	$3,249,100/$963,267
Apr.-June	12	$774,601	9	$454,248	10	$1,160,738	19/3	$957,950/$1,664,480
July-Sept.	2	$171,000	19	$820,518	17	$1,878,171	16/1	$384,190/$20,000
Oct.-Dec.	10	$1,032,180	10	$273,250	16	$4,269,000	13/0	$548,500/$0
Year Total	39	$2,481,120	44	$1,686,016	55	$7,684,801	63/5	$5,139,740/$2,647,747

Source: City of Sierra Vista
*First number refers to remodeling second number refers to additions.

Jonathan Fish, 3, is latched on to his father during training exercises at Coronado National Monument in preparation for a Middle East mission. Photo: Ed Honda-Herald/Review

Fort Huachuca

Fort Huachuca continues to play a vital role in the local community as both a major employer and as a major consumer of goods and services. This strong dependence on the fort is evidenced by a 2002 Fort Huachuca report that concludes that 34.8 percent of the employment in Cochise County is directly related to the post.

As the largest employer in Sierra Vista, Fort Huachuca is an important component in the well-being of the community. In the last round of Base Realignment and Closures (BRAC), community efforts helped ensure the survival of the post. Community leaders are further diversifying the economy to lessen the shock of reductions in Department of Defense budgets and personnel. In recent years, the city has been successful in bringing new retailers and industry to the area.

In fiscal year 1997, the post saw a decrease in students, contractor personnel, and military/civilian personnel. While the military and student numbers continued to decline in 1998, the number of civilian jobs increased by 12.0 percent. In fiscal year 1999, the number of military personnel decreased, but the number of students increased by 44.5 percent, and the number of civilian jobs increased by 6.5 percent. During fiscal year 2000, the number of students increased by 78 percent, and civilian jobs decreased by 18 percent. Overall, total employment on Fort Huachuca increased from 11,375 in fiscal year 2000 to 12,305 in fiscal year 2001. In fiscal year 2002, both student and military populations declined on the post while the number of civilian employees increased. In 2002, the workforce on Fort Huachuca was 4.2 percent below that of 2001.

In September 1997, the Army announced that Fort Huachuca had been selected as the site for the West Regional Civilian Personnel Operations Center (WCPOC). The fort had been selected for this in 1996, but the selection was premature, awaiting a required environmental assessment. As the WCPOC serves 14 states, this reorganization should allow the post to continue favorably in future defense-spending budgets.

Purchases of goods and services in Sierra Vista by Fort Huachuca increased by 22.1 percent during fiscal year 2002, the most recent year for which information is available. The direct impact of the post on Cochise County is up 6.9 percent, or approximately $37.0 million from the previous year. The direct impact includes purchases, contracts, military/civilian pay, school expenditures, claims, and loans. Most of these disbursements were concentrated in the Sierra Vista area of Cochise County. Total impact figures no longer include military and civilian retirement pay, as Fort Huachuca does not control those disbursements.

Based on a military multiplier of 1.684 derived from the Economic Impact Forecast System (EIFS) developed by the U.S. Army Corps of Engineering Research Laboratory (CERL), the total impact on Cochise County is estimated to be $959.4 million. From this statement on financial impact, a person can gain a sense of the importance the fort plays in the economy of Sierra Vista and the impact a closure would have on the local community.

In 2005, another round of Base Realignment and Closures is planned. Presently, area business and community leaders are working hard to safeguard the fort from future government cuts. Not only is the fort important as an economic engine for the Sierra Vista economy. It is also seen as vital to the mission of the U.S. Army.

On December 17, 2003, Arizona Governor Janet Napolitano spoke in Sierra Vista on her efforts to ensure a strong future for the military in Arizona. On behalf of this effort, the governor formed a military affairs task force, which presented 27 recommendations to position the state for future military opportunities. The governor indicated she has accepted all 27 recommendations.

FORT HUACHUCA WORK FORCE

	MILITARY	STUDENTS	CIVILIAN	TOTAL
1992	5,682	———	5,994	11,626
1993	5,823	———	5,430	11,253
1994	7,533	———	5,779	13,312
1995	5,854	———	5,010	10,864
1996	5,670	———	4,613	10,283
1997	4,455	———	4,413	10,116
1998	4,310	1,111	4,941	10,362
1999	4,272	1,606	5,262	11,140
2000	4,219	2,864	4,292	11,375
2001	4,066	2,658	5,581	12,305
2002	3,673	2,062	6,051	11,786

Source: Fort Huachuca Impact Statement FY 2001

PURCHASE OF GOODS & SERVICES IN SIERRA VISTA

1994	$184,400,000
1995	$242,600,000
1996	$229,700,000
1997	$223,000,000
1998	$158,100,000
1999	$208,900,000
2000	$199,400,000
2001	$198,100,000
2002	$241,900,000

Source: Fort Huachuca Impact Statement FY 2001

TOTAL DIRECT IMPACT ON COCHISE COUNTY

	1997	1998	1999	2000	2001	2002
Purchases/Contracts	$223,000,000	$158,100,000	$208,900,000	$199,400,000	$233,100,000	$249,900,000
Military Pay	$144,200,000	$152,900,000	$154,000,000	$128,200,000	$151,300,000	$162,300,000
Civilian Pay	$129,900,000	$116,500,000	$117,600,000	$146,600,000	$135,800,000	$157,400,000
Schools	$3,270,000	$4,610,000	$4,470,000	$5,100,000	$7,100,000	$7,400,000
Reserve Components	---	---	---	---	---	---
Claims & Loans	$1,160,000	$1,090,000	$830,000	$760,000	$730,000	$700,000
Total Direct Impact	$501,530,000	$433,200,000	$485,800,000	$480,060,000	$533,030,000	$569,700,000
Cochise Multiplier	1.684	1.684	1.684	1.684	1.684	1.684
Total Impact	$844,576,520	$729,508,800	$818,100,000	$808,421,040	$897,622,520	$959,374,800

Source: Fort Huachuca Impact Statement FY 2000
Note: Data above no longer include retirement pay for military and civilians living in the Fort Huachuca area because the fort does not control or disburse these payments.

Aerial view of Fry Boulevard and the Huachuca Mountains. Photo: Courtesy of Sierra Vista Convention and Visitors Bureau

Information Technology Services

In early 2004, the Center for Economic Research launched a study to analyze the impact of the information technology (IT) services sector on the local economy. CER developed a survey that was then delivered to 39 IT businesses in the Sierra Vista area. The response rate of just more than 20 percent was less than what had been hoped for and somewhat restricts the interpretation of data; however, even with the lower-than-desired response rate, the survey facilitated several important conclusions.

Of those businesses surveyed, all provided multiple services, with the most common being systems integration, networking (including local area and wide area networks), and project management. These services were provided by 87.5 percent of the responding IT businesses. The next most common services were systems engineering, systems installation, and systems security/information assurance, with 75 percent of IT businesses providing these services. Of those IT businesses that responded to the survey, 57.5 percent reported either systems engineering or systems integration as the largest portion of their services provided locally.

Businesses responding to the survey reported that, on average, 62.8 percent of their services are provided to Fort Huachuca, 3.5 percent is provided to local area customers outside Fort Huachuca, and, perhaps most significantly, 33.8 percent of services are provided to customers outside the Cochise County area. This last figure identifies a significant export market, where services are produced in the local area for customers located throughout the nation and world.

A further look at the customer bases of local IT businesses revealed that the federal government constituted 94.6 percent of the customer base, and nongovernmental businesses comprised 4.1 percent. City, state, and local government accounted for just more than 1 percent of the customer base.

Of those businesses surveyed, 87.5 percent indicated they were actively seeking to expand their services in the local area or would be willing to expand their services to local area customers beyond the Department of Defense and Fort Huachuca. This large segment of the IT sector willing to expand its services locally represents a potential source of supply that, if matched with local demand, could limit outsourcing for IT services to the larger metropolitan areas, keeping jobs and wages in Cochise County.

In response to questions concerning operating costs and expenditures, respondents reported spending an average of $2,300 per month in the local area on office supplies and equipment. Extrapolating this data to the IT services sector as a whole, this indicates a potential total expenditure of $1.1 million per year.

The average number of employees per business reported by survey respondents was 79, with 97.8 percent of these being full time. The average wage of IT services employees was $52,183 per year, 87.9 percent above the average wage of $27,772 per job in Cochise County, and 46.8 percent higher than the national average of $35,550, as reported for 2001 by the U.S. Department of Commerce (the most recent data available). Extrapolating employment and wage data to the entire IT sector indicates that this sector potentially employs more than 3,000 people in Cochise County with an annual payroll of more than $160 million.

Chancellor Charter School at Sierra Vista Principal Ken King, right, rides the air during the Festival of Colors kickoff at the school. Photo:Ed Honda-Herald/Review

In addition to hiring from the local labor force, IT sector businesses bring in employees with critical skills from across the country. Those businesses that responded to the survey reported relocating an average of 12 employees each to the local area over the past three years, indicating the IT sector, as a whole, potentially relocates more than 150 employees each year to Sierra Vista and Cochise County. On average, an employee will remain with the local business for 3.9 years, then move to either another site within the same company, or switch to another company altogether. This relatively short tenure of IT sector employees is largely attributable to the fact that many local IT businesses are remote locations of larger corporations located throughout the nation or world, as well as the fact that the IT sector in Sierra Vista is highly competitive, with various businesses competing for highly skilled workers in the local labor force. Additionally, about 53.9 percent of local IT employees were recruited from military personnel retiring or separating from Fort Huachuca. Many of these employees eventually move to Department of the Army civilian positions on Fort Huachuca or relocate to other areas where they were previously assigned or resided prior to entering the military.

Employees of the IT sector tend to be well-educated, with an average of 69 percent holding a bachelor's degree or higher. On average, 22 percent of IT employees hold a master's degree, while 3.2 percent hold a doctoral degree.

When asked why their business has located to, and/or remains in, Cochise County, 87.5 percent of those surveyed listed proximity to Fort Huachuca as a primary reason. The next most common response was the availability of a qualified labor force, with 62.5 percent listing this as a reason. Interestingly, only 12.5 percent listed operating costs (e.g., taxes, regulations, fees, wages, insurance, etc.) as a primary reason for locating to, or staying in, the area.

Concerning the impact of the IT sector on the local real estate market, all respondents reported renting or leasing their local business property, with an average monthly rent of $7,762. The median monthly rent was $2,100. The reason for the large discrepancy between these two measures of central tendency is the relatively small sample size of the survey.

Of those businesses surveyed, all reported that they currently intend to expand in the local area, hiring an average of 24 additional employees each in the near term. Twenty-five percent of the businesses surveyed indicated they intend to expand their facilities; however, data collected is of insufficient quantity to generalize about the potential impact of this expansion to the local economy. It is worth noting, however, that at least one business intends to invest $450,000 on facility construction costs.

Spectators enjoy the performance of young Folklorico dancers.

Impact of Mexico

Given the close proximity to Mexico, Sierra Vista feels the impact of Mexican shoppers and travelers in the city. Citizens of northern Mexico are frequent shoppers in area stores. The local hospitality industry benefits from the business generated by residents of northern Mexico. In recent years, increased attention has been placed on marketing the Sierra Vista area to northern Mexico. Although it is difficult to estimate the size of the market, Agua Prieta, Sonora, just across the border from Douglas, Arizona, has a population of approximately 120,000 residents, a significant portion of which travels to Sierra Vista to shop.

During the fall of 1999, an extension of the border "free zone" was announced. The free zone allows Mexican citizens to shop in an area close to the border without having to pay a special fee or obtain a visa. The previous free zone comprised the area from the border extending 25 miles north from the Mexican border staying no more than 72 hours without additional permits or fees. The revised free zone extends that area to 75 miles north of the border from Nogales and Douglas. While the original border free zone included the Sierra Vista market, the extended free zone opens up the rest of the county, including attractions such as Kartchner Caverns. With the availability of services and lodging in Sierra Vista, the extension of the free zone should draw more Mexican travelers to the area.

For 2003, the average number of vehicle crossings monthly at the Douglas Port of Entry was down 14.1 percent from 2002. At the Naco Port of Entry, average monthly vehicle crossings were down 1.5 percent. At the time of this publication, December 2003 border-crossing figures were not yet available, precluding analysis of year-end totals. However, the change in monthly averages is likely an accurate estimator of change in year-end totals. The likely reason for the drop in vehicle crossings in 2003 was the U.S. invasion of Iraq, which began in March, and the accompanying higher terrorist threat levels, which resulted in tighter border security measures. While vehicle crossings in January 2003 were slightly higher than those a year prior in January 2002, from the time the United States prepared to go to war in February 2003, vehicle crossings in Douglas were lower in each month than they had been in the corresponding months of 2002. In Naco, the picture was only slightly different, with monthly vehicle crossings likewise dropping in February and remaining lower each month than in the corresponding months of 2002; however, in Naco this trend lasted only until June 2003, when vehicle crossings picked back up. The reason Naco crossings recovered more quickly is likely due to the fact that Naco is a minor port of entry compared to Douglas, thus enhanced security proceedings tended to result in less of a delay because of the lower volume of traffic.

Retail sales in the Sierra Vista area benefit greatly from the influx of Mexican shoppers who appreciate the vast variety and quality of merchandise available locally. Automobiles bearing Mexican license plates are a common sight in the parking lots of local shops and malls. The duty-free is limited to $50 per person, per trip and $400 per month.

Mexico's Economy Today

Trade between Mexico and the United States has sharply increased from $81 billion in 1993, the year before the North American Free Trade Agreement (NAFTA) took effect, to $248 billion in 2002. As a result of this strong relationship, the U.S. has contributed to the mild recession that Mexico has been experiencing. The slow-down in manufacturing in the U.S. economy since 2001 has slowed demand for Mexican imports into this country. Approximately 80 percent of Mexico's exports are to the United States and about one third of Mexico's $600 billion economy is dependent on exports.

As of September 2003, economic indicators show that Mexico continues in a recession. In September, GDP was up 0.4 percent when compared with the same period one year earlier. After several quarters of negative growth, the Central Bank in Mexico was expecting GDP to rise by about 2.4 percent during 2003. The expectation is that the third and fourth quarters will show signs of recovery. In 2002, GDP grew by 0.9 percent. As of October, annual industry production is down 0.8 percent over the prior year. Through the third quarter of 2003, the service sector of the economy grew by 1.5 percent. The service sector is the largest sector of Mexico's economy, representing more than one-half of all jobs. Meanwhile, through September, agricultural output showed a gain of 1.9 percent.

ECONOMIC INDICATORS FOR MEXICO

	GDP (REAL ANNUAL % CHANGE)	RETAIL SALES (REAL ANNUAL %-CHANGE)	UNEMPLOYMENT (%)	INFLATION (CPI, ANNUAL VARIATION IN %)
1996	5.1	-4.4	4.1	27.7
1997	6.8	8.9	2.8	15.7
1998	4.9	5.5	2.6	18.6
1999	3.7	4.3	2.0	12.3
2000	6.6	10.0	1.9	9.0
2001	-0.3	2.7	2.5	4.4
2002	0.9	0.0	2.1	5.7
2003	0.4*	4.5**	3.8***	4.0**

Source: Latin Focus
*September 2003 ** October 2003 *** November 2003

In April 2002, changes in Mexico's monetary policy resulted in a devaluation of the peso by 5.0 percent in order to make it more competitive. Following the devaluation of the peso, Mexico's stock market lost most of its previous gains, falling 11 percent while the peso fell 8 percent. Prior to April, Mexico's IPC index had risen 18 percent for the year. The Mexican peso is largely tied with the U.S. dollar in valuation. If the peso moves through 10, it is likely that the Central Bank will intervene with increased demand. The easing of monetary policy in April of last year came as a result of complaints from Mexican exporters.

The maquiladoras, or twin plants, in Mexico are showing some signs of recovery. In 2001, the industry was off by 9.1 percent and 9.5 percent in 2002. For the first four months of this year, it was down 0.7 percent. The twin plants located along Mexico's 2,000-mile border are faced with increasing competition from Asia and Central America. The maquiladoras accounted for $76.9 billion of Mexico's total exports of $158.5 billion worth of goods during 2001. In the past few years, 350 maquiladoras have left Mexico, mainly in the textile and electronic sectors of the economy. The strong peso, new taxes, and tariff regulations are all blamed for the difficulties facing the maquilla industries. It is believed that China's entry into the World Trade Organization has further taken the shine off Mexico's once-booming industry.

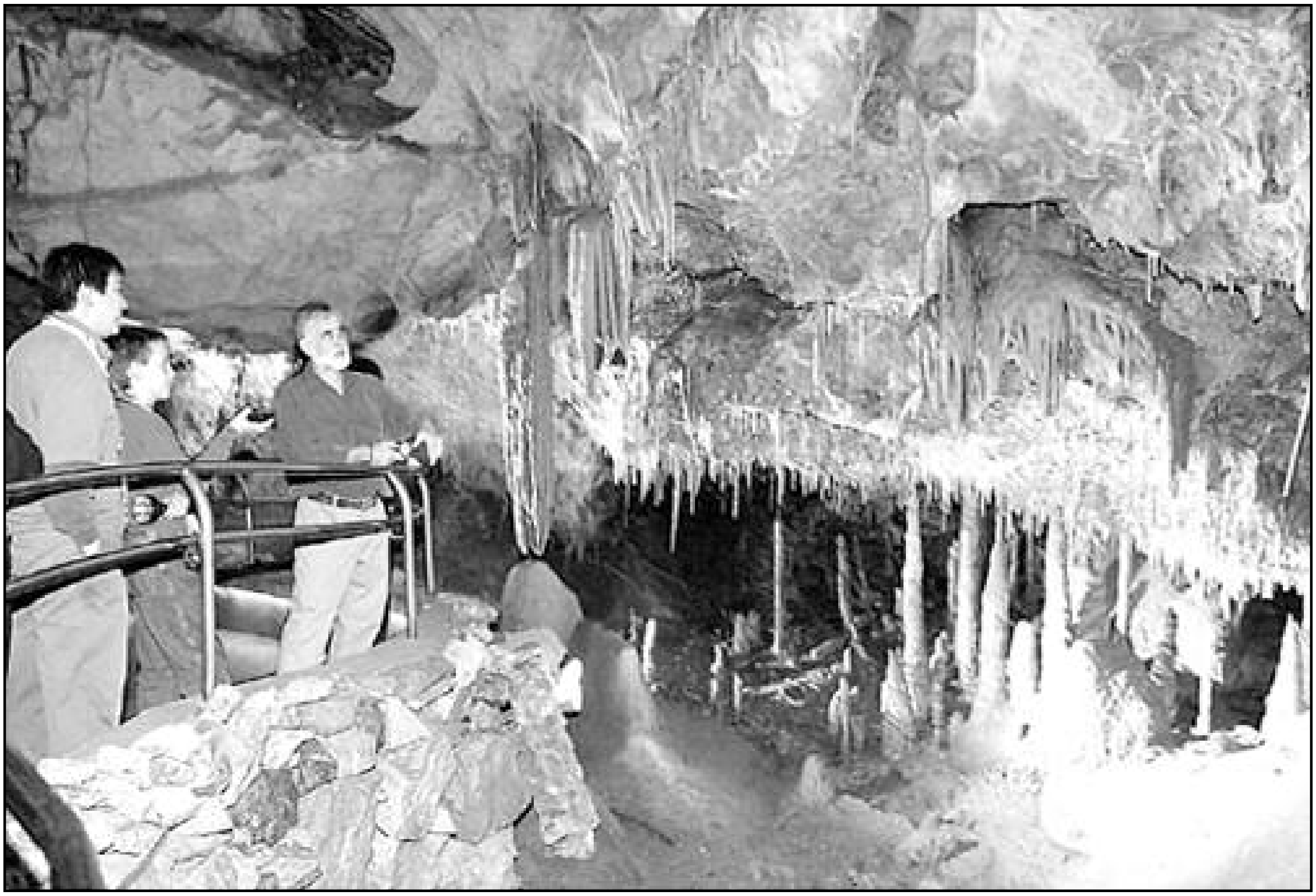
Maquiladoras came into existence about 30 years ago, importing raw materials and components into Mexico, duty free, and exporting them back after assembly. Over the past 30 years, the plants have averaged double-digit growth, capitalizing on cheap labor. The devaluation of the peso during the 1990s further helped to make exporting by this industry even cheaper. With approximately 90 percent of maquiladora exports headed for the United States, the industry was hurt by the slowing U.S. economy in 2001. Unless current laws change, these foreign firms will be taxed as domicile industries in 2004. This will mean millions of dollars paid in Mexican taxes without a foreign tax credit available at home. Along Mexico's border, maquiladora wages average approximately $3 an hour, compared with $1 per hour for Asian firms. Stronger growth potential in Asia has caused foreign investors to move investments to that region. All of this has contributed to making Mexico less competitive in the United States.

At the Naco Port of Entry for the first eight months of 2003, alien border crossings were down 3.3 percent over the same period in 2002. Alien pedestrian crossings were down by 9.2 percent for the period February through May. The Iraq war is believed responsible for this reduction. Inflation continues to remain under control, rising at an annual rate of 2.2 percent for the first part of this year.

BorderCrossings

	DOUGLAS			NACO		
	U.S. CITIZENS	ALIENS	VEHICLES	U.S. CITIZENS	ALIENS	VEHICLES
1986	1,999,100	2,998,630	1,624,551	315,390	597,040	355,148
1987	1,891,340	2,842,020	1,512,654	319,930	600,630	282,370
1988	2,039,120	3,058,750	1,567,566	304,490	571,010	277,154
1989	2,101,928	3,152,879	1,624,615	304,408	567,447	292,485
1990	2,219,850	3,328,840	1,738,953	301,010	625,430	307,968
1991	2,061,260	3,091,910	1,773,325	329,020	645,210	304,331
1992	1,953,740	2,917,470	1,762,119	290,710	501,840	287,981
1993	2,006,680	2,993,130	1,930,957	269,130	546,447	265,708
1994	2,264,320	3,352,640	2,213,629	276,250	624,750	280,383
1995	1,952,503	2,919,741	1,866,798	275,182	596,614	266,413
1996	2,011,274	2,989,579	1,952,673	367,300	783,084	295,741
1997	2,106,251	3,103,164	3,031,280	350,407	776,439	306,343
1998	2,157,727	3,190,589	2,067,338	373,016	769,886	312,246
1999	2,505,433	3,715,351	2,186,310	357,916	726,815	334,406
2000	2,747,077	4,112,377	2,290,878	286,879	678,929	349,180
2001						
January	216,968	324,801	186,910	17,348	61,174	28,187
February	181,578	271,840	178,589	16,791	57,403	27,417
March	182,619	278,354	201,979	18,722	78,909	30,250
April	177,858	266,260	196,054	18,523	65,049	30,605
May	167,837	279,537	210,362	19,649	69,125	31,463
June	174,963	278,479	194,441	18,382	64,751	29,487
July	181,685	265,731	200,190	18,913	66,696	30,129
August	187,477	276,575	203,791	18,397	67,237	30,154
September	142,038	210,323	134,791	16,462	91,063	26,114
October	201,677	299,403	118,446	18,401	88,014	25,194
November	246,705	366,445	130,483	16,190	57,080	26,386
December	328,606	486,877	170,052	18,210	59,374	30,225
Annual	2,390,011	3,604,625	2,126,088	442,256	825,875	345,611
2002						
January	336,911	500,822	178,919	19,008	64,022	27,820
February	297,996	442,910	177,214	20,102	65,175	25,687
March	297,809	440,650	200,221	21,118	67,154	29,633
April	277,472	411,882	198,090	22,503	69,713	27,731
May	315,940	187,336	207,232	18,160	63,970	29,780
June	308,682	458,772	196,646	17,815	61,125	27,194
July	311,490	458,951	208,911	17,337	61,064	27,732
August	313,029	463,975	208,141	18,005	63,419	26,446
September	285,900	428,862	311,130	16,742	59,961	28,683
October	248,518	372,034	195,758	15,892	60,133	27,358
November	217,344	325,387	185,182	17,503	61,664	28,788
December	217,176	325,122	179,593	17,802	63,223	33,142
Annual	3,428,267	4,816,703	2,447,037	221,987	760,623	339,994
2003						
January	186,077	278,564	179,088	65,122	27,932	27,725
February	181,010	268,005	161,552	15,737	55,423	24,997
March	226,968	337,777	178,865	17,062	60,102	27,094
April	212,505	318,124	178,858	17,280	60,873	27,561
May	236,286	354,441	193,978	65,044	30,000	29,710
June	208,742	312,487	182,555	18,150	64,302	27,438
July	184,127	275,640	160,932	17,819	62,799	28,447
August	199,234	293,669	174,217	18,408	64,859	29,797
September	183,736	272,407	173,853	17,015	59,931	26,684
October	163,603	245,272	173,188	17,730	62,460	28,091
November	160,728	241,093	168,918	18,391	64,788	29,331

Source: U.S. Immigration and Naturalization Service, U.S. Customs Service, and University of Arizona Economic and Business Research



Original founder of the Kartchner Caverns, Gary Tenen, right, talks about the Strawberry Room to Lindsey Carlson, 11, and Stephen Gin during the Kartchner Caverns State Park-Big Room Ribbon Cutting Day. Photo: Ed Honda-Herald/Review

Tourism

Tourism plays an increasingly important role in both Sierra Vista and throughout Cochise County. With the opening of Kartchner Caverns State Park during the fall of 1999, tourism has increased as expected in the Sierra Vista area. Arizona's newest state park has received international media attention and is located just 19 miles north of the city. In November 2003, the caverns opened what has been referred to as "The Big Room." This is expected to increase the number of tours and visitors to the park.

Currently, local tourism is measured through visits to area parks, as well as the city's transient occupancy tax, or bed tax. For the first half of 2003, park visitations in the area were down by 9.8 percent. From January to June 2003, Kartchner Caverns accounted for 53.9 percent of all Cochise County park visits. In the second half of 2003, park visits were up by 3.1 percent compared to the totals for 2002. For the year, overall park visits were down by 4.5 percent. Kartchner Caverns State Park accounted for approximately 50.1 percent of park visits in Cochise County.

There was a jump in visits to parks for the first half of 1999 due to the weather. During the first six months of 1998, the weather in the southwestern United States was affected by the storm system known as El Niño. This weather pattern brought unusually cool and wet weather to the area. Additionally, the winter weather in the northern states was milder than usual. The weather pattern received national news coverage and is believed to be responsible for the decline in tourists to the area in the spring of 1998. In 1999, warm, dry weather returned as La Niña, an opposite weather pattern, set in over the southwest. The winter of 2001-2002 was mild and dry over much of the country. The milder weather along with the aftermath of September 11th is believed to have attributed to a lower number of park visits during the first half of 2002. During 2003, tourism was again impacted by terrorism threats and uncertainty surrounding the war in Iraq.

In calendar year 2003, total visitor inquiries to the Sierra Vista Convention and Visitors Bureau were 168,881 compared to 133,581 in 2002, an increase of 26.4 percent. Total visitor inquiries include phone calls, mail requests, and walk-in visits. Visitor inquiries were down during 2002 due to a change in marketing focus. The visitors bureau has refined marketing efforts emphasizing target markets rather than broad-based advertising. Due to a new mail distribution program implemented in 2001, totals in the category of mail requests increased significantly. While this new reporting process skews data for prior-year comparisons, it is believed that it more accurately reflects the actual activity for that category.

Tourism is a welcome addition to any economy, since the dollars generated represent new revenue to local merchants. In other words, dollars are infused into the local economy that otherwise never would have entered the local area. Jobs in the service sector, especially hotels and restaurants, are directly tied to the pace of local tourism. The transient occupancy tax, or bed tax, is a good measure of overnight visitors to the local area. Sierra Vista has 1,100 hotel, motel, and bed-and-breakfast rooms in 30 lodging establishments. The city has more overnight rooms than any other city in the county. In addition, the Sierra Vista area has 760 recreational vehicle spaces for rent and 64 restaurant and bar establishments. Given this, the city is often used as a hub from which tourists visit other parts of the area.

Sierra Vista and the surrounding rural areas of Cochise County frequently receive publicity from national media on topics related to the area's natural beauty and wildlife. In 2002, Sierra Vista was recognized in a National Geographic video. The video featured a segment on the "Hummingbird Capital of the United States."

Sierra Vista 2002 Tourism Study

The following was taken from a study commissioned by the Sierra Vista Convention and Visitor's Bureau. The study was conducted by the Arizona Hospitality Research and Resource Center at Northern Arizona University. The following is reprinted from their report titled Sierra Vista Annual Visitor Profile.

This report summarizes visitor data collected for Sierra Vista during fiscal year 2002, February 2002 through January 2003. A total of 332 surveys were received during this 12-month period. The surveys were collected from visitors at participating hotels, motels, and attractions in the community of Sierra Vista.

Findings

- Visitors were not familiar with Sierra Vista. Data showed that more than half (54.4 percent) of all visitors had never visited the community.
- These visitors were on longer-than-average trips, spending an average of 26.5 nights away from home on the total trip, an average of 17.3 of these days in Arizona. These long lengths of stay were driven up by visitors during the October-to-March period, dominated by snowbirds and others seeking climate relief. The average number of nights ranged from approximately eight days in the fall to 13 days in the winter months.
- Day visitors, those not staying overnight in the community, spent an average of 8.7 hours in the community; whereas overnight visitors spend an average of 10.1 days in Sierra Vista. A small percentage of these were long-stay visitors, spending more than 14 days in the community; however, 80 percent of all overnight visitors spend eight or fewer nights in the community.
- Visitors spend the night in a wide variety of places prior to their Sierra Vista visit. The most popular responses were: the Sierra Vista area (44.6 percent), home (4.2 percent), other Arizona communities (17.9 percent), other communities (33.3 percent). These four were also the most common responses, including New Mexico (3.8 percent) for where visitors planned to spend the night after leaving Sierra Vista.
- More than half of respondents (57.3 percent) stayed in a hotel/motel during their stay in Sierra Vista, followed by

SIERRA VISTA VISITOR CENTER INQUIRIES

	1995	1996	1997	1998	1999	2000	2001	2002	2003
1st Qtr	8,299	10,637	7,754	12,713	9,618	12,198	46,628	39,199	40,649
2nd Qtr	10,347	17,097	7,780	9,959	10,426	9,649	38,574	37,442	44,297
3rd Qtr	14,687	8,851	6,853	7,644	7,421	5,951	65,071	32,447	44,273
4th Qtr	12,493	7,472	7221	8,176	10,837	9,809	28,483	24,493	39,662
Total	45,826	44,057	29,608	38,492	38,302	37,607	178,756*	133,581	168,881

*Denotes a new program of distribution in the mail category (includes all inquiries made by walk-in, phone, mail, and Internet).
Source: Sierra Vista Convention & Visitors Bureau

20.3 percent who stayed in a private home; third was campground/RV park (19.9 percent), followed by 9.1 percent who stayed in a bed and breakfast. Relatively insignificant numbers of visitors stayed in a timeshare/condo (3.3 percent) and "other" accommodations (4.1 percent), and resorts (2.1 percent). Strong seasonality is evidenced by the percentages who stayed in campground/RV parks – 5.8 percent in summer and up to 10.6 percent in winter.

- The average party size was two persons (2.2 people), and few respondents (19 percent) traveled with children – a factor of key importance to marketers.
- Almost two-thirds of visitors arrived in the community in their own cars (57.8 percent), followed by rental cars (28.7 percent). Almost half of these rental cars (49.4 percent) were rented in Tucson, 29.1 percent in Phoenix, and 5.1 percent in Las Vegas, Nev. Striking seasonal differences occurred with rental cars, however, with a majority of visitors from January to July picking up rental cars in Tucson, versus 13 percent picking up cars in Phoenix in the fall. A significant percentage of visitors arrived in their own camper/RV (13.5 percent), and these were heavily concentrated in the winter months, with fully one-fourth of all winter visitors arriving by camper/RV.
- When visitors were asked how they found out about Sierra Vista, a majority (56.5 percent) indicated that they heard about the community from friends/family. Seasonal variations occurred here too, reaching 61 percent among winter visitors, then falling to 49 percent among summer visitors. The next largest source of information was "other" (23.8 percent), followed by the Arizona Office of Tourism (10.1 percent), guide books (9.7 percent) and website (4.8 percent). Brochures were a particularly important source for shoulder season visitors (who were perhaps just passing through), while winter visitors relied extremely heavily on recommendations from friends and family.
- Most visitors to Sierra Vista were on leisure vacations, while 18.4 percent are in Sierra Vista for business, military related business, or convention reasons. Visiting friends and relatives (22.9 percent) was the motivator of most leisure visitors, followed by outdoor recreation (22.5 percent), entertainment/sightseeing (13.3 percent), and personal (10 percent).
- Visitors take part in a wide variety of activities, including general sightseeing, visiting with friends/family, shopping, dining and playing golf. Activities have strong seasonal patterns, with shopping, golf, visiting peaks, attending festivals/events, stargazing, dining out, and photography especially high during the winter months. Hiking is an activity that is popular throughout the year. Visiting parks reaches its lowest point during the spring months, while attending business meetings peaks in winter.
- For a majority of visitors, (52.8 percent), Sierra Vista was the main destination, while it was one stop on a longer trip for 47.2 percent of all visitors.
- In terms of overall satisfaction, visitors were very satisfied with their visit to the community. This is reflected in the average (4.0 out of 5.0). Three-fourths (78.7 percent) of visitors indicated that they were either very satisfied (50.8 percent) or totally satisfied (27.9 percent) with their visit to the community – high ratings indeed.
- Visitors were not only satisfied with their visit but also rated the community very highly (8.8 out of a possible 10) and felt that the community offered very good value for money (8.8 out of a possible 10). It can be deduced that visitors to Sierra Vista are extremely pleased with the quality of their experiences and perceive the community to be a good value for their tourism dollars. Slightly higher satisfaction levels tend to be reported during the fall and winter as opposed to summer months, which may be related to the number of visitors in the winter visiting nearby attractions. However, the friendliness of local merchants and residents ranks equally high in every season. Quality of lodging gets its highest ranking during fall, while the quality of service at tourism businesses peaks in fall and winter.
- Overall, visitors were quite satisfied with services and facilities in the community. No series or facilities ranked lower than satisfied (3.0), however, no services were ranked high-

TRANSIENT OCCUPANCY TAX COLLECTED BY FISCAL YEAR (BED TAX)

YEAR	$ VALUE	% CHANGE
87-88	$132,838	
88-89	$148,540	11.8%
89-90	$174,608	17.5%
90-91	$176,183	0.9%
91-92	$224,487	27.4%
92-93	$239,774	6.8%
93-94	$242,730	1.2%
94-95	$298,763	23.1%
95-96	$326,327	9.2%
96-97	$284,174	12.9%
97-98	$284,480	0.1%
98-99	$258,593	9.1%
99-00	$363,345	40.5%
00-01	$395,244	8.7%
01-02	$405,792	2.7%

Source: City of Sierra Vista

er than 4.0 (on a scale of 5.0), suggesting there is always room for improvement in this area.

- Visitors to Sierra Vista are willing to spend money in the community. Highest per-party mean (average) expenditures were for lodging/camping ($444), followed by restaurant/grocery ($258), and recreation/entertainment/sports and entrance fees ($169), shopping ($244), and transportation services, including gasoline ($108). "Other" per-party expenditures averaged $326. A majority of visitors (56 percent) had expenditures in both the restaurants and grocery category, followed by 61 percent for both lodging/camping and transportation services categories.
- Tourism research inevitably shows that shopping is a primary tourist activity, whether buying souvenirs as mementos of the trip or purchasing apparel and gifts. Shopping is important to community merchants and is an important generator of sales tax revenue for the community. A high percentage of Sierra Vista visitors (58.1 percent) shopped for souvenirs, followed by shopping for gifts (39.6 percent), books (35.9 percent) and personal items (31.8 percent). Shopping for art (10.1 percent) received the lowest activity in this survey. When asked to specify "other" purchases, a majority listed groceries as well as miscellaneous supplies. Seasonally, summer visitors shopped mostly for souvenirs.
- Respondents were asked whether they would recommend Sierra Vista to friends or family members. An overwhelming majority (98.9 percent) of visitors indicated that they would recommend Sierra Vista to friends or relatives. Winter visitors were the most enthusiastic, with a 100 percent rating, while 98.1 percent of summer visitors said they would recommend Sierra Vista.
- The vast majority (70.9 percent) of visitors to Sierra Vista were out-of-state visitors during this study period. They came from California (10.6 percent), followed by Washington, Massachusetts, and Pennsylvania. The prevalence of eastern states' residents in the top group is striking, suggesting seasonal climate relief. The largest number of Californians visit Sierra Vista in the spring and fall.
- In-state residents comprised a somewhat smaller percentage of all visitors (21.7 percent), which falls far below the state average of 30 to 33 percent for intra-state visitors. The greater Phoenix metro area provided a majority of these visitors, with the largest percentages from Peoria, Apache Junction and Glendale. Tucson provided a third and Douglas more than 20 percent. More Arizona residents visit Sierra Vista in the winter and spring than any other season.
- Foreign visitors comprised 5.6 percent of the overall visitor sample. More than two-thirds of these international visitors came from Canada (68.8 percent), followed by Germany (18.8 percent), and the United Kingdom (12.5 percent). Canadians dominate the group during the winter months from January to March.
- Almost two-thirds of respondents (60.5 percent) had annual household incomes over $50,000, while 9.9 percent had income in excess of $125,000; the remaining third had incomes under $50,000.
- Visitors were generally middle-aged, with an average age of 48.7 years. There were more males (55.7 percent) in the survey sample than females (44.3 percent).
- Overall, visitors were well-educated; slightly less than half of all visitors (49.4 percent) had either a four-year or post-graduate degree, while a further 13.4 percent had either an associates or technical (2 year degree).
- The vast majority of all visitors were white (Anglo) – 88.1 percent, followed by a relatively large Hispanic/Latino visitor group, at 5.7 percent. Asian or Pacific Islanders comprised 1.6 percent, Native Americans 2.5 percent, and African Americans 2.0 percent.
- The estimated total economic impact – direct, indirect and induced – of tourism on Sierra Vista for this 12-month period is $120,906,921. Estimated total Cochise County employment resulting from tourism spending in Sierra Vista is 4,219 jobs.

Kartchner Caverns Impact

Since its opening in November 1999, Kartchner Caverns State Park, Arizona's newest state park, located just south of Benson on State Route 90, has had a significant impact on Cochise County and the area. With an average monthly visitor rate of 15,884 persons in the first year of its operation, Kartchner Caverns has exceeded its estimated projection of 150,000 visitors annually by more than 40,000 at 190,600 people.

Using data provided by the Arizona State Parks system, from November 1999 to December 2000, a total of 80 percent of all attendees were reported to be from the State of Arizona. That reflects favorably with earlier estimates by the Cochise College Center for Economic Research. Prior to the park's opening, the Center estimated 75 percent of all park attendees would be from within one day's travel distance. A survey of park guests concluded that 67.3 percent of all respondents were one-day visitors. An additional 21.1 percent of visitors indicated they intended to stay two or more days, and 11.3 percent were listed as area residents. Other states drew significant numbers to the park also, including California, Colorado, Washington, Illinois, and New Mexico. The park visitor profile compiled during the period of July through November 2000 showed 63 percent of the visitors were female; 37 percent were male, and the average age of a caverns visitor was 51 years. Visitors also appeared to be well-educated, with a mean-education level of "college degree."

It is too soon to measure the impact on the local area from the opening of the caverns Big Room in November 2003.

PARK VISITATIONS, 1990-2003

	CORONADO NATIONAL MEMORIAL	FT. BOWIE NATIONAL HISTORIC SITE	TOMBSTONE COURTHOUSE STATE HISTORIC PARK	CHIRICAHUA NATIONAL MONUMENT	KARTCHNER CAVERNS STATE PARK
1990	56,993	7,592	65,649	78,191	
1991	61,893	7,859	69,828	88,710	
1992	69,179	9,237	57,902	96,692	
1993	81,685	9,192	68,761	125,641	
1994	86,668	11,022	89,898	88,544	
1995	92,100	10,574	99,321	100,916	
1996	93,656	10,656	99,016	102,605	
1997	88,624	9,623	71,050	82,856	
1998	90,565	9,168	74,335	73,746	
1999	87,183	9,390	72,129	102,541	23,507
2000	84,898	8,898	70,872	91,960	190,605
2001	89,107	8,858	74,519	76,022	192,289
2002					
Jan.	6,417	836	6,592	4,733	17,509
Feb	7,229	1,192	7,666	8,476	18,727
Mar	10,568	1,378	10,799	3,531	20,549
Apr	8,772	873	6,927	10,963	18,925
May	7,418	541	5,501	9,411	15,782
Jun	6,066	358	4,049	7,118	13,874
Jul	7,917	471	4,479	3,148	18,181
Aug	7,011	319	2,910	2,301	12,133
Sep	5,639	422	2,878	2,596	11,084
Oct	6,962	575	3,926	3,314	16,015
Nov	7,656	656	4,028	3,734	16,069
Dec	6,832	669	4,180	2,960	12,813
Annual	88,487	8,290	63,935	62,285	191,661
2003					
Jan.	7,057	952	4,480	5,473	16,074
Feb	7,616	959	5,914	4,961	17,844
Mar	9,420	1,420	7,816	7,620	20,125
Apr	9,774	846	5,094	7,055	18,611
May	8,488	627	3,843	4,967	14,989
Jun	7,031	353	3,162	3,047	13,417
Jul	7,275	350	3,054	2,550	13,538
Aug	7,339	350	2,590	2,211	25,560
Sept	6,498	816	2,347	1,635	7,460
Oct	7,236	670	3,494	4,044	14,493
Nov	7,181	816	3,684	3,390	17,298
Dec	6,899	714	3,943	1,610	18,105
Annual	91,814	8,873	49,421	48,563	197,514

Source: National Park Service; Arizona State Parks Board; University of Arizona EBR

Sierra Vista Calendar of Events

The Sierra Vista area offers a diverse selection of cultural and community activities. The following calendar is only a portion of the events offered during the year in Sierra Vista. Interested individuals will also find a variety of special events and activities scheduled throughout Cochise County.

For more information on the events listed, or a complete listing of all area events, call the Sierra Vista Visitor's Center at (520) 417-6960 or (800) 288-3861, or visit their website at www.visitsierravista.com

2004

JANUARY

JAN 9-18	**SENIOR GAMES** Various Locations
JAN 16	**SIERRA VISTA SYMPHONY CONCERT** Buena Performing Arts Center
JAN 17-18	**6TH ANNUAL PAT HUGHES SIERRA STAMPEDE** Sierra Vista Riding Club Arena

February

FEB 6-8	**12TH ANNUAL COCHISE COWBOY POETRY AND MUSIC GATHERING** Buena Performing Arts Center

March

MAR 5-6	**BUENA DRAMA PRODUCTION** Buena Performing Arts Center
MAR 13	**ST. PATRICK'S DAY PARADE** Fry Boulevard
MAR 20	**THUNDER MOUNTAIN 10K RUN** Fort Huachuca
MAR 20	**7TH ANNUAL CAR SHOW BENEFIT** Mall at Sierra Vista

April

APR 16-17	**COCHISE COLLEGE RODEO** Sierra Vista Riding Club
APR 16	**SIERRA VISTA SYMPHONY CONCERT** Buena Performing Arts Center
APR 17	**YOUTH FESTIVAL** Geronimo and Foster Fields
APR 30-MAY 2	**FESTIVAL OF THE SOUTHWEST** Veterans Memorial Park

May

APR 30-MAY 2	**FESTIVAL OF THE SOUTHWEST** Veterans Memorial Park

June

JUN 19	**ARMY CONCERT TOUR** Libby Army Airfield

July

JUL 4	**FOURTH OF JULY CELEBRATION**
JUL 17	**STEELHEAD TRIATHLON** Barnes Field House

August

AUG 9	**2-10-2 BIATHLON** Chaffee Parade Field
AUG 27	**ARMY SOLDIER SHOW** Buena Performing Arts Center
TBA	**10TH ANNUAL GOLF CLASSIC INVITATIONAL** TBA

September

SEP 17-19	**FUN FESTIVAL** "Tiny" Anderson Special Events Park
SEP 24-25	**SIERRA VISTA OPEN** Pueblo del Sol Country Club

October

OCT 2	**33RD ANNUAL ART IN THE PARK** Veterans Memorial Park
OCT 9	**17TH ANNUAL CARS IN THE PARK** Veterans Memorial Park
OCT 29-31	**BALLOON RALLY** Veterans Memorial Park

December

TBA	**FESTIVAL OF TREES** The Mall at Sierra Vista
DEC 4	**46TH ANNUAL HOLIDAY PARADE**

Agriculture in Cochise County

The Agricultural Census is conducted every five years in years ending with a two or a seven. The most recent census was conducted in 2002, and information related to that census will be available February 2004.

According to the 1997 Census of Agriculture - County Data (USDA National Agricultural Statistics Service), Cochise County ranked fifth in Arizona in agricultural products sold in both 1992 and 1997. In 1992, Cochise County had a total of $47,277,000 in agricultural products, and in 1997, that total was $60,154,000, an increase of 27.2 percent. While the volume of agricultural sales rose during that period, the number of farms fell by seven to 824. As of December 2002, the Arizona Department of Economic Security reported 9,750 agriculture-related jobs in the county. The table for this section shows the market value of agricultural products sold in Cochise County in 1992 and 1997, along with the number of farms by agricultural product category.

Cochise County Agricultural Census

ITEMS TOTALS	1997 NO. FARMS	1997 DOLLAR TOTALS	1992 NO. FARMS	1992 DOLLA
Corn for grain	37	$6,166,000	24	$2,901,000
Wheat	2	————	4	————
Soybeans	1	————	0	————
Sorghum for grain	7	$291,000	4	————
Barley	31	$1,587,000	7	$118,000
Oats	6	$81,000	17	$199,000
Other grains	9	$367,000	11	$223,000
Cotton and cottonseed	48	$4,158,000	56	$4,364,00
Hay, silage, and field seeds	64	$4,106,000	67	$1,811,000
Vegetables, sweet corn, melons	65	$16,546,000	66	$11,536,000
Fruits, nuts, and berries	85	$7,003,000	114	$6,274,000
Nursery and greenhouse crops	14	————	8	————
Other crops	3	————	2	————
Poultry and poultry products	41	$220,000	19	————
Dairy products	3	————	5	————
Cattle and calves	488	$16,573,000	498	$16,661,000
Hogs and pigs	18	$448,000	28	$1,511,000
Sheep, lambs, wool	17	————	25	$324,000
Other livestock and products	112	$679,000	102	$318,000
Total sales	824	$60,154,000	831	$47,277,000

Source: USDA National Agricultural Statistics Service, 1997 Census of Agriculture

The natural treasures of the San Pedro River and the Huachuca Mountains offer stunning views for bird-watchers. Photo: Les Siemens

The City View: Meeting the Challenge

Provided by: Charles P. Potucek, Sierra Vista City Manager

CHARLES P. POTUCEK, CITY MANAGER
Sierra Vista

It has been a challenging, interesting, and, in many ways, rewarding year for Sierra Vista. While we have faced some very real budget challenges, we have been able to use those challenges as a catalyst for getting the community involved in helping us decide what is really important. Our elected officials listened and responded by adopting a balanced budget that maintains services and programs that residents said were most important to them and that they were willing to pay for with a modest increase in taxes.

We know the budget challenges faced by Sierra Vista and other rural Arizona communities aren't going to go away anytime soon. We know the larger metropolitan areas are growing at a much faster rate than our community, which means we will continue to get a smaller share of limited state-shared tax revenues. But, we also know we have met the challenge this year and are confident we can continue to do so, as our local economy remains strong.

Many good things are happening in Sierra Vista. We continue to attract new residential and commercial development, including national retail and restaurant chains. These establishments cater not only to our residents, but also to the many visitors who come here for business and military purposes, as tourists visiting our unique natural attractions, or simply to shop in our stores and eat in our restaurants. And, to help get visitors to our community, commercial air service returned to Sierra Vista this year through Arizona Express Airlines, which provides daily flights to and from Phoenix.

We have also met interesting challenges in the environmental arena. Early in the year, the long-time provider of recycling services for our entire county went out of business. City staff quickly responded by gearing up for a city-sponsored recycling pilot program that is now in full swing recycling newspapers, magazines, aluminum cans, plastics, and tin. We have also expanded the activities at our Environmental Operations Park

(EOP), which is the location of our effluent recharge project and our constructed wetlands. Now, in addition to returning more than 1,600 acre-feet of water to underground storage this year, we are also working with local birding groups to open the EOP to bird enthusiasts. We have received high praise from national and international visitors and are proud to have added another destination for visitors to our area.

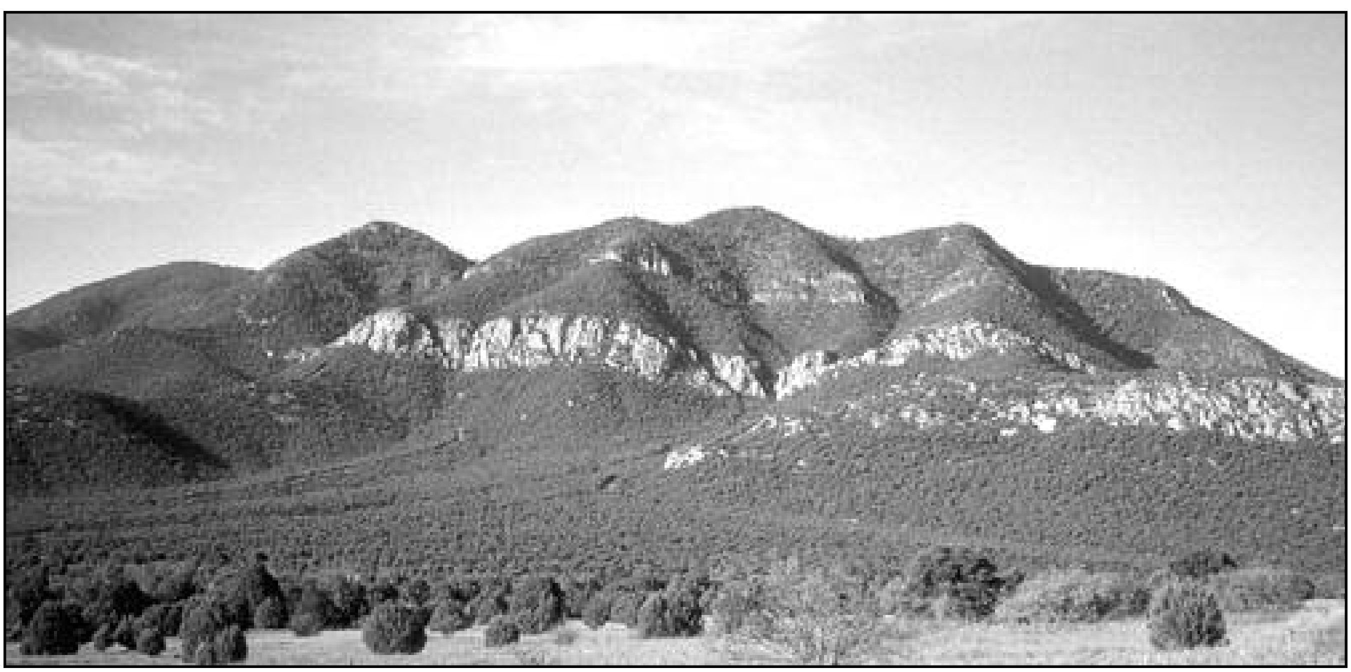
We are also working hard to help improve the older areas of our community and have been able to relocate several local families to new homes through a Housing and Urban Development grant. We have made great strides in improving our transit system and have recently dedicated the first phase of our new, grant-funded transit center. To further help people get around the city, we are designing several new multi-use path projects which will eventually connect our entire community for walkers, joggers, and bicyclists. All of these initiatives continue to improve our community for our civilian and military residents and visitors.

Of course, one of the greatest challenges facing our community this year is the Base Realignment and Closure (BRAC) process, through which the Department of Defense proposes to achieve cost efficiencies by closing up to 25 percent of the nation's military installations. We are working with others in the community to ensure that Fort Huachuca, Sierra Vista, and the surrounding communities are well-positioned for this round of BRAC. Our local, state, and national elected officials are also working hard to help protect Fort Huachuca. The most significant achievement of this cooperation to date has been the passage of the Fort Huachuca Preservation Amendment as part of the Defense Authorization bill.

During the BRAC process, officials will be looking at communities to identify "encroachment issues," which are traditionally defined as encroachment of housing, airfields, lighting, or other infrastructure on a military installation. In our area, the encroachment issue we face is water use and the protection of the San Pedro River. In essence, the Fort Huachuca Preservation Amendment clarifies that the fort is responsible for the water it directly or indirectly uses, but not for the cumulative water use by people or activities in the basin that have no connection to Fort Huachuca. The legislation also recognizes the responsibility of the civilian community to address the non-fort-related water issues in the basin and recognizes the Upper San Pedro Partnership as the organization that should handle that responsibility.

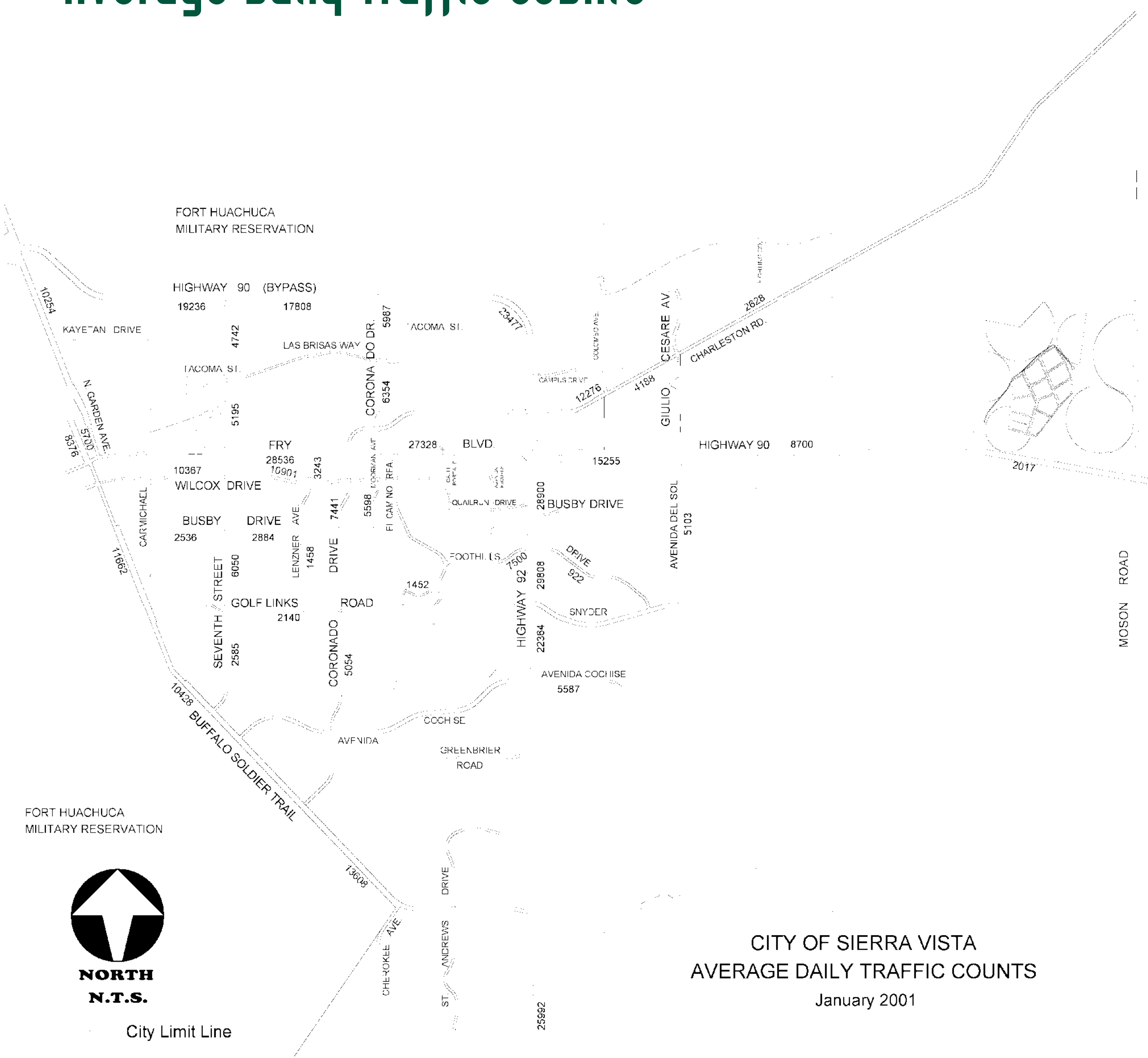
The partnership is made up of 20 agencies and organizations, including the City of Sierra Vista, Fort Huachuca, Cochise County, surrounding communities, and numerous other state, local, and non-governmental organizations. The Fort Huachuca Preservation Amendment recognizes the past success of the partnership and its members and creates funding opportunities and reporting requirements to ensure its continued success. It is clear that the preservation of both Fort Huachuca and the San Pedro River serve the interests of our nation, and it is gratifying that our efforts to protect both have now received national recognition and support.

Does that mean the hard work is over? Far from it. There is much left to do to preserve Fort Huachuca as a vital asset to the defense of our nation and to preserve the San Pedro River as a unique national environmental asset. However, we know that this region is up to the task, and we are certain the residents of our community and the members of the Upper San Pedro Partnership are committed to getting it done. We will continue to work hard to meet the challenges of the upcoming year and to enjoy the rewards of our successes.

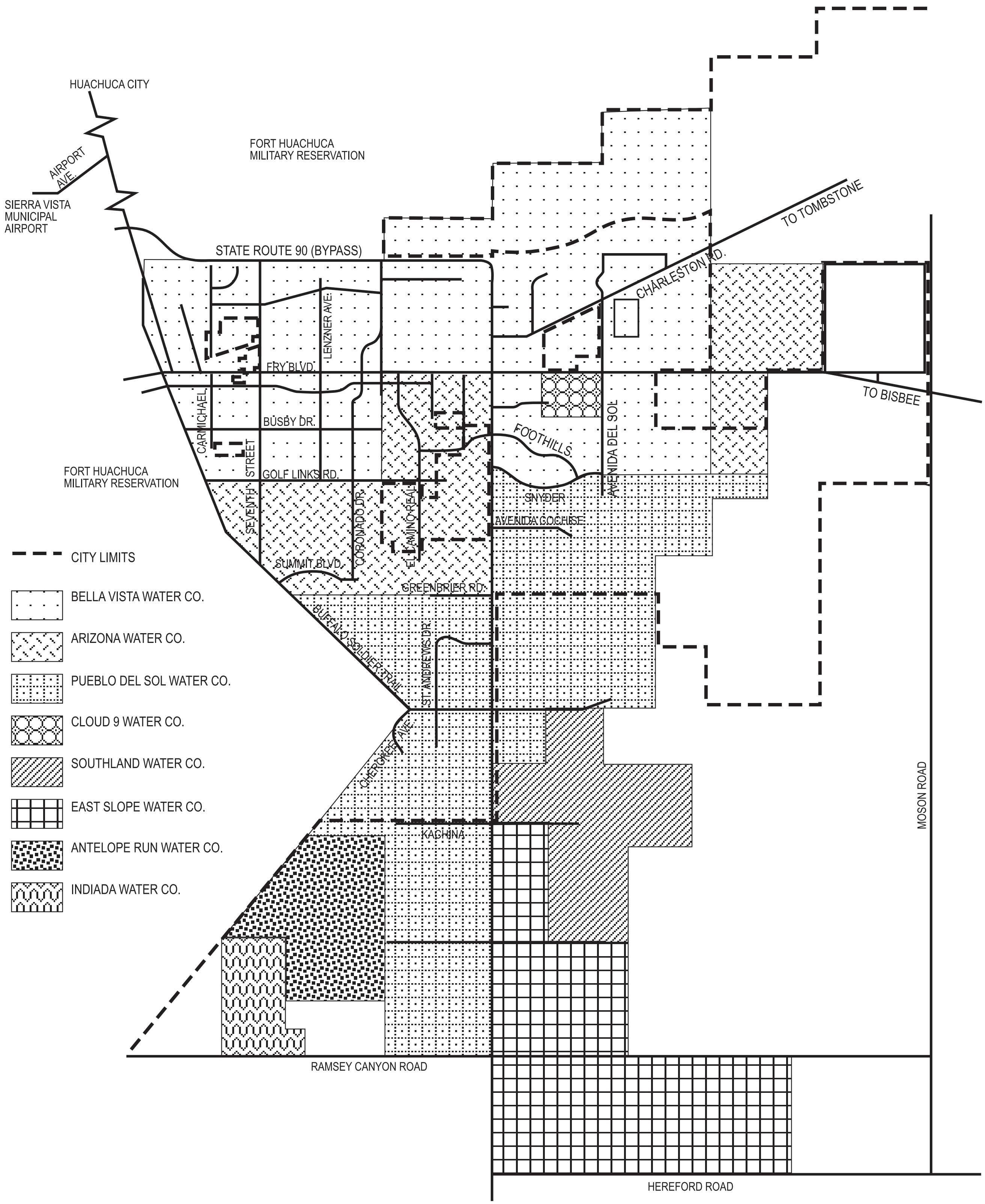


The Huachuca Mountains. Photo: Courtesy of Sierra Vista Convention and Visitors Bureau

City of Sierra Vista
Average Daily Traffic Counts



City of Sierra Vista • Water Franchise Service Area



About the Center

The Center for Economic Research (CER) is dedicated to providing, collecting, and interpreting economic data on Cochise County, as well as providing forecasts on the business climate. Since 1995, the Center has hosted a luncheon in Sierra Vista, at which time the economic health of the year just ended is reviewed, along with a look at the economy for the coming year. The release of the annual Sierra Vista Economic Focus publication coincides with each focus luncheon. In 1996, the Center expanded its services into southeast Cochise County by hosting similar focus luncheons in Douglas. The Center expanded its program into the Benson area in 1998. The Douglas Perspective and the Benson Prospectus brochures provide economic overviews of those communities. In December 2002, Bisbee became the fourth city in Cochise County to host an annual focus luncheon. The Bisbee Outlook covers the economy of the City of Bisbee. During the fall of 2003, the Center began monitoring economic indicators in Santa Cruz County.

The Center for Economic Research provides information and interpretation of economic indicators to local public agencies, financial institutions, developers, and other research centers. Weekly press releases offer insight on the continuing economic health of Cochise County. Bi-monthly press releases on the Santa Cruz County economy are printed in the Nogales International. The quarterly newsletter, The Indicator, provides updates on the local economy and CER activities. Current information on the local economy is also available by request. The Center also maintains a website at www.cochise.edu/cer.

In late 2002, the Center became a member of the Association of University Business and Economic Researchers (AUBER). The Center is one of only two community colleges holding membership. In addition, the CER is a state data center affiliate. As an affiliate, the Center receives reference material on the U.S. Census as well as state data reports.

Contact the Center for Economic Research

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Cochise College Resources

Career Services Center (CSC)

The Career Services Center (CSC) provides workforce development, including job development and placement activities; cooperative education placements for credit; advising and planning for occupational courses and programs; and support services for occupational students. Tech Prep and School-to-Work programs are also housed in the CSC. In Sierra Vista, call (520) 515-5457; in Douglas, call (520) 417-4750.

Center for Economic Research (CER)

CER collects and analyzes local economic data. The Center is available to provide data and forecasts to businesses interested in the local economy. Specific economic studies and surveys can be designed and conducted on a contractual basis for businesses and individuals requesting assistance. Phone (520) 515-5486, or email cer@cochise.edu.

Cochise County One-Stop Center

Cochise College, in partnership with Cochise County Workforce Development, Inc., and the Employment Security Administration, has formed the Cochise County One-Stop Center to provide information throughout Cochise County for job seekers, employers, and entrepreneurs. At sites throughout the county, job seekers can find general tips and advice on the availability of local training programs and educational services. Employers can obtain information and access to local and national resume banks, labor and economic data, and employer services; and entrepreneurs can find information and assistance for small-business owners. Visit the Cochise College site on the Sierra Vista Campus located in the CSC centers, or the virtual site at www.cochise.edu/onestop. Phone (520) 515-5457 or (520) 515-5458.

Small Business Development Center (SBDC)

SBDC provides free one-on-one counseling on any small-business topic, including marketing, financial planning, business planning, computer information systems, human resource management, government procurement, record keeping, and more. The SBDC sponsors workshops and seminars on a variety of topics designed specifically for small-business owners. The SBDC also makes available a library of business resources, which includes many of the latest small business books, videotapes, audio tapes, newsletters, and magazines and provides a number of free publications, including "How to Start a Business in Cochise County." Phone (520) 515-5478, or email sbdc@cochise.edu.

Workforce Training and Community Education

Workforce Training and Community Education provides short-term courses for adults interested in upgrading their work skills or exploring new areas of development. Classes encompass a variety of subject areas, including computers, arts and hobbies, business management, cultural field trips and more. Courses are delivered countywide and online. Classes are available on week days, weekends and in the evenings.

The department also collaborates with local organizations to provide customized, professional development training to improve work place skills. A current schedule of classes is available at their website: www.cochise.edu/training. For a printed schedule or more information, contact the department at (520) 515-5492 or email training@cochise.edu.

Sierra Vista Economic Forum

Each year in March, the Center holds the annual Sierra Vista Economic Forum. The event includes a luncheon and program typically drawing an audience of more than 300. For the past several years, the forum has sold out. Make plans to attend the Tenth Annual Economic Forum set for March 2004 at the Windemere Hotel and Conference Center. Call the Center for Economic Research for details or for registration information.

Sierra Vista Mayor Tom Hessler, left, chats with Fort Huachuca Garrison Commander Col. Lawrence Portouw as Arizona Governor Janet Napolitano and Mario Cuen listen during the 2003 Sierra Vista Economic Forum. Photo: Ed Honda-Herald/Review

Sierra Vista Economic Focus Luncheon

Each year in March, the Center holds the annual Sierra Vista Economic Focus Luncheon. The event includes a luncheon and program typically drawing an audience of more than 300. For the past several years, the focus luncheon has sold out. Make plans to attend the 11th Annual Economic Focus Luncheon set for March 2005 at the Windemere Hotel and Conference Center. Call the Center for Economic Research for details or registration information.

What follows is a review of the forecast for 2003 and an examination of how well the forecast met reality. The Center's forecast for 2004 is also below.

A Review of the Forecast for 2003

As far as the employment picture, last year's forecast called for unemployment to end the year with an average rate between 3.6 and 3.9 percent for Sierra Vista. The actual average unemployment rate was 4.0 percent, with unemployment in December at 3.2 percent. A bit of a disappointment came in job growth with a forecast of 1.7 to 2.2 percent. DES showed job growth at 0.3 percent for the city and 1.3 percent for the county. In late February or early March of each year, the Department of Economic Security benchmarks rates for the year just ended. If the 2003 numbers follow the pattern of 2002, expect the revised rate of job growth to show improvement.

At the 2002 Economic Focus Luncheon, taxable sales for calendar year 2003 were forecasted to grow at a rate of 4.8 to 6.8 percent. Actual growth in total taxable sales was 8.7 percent for the calendar year. Sales growth was propelled by 46.8 percent growth in construction activity. Retail sales, a major subcategory of total taxable sales, was forecasted to experience growth between 5.0 percent and 7.3 percent. Calendar year 2002 retail sales had an actual growth rate of 5.7 percent. Restaurant and bar sales, forecasted to experience growth of 4.5 to 7.5 percent, met expectations with 6.2 percent growth.

The real surprise in both forecasting locally and nationally has been the very active housing market. At this time last year, forecasts were calling for interest rates to begin to rise during the second half of the year, thus slowing activity in the housing market. However, due to the poor performance of the economy during the first half of 2003, interest rates remained low and the Federal Reserve actually lowered rates further in June, helping to spur activity in the housing market. While home sales were forecasted to slow to a growth rate of plus or minus 5 percent of 2002's activity, in actuality, home sales decreased in volume by 2.1 percent. New home permits surpassed expectations, increasing by 57.2 percent, with the forecast calling for permits to expand by as much as 10 percent. Apartment rental rates, forecast to increase between 3 and 5 percent, were actually unchanged from 2002.

A Forecast for 2004

Expect job growth to strengthen in 2004 and 2005. Job growth should occur at a rate between 2.5 and 3.0 percent for each of the next two years as the economy continues to strengthen. Expect job creation to be spread over most areas of the economy with the slowest area to be in government. Despite the return of higher tax receipts to the state with the stronger economy, expect a one-year lag in reaching government budgets. Therefore, 2004 should again be a fiscally tight year for areas of the economy falling under government. Expect healthier job growth to occur in retail trade and service sectors of the economy.

Unemployment should continue to improve during the year, averaging 3.5 to 3.7 percent during 2004 for the Sierra Vista Area.

Expect retail sales to show growth of 6 to 8 percent over the next year. The increase will come from continued population growth, as well as improvements in the local economy. The strength of the local economy will create new jobs with an improving economy giving rise to wage and salary growth.

Restaurant and bar sales will also be pushed upward by an improving economy, which increases disposable income along with a strengthening tourism base returning to Southeastern Arizona. Restaurant and bar sales should gain 5 to 7 percent in 2004 with even stronger growth in 2005.

Total taxable sales will benefit from a number of factors such as strengthening retail sales, stronger restaurant and bar sales, and a healthier tourism industry resulting in increased hotel/motel receipts. An area that could negatively affect total taxable sales is slower commercial building activity in 2004. Once BRAC is decided in mid-2005, expect commercial permits to accelerate once again, presuming Ft. Huachuca is spared and additional missions assigned. If this happens, expect building permits to accelerate during the second half of 2005, with actual construction picking up in 2006. Construction activity during 2004 will continue to benefit from an active new home market. Therefore, expect total taxable sales in 2004 to climb by 6.5 to 8.5 percent.

One area that should boost total tax receipts, and thus the appearance of total taxable sales, is the changes made to sales tax in the area of hotel/motel receipts. In reviewing 2003 sales tax for hotel/motel lodging it appears that lodging establishments had some confusion on taxing sales. The changes to the sales tax made in late 2003 should clarify this and create more accurate reporting of actual sales, thereby boosting total taxable receipts for the city.

Look for the housing market to continue to reap the benefits of the continuation of low mortgage rates. Assuming the national economy begins to accelerate during the year, interest rates could begin to move upward during the second half of the year. Therefore, expect existing home sales activity to stabilize around last year's volume, about 1,000 units. New home permits will continue to benefit from low financing charges and the strength of new home developers and builders coming into the local market. Expect total home sales to approximate last year's volume. Price increases should moderate from the growth rates of 2003. Look for rental rates to move up slightly by 3 to 5 percent.

Look for 2004 to also be a slower than average year for commercial development. In a typical year, an average of 11 permits are issued with a total valuation of $11.3 million. An explanation for a decline in permits is the upcoming round of BRAC. Developers may be cautious, waiting for the impact of BRAC on Fort Huachuca before moving ahead with any new construction.

Remember, forecasts are a best attempt effort based on currently available data or current expectations. The more volatile an economy is the more likely reality is to deviate from forecasted expectations. As of the time of this forecast, there are a number of factors adding volatility to the local economy. Key factors contributing to this volatility include the continuing unrest in the Middle East, threats of terrorism, and the fact that this is a presidential election year.


Walkway outside the Sierra Vista Cochise College Campus library. Photo: Gill Kenny

Forecasting Credentials, Economist Ken Jones

Ken's work with economics spans four decades. In the mid-1970s, he co-chaired a pilot project in the state of Iowa: SCATE (Students Concerned About Tomorrow's Environment). He spear-headed a project that looked at the economic impact of a refundable deposit on aluminum cans within the state. Later, the State of Iowa adopted the policy. In the early 1980s, he placed first in the State of Iowa in a Collegiate Economics Competition. He went on to represent the state in national competition in Washington, D.C.

Ken earned a bachelor of arts degree in business administration in 1981 from The Franciscan University and a master's of business administration from the University of Arizona in 1988. He has completed doctoral work in higher education finance. He was awarded fellowships through the University of California, University of North Texas, and the University of Arizona.

Ken's work in conducting economic impact studies dates to 1991. He founded the Cochise College Center for Economic Research in the spring of 1995. During the summer of 1997, he studied on a fellowship under 2002 Nobel Prize Winner for Economics – Dr. Vernon Smith - at the University of Arizona's Experimental Economics Lab on a fellowship.

Since then he has received a National Institute for Staff and Organizational Development Award for his work with the Center and students. He has been recognized by Who's Who Among College and University Instructors. In November 2001, the Sierra Vista Economic Development Foundation presented him with an award for his contribution to area economic development. In late 2002, he was presented with an Alumni Achievement Award from the University of Arizona's Eller Graduate School of Management.

His articles dealing with the economy in Cochise County appear in newspapers and on radio countywide. Most recently, he has begun covering the Santa Cruz County economy, with articles appearing in the Nogales International. He has been interviewed for articles on the economy by such sources as the Associated Press and the L.A. Times. He has gained recognition throughout the state with political and community leaders for his research. Today, although blind, he continues his work as director of the Center for Economic Research.

Additional copies of the Sierra Vista Focus are available at $10 per copy for up to 10 copies and $7 per copy over that. Economic brochures are also available for Benson, published annually in June; Douglas, published annually in October; and Bisbee, published in December. The Center's quarterly newsletter, *The Indicator*, is available free of charge. For more information, please contact the Center for Economic Research.