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Table of Contents

A Glimpse of the Past and a Look to the Future

Ken Jones, director of the Cochise College Center for Economic Research, speaks to a Leadership Sierra Vista group. Photo: Courtesy of the Greater Sierra Vista Area Chamber of Commerce.

By Robert Carreira
Economic Analyst
Cochise College
Center for Economic Research

Last year marked the 10th anniversary of the Sierra Vista Economic Focus Luncheon and the "Sierra Vista Economic Focus" publication. This year marks the beginning of a second decade of the partnership between business and community leaders and the Cochise College Center for Economic Research to bring together relevant and timely economic data to aid decision makers in reaching the best decisions to move Sierra Vista forward.

As we embark upon the second decade of this partnership, there is good reason for optimism. At the national level, real gross domestic product (GDP) – the output of goods and services produced by labor and property located in the United States – increased at a rate of 4.4 percent in 2004, its highest rate of growth since 1999, according to advance fourth-quarter estimates released by the Bureau of Economic Analysis (BEA). The BEA attributed this economic growth in large part to increases in personal consumption expenditures.

Employment at the national level also showed signs of improvement, with the unemployment rate dropping from 6 percent in 2003 to 5.5 percent in 2004, its lowest level since 2001. According to preliminary data released by the Bureau of Labor Statistics (BLS), 2004 saw a net increase of nearly 1.5 million non-farm jobs, following net losses in 2002 and 2003. However, as is often the case, as unemployment declines, inflation tends to rise. In 2004, the Consumer Price Index (CPI) increased by 2.7 percent, its largest increase since 2001. The major contributor to this inflation was higher energy prices, which rose 16.6 percent in 2004, the biggest increase since 1990.

The stock market continued its recovery in 2004, with the S&P 500 posting a gain of 9 percent, the NASDAQ composite posting a gain of 8.6 percent, and the Dow Jones Industrial posting a gain of 3.1 percent. While these gains may seem to pale in comparison to last year's gains of 26.4 percent, 50 percent, and 25.3 percent, respectively, it is important to consider that last year's gains followed three consecutive years of significant losses and represented the initial recovery from those losses.

As predicted last year at this time, the Federal Reserve has begun targeting the federal funds rate for upward movement to reflect the nation's recovering economy. Beginning with its June 2004 meeting, the Federal Open Market Committee (FOMC) increased the targeted federal funds rate by 25 basis points at meetings in June, August, September, November, December, and February. The most recent increase in February 2005 brought the targeted rate to 2.5 percent. From June 2003 to June 2004, the federal funds rate sat at 1 percent, its lowest level since 1958. The federal funds rate is the rate at which depository institutions lend balances at the Federal Reserve to each other overnight. The Fed has no power to directly raise or lower this rate but influences the rate primarily through its open-market operations, which consist of the purchases and sales of U.S. government securities. One of the primary sectors of the economy that is typically affected by changes in the federal funds rate is the housing market, but over the past six months, mortgage rates have been slow to respond. In fact, as the targeted rate increased steadily from 1 percent to 2.25 percent between June and December 2004, the average contract rate on fixed-rate, 30-year, non-jumbo loans, as reported by the Federal Housing Finance Board, actually decreased from 6.25 to 5.9 percent. Most analysts agree, however, that this lag is not likely to continue much longer, as the federal funds rate is expected to reach 4 percent by the end of 2005.

In combination with strong signs of continued economic recovery at the national level, economic indicators at the state level also offer good reason for optimism. Recently revised figures from the BEA indicate that Arizona's gross state product (GSP) rose 6.1 percent between 2002 and 2003, its largest increase since 2000. The GSP, according to the BEA, is the most comprehensive measure of the overall economic activity of each state. In 2003, the most recent data available, Arizona was in the top 20 percent of states, ranked according to fastest growth. The employment situation in Arizona reflected this growth, with the state's 2004 unemployment rate coming in at 4.8 percent, seven-tenths of a percentage point below the national average.

At the county and city levels, all signs point to increased economic prosperity as well. At the county level, the unemployment rate for 2004 came in well below the state and national average. Sierra Vista finished the year with a remarkable unemployment rate of only 3.3 percent, its lowest level on record. Moreover, all indications are that the rate may dip even lower in 2005. Job growth at both the county and city level in 2004 was strong, and retail sales, the primary driver of Sierra Vista's total taxable sales, experienced the highest rate of increase since 2000, growing at more than three times the rate of inflation.

The major looming issue for 2005 is the pending Base Realignment and Closure (BRAC) decision and its potential effect on Fort Huachuca, which is one of the bases under review. The list of base closure recommendations from the secretary of defense is expected in May 2005. The BRAC Commission is then expected to submit its report to the president in September 2005; the president is expected to forward his recommendations to Congress in November. For now, many are holding their breath until May, since the recommendations of the secretary of defense are expected to give a good indication of the prospects for continued survivability of Fort Huachuca. Locally, the tone is one of cautious optimism. While most community leaders believe the fort will survive the current round of BRAC, several developers and entrepreneurs are awaiting the May announcement before proceeding with major economic endeavors.

The Army-Community Heritage Partnership

A story of military and civilian communities working together . . .

by Marie Hansen

Mayor Tom Hessler, receives the declaration for Sierra Vista's Fourth of July from B Troop commander, Peter Criscuolo at Veterans' Memorial Park. Photo: Ed Honda-Herald/Review.

It started in January 2004, when the City of Sierra Vista and Fort Huachuca received word that the Department of the Army and the National Trust for Historic Preservation's Main Street Center (NMSC) had selected our community for participation in the Army-Community Heritage Partnership Program (Heritage Partnership). Sierra Vista/Fort Huachuca was only the fourth community in the country selected to participate in the program, along with West Point/Highland Falls, N.Y.; Fort Leavenworth/Leavenworth, Kan.; and Fort Benning/Columbus, Ga.

The Heritage Partnership is a demonstration project designed to strengthen the economic, historic, and social ties between Army installations and historic commercial districts in neighboring communities. In the year since the community was selected to participate in this program, a team of experts from NMSC and the Army Office of Historic Properties has made several visits to the area and has worked closely with local residents and business owners. These visits, along with work by local volunteers, have resulted in valuable insight as to how the relationship between Fort Huachuca and Sierra Vista can be strengthened and how economic growth can best be promoted for the downtown district.

Sierra Vista/Fort Huachuca was only the fourth community in the country selected to participate in the program

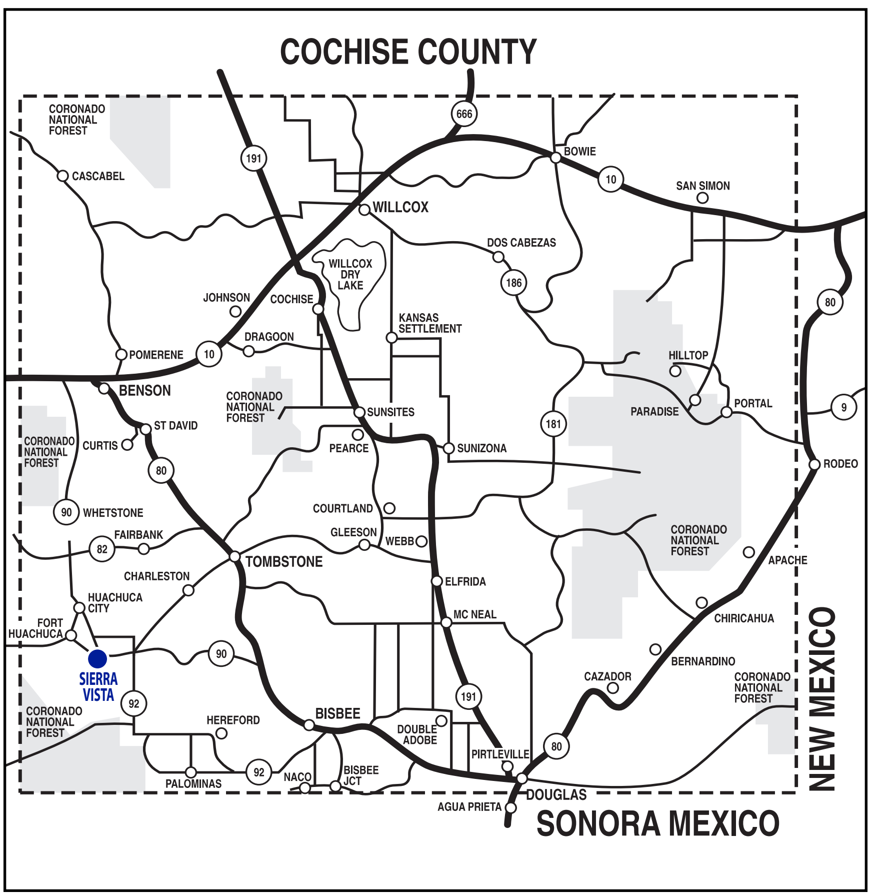
In its first assessment report, the Heritage Partnership team observed that the number and diversity of cooperative ventures that already exist between Fort Huachuca and the surrounding community illustrate the close working relationship that exists between the two entities. They noted that one of the most enterprising projects was the expansion of the city's transit system to include buses that make regular stops throughout Fort Huachuca to carry soldiers, civilian workers, and family members into Sierra Vista and back to the fort. Another example of cooperation is that the fort's airfield is used for military traffic and open to the public for commercial and private aircraft. The fort and the city are currently engaged in a joint venture to fence the airfield to protect it from wildlife, a project that is being funded by a grant obtained by the city. Other cooperative ventures include the fort's partnership with local education and healthcare facilities and several public improvement projects that are planned between the City of Sierra Vista and Fort Huachuca's Installation Support Department.

One of the best efforts of joint partnering has been Team Cochise, in which representatives from the fort, the city, local businesses, educators, and others exchange information and ideas for resolving issues of concern to all. Some of the areas in which they work jointly are law enforcement, schools and education, housing, infrastructure, medical needs, and employment.

Everyone involved in the partnership agrees that Fort Huachuca and the surrounding community have a strong, long-standing, productive relationship. Of course, even a good thing can get better, and that's the whole point of the work. In January 2005, the expert team returned to Sierra Vista and presented an update to the community that included a number of recommendations for future initiatives.

The observations and recommendations made by the Heritage Partnership team were in five work areas deemed to be important to achieving the objectives of the Heritage Partnership program. Those include:

- Heritage/eco-tourism – emphasizing the arts, cultural, historical, and ecological connections between Fort Huachuca and attractions in and around the Sierra Vista community.
- Design – planning for future real estate development and construction of public improvements by developing design tools to encourage rehabilitation of existing buildings and to provide design guidance for new construction.
- Marketing – investigating opportunities to market downtown Sierra Vista businesses, products, services, and attractions to the Fort Huachuca community and heritage/eco-tourism visitors.



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

- Business development – enlarging the capacity of downtown Sierra Vista businesses to serve the needs of the Fort Huachuca community and fortifying existing businesses to improve the overall business mix.
- Property development – creating opportunities for use of vacant downtown buildings and undeveloped land within the district and encouraging new uses such as housing, small-scale industry, offices, entertainment, and civic activities.

Local residents, businesses, and city officials met these recommendations with enthusiasm and commitment to move forward. The city will seek grants to help develop streetscape improvements and to make matching grants available to downtown businesses to improve the facades of their buildings. Marketing initiatives already are underway to support heritage and eco-tourism efforts and to get the community involved in the city's downtown neighborhood during Sierra Vista's 50th anniversary celebration in 2006. Work is being done to plan a visitors and convention center on Fort Huachuca that is easily accessible to the community. Design ideas are being discussed to help differentiate the downtown commercial district from areas east of 7th Street and to market existing businesses more effectively to Fort Huachuca.

The fort and the surrounding community are committed to an ongoing, strong and supportive relationship. Not only is Fort Huachuca integral to the history of the area, but it is key to its future, and all those involved in the Heritage Partnership program agree that the future holds great potential for Sierra Vista and Fort Huachuca.

Marie Hansen is the Public Information Officer for the City of Sierra Vista.

Climate

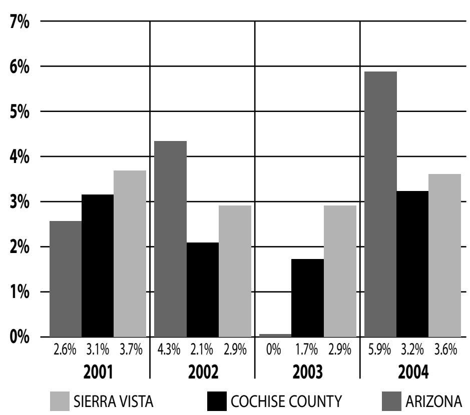
In addition to the outstanding scenery surrounding Sierra Vista, visitors and residents enjoy a moderate climate. The 30-year average monthly temperatures testify to the attractiveness of Sierra Vista.

SIERRA VISTA WEATHER

	AVERAGE TEMPERATURE MAX.	MIN.	AVERAGE TOTAL (IN.) PRECIPITATION
January	33.2	61.2	0.99
February	36.5	64.6	0.72
March	40.7	69.3	0.45
April	46.9	76.9	0.44
May	54.6	85.0	0.30
June	62.8	92.8	0.52
July	65.7	91.6	3.13
August	64.6	89.1	4.00
September	60.1	86.9	1.42
October	50.6	79.1	1.13
November	39.9	68.5	0.49
December	33.0	61.0	1.11
Year	**49.1**	**77.2**	**14.71**

SOURCE: ARIZONA DEPARTMENT OF COMMERCE; CITY OF SIERRA VISTA

POPULATION GROWTH, 2001-2004



Education System

According to the 2004 district enrollment report, Sierra Vista Public Schools serves a total enrollment of 6,644 students. The six elementary schools have a combined enrollment of 2,473 students and 80 preschoolers, while the two middle schools enroll 1,517 and Buena High School enrolls 2,574 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 the high school.

Fort Huachuca School District #00, an Arizona public school, serve a total population of 1,222, according to enrollment figures as of January 11, 2005. District #00 has two elementary schools with a combined enrollment of 871 students and one middle school serving 351 students. Fort Huachuca School District has open enrollment and offers a variety of student programs such as English language learners (ELL), challenge class for gifted and talented students, special education and cross-categorical classroom, and a special needs preschool.

Cochise College and the University of Arizona South also serve Sierra Vista. Cochise College provides technical training for immediate employment, as well as associate's degrees that transfer into bachelor's degree programs. As of fall 2004, the Cochise College Sierra Vista Campus had a student population of 2,363 students. Full-time student equivalents (FTSE) totaled 1,086.07 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 continuing its annual growth. As of fall 2003, UAS had 776 stu-

POPULATION COMPARISONS, 1990-2004

	SIERRA VISTA	GROWTH	COUNTY	GROWTH	ARIZONA	GROWTH
1990	32,983	-.-	97,624	-.-	3,665,228	-.-
2000	37,775	14.5%*	117,755	20.6%*	5,130,632	40.0%*
2001	38,740	2.6%	121,435	3.1%	5,319,895	3.7%
2002	40,415	4.3%	124,040	2.1%	5,472,750	2.9%
2003	40,430	0.0%	126,160	1.7%	5,629,870	2.9%
2004	42,805	5.9%	130,220	3.2%	5,832,150	3.6%

* INDICATES TOTAL GROWTH OVER THE PERIOD 1990-2000. SOURCE: FIGURES FOR 1990 AND 2000 OBTAINED FROM THE U.S. CENSUS BUREAU. FIGURES FOR 2001-2004 ARE ESTIMATES PROVIDED BY THE ARIZONA DEPARTMENT OF ECONOMIC SECURITY.

dents. College programs also are offered through the University of Phoenix, Western International University, and Wayland Baptist University.

Population

The estimated population of Sierra Vista as of July 2004 was 42,805. This is up 5.9 percent from 2003 estimates, which placed the city's population at 40,430. Sierra Vista's population growth for 2004 was well ahead of that of the county, which grew by 3.2 percent, and the state, which grew by 3.6 percent. The 2004 population estimates indicate the city's population has grown by 13.3 percent since Census 2000. In 2004, Sierra Vista ranked as the 15th largest of 88 incorporated sub-county places statewide. Based on its growth rate since Census 2000, Sierra Vista ranks as the 32nd fastest growing sub-county incorporated area. These figures are based on the latest estimates from the Arizona Department of Economic Security (DES).

According to the U.S. Census Bureau, the population of Sierra Vista increased by 14.5 percent during the 1990s but lagged behind Cochise County as a whole, which grew by 20.6 percent, and the State of Arizona, which grew by 40.0 percent. Since 2000, Sierra Vista's population growth of 13.3 percent has exceeded that of Cochise County, which has grown by 10.6 percent, but has lagged slightly behind that of the State of Arizona, which has grown by 13.7 percent.

According to the latest census data, approximately 15.8 percent of the population of Sierra Vista is Hispanic or Latino (of any race), compared to a 30.7 percent Hispanic/Latino population for all of Cochise County, and a 25.3 percent Hispanic/Latino population statewide. Sierra Vista's population is 73.3 percent white, compared to 76.7 percent for the county and 75.5 percent statewide. Sierra Vista's population is 50.2 percent male and 49.8 percent female.

For the population aged 5 years and older, 80.9 percent reside in homes where English is the only language spoken, compared to 70.5 percent countywide and 74.1 percent statewide. Of those who reside in homes where a language other than English is spoken, the majority (57.6 percent) also speak Spanish.

According to the most recent census data, the median age of the city's population is 32 years, compared to the median age of 36.9 years countywide and 34.2 years statewide. Sierra Vista's largest age group is 25 to 34 years, comprising 15.4 percent of the city's population. The next largest age group is 35 to 44 years, comprising 13.8 percent of the population. Overall, 14.6 percent of Sierra Vista's population is aged 62 years or older, compared to 17.9 percent of the county population and 13.0 percent of the statewide population.

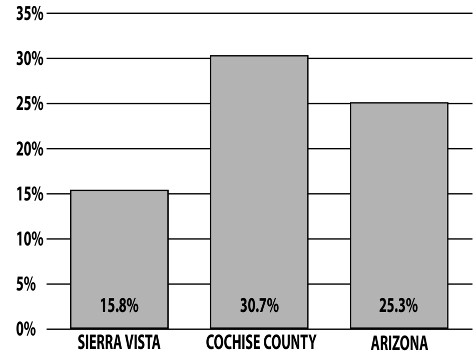
The average Sierra Vista household size is 2.48 persons, compared to 2.55 persons for the county, and 2.64 persons per household statewide. Of total Sierra Vista households, 70.4 percent are classified as family households. A total of 34.9 percent of households have children under the age of 18 living at home. A total of 7.8 percent of Sierra Vista households are headed by single mothers with children under the age of 18 living at home, compared to 7.1 percent countywide and 6.8 percent statewide. Of Sierra Vista's population aged 15 and older, 58.8 percent are married, 11.3 percent are divorced, and 4.8 percent are widowed.

Of the population aged 25 years and older, 91.5 percent have at least a high school diploma or equivalent, compared to 79.5 percent countywide and 81.0 percent statewide. A total of 25.7 percent of Sierra Vista residents hold a bachelor's degree or higher, compared to 18.8 percent for the county and 23.5 percent statewide.

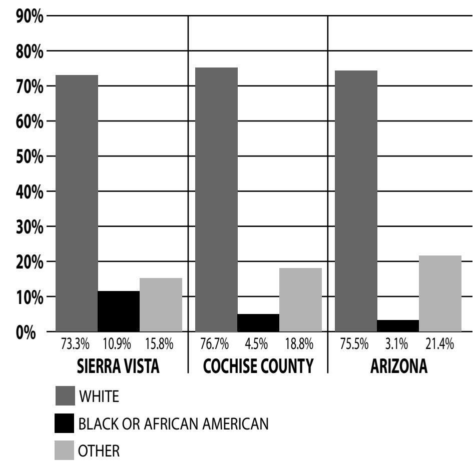
Veterans of the military comprise 31.5 percent of Sierra Vista's population aged 18 years and older, compared to 23.3 percent countywide and 15.0 percent statewide.

As of Census 2000, approximately 33.6 percent of Sierra Vista's population had resided in the same house for at least five years. Approximately 38.5 percent of Sierra Vista's population aged 5 years and older had relocated to the city within the previous five years from outside Cochise County.

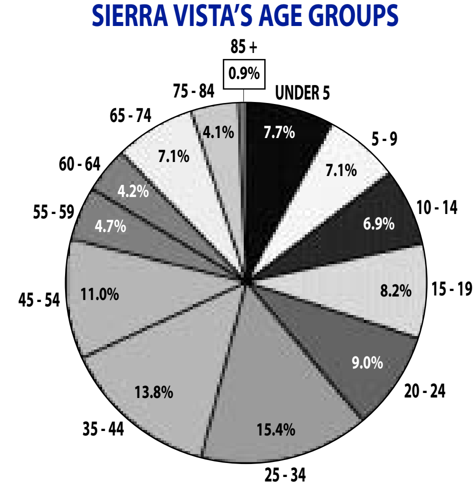
HISPANIC/LATINO POPULATION



RACE



SIERRA VISTA'S AGE GROUPS

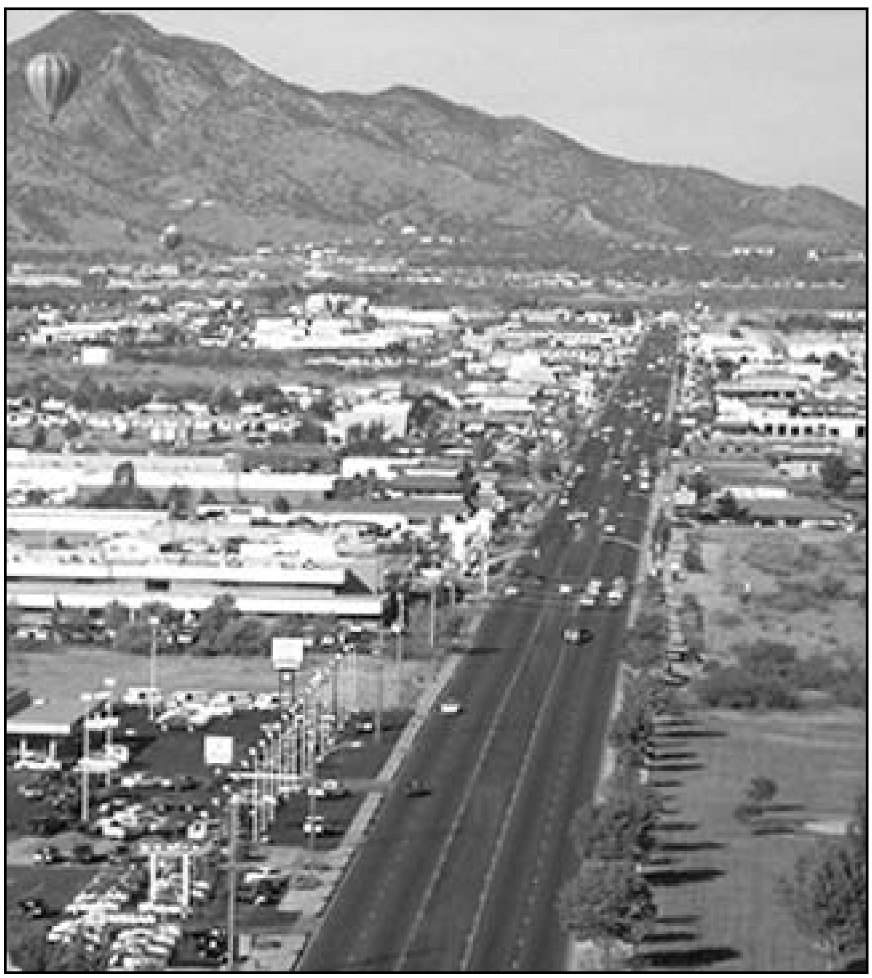


Crime

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 2003, Sierra Vista’s crime rate decreased by 22.8 crimes per 1,000 population, the largest decrease on record, to 30.4 crimes per 1,000 population. In 2002, Sierra Vista saw a slight increase of 14.2 crimes per 1,000 to 52.8. As of 2001, Sierra Vista reported 38.6 crimes per 1,000. 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, 2003," 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 January 2005, the number of sworn officers was 49. 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 was 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.



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

Healthcare

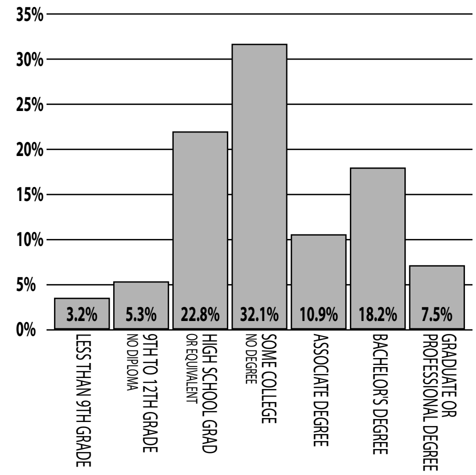
Healthcare has proven to be an important indicator of the quality of life in any community. The availability of medical services and, in particular, advanced capabilities, are likewise defining elements of the healthcare infrastructure of Sierra Vista. These advanced capabilities are the product of a 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 its east campus, where there presently is an ambulatory surgery center and 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.

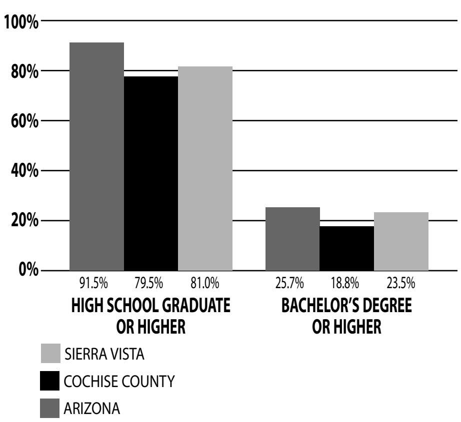
On the current site, the hospital continues to minimally invest in only those facilities that support existing high-growth services until the new hospital is completed. In the middle of 2005 the hospital anticipates completion of expansion of the emergency department, a project which will double the department's size and offer a "fast-track" area to facilitate the faster through-put of those patients requiring a lower level of care. The department already has added a new x-ray machine, which will decrease the waiting time for those tests. In a couple of months, four additional telemetry beds will come on line to give a full complement of 14. The nursing stations also are being revamped. There have been other modifications to the facility, but, again, sensitivity to the investment on a site which will be offloaded in the near future is always at the forefront of decisions.

The Sierra Vista Regional Health Center 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. With a staff of more than 800 and an annualized payroll of $25 million, the regional health center ranks as the fifth largest employer in Cochise County. 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.

EDUCATIONAL ATTAINMENT SIERRA VISTA



EDUCATIONAL ATTAINMENT COMPARISONS



CRIME RATE PER 1,000 POPULATION

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Casa Grande	152.3	161.1	163.9	162.1	129.4	121.2	120.4	93.8	103.9	89.4	81.0	101.4
Flagstaff	85.5	91.7	101.4	106.6	95.4	91.3	86.6	79.3	79.3	89.4	99.5	78.0
Lake Havasu	55.4	57.4	55.7	57.6	49.8	51.0	32.2	29.6	30.7	33.1	40.8	37.4
Phoenix	92.6	93.1	100.5	109.1	95.7	96.3	85.7	77.4	75.1	76.8	78.2	53.6
Sierra Vista	48.6	52.2	52.7	59.3	58.0	65.3	53.3	44.5	51.8	38.6	52.8	30.4
Tucson	100.3	115.2	122.5	122.2	98.8	100.2	97.4	90.6	89.5	98.8	96.9	102.7

SOURCE: FBI UNIFORM CRIME REPORT; SIERRA VISTA POLICE DEPARTMENT

Employment

Maj. Hilton Nunez, operations officer for the 305th Military Intelligence Battalion, work with Mark Smith of Flight Safety International, on a Special Electronics Mission Aircraft simulator, presented by Lockheed Martin. Photo: Ed Honda-Herald/Review.

In 2004, the unemployment rate in Sierra Vista, which includes the unincorporated Sierra Vista southeast, averaged 3.3 percent, compared to 4.2 percent for Cochise County and 4.8 percent statewide. Nationally, the unemployment rate for 2004 averaged 5.5 percent. The unemployment rate in Sierra Vista for 2004 was down seven-tenths of a percent from 4.0 percent in 2003, and was at its lowest level on record.

Sierra Vista's labor force for 2004 consisted of an average of 21,955 potential workers, of which 21,237 were actually employed. The labor force consists of those persons 16 years of age and older who are either employed or actively seeking employment.

It is important to note that Sierra Vista's month-to-month unemployment rate reflects seasonal patterns evident in employment data for most localities. Over the past decade, the trend in Sierra Vista has been for higher-than-average unemployment rates to prevail in January, February, March, June, and July, while lower-than-average rates prevail in April, May, August, September, October, November, and December.

A look at employment in Sierra Vista over the past five years (2000-2004) reveals that the city has seen an average annual unemployment rate of 3.7 percent, reflecting a vast improvement over the previous five-year period (1995-1999), which saw an average unemployment rate of 6.2 percent. Sierra Vista's labor force increased 12.4 percent between 1999 and 2004, growing from 19,541 to 21,955.

Job growth in Sierra Vista for 2004 was 3.2 percent. Over the five-year period from 2000 to 2004, Sierra Vista's average annual job growth rate was 2.6 percent. Employment data is based on Arizona Department of Economic Security (DES) figures. Seasonally adjusted rates are calculated by the Center for Economic Research (CER).

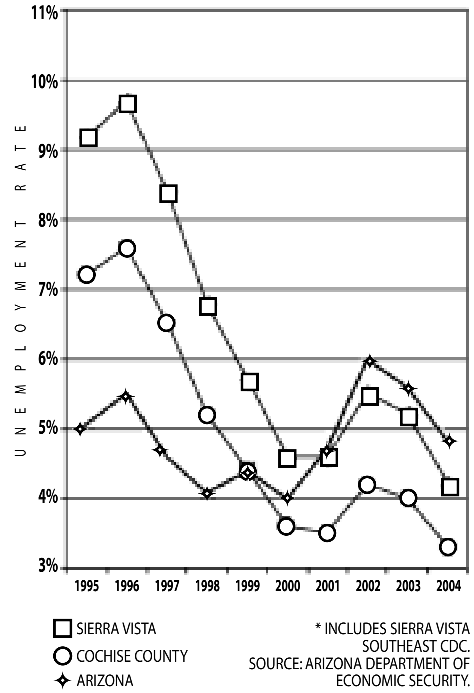
Occupations in Sierra Vista vary over a broad spectrum of employment opportunities. According to data collected during Census 2000, of those workers aged 16 years and older, 34.0 percent are employed in management, professional, and related occupations, followed by 29.4 percent in sales and office occupations, and 21.7 percent in service occupations. Construction, extraction, and maintenance occupations employ 7.9 percent of the city's workers; production, transportation, and material moving occupations employ 6.9 percent; and farming, fishing, and forestry occupations employ 0.2 percent.

The industry employing the largest number of Sierra Vista's workers, according to Census 2000 data, is the educational, health and social services industry, which employs approximately 21.7 percent of workers, followed by public administration, which employs 18.3 percent; retail trade, which employs 14.1 percent; arts, entertainment, recreation, accommodation, and food services, which employs 10.2 percent; professional, scientific, management, administrative, and waste management services, which employs 10.2 percent; other services (excluding public administration), which employs 5.7 percent; and construction, which employs 5.4 percent of workers.

Approximately 62.4 percent of Sierra Vista's workers are private wage and salary workers, while 32.2 percent are government workers. Self-employed workers in unincorporated businesses comprise 5.2 percent of Sierra Vista's workforce, and unpaid family workers comprise 0.2 percent.

It is important to note that employment data is subject to sizeable revisions. DES, the major source for employment data throughout Arizona, benchmarks data every two years based on the most current population estimates. DES also revises 10-year time series employment data following each U.S. Census. The most recent revision of

UNEMPLOYMENT COMPARISONS 1995-2004



* INCLUDES SIERRA VISTA SOUTHEAST CDC.
SOURCE: ARIZONA DEPARTMENT OF ECONOMIC SECURITY.

ANNUAL UNEMPLOYMENT RATE COMPARISONS, 1995-2004

	SIERRA VISTA*	COCHISE COUNTY	ARIZONA
1995	7.2%	9.2%	5.1%
1996	7.6%	9.7%	5.5%
1997	6.5%	8.4%	4.6%
1998	5.2%	6.8%	4.1%
1999	4.4%	5.7%	4.4%
2000	3.6%	4.6%	4.0%
2001	3.5%	4.6%	4.7%
2002	4.2%	5.5%	6.2%
2003	4.0%	5.2%	5.6%
2004	3.3%	4.2%	4.8%

* INCLUDES SIERRA VISTA SOUTHEAST CDC.
SOURCE: ARIZONA DEPARTMENT OF ECONOMIC SECURITY.

SIERRA VISTA MONTHLY UNADJUSTED AND SEASONALLY ADJUSTED UNEMPLOYMENT RATES, 2003-2004

	UNADJUSTED RATE	SEASONAL FACTOR	SEASONALLY ADJUSTED RATE
2003			
January	4.2%	1.100976287	3.8%
February	4.5%	1.091404029	4.1%
March	4.5%	1.046466321	4.3%
April	4.3%	0.971744419	4.4%
May	4.3%	0.97659337	4.4%
June	4.5%	1.009063981	4.5%
July	4.5%	1.001855414	4.5%
August	4.0%	0.949496963	4.2%
September	3.7%	0.960114863	3.9%
October	3.3%	0.931877389	3.5%
November	3.2%	0.94323605	3.4%
December	3.2%	1.0167395	3.1%
2004			
January	3.7%	1.082239137	3.4%
February	3.7%	1.09213937	3.4%
March	3.4%	1.032144959	3.3%
April	3.6%	0.974578421	3.7%
May	3.5%	0.983356622	3.6%
June	3.2%	1.044619204	3.1%
July	3.3%	1.02017571	3.2%
August	3.1%	0.95519266	3.2%
September	3.2%	0.946729937	3.4%
October	3.0%	0.930813481	3.2%
November	2.8%	0.938833689	3.0%
December	2.6%	0.999177003	2.6%

SOURCE: UNADJUSTED RATES OBTAINED FROM THE ARIZONA DEPARTMENT OF ECONOMIC SECURITY. SEASONAL FACTORS AND SEASONALLY ADJUSTED RATES COMPUTED BY THE COCHISE COLLEGE CENTER FOR ECONOMIC RESEARCH.

SIERRA VISTA AREA UNEMPLOYMENT*

	LABOR FORCE	EMPLOYMENT	JOBS GAIN/LOSS	GROWTH RATE
1995	20,845	19,348	----	--.--
1996	20,297	18,756	-592	-3.1%
1997	19,011	17,775	-981	-5.2%
1998	18,901	17,912	137	0.8%
1999	19,541	18,678	766	4.3%
2000	19,389	18,699	21	0.1%
2001	20,310	19,589	890	4.8%
2002	21,188	20,289	700	3.6%
2003	21,440	20,573	284	1.4%
2004	21,955	21,237	664	3.2%

* INCLUDES SIERRA VISTA SOUTHEAST CDC.
SOURCE: ARIZONA DEPARTMENT OF ECONOMIC SECURITY AND COCHISE COLLEGE CENTER FOR ECONOMIC RESEARCH

A Leadership Sierra Vista group tours the Northrop Grumman facility in Sierra Vista. Photo: Courtesy of the Greater Sierra Vista Area Chamber of Commerce.

COCHISE COUNTY NON-FARM EMPLOYMENT BY CATEGORY

	2003	2004	NO. OF JOBS GAINED OR LOST	JOB GROWTH RATE
Natural Resources and Mining	50	50	0	0.0%
Construction	2,225	2,300	75	3.4%
Manufacturing	925	925	0	0.0%
Trade, Transportation, and Utilities	6,125	6,300	175	2.9%
Information	475	450	-25	-5.3%
Financial Activities	875	925	50	5.7%
Professional and Business Services	3,450	3,600	150	4.3%
Educational and Health Services	3,575	3,775	200	5.6%
Leisure and Hospitality	3,625	3,600	-25	-0.7%
Other Services	1,100	1,100	0	0.0%
Government	11,400	11,725	325	2.9%
Total Non-farm	33,775	34,750	975	2.9%

SOURCE: ARIZONA DEPARTMENT OF ECONOMIC SECURITY AND COCHISE COLLEGE CENTER FOR ECONOMIC RESEARCH

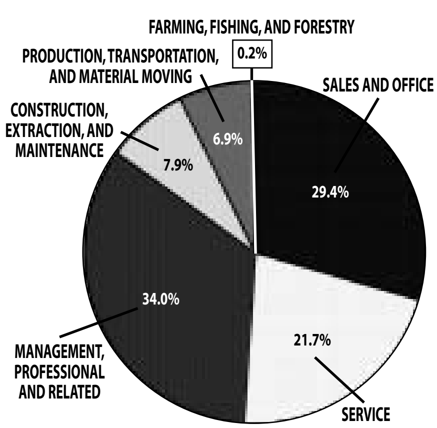
data from 1990 to 1999, and the benchmarking of 2002-2003 data, occurred in February and March 2004.

Cochise County Employment by Category

DES tracks employment by category on a monthly basis using the North American Industrial Classification System (NAICS) and makes this data available for the state and county levels. According to DES figures, in 2004 Cochise County's average annual non-farm employment expanded by 2.9 percent, growing from 33,775 to 34,750, a net gain of 975 jobs.

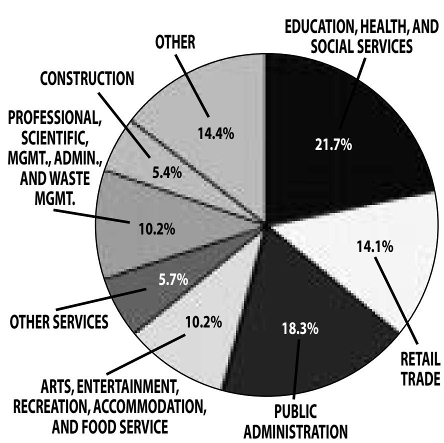
The fastest growing category was financial activities, which grew by 50 jobs – a 5.7 percent increase over 2003. Other categories that experienced growth were educational and health services, which grew by 200 jobs (5.6 percent); professional and business services, which grew by 150 jobs (4.3 percent); construction, which grew by 75 jobs (3.4 percent); trade, transportation, and utilities, which grew by 175 jobs (2.9 percent);

SIERRA VISTA OCCUPATIONS



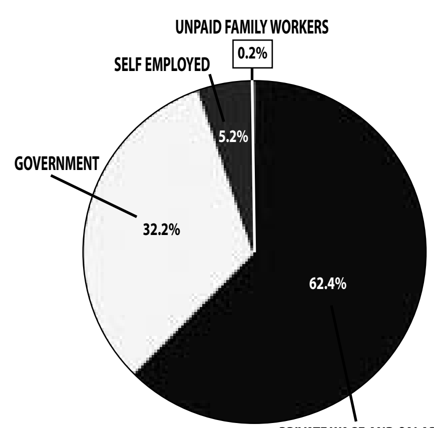
SOURCE: U.S. CENSUS BUREAU

INDUSTRIES IN SIERRA VISTA



SOURCE: U.S. CENSUS BUREAU

SIERRA VISTA CLASSES OF WORKERS



SOURCE: U.S. CENSUS BUREAU

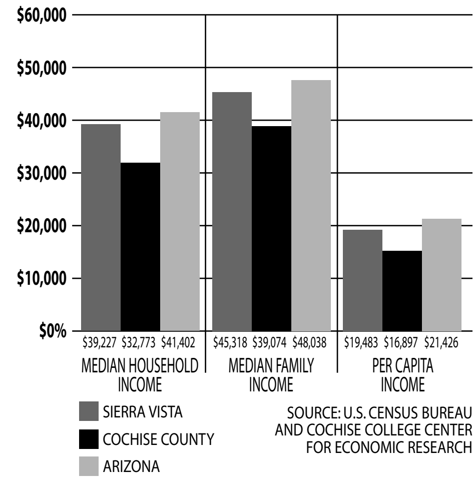
and government, which grew by 325 jobs (2.9 percent). The category of information lost 25 jobs, a decline of 5.3 percent, while leisure and hospitality likewise lost 25 jobs, a decline of 0.7 percent. The categories of natural resources and mining; manufacturing; and other services remained unchanged.

Major Employers

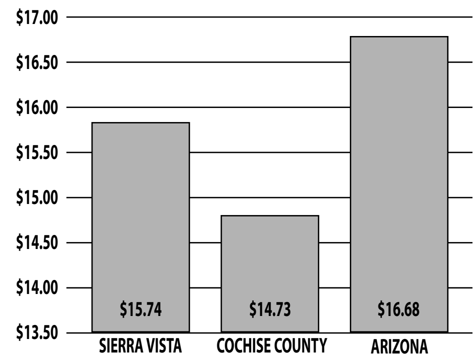
With 11,939 employees, Fort Huachuca is the largest employer in the Sierra Vista area. It is followed by Cochise County at 1,090 employees (this figure reflects all employees in Cochise County, not just those working in Sierra Vista); Sierra Vista Regional Health Center with 776 employees; and the Sierra Vista Public School District with 686 employees. The remainder of the list of top employers is predominated by 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

INCOME COMPARISON

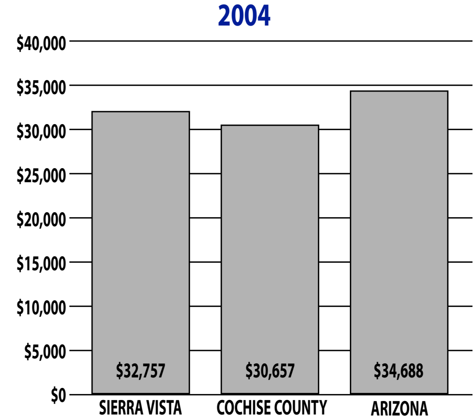


AVERAGE HOURLY WAGE COMPARISONS 2004



SOURCE: U.S. CENSUS BUREAU AND COCHISE COLLEGE CENTER FOR ECONOMIC RESEARCH

AVERAGE ANNUAL SALARY COMPARISONS 2004



SOURCE: U.S. CENSUS BUREAU AND COCHISE COLLEGE CENTER FOR ECONOMIC RESEARCH

Soldiers, like 1st Sgt. D. Vargas-Soler, can take advantage of various types of foods from the food service provider to Virginia Dining Hall facility on Fort Huachuca.
Photo: Ed Honda-Herald/Review

SIERRA VISTA'S MAJOR EMPLOYERS

EMPLOYER	EMPLOYEES
U.S. Army's Fort Huachuca	11,939
Cochise County	1,090*
Sierra Vista Regional Health Center	776
Sierra Vista School District	686
Aegis	504
City of Sierra Vista	480
Northrop Grumman	461
Wal-Mart	350
Lawley Automotive	241
Anteon Corporation	210
F.C. Business Systems	210
Cochise College – Sierra Vista Campus	204
New Tech	190
Patann, Inc.(Mcdonald's)	187
Arizona Family Care Associates	186
Ilex	180
KE&G Construction	170
Cochise Private Industry Council	164
All Star Services	157
Life Care Center	155
Cochise Health Alliance	151
University of Arizona South	148
Long Realty Company	138
Home Depot	135
Signal Solutions	125
Dillard's	120
Sears	116
Target	114
Food City	113
Vista Springs Behavioral Health	112
Chili's Grill and Bar	110
Hacienda Rehabilitation	107
Science Applications International Corp.	100

SOURCE: COCHISE COLLEGE CENTER FOR ECONOMIC RESEARCH 2003 SURVEY OF EMPLOYERS

BANK DEPOSITS

THE FOLLOWING TABLE SHOWS TOTAL BANK DEPOSITS AS OF JUNE 30 OF EACH YEAR FOR SIERRA VISTA AND COCHISE COUNTY.

	SIERRA VISTA	COCHISE COUNTY
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
2004	$424,684,000	$824,453,000

SOURCE: FDIC: SUMMARY OF DEPOSITS MARKET SHARE

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 about the pace of 2004. The increase in the job creation rate will be accompanied by a correspondingly lower average unemployment rate.

Earnings and Income

The median household income in Sierra Vista for 2004 was approximately $39,227, compared to $32,773 for Cochise County and $41,402 statewide. The median family income for Sierra Vista in 2004 was approximately $45,318, compared to $39,074 for the county and $48,038 statewide. Sierra Vista's per capita income in 2004 was approximately $19,483, compared to $16,897 for the county and $21,426 for the state. These figures are estimated by the Center for Economic Research based on the most recent census data.

The average wage per job in Sierra Vista in 2004 was approximately $15.74 per hour, compared to approximately $14.73 per hour countywide and $16.68 per hour statewide. The average annual salary in Sierra Vista in 2004 was approximately $32,757, compared to $30,657 for the county and $34,688 for the state. These figures are estimated by CER based on 2003 DES estimates and the most recent census data.

Administration office building on Fort Huachuca.
Photo: Courtesy of Sierra Vista Herald/Bisbee Review.

Retail and Trade

Christmas shoppers take advantage of the first official day of sales, the day after Thanksgiving, at places like Target. Photo: Ed Honda-Herald/Review.

Total Taxable Sales

In 2004, total taxable sales in Sierra Vista were $747.3 million, up 7.3 percent from $696.7 million in 2003. This marked a decade of consistent growth in total taxable sales. Accommodation (hotel, motel, and other lodging) sales were up 23.9 percent; retail sales were up 8.9 percent; and restaurant and bar sales were up 1.5 percent. All of this contributed to the overall growth in total taxable sales. Construction, a primary contributor to growth in total taxable sales in 2003, was down 12.4 percent in 2004.

The primary contributor to the growth in total taxable sales in 2004 was the retail sector, which accounted for 71.4 percent of the total growth due to the relative size of this sector. Over the past 10 years, retail sales have accounted for 59.3 percent of total taxable sales. The portion of total sales accounted for by the retail sector has remained relatively stable over the past decade, with retail sales fluctuating between a high of 61 percent of total taxable sales in 1998 and a low of 56.1 percent in 1999. The next largest contributor to total taxable sales in 2004 was construction, which accounted for 11.7 percent of the total.

Between 1995 and 2004, total taxable sales grew by 90.5 percent, significantly outpacing the rate of inflation, which was 24 percent during the same period. Thus, the real, inflation-adjusted growth of total taxable sales in Sierra Vista was 66.5 percent over the past decade. Most of this growth was driven by the retail sector, which grew by 92.9 percent from 1995 to 2004, for real, inflation-adjusted growth of 68.9 percent. In the past decade, the retail sector has accounted for 60.1 percent of the overall growth in total taxable sales.

In addition to accommodation, retail trade, restaurant and bar, and construction discussed above, total taxable sales also include manufacturing; mining; communications and utilities; transporting and warehousing; wholesale trade; finance and insur-

TOTAL TAXABLE SALES

YEAR	SALES	PERCENT CHANGE
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%
2004	$747,348,542	7.3%

SOURCE: ARIZONA DEPARTMENT OF REVENUE

TAXABLE RETAIL SALES

YEAR	SALES	PERCENT CHANGE
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%
2004	$443,083,563	8.9%

SOURCE: ARIZONA DEPARTMENT OF REVENUE

TAXABLE RESTAURANT AND BAR

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%
2004	$50,190,962	1.5%

SOURCE: ARIZONA DEPARTMENT OF REVENUE

ance; real estate, rental, and leasing; public administration; services; arts and entertainment; and the category "other." (Note: Due to the Arizona Department of Revenue's change in reporting from the Standard Industrial Classification [SIC] system to the North American Industrial Classification System [NAICS] in 2004, comparisons to previous years within these other categories are not available at this time.)

Retail Sales

As discussed above, retail sales in Sierra Vista grew by 8.9 percent in 2004. The first six months of the year saw retail sales grow by 7.1 percent, followed by an even stronger second half of the year, which saw retail sales grow by 10.7 percent compared to the same period in 2003.

The growth in retail sales in 2004 marked a decade of consistent growth in this sector. In the 10 years from 1995 to 2004, retail sales grew an average of 7.7 percent each year, compared to an average annual inflation rate of 2.4 percent during the same period. Between 1995 and 2004, retail sales in Sierra Vista experienced average, inflation-adjusted growth of 5.3 percent per year. The most sluggish growth occurred in 1996, when retail sales grew by 3.1 percent, still outpacing the rate of inflation by 0.8 percent. Retail sales grew by 16 percent in 2000, outpacing the rate of inflation by 12.6 percent for the most robust growth in the retail sector over the past decade. The extraordinary growth in 2000 was due primarily to the opening of The Mall at Sierra Vista in the late fall of 1999.

In the summer of 2002, the Cochise College Center for Economic Research conducted 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 city transaction privilege tax report for the month of November. Active accounts are defined as those businesses paying the state transaction privilege tax for that month. During the same time period, 1996-2001, retail sales grew by 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 inflation rate for the five-year period, as measured by the Consumer Price Index, was 11.4 percent nationwide.

A couple of other observations are also worth noting. First, despite the opening of The Mall at Sierra Vista in late 1999, the total number of active business licenses actually fell 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 have also 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 is quite possible that profit margins have remained constant or have declined in some instances.

Restaurant and Bar Sales

Restaurant and bar (R&B) sales in Sierra Vista grew by 1.5 percent in 2004, climbing from $49.4 million to $50.2 million. This growth, however, lagged behind the rate of inflation, which was 2.7 percent for the year, indicating a real, inflation-adjusted growth rate of -1.2 percent. The first six months of the year saw R&B sales decline by 1.1 percent, followed by moderate growth in the second half of the year, which saw R&B grow by 4.2 percent compared to the same period in 2003.

The performance of this sector has been strong over the past decade, with the exception of the years 1996 and 2001, which experienced negative growth in both real and nominal terms, and 2004, which grew nominally by 1.4 percent but experienced negative growth in real, inflation-adjusted terms.

In the 10 years from 1995 to 2004, R&B sales grew an average of 6.3 percent each year, compared to an average annual inflation rate of 2.4 percent during the same period. Between 1995 and 2004, R&B sales in Sierra Vista experienced average, inflation-adjusted growth of 3.9 percent per year. The most sluggish growth occurred in 2001, when R&B sales declined by 4.8 percent, combining with inflation to produce a real growth rate of -7.7 percent. R&B sales grew by 21.7 percent in 2000, outpacing the rate of inflation by 18.3 percent for the most robust growth in the R&B sector over the past decade.

In the summer of 2002, the Cochise College Center for Economic Research conducted a study examining the relationship between the growth in R&B business licenses and 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.

R&B 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.

Home Depot in Sierra Vista.

Photo: Courtesy of Sierra Vista Herald/Bisbee Review.

Local Retail Study

During the fall of 2004, the Center for Economic Research conducted a study of Sierra Vista residents' shopping patterns. The shopping survey was conducted in September 2004 during the Greater Sierra Vista Area Chamber of Commerce Business Expo. A similar study had been conducted in September 2000. 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

SIERRA VISTA RETAIL SALES STUDY

PERCENT OF SHOPPING BY CATEGORY DONE BY SIERRA VISTA RESIDENTS

CATEGORY	1999	2000	2004	RAW PERCENT CHANGE*	ACTUAL % IMPROVEMENT**
Apparel & Accessories	60.9%	68.7%	73.8%	+5.1%	+7.4%
Furniture & Furnishings	51.4%	57.4%	65.8%	+8.4%	+14.6%
Bldg. Materials & Garden Supplies	73.4%	77.6%	84.7%	+7.1%	+9.1%
Food	88.2%	92.5%	99.5%	+7.0%	+7.6%
Vehicles	64.2%	65.1%	65.7%	+0.6%	+0.9%
Auto Supplies	77.3%	84.8%	84.0%	-0.8%	-0.9%
General Merchandise	73.3%	78.9%	81.8%	+2.9%	+3.7%

*2004 PERCENT MINUS 2000 PERCENT
**2004 PERCENT DIVIDED BY 2000 PERCENT
SOURCE: COCHISE COLLEGE CENTER FOR ECONOMIC RESEARCH STUDY, SEPTEMBER 2000, 2004

study captured the dollar amount of sales by local retailers to people living outside the city. The overall results showed that 79.3 percent of total purchases by Sierra Vista residents occur within Sierra Vista, up from 76.7 percent in 2000. That translates into just over three of every four retail dollars spent locally. Sierra Vista loses 20.7 percent of residents' purchasing dollars to outside markets, but that figure is down from 23.3 percent in the previous study.

The study applied the findings of the survey to Sierra Vista retail sales figures for calendar year 2003, the most recent data available at that time. During that period, the Arizona Department of Revenue reported total taxable retail sales of $383,614,563. Food sales were estimated at approximately $85,853,446 in the same period. By combining taxable retail sales and food sales, the Center for Economic Research used a total retail base of $469,468,009 for data analysis.

Sierra Vista residents accounted for $295,988,507 of the total retail base. Residents from outside the city contributed $104,282,878 in sales to the Sierra Vista market. Sierra Vista residents spent a total of $365,185,255 in retail and food sales, with $95,231,134 spent on purchases out 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 continues to expand, 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 in 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 75 percent were Sierra Vista residents. The remaining 25 percent resided either elsewhere in the county or outside the county. A majority (68.8 percent) of respondents indicated they had lived in the same community for five or more years. Forty-six percent indicated they shop more now in Sierra Vista than they did five years ago, while 42.6 percent said their shopping patterns remain the same. In the sample of over 200 people, the average household size was 2.7 persons. The average age of those surveyed was 49 years. Of those surveyed, 42.9 percent of the respondents were male and 55.8 percent were female, the remaining 1.3 percent preferred not to respond.

2004 BUSINESS LICENSE ACTIVITY

	NEW	CANCELLED	NET
January	18	43	-25
February	14	21	-7
March	25	8	17
April	25	19	6
May	12	4	8
June	33	3	30
July	10	14	-4
August	30	3	27
September	24	1	23
October	30	87	-57
November	24	1	23
December	12	3	9
Annual	**257**	**207**	**50**

SOURCE: CITY OF SIERRA VISTA.

BUSINESSES BY INDUSTRY

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

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.

BUSINESSES BY INDUSTRY

	NOV-04
Construction	340
Manufacturing	239
Communications and Utilities	136
Transportation and Warehousing	15
Wholesale Trade	191
Retail Trade	974
Restaurants & Bars	95
Finance and Insurance	31
Real Estate, Rental and Leasing	192
Accommodation	19
Services	263
Arts and Entertainment	17
All Others Not Specified	209
Totals	**2721**

SOURCE: ARIZONA DEPARTMENT OF REVENUE REPORT FOR CITY OF SIERRA VISTA.
NOTE: THE FIGURES ABOVE REFLECT THE NUMBER OF ACCOUNTS PAYING TRANSACTION PRIVILEGE TAX AS REPORTED BY ARIZONA DEPARTMENT OF REVENUE.

The Sierra Vista Hospital Foundation's Festival of Trees brings the season to the Mall at Sierra Vista. Photo: Courtesy of the Greater Sierra Vista Area Chamber of Commerce.

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 Classification (SIC) system 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 99.5 percent of their food purchases in town.

Business Licenses

The year 2004 saw 257 new business licenses and 207 licenses cancelled, for a net gain of 50 licenses. This brought the number of active business licenses in the city to a year-end total of 1,664, up from 1,614 in 2003. The year 2003 was the most active year for business licenses since 1999, with the city issuing 316 new licenses and canceling 231 existing licenses, resulting in a net gain of 85 from 2002 numbers. Between 2000 and 2004, the number of active business licenses increased from 1,487 to 1,664, a net increase of 177, or 11.9 percent.

Another measure of business activity is the number of business accounts under which the transaction privilege tax (or sales tax) is paid. As of November 2004, the number of accounts in Sierra Vista was 2,721. The included 340 accounts in the construction industry; 239 in manufacturing; 136 in communications and utilities; 15 in transportation and warehousing; 191 in retail trade; 974 in restaurants and bars; 95 in finance and insurance; 31 in real estate, rental and leasing; 192 in accommodation; 19 in services; 263 in arts and entertainment; and 209 in all others (not specified).

In 2004, the Arizona Department of Revenue switched from the Standard Industrial Classification (SIC) system to the North American Industrial Classification System (NAICS) for its classification of transaction privilege tax accounts. This change makes it unfeasible to compare the number of accounts reported in 2004 to those reported in previous years.

NEW BUSINESS LICENSES

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Jan.	18	21	21	36	25	24	24	26	26	18
Feb.	23	16	19	31	23	25	25	26	37	14
Mar.	40	35	17	22	23	26	26	16	33	25
April	42	35	45	25	20	17	19	25	24	25
May	27	24	24	10	26	29	30	26	16	12
June	27	37	23	20	33	30	20	16	27	33
July	12	23	23	20	30	17	22	14	49*	10
Aug.	39	17	34	22	31	28	35	45	N/A*	30
Sept.	22	19	28	23	35	26	23	33	28	24
Oct.	33	26	22	26	42	32	29	38	33	30
Nov.	30	26	13	20	36	18	22	14	24	24
Dec.	15	15	21	12	22	17	16	16	19	12
Annual	**328**	**294**	**290**	**267**	**346**	**289**	**291**	**295**	**316**	**257**

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.

Bankruptcy Filings

Cochise County Courthouse located in historic Bisbee.
Photo: Ted White

According to the 2004 Year-End Report on the Federal Judiciary by Chief Justice William Rehnquist released Jan. 1, 2005, filings decreased for the first time since 2000, declining by 3.0 percent to a total of 1,618,987 in 2004. Nationally, non-business filings decreased by 3.0 percent. Filings decreased under all chapters except Chapter 11, which increased by 2.0 percent. Due to legislation on Chapter 12 expiring on January 1, 2004, Chapter 12 filings reflected a decline of 66.0 percent during 2004. Chapter 13 showed a 4.0 percent decrease, and Chapter 7 dropped by 2.0 percent.

Even though filings declined in fiscal year 2004, numbers have increased by 83.0 percent and are near peak levels when compared to the past 10 years.

In 2003, there were a record-high 1.7 million bankruptcy filings nationwide – an increase of 6.3 percent over the 1.6 million filings in 2002. These figures include both personal (i.e., non-business) and business filings. Since 1994, the annual number of personal filings nationwide has more than doubled. Personal filings account for the vast majority of total filings nationwide.

When comparing the first half of 2004 with the same period of 2003, bankruptcies in Cochise County reflected a 15.7 percent decrease. The second half of 2004 indicated an 8.3 percent increase. As of year end 2004, 504 Cochise County bankruptcies had been filed with the U.S. Bankruptcy Court, compared to 533 one year earlier. A year-over-year comparison reflected a 5.4 percent decrease. The decline in county bankruptcy filings may be attributed to the drop in local unemployment rates and a stronger economy.

Locally, in 2003 there were 533 bankruptcies from within Cochise County filed with the Tucson Division of the U.S. Bankruptcy Court. This figure is up from 489 the previous year (2002), for an increase of 8.8 percent. County numbers include both personal and business filings.

Looking back over the 10 years from 1995 through 2004, a total of 4,558 bankruptcies were filed from within the county. The number of bankruptcies grew each year from 1995, which saw 265 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. From 1999 through 2003, however, the annual number of bankruptcies in Cochise County 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 increased 90.2 percent from 1995 through 2004, climbing from 265 to 504.

Data after 2002 is available in monthly total bankruptcies rather than by total monthly bankruptcies by chapter.

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 2001, with an average of 43.3 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 488 – 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 also have 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

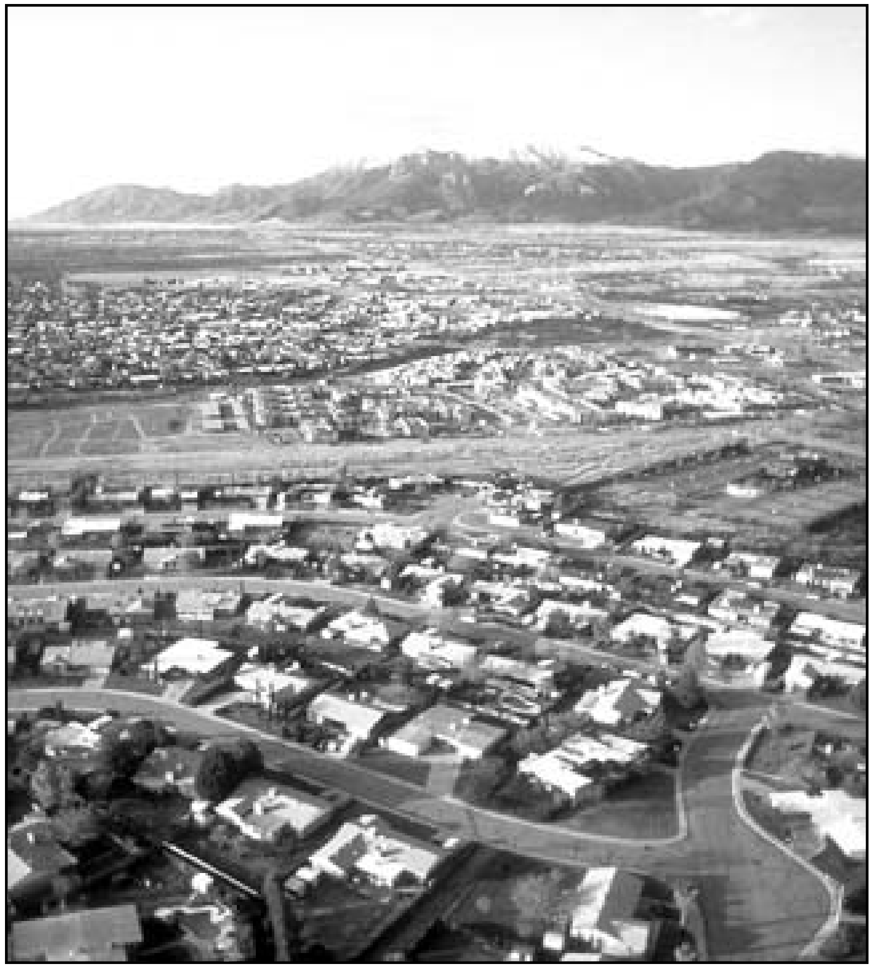
	2002	2003	2004
1st Quarter	117	128	120
2nd Quarter	122	177	137
3rd Quarter	145	135	139
4th Quarter	105	93	108
Total	**489**	**533**	**504**

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

Housing and Real Estate



An aerial view of Sierra Vista and the Huachuca Mountains. Photo: Courtesy of the Greater Sierra Vista Area Chamber of Commerce.

New and Existing Homes Sales

The year 2004 was a strong year for home sales in the Sierra Vista area. During the year, 1,340 homes were sold, representing an increase of 23.4 percent over the number sold in 2003. In 2003, the volume of homes sold in the Sierra Vista area decreased for the first time since 1997. During 2003, 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, 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 with an increase in 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.

Along with the increase in volume in 2004, the average price per home sold increased by 15.6 percent to $166,598. 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 house had been included when calculating the average, the average price per home would increase by approximately $1,000.

Along with an increase in the pace of sales during 2002 came a strong increase in the average selling price of a home. During 2002, the average selling price increased 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 2004 the median price climbed 14.9 percent to $153,902. 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, and any comparison 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 $166,598, the average price of new and existing homes sold in the Tucson market was $194,324. 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 2004 was $187,543. The average price for new construction in Tucson was $219,042 for the year 2004 and approximately $268,100 nationally as of November 2004. 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. For 2004, a total of 373 homes were sold at prices higher than $200,000, outpacing 2003 by 90.3 percent. During 2003 there were 196 homes sold at prices higher than $200,000, 45.2 percent above the volume in 2002. A total of 87 homes were sold in 2001 for more than $200,000, and in 2002 there were 135 homes sold above that price. Homes priced higher 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, and in 2004 it increased to 30.1 percent. In 2000, three homes sold at prices above $400,000, while in 2001 that number dropped to one. There were four homes in 2002 and six homes in 2003 that sold for more than $400,000. There were 16 homes in 2004 that sold for more than $400,000. In the price range of $300,000 to $400,000, 55 homes sold in 2004 compared to 25 in 2003.

The number and overall percentage of homes selling for less than $100,000 continues to decline. During 2004, only 271 homes were sold for less than $100,000 compared to 317 in 2003. This represents a decrease of 14.5 percent. In 2004 and 2003, homes priced below $100,000 represented 20.2 and 23.6 percent respectively. In 2002, there were 419 homes, or 37.8 percent, sold at prices below $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.

By late 2004, a traditional 30-year, fixed-rate mortgage was reported to be at close to a rate of 6.0 percent, near 40-year record lows. A continuation of low interest rates through 2004 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 also have 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 2004, many believe it is only a matter of time before interest rates begin to rise.

New Home Permits

In 2004, 689 permits were issued for new home starts in the city. New home permits were 15.6 percent above the total in 2003. The year 2004 reflected continued growth with the last three quarters of the year outpacing 2003. 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 ended with 689 permits issued. The year 2002 also was an active year for new home starts, with the first three quarters outpacing the levels of 2001. Total new home construction permits were up 28.8 percent with 376 permits.

The year 2004 saw the highest volume of permits issued for the 12-year period

EXISTING HOME SALES BY PRICE

	1998	1999	2000	2001	2002	2003	2004
$1-29,999	12	7	12	9	22	13	6
$30,000-39,999	14	17	32	15	17	16	10
$40,000-49,999	21	39	28	35	39	12	18
$50,000-59,999	37	40	39	34	34	38	31
$60,000-69,999	43	65	58	59	54	37	26
$70,000-79,999	93	95	87	85	64	36	35
$80,000-89,999	81	107	93	116	103	72	52
$90,000-99,999	87	73	92	83	86	93	53
$100,000-119,999	134	141	152	150	161	135	130
$120,000-139,999	110	140	121	133	138	137	195
$140,000-159,999	66	70	73	88	120	119	164
$160,000-179,999	33	49	53	56	74	111	145
$180,000-199,999	17	25	32	36	62	81	102
$200,000-249,999	22	37	36	49	79	111	201
$250,000-299,999	7	13	20	22	31	54	101
$300,000-399,999	7	8	6	15	21	25	55
$400,000 or more	0	0	3	1	4	6	16

SOURCE: SIERRA VISTA AREA ASSOCIATION OF REALTORS; SOUTHEAST ARIZONA MULTIPLE LISTING SERVICE, INC.

HOUSING AFFORDABILITY INDEX

YEAR	HAI	MEDIAN HOME PRICE	MEDIAN FAMILY INCOME	EFFECTIVE INTEREST RATE	MONTHLY PRINCIPAL & INTEREST PAYMENT*
2001	161.1	$106,500	$44,311	7.11	$573
2002	153.5	$116,900	$44,426	6.69	$603
2003	146.3	$134,000	$44,543	5.88	$634
2004	128.4	$153,902	$45,318	6.03	$735

*PRESUMES A 30-YEAR, FIXED-RATE, NON-JUMBO LOAN AND A TYPICAL 20-PERCENT DOWN PAYMENT

HOME SALES BY YEAR

YEAR	NUMBER OF HOMES	AVERAGE PRICE	PERCENT CHANGE (PRICE)	MEDIAN PRICE	PERCENT 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	3.5%	$88,182	3.6%
1996	669	$102,013	5.3%	$95,000	7.7%
1997	662	$104,517	2.5%	$96,000	1.1%
1998	784	$108,717	4.0%	$100,000	4.2%
1999	926	$111,642	2.7%	$102,000	2.0%
2000	937	$114,180	2.3%	$103,618	1.6%
2001	986	$119,227	4.4%	$106,500	2.8%
2002	1109	$129,195	8.4%	$116,900	9.8%
2003	1086	$144,059	11.5%	$134,000	14.6%
2004	1340	$166,598	15.6%	$153,902	14.9%

SOURCE: SIERRA VISTA MULTIPLE LISTING SERVICE

HOME SALES BY QUARTER

	2003	2004	PERCENT CHANGE
1st Quarter			
Units Sold	269	275	2.2
Average Price	$138,701	$156,112	12.6
2nd Quarter			
Units Sold	249	352	41.4
Average Price	$141,461	$161,907	14.5
3rd Quarter			
Units Sold	305	383	25.6
Average Price	$151,357	$173,939	14.9
4th Quarter			
Units Sold	263	330	25.5
Average Price	$147,551	$171,821	16.4

SOURCE: SIERRA VISTA AREA ASSOCIATION OF REALTORS; SOUTHEAST ARIZONA MULTIPLE LISTING SERVICE, INC.

NEW HOME PERMITS BY QUARTER 1997-2004

	1997	1998	1999	2000	2001	2002	2003	2004
Jan.-Mar.	40	52	84	59	67	78	167	151
April-June	62	56	66	92	93	107	156	239
July-Sept.	58	80	71	63	42	113	99	105
Oct.-Dec.	49	65	52	77	90	78	169	194
Year	**209**	**253**	**273**	**291**	**292**	**376**	**591**	**689**

SOURCE: CITY OF SIERRA VISTA

that the Center for Economic Research has kept records. For the first half of 2004, building permits were up 20.7 percent over the same period one year earlier, and the second half saw a growth of 11.1 percent. The second quarter saw the greatest increase, with permits up 53.2 percent. Over the past five years, the city has averaged 448 new home permits per year.

The year 2004 was a very active year in terms of the average price of a new home. The average price of a new home in 2004 rose 22.6 percent, the highest increase on record, to $95,434. In 2003, the average price of a new home also showed significant increase, rising 12.6 percent to $77,813. In 2002, the average price was $69,123, down slightly from $69,238 in 2001. Permit prices exclude the cost of land. 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 fall, people can afford larger homes with more property and amenities; however, when financing costs increase, some may settle for smaller homes, less property, or fewer amenities.

It is difficult to predict what is in store for the local market in 2005. 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 remained at 40-year lows despite the Federal Reserve increasing the federal funds rate to 2.25 percent by early 2005. Permit activity should continue to be active over the next several years, as the Sierra Vista area is drawing interest from several national home builders looking to expand into the local housing market.

Rentals

The year 2004 marked the end of a downward trend in the Sierra Vista apartment vacancy rate. The vacancy rate rose slightly above that of 2003 but did not reach the level experienced in 2002. Rental rates also rose in 2004 when the average monthly rent for an apartment in a multi-unit complex in the city rose from about $470 in 2003 to about $520. This is an increase of 10.9 percent.

The increase in 2004 follows consistent increases that have been noted during five of the past six years. In 2003, the average apartment rental rate declined slightly to an average price of $468.98 per month. In 2002, the rate increased by 4.2 percent, and in 2001, it increased by 2.3 percent. Since 1995, prices have increased 28.1 percent.

For the three years prior to 2004, studio apartments experienced the largest percentage increase of any rental types. In 2004, however, one-bedroom/one-bath apartments had the highest average price increase, jumping 17.8 percent to $457.78 from 2003's average of $388.62. 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.

Studio apartments in 2004 increased 7.2 percent to $391.40. In 2003, studio apartments saw the sharpest increase in rent, climbing by 4.5 percent when the average studio rented for $365.17 per month. Studio apartments also saw the greatest percentage increase in 2002, climbing 5.7 percent to a monthly rental rate of $349.34. In 2001, studio rates went from $313.09 to $330.63, a 5.6 percent increase.

Monthly rates in 2004 increased 13.8 percent to $579.28 for two-bedroom/one-bath apartments. The average rental rate for two-bedroom/two-bath apartments increased by 5.4 percent to $643.15. The average rate for a three-bedroom apartment also increased, experiencing a gain of 5.0 percent in 2004 to $794.10.

During the summer of 2004, 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 2004 survey revealed a citywide vacancy rate of only

2.3 percent, up very slightly from 2.1 percent in 2003. In 2002, the overall apartment vacancy rate was 3.8 percent, up from the 3.3 percent vacancy rate in 2001. In 2000 the vacancy rate was 5.9 percent.

The central section of the city, between Seventh Street and Coronado Drive, (Coronado Drive east to the city limits) had the lowest vacancy rate during 2004 at 1.5 percent. In 2003, this area had a 2.2-percent vacancy rate. Between Fort Huachuca and Seventh Street, the vacancy rate was down to 2.0 percent from 2.4 percent in 2003. The eastern part of the city, from Coronado Drive east to the city limits, had the highest vacancy rate at 3.7 percent, up from having the lowest rate in 2003 at 1.9 percent.

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 Apartments, 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 2004, there were 63 homes listed for rent at an average cost of $975. This represents an increase of 7.3 percent from that of one year earlier. Prices ranged from $395 to $1,700. As of the end of 2003, there were 77 active rental units available in the market. These single-family homes, condominiums, townhouses, manufactured homes, and mobile homes had an average rental rate of $909 per month, an 11.1 percent increase over the year 2002, with a range of $350 to $2,400 per month. At the end of 2002, there were 82 active rental units available.

Commercial Building

Commercial permits showed promise in 2004 with 13 permits issued at a valuation of $7,305,606. This compares to seven permits at a total valuation of $2,832,673 in 2003.

Not since 1993 has the volume of permits and valuation posted as low as during calendar year 2003. During calendar year 2002, both the number and the dollar value of new commercial permits were strong within the city, where 16 permits were issued with a total valuation of more than 16.5 million. In 2001, the total permit valuation of more than 15 permits issued was more than $11.5 million. In 2000, nine permits were issued totaling more than $17 million.

Over the past 10 years, 1995-2004, an average of 11.6 new commercial building permits have been issued per year with an average total valuation of $11,596,490. During the second half of 2003, commercial building activity seemed to increase. 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.

NEW HOME PERMITS BY YEAR

YEAR	NO. 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%
2004	689	$95,434	16.6%

SOURCE: CITY OF SIERRA VISTA

Commercial Construction.

Photo: Justin Levesque-Herald/Review.

During 2004, commercial remodeling permits dropped to 39 permits with a combined value of $2,086,517. This was a 40.6 percent decrease from 2003, when remodeling permits totaled 63 at a combined valuation of $5,139,740. The year 2003 was superseded in activity only by 1999. During 1999, 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, 44 commercial remodeling permits were issued at a value of $1,686,016. In 1998 (not included in the table), a total of 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 2004, five permits were issued at a value of $1,109,972, reflecting a year-over-year decrease of 41.9 percent. During 2003, there also were five permits with a total valuation of $2,647,747. For comparison purposes, the remodeling and additions are separated in the tables Commercial Building Remodeling Permits and Commercial Building Addition Permits by Quarter.

NEW HOME SALES BY YEAR

YEAR	NEW HOME PRICE (INCLUDES PROPERTY)	PERCENT CHANGE IN NEW HOME PRICE
1996	$121,144	N/A
1997	$122,054	0.8%
1998	N/A	N/A
1999	N/A	N/A
2000	$153,090	N/A
2001	$148,630	-3.0%
2002	$168,735	13.6%
2003	$164,952	-2.2%
2004	$187,543	13.7%

SOURCE: SIERRA VISTA MULTIPLE LISTING SERVICE

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

Throughout the year, 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, in early 2004 the Center set out to bring together some of this information. 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 11 years from 1994 through 2004, the average price of a home sold in the Sierra Vista market has increased 77.9 percent. During the same time, the inflation rate, as measured by the Consumer Price Index (CPI), rose by 27.5 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 sold for $93,640 in Sierra Vista. In 2004, the price had risen to an average of $166,598. Housing remains affordable in Sierra Vista as nationally the average price for a new home sold for $268,100 as of November 2004.

One point to consider in the analysis of home prices in Sierra Vista is an aggregate of all homes on the market each year. It 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 for less and half sell for more, for a home sold in the Sierra Vista area has moved from $85,127 in 1994 to $153,902 in the year 2004, an increase of 80.8 percent. Nationally, the median price for an existing home as of October 2004, the most recent data available, was $187,000.

The average price of a new home sold in the area increased from $121,144 in 1996 to $187,543 in 2004. This represents an increase of 54.8 percent. Nationally, the aver-

ANNUAL HOME RENTAL RATES

YEAR	NO. OF HOMES	AVERAGE PRICE FOR HOUSEHOLD	PERCENT CHANGE IN PRICE
1994	N/A	$625	N/A
1995	N/A	$650	4.0%
1996	112	$628	-3.5%
1997	81	$634	1.0%
1998	N/A	N/A	N/A
1999	90	$695	N/A
2000	48	$722	3.8%
2001	54	$749	3.7%
2002	82	$818	9.2%
2003	77	$909	11.1%
2004	63	$975	7.3%

SOURCE: SIERRA VISTA MULTIPLE LISTING SERVICE age price of a new home sold in November 2004, the most recent data available, was $268,100. For the period 1996 through 2004, the average price of a new home sold rose 61.1 percent nationally. 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 has shown consistent growth since 1995, with the number of single family home permits peaking at 689 in 2004. The number of new home permits in 2004 represents a 16.6 percent increase over that of 2003. n 2003, there were 591 new home permits, an increase of 57.2 percent over 2002. Between 2001 and 2002, home permits rose 28.8 percent to 376. In the 11 years (through 2004) that the Center has monitored average prices for new home permits, prices have risen an average of 4.9 percent per year. In the 11 years for which we have available data on new home permits, the number of permits per year has averaged 327. 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 inquiries 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 already have 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

AVERAGE HOME PRICE BY YEAR

YEAR	AVERAGE PRICE	PERCENT INCREASE	INFLATION RATE
1994	$93,640		
1995	$96,870	3.9%	2.8%
1996	$102,013	5.3%	3.0%
1997	$104,517	2.5%	2.3%
1998	$108,717	4.0%	1.6%
1999	$111,642	2.7%	2.2%
2000	$114,180	2.3%	3.4%
2001	$119,227	4.4%	2.8%
2002	$129,195	8.4%	1.6%
2003	$144,059	11.5%	2.3%
2004	$166,598	15.6%	2.7%

SOURCE: SOUTHEAST ARIZONA MULTIPLE LISTING SERVICE, BUREAU OF LABOR STATISTICS

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
04-05	2.31%	$520	10.9	$391	$458	$643	$794

SOURCE: COCHISE COLLEGE CENTER FOR ECONOMIC RESEARCH
*CHANGE IS DUE TO THE READJUSTMENT IN APARTMENTS IN THE MARKET STUDY.

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 3,818 single-family site-built homes. Based on Census 2000 information, this has increased the total number of housing units in Sierra Vista by 14.3 percent.

Recent interest in homes in Sierra Vista can be attributed to the climate, the attractiveness of the community, and the beauty of the surrounding area. As the Tucson and Phoenix metropolitan areas grow larger, some people find that they prefer to live in smaller population areas. There also has been increased interest by 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 2004 puts the city at a population of 42,805.

COMMERCIAL BUILDING PERMITS 1982-2004

YEAR	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
2004	13	$7,305,606

SOURCE: SIERRA VISTA MULTIPLE LISTING SERVICE

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 to the area, the market shows that vacancy rates continued to slowly fall across the city through the year 2003. In 2004 vacancy rates rose slightly above those of 2003 but not so much as to reach the level experienced in 2002. During the period 1995-2004 average rental prices have increased 28.1 percent. During the same time, the inflation rate was 24.6 percent. As of mid-year 2004 an average apartment rented for $520 within the city. Over the past nine years, four new complexes have come online in the city 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 12 years, which amounts to an increase of more than 18.5 percent in housing units since Census 2000. The Census 2000 figure listed the total number of housing units in the City of Sierra Vista at 15,621. 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 hous-

NEW COMMERCIAL BUILDING PERMITS BY QUARTER

	2000		2001		2002		2003		2004	
	NO.	VALUATION	NO.	VALUATION	NO.	VALUATION	NO.	VALUATION	NO.	VALUATION
Jan.-Mar.	0	-	3	$1,168,966	4	$4,250,000	0	$0	2	$1,400,000
Apr.-June	4	$13,842,000	6	$3,956,608	4	$5,685,158	3	$1,064,058	4	$997,272
July-Sept.	3	$1,700,000	5	$5,792,620	4	$5,869,900	3	$1,417,615	4	$1,964,000
Oct.-Dec.	2	$1,903,541	1	$390,136	4	$888,378	1	$351,000	3	$2,944,334
Year Total	9	$17,445,541	15	$11,758,330	16	$16,693,436	7	$2,832,673	13	$7,305,606

SOURCE: CITY OF SIERRA VISTA

COMMERCIAL BUILDING REMODELING PERMITS BY QUARTER

	2000		2001		2002		2003		2004	
	NO.	VALUATION	NO.	VALUATION	NO.	VALUATION	NO.	VALUATION	NO.	VALUATION
Jan.-Mar.	15	$503,339	6	$138,000	12	$376,892	15	$3,249,100	10	$321,283
Apr.-June	12	$774,601	9	$454,248	10	$1,160,738	19	$957,950	9	$1,125,200
July-Sept.	2	$171,000	19	$820,518	17	$1,878,171	16	$384,190	10	$106,634
Oct.-Dec.	10	$1,032,180	10	$273,250	16	$4,269,000	13	$548,500	10	$533,400
Year Total	39	$2,481,120	44	$1,686,016	55	$7,684,801	63	$5,139,740	39	$2,086,517

SOURCE: CITY OF SIERRA VISTA

ing 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 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.

Housing Affordability Index

Beginning in early 2005, CER began tracking housing affordability in the Sierra Vista area. CER utilizes the same methodology as the National Association of Realtors in its Housing Affordability Index (HAI). The HAI gauges whether a typical family could qualify for a mortgage on a typical home.

CER defines a typical home as a median-priced, single-family home. In 2004, the median price of a single-family home in Sierra Vista was $153,902. A typical family is defined as one earning the median family income, as estimated by CER using the most recent U.S. Census data. In 2004, the estimated median family income for Sierra Vista was $45,318. In calculating the HAI, CER uses the average annual mortgage effective interest rate, which is the national average effective rate on fixed, 30-year, non-jumbo loans closed within the previous 12 months as reported by the Federal Housing Finance Board. As of November 2004, this rate was 6.03 percent.

The HAI for Sierra Vista for 2004 was 128.4. In interpreting the HAI, a value of 100 indicates that a family with the median income has exactly enough income to qualify for a mortgage on a median-priced home. An HAI above 100 signifies that a family earning the median income has more than enough income to qualify for a mortgage loan on a median-priced home, assuming a 20 percent down payment and a qualifying income ratio of 25 percent, meaning that the monthly principal and interest payment cannot exceed 25 percent of the family monthly income. Thus, Sierra Vista's HAI of 128.4 indicates that a family earning the median income of $45,318 has 128.4 percent of the income necessary to qualify for a conventional loan covering 80 percent of the cost of a median-priced, single-family home in the Sierra Vista area. To qualify for a conventional loan covering 80 percent of the cost of a median-priced, single-family home in the Sierra Vista area, a family would need to have an annual income of only $35,281. This same methodology indicates that in 2004, a family in Sierra Vista earning the median income qualified for a conventional loan covering 80 percent of the value of a home costing $196,000.

In tracking the HAI for Sierra Vista, the CER also computed the HAI for previous years dating back to 2001. The trend in Sierra Vista since 2001 has been for housing to become less affordable with each passing year. In 2001, the HAI was 161.1, meaning that a family earning the median income had 161.1 percent of the income necessary to qualify for a conventional loan covering 80 percent of the cost of a median-priced home. The HAI dropped to 153.5 in 2002 and 146.3 in 2003.

Conclusion

In summary, housing continues to be affordable when compared to the nation. 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 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.

COMMERCIAL BUILDING ADDITION PERMITS BY QUARTER

	2003 NO.	2003 VALUATION	2004 NO.	2004 VALUATION
Jan.-Mar.	1	$963,267	3	$174,000
Apr.-June	3	$1,664,480	0	$0
July-Sept.	1	$20,000	1	$779,972
Oct.-Dec.	0	$0	1	$156,000
Year Total	5	$2,647,747	5	$1,109,972

SOURCE: CITY OF SIERRA VISTA

Fort Huachuca

The B Troop, 4th U.S. Cavalry Regiment go into formation under their commander, Peter Criscuolo, left, during Change of Command ceremonies at Brown Parade Field. Photo: Ed Honda-Herald/Review.

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 2003 report released by Fort Huachuca, which concludes that 26.0 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 2003, military and civilian jobs increased 2.5 percent and 1.0 percent respectively. The number of students remained unchanged.

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 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
2003	3,765	2,062	6,112	11,939

SOURCE: FORT HUACHUCA IMPACT STATEMENT FY 2002 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 4.7 percent in fiscal year 2003 following a 22.1 percent increase during fiscal year 2002. The direct impact of the post on Cochise County is up 9.2 percent, or approximately $52.9 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 approximately $1,048,000,000. 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, but it also is seen as being vital to the mission of the U.S. Army.

On December 17, 2003, Arizona Governor Janet Napolitano spoke in Sierra Vista about 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.

PURCHASE OF GOODS AND 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
2003	$253,200,000

SOURCE: FORT HUACHUCA IMPACT STATEMENT FY 2001

TOTAL DIRECT IMPACT ON COCHISE COUNTY

	1998	1999	2000	2001	2002	2003
Purchases/Contracts	$158,100,000	$208,900,000	$199,400,000	$233,100,000	$249,900,000	$253,200,000
Military Pay	$152,900,000	$154,000,000	$128,200,000	$151,300,000	$162,300,000	$191,500,000
Civilian Pay	$116,500,000	$117,600,000	$146,600,000	$135,800,000	$157,400,000	$177,900,000
Schools	$4,610,000	$4,470,000	$5,100,000	$7,100,000	$7,400,000	——
Reserve Components	——	——	——	——	——	——
Claims & Loans	$1,090,000	$830,000	$760,000	$730,000	$700,000	——
Total Direct Impact	$433,200,000	$485,800,000	$480,060,000	$533,030,000	$569,700,000	$622,600,000
Cochise Multiplier	1.684	1.684	1.684	1.684	1.684	1.684
Total Impact	$729,508,800	$818,100,000	$808,421,040	$897,622,520	$959,374,800	$1,048,458,400

SOURCE: FORT HUACHUCA IMPACT STATEMENT FY 2002.
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.

Information Technology Services

Soldiers on Fort Huachuca work on an unmanned aerial vehicle. Photo: Mark Levy-Herald/Review.

In December 2004, the Center for Economic Research conducted its annual survey to analyze the impact of the information technology (IT) services sector on the local economy. The response rate for the 2004 survey was 19.3 percent, compared to just over 20 percent in 2003. The response 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, 91 percent provided multiple services, with the most common being networking (LAN/WAN), which was provided by 81.8 percent of respondents. The next most common services provided were systems engineering, systems maintenance, and systems integration. All three of these services were provided by 73 percent of IT businesses. The next most common services were software engineering, project management, and testing and evaluation, provided by 63.6 percent of respondents. Other services provided included systems installation, consulting, systems security/information assurance, training, electronic security, and research and development, among others. Of those IT businesses that responded to the survey, 54.5 percent reported systems engineering, software engineering, or testing and evaluation as the largest portion of their services provided locally.

Businesses responding to the survey reported that, on average, 58.3 percent of their services are provided to Fort Huachuca, 17.5 percent is provided to local area customers outside Fort Huachuca, and, perhaps most significantly, 23.8 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 83.9 percent of the customer base, and nongovernmental businesses comprised 11.5 percent. City and county government combined accounted for 2.4 percent, while state government accounted for 2.3 percent of the customer base.

Of those businesses surveyed, 81.8 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 the Cochise County area.

In response to questions concerning operating costs and expenditures, respondents reported spending an average of $816 per month in the local area on office supplies and equipment.

The average number of employees per business reported by survey respondents was 67, with more than 97 percent of these being full time. The average wage of IT services employees was $56,896 per year, 85.6 percent above the average wage of $30,657 per job in Cochise County and 64 percent higher than the statewide average of $34,688.

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. On average, an employee remains with the local business for 4.5 years then moves to another site within the same company or switches 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 46.4 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 55.6 percent holding a bachelor's degree or higher. On average, 9.6 percent of IT employees hold a master's degree, while 0.5 percent hold a doctoral degree.

When asked why their business has located, or remains, in Cochise County, 90.9 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 54.5 percent listing this as a reason. A total of 36.4 percent listed operating costs (e.g., taxes, regulations, fees, wages, insurance, etc.) as a primary reason for locating, or staying, in the area.

Concerning the impact of the IT sector on the local commercial real estate market, all respondents reported renting or leasing their local business property, with an average monthly rent of $5,161. The median monthly rent was $2,750. The reason for the large discrepancy between these two measures of central tendency is the relatively small sample size of the survey and the fact that the average was pushed upward by a small number of businesses occupying high-rent buildings.

Of those businesses surveyed, 72.7 percent reported that they currently intend to expand in the local area, hiring an average of 36 additional employees each, in the near term. A total of 36.4 percent of the businesses surveyed indicated they intend to expand their facilities, expecting to increase their monthly rent by an average of $2,000. At least one business intends to invest $45,000 on facility construction costs.

A Hunter unmanned aerial vehicle rests at the Northrop Grumman facility in Sierra Vista. Photo: Courtesy of the Greater Sierra Vista Area Chamber of Commerce.

The Impact of Mexico

A troop of dancers from St. Andrew Catholic Church grace Fry Boulevard with abundant swirls of color during the Greater Sierra Vista Area Chamber of Commerce's holiday parade. Photo: Suzanne Cronn-Herald/Review.

The economy of Cochise County is significantly impacted by that of Mexico. The 82-mile shared border between Cochise County and Mexico serves as a crossing point for visitors from Mexico, ranging from day shoppers who cross legally through the designated ports of entry at Douglas and Naco, to drug and illegal alien smugglers who cross illegally through the Sonoran desert.

In 2001, the University of Arizona conducted a study to measure the economic impact of Mexican visitors' spending statewide. The published results were based on a year-long survey of Mexican visitors returning from Arizona at the Phoenix and Tucson airports, as well as six border ports of entry, including the Naco and Douglas ports in Cochise County and the Nogales port in neighboring Santa Cruz County. The study indicated that, statewide, the primary reason for visits was shopping, which accounted for 72 percent of visits. Other reasons included work (14 percent); visiting family (8 percent); and vacation, medical, business, and personal (less than 3 percent each). At the Cochise County ports of entry, 70.6 percent of visitors at the Douglas port and 85 percent at the Naco port listed shopping as the purpose of their visit. At the Douglas port, 23.9 percent of visitors, the highest in the state, reported work as the purpose of their visit.

The study indicated that in 2001, Mexican visitors to Cochise County spent an estimated $96.8 million ($104.4 million in 2004 dollars) in the county. Of this amount, approximately $49.4 million ($53.3 million in 2004 dollars) was spent in grocery stores; $17 million ($18.3 million in 2004 dollars) was spent in department stores; $16.3 million ($17.6 million in 2004 dollars) was spent at restaurants; and $12.8 million ($13.8 million in 2004 dollars) was spent on gasoline and other automotive expenses.

The study estimated that the spending by Mexican visitors in Cochise County generated approximately 3,551 jobs countywide, accounting for $57.5 million ($62 million in 2004 dollars) in local wages. This includes direct jobs and associated wages in retail establishments, eating and drinking places and other sectors that directly serve the Mexican visitors. It also includes induced jobs and wages that are generated as a portion of the income earned by local residents is spent on other locally produced goods and services in a continuous recycling of income back into the local economy. This is often referred to as the "multiplier" or "ripple" effect. Moreover, the study indicates that in 2001, a total of 5.9 percent of all taxable sales in the county were attributable to Mexican visitors.

But the benefit of Mexican shoppers is only one side of the equation measuring the impact of Mexico on the local economy. To determine whether the net effect is positive or negative, the costs associated with Mexican visitors must also be considered.

In Cochise County in federal fiscal year 2004 (October 1, 2003 through September 30, 2004), the Border Patrol apprehended 235,549 illegal immigrants, up from 175,854 in 2003. Also in 2004, Border Patrol agents seized 76,943 pounds of marijuana in the county, up from 75,172 pounds in 2003. A spokesman for the Tucson Sector of the Border Patrol attributed the rise to increased enforcement and not necessarily increased border-crossing activity.

In 2000, the University of Arizona conducted a fiscal impact study examining the law enforcement, criminal justice, and emergency medical service costs of illegal immigration to Arizona border counties, including Cochise County. The study utilized site visits, interviews with county and federal officials, review of public documents including budgets and court records, and federal border crossing and apprehension statistics. All fiscal data used in the study were from state fiscal year 1999 (July 1, 1998 through June 30, 1999). The study estimated the cost to Cochise County of apprehending and adjudicating criminal illegal immigrants to be $4.6 million ($5.3 million in 2004 dollars). This includes the costs for general government services, emergency medical care, autopsies, and burials. Separate cost studies were conducted for the sheriff's department, county attorney, indigent defense, justice court, clerk of superior court, superior court, and the juvenile court center.

Of the estimated total costs to the county, $3.3 million ($3.8 million in 2004 dollars), or 72 percent, was attributable to the sheriff's department. The remainder of the cost was $260,000 ($299,000 in 2004 dollars) for indigent defense; $238,000 ($273,000 in 2004 dollars) for the superior court; $211,000 ($242,000 in 2004 dollars) for the juvenile center; $171,000 ($196,000 in 2004 dollars) for the county attorney; $104,000 ($119,000 in 2004 dollars) for the justice courts; $97,000 ($111,000 in 2004 dollars) for the clerk of the superior court; $82,000 ($94,000 in 2004 dollars) for emergency medical services; and $45,000 ($51,000 in 2004 dollars) for adult probation.

It is important to note that the figures in the study did not measure the total cost of law enforcement efforts associated with the problem of illegal immigration, but only that portion of the total cost directly levied on county resources and funded by the county general fund. Likewise, as the study notes, it did not measure other costs, including private property damage, private property loss, and environmental degradation, nor did it measure the opportunity costs associated with the redirection of county income toward enforcement efforts.

Another cost conspicuously absent from the study is that of private, nonprofit medical services provided to illegal immigrants. For example, in recent years Bisbee's Copper Queen Community Hospital has incurred expenses of approximately $450,000 per year treating illegal immigrants, according to the hospital's chief executive officer. Moreover, many Mexican nationals cross the border legally through what is termed "compassionate entry," whereby ambulances transport uninsured Mexican nationals to the U.S. border where they are met by ambulances in the United States and transported to the Bisbee hospital or other hospitals in the area. The uncompen-

Pat Hughes Sierra Stampede Women's Professional Rodeo. Photo: Courtesy of the Greater Sierra Vista Area Chamber of Commerce.

sated services provided to illegal aliens and compassionate entries have been on the rise in recent years, increasing an estimated 400 percent between 1998 and 2002. These uncompensated services lead to higher costs for medical services provided to local residents.

Moreover, the costs measured in the University of Arizona fiscal impact study did not consider costs to local law enforcement agencies below the county level. The police departments of the incorporated cities also incur significant costs responding to incidents of trespassing and other property crimes committed by illegal aliens, as well as more serious violent crimes against city residents. Although the U.S. Border Patrol has jurisdiction over instances of illegal border crossings, the city police departments are often the first responders to incidents involving illegal immigrants. This raises the cost to local residents for law enforcement while simultaneously diminishing the level of service provided to residents.

In considering the costs and benefits to Cochise County of sharing a border with Mexico, the net effect appears to be positive, even considering the conservative estimate of costs outlined in the University of Arizona fiscal impact study. The estimated economic benefit of $104.4 million (in 2004 dollars), generating 3,551 jobs and $62 million in local wages far exceeds the estimated $5.3 million in costs to the county associated with illegal immigration. The costs not accounted for in the fiscal impact study are unlikely to be of a sufficient degree to reverse the net positive economic benefit.

Mexico's economy today

Mexico's economy has continued to recover from the 2001 recession, which saw real gross domestic product (GDP) decline by 0.3 percent. In 2002, real GDP recovered slightly, growing by 0.9 percent, followed by stronger growth of 1.3 percent in 2003 and much stronger annualized growth of 4.0 percent through September 2004.

In 2003, retail sales grew moderately at 3.3 percent, following stagnancy in 2002. Retail sales were up 10 percent in annualized terms through September 2004. Mexico's ministry of finance attributed the sharp gains to a recovering economy and improved job creation. More than 137,000 non-agricultural, formal sector jobs were created during the third quarter of 2004, bringing total job creation for the first nine months of 2004 to 361,000. In the 12 months between October 1, 2003 and September 30, 2004, 459,000 jobs were created.

The inflation rate, which dropped to 4.0 percent in 2003 from 5.7 percent in 2002, is again on the rise, coming in at an annual rate of 5.1 percent through September 2004. This is still a significant improvement over the late 1990s, which were characterized by consistent, double-digit levels of inflation. Mexico's ministry of finance attributes the third-quarter 2004 higher inflation rate to external factors, including an increase in international prices for energy, commodities, and agricultural products, which placed inflationary pressures on domestic prices.

The official unemployment rate in Mexico moved from 2.1 percent in 2002 to 3.0 percent in 2003, despite higher levels of domestic production. As of July 2004, Mexico's unemployment rate was 3.8 percent. While Mexico's unemployment rate is below what most economists consider the natural rate of unemployment, the nation's employment situation has been characterized by high levels of underemployment. According to the Central Intelligence Agency's (CIA) World Factbook, in 2003 Mexico's underemployment rate was approximately 25 percent.

For the third quarter of 2004, Mexico's ministry of finance reported that manufacturing exports grew at an annual rate of 13.8 percent and oil-related exports grew at an annual rate of 35.1 percent. The total volume of Mexico's exports grew at an annualized rate of 16.3 percent during the third quarter of 2004.

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	2,390,011	3,604,625	2,126,088	215,988	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	18,912	65,122	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	18,435	65,044	29,710
June	208,742	312,489	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
December	167,294	250,440	165,247	20,010	71,079	32,788
Annual	**2,310,310**	**3,447,921**	**2,091,251**	**214,949**	**756,782**	**339,663**
2004						
January	154,249	231,189	164,978	22,110	71,921	28,445
February	144,844	216,826	162,237	20,121	67,614	26,554
March	150,243	224,912	174,439	18,264	72,421	28,858
April	154,439	231,194	169,165	18,312	70,833	28,821
May	177,799	266,166	180,206	20,015	73,760	29,951
June	160,164	239,764	170,038	21,014	72,330	27,605
July	179,948	269,396	174,857	*	*	28,054
Annual	**2,310,310**	**3,447,921**	**2,091,251**	**214,949**	**756,782**	**339,663**

SOURCE: U.S. CITIZENSHIP AND IMMIGRATION SERVICE, U.S. CUSTOMS SERVICE, AND UNIVERSITY OF ARIZONA ECONOMIC AND BUSINESS RESEARCH.
*FIGURES UNAVAILABLE AT TIME OF PUBLICATION.

Tourism

Participants of the John Cooper and Perimeter Trails Tour begin their journey early Saturday morning off of Miller Canyon in Hereford. Photo: Mark Levy Herald/Review.

General Overview

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 has resulted in an increase in 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 2004, park visitations in the area were up by 7.5 percent. From January to June 2004, Kartchner Caverns accounted for 94.7 percent of all Cochise County park visits. In the second half of 2004, park visits were down by 9.3 percent compared to the totals for 2003. For the year, overall park visits were comparable to 2003 totals with no change. Kartchner Caverns State Park accounted for approximately 94.7 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 been responsible for 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 2004, total visitor inquiries to the Sierra Vista Convention and Visitors Bureau were 174,824, compared to 168,881 in 2003, an increase of 3.5 percent. In 2003, the number of visitor inquires jumped 26.4 percent over 2002 totals. 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 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 RV 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

SIERRA VISTA VISITOR CENTER INQUIRIES

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1st Qtr	8,299	10,637	7,754	12,713	9,618	12,198	46,628	39,199	40,649	45,956
2nd Qtr	10,347	17,097	7,780	9,959	10,426	9,649	38,574	37,442	44,297	47,895
3rd Qtr	14,687	8,851	6,853	7,644	7,421	5,951	65,071	32,447	44,273	39,189
4th Qtr	12,493	7,472	7221	8,176	10,837	9,809	28,483	24,493	39,662	41,785
Total	45,826	44,057	29,608	38,492	38,302	37,607	178,756*	133,581	168,881	174,824

*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.

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 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 higher 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

PARK VISITATIONS, 1990-2004

	CORONADO NATIONAL MEMORIAL	FT. BOWIE NATIONAL HISTORIC	TOMBSTONE COURTHOUSE STATE HISTORIC	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	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
2004					
Jan	7,001	1,048	5,914	4,781	23,097
Feb	7,881	1,385	4,720	6,479	23,554
Mar	8,876	1,651	7,816	9,702	27,906
Apr	8,500	1,263	6,247	3,541	21,470
May	8,938	628	3,968	2,620	13,873
Jun	7,378	333	2,800	1,563	10,562
Jul	6,646	435	3,074	1,841	13,766
Aug	7,185	309	2,699	1,631	10,297
Sep	7,591	383	2,688	1,697	8,070
Oct	7,755	696	3,613	3,282	17,182
Nov	6,934	646	3,570	2,226	18,589
Dec	7,411	706	2,778	1,813	15,098
Annual	92,096	9,483	49,887	41,176	203,464

SOURCE: NATIONAL PARK SERVICE; ARIZONA STATE PARKS BOARD; UNIVERSITY OF ARIZONA EBR. *THE "BIG ROOM" IS ONLY OPEN HALF OF THE YEAR.

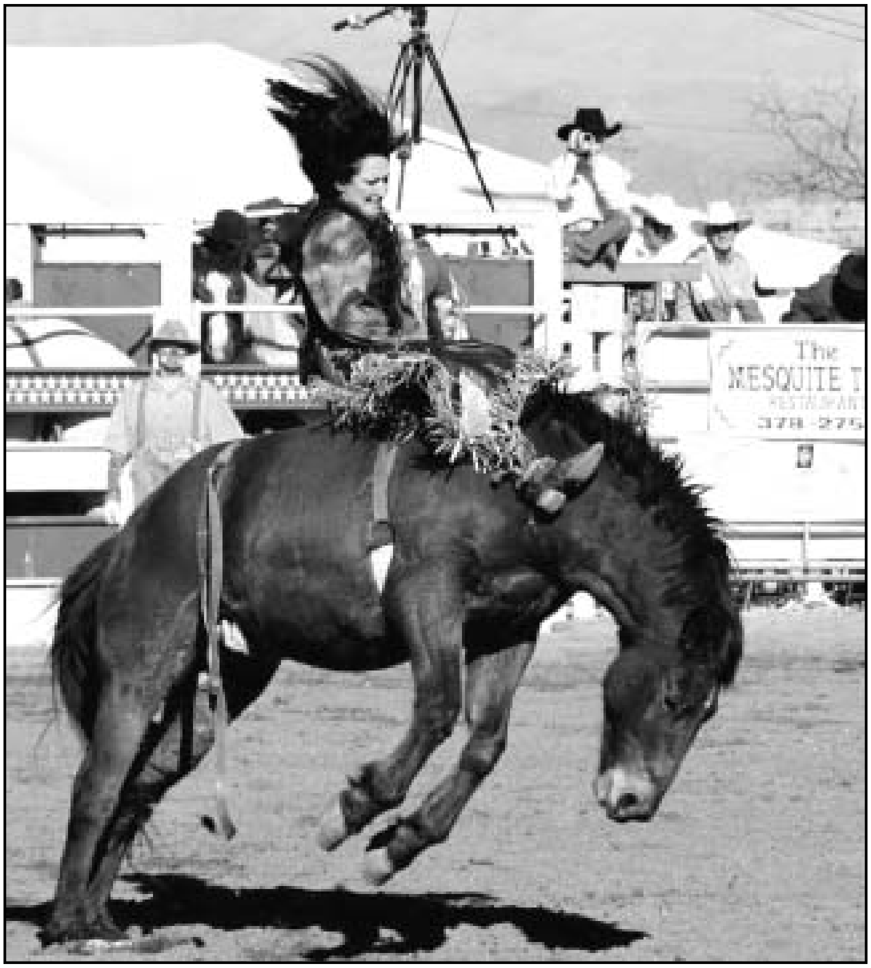
Glendale. Tucson provided a third and Douglas more than 20 percent. More Arizona residents visit Sierra Vista in the winter and spring than any other season.

- 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, 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 State, 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. Visitors also appeared to be well-educated, with a mean-education level of "college degree."



Sierra Vista Calendar of Events 2005

A contestant gets a wild ride during the Pat Hughes Sierra Stampede Women's Professional Rodeo. Photo: Courtesy of the Greater Sierra Vista Area Chamber of Commerce.

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 also will find a variety of special events and activities scheduled throughout Cochise County.

For more information on the events listed, or for 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

JANUARY

Jan 7-16	Senior Games	Various locations
Jan 16	Chamber Music Concert 36th Army Band	Buena Performing Arts Center
Jan 15-16	6th Annual Pat Hughes Sierra Stampede	Sierra Vista Riding Club Arena

FEBRUARY

Feb 4-6	13th Annual Cochise Cowboy Poetry & Music Gathering	Buena Performing Arts Center

MARCH

Mar 4	Buena Drama Production "The Trojan Women"	Buena Performing Arts Center
Mar 11	Cochise County Women's Conference	Cochise College
Mar 19	Thunder Mountain 10k Run	Fort Huachuca
Mar 19	Boys and Girls Club Car Show Benefit	Mall at Sierra Vista

APRIL

Apr 1-2	Cochise Community Creative Writing Celebration	Cochise College
Apr 7	BSB and Army Jazz Concert	Buena Performing Arts Center
Apr 29 - May 1	Festival of the Southwest	Veterans Memorial Park

MAY

Apr 29 - May 1	Festival of the Southwest	Veterans Memorial Pa
May 5 -7	Buena Musical "Seussical"	Buena Performing Arts Center

JUNE

Jun 18	Army Concert Tour	Libby Army Airfield

JULY

Jul 4	Fourth of July Celebration	
Jul 17	Steelhead Triathlon	Barnes Field House

AUGUST

Aug 26 - 27	Army Soldier Show	Buena Performing Arts Center
TBA	10th Annual Golf Classic Invitational	TBA

SEPTEMBER

Sep 16 - 18	Fun Festival	location TBA
Sep 23 - 25	Sierra Vista Open	Pueblo del Sol Country Club

OCTOBER

Oct 1-2	Annual Art in the Park	Veterans Memorial Park
Oct 8	18th Annual Cars in the Park	Veterans Memorial Park

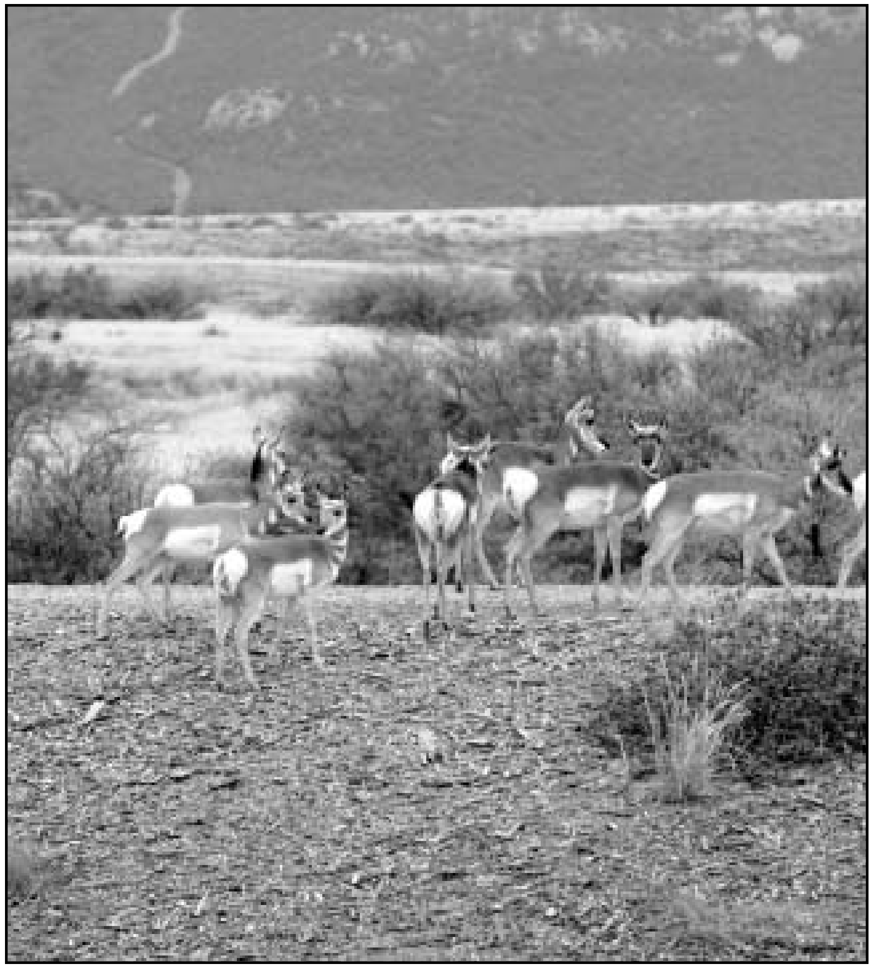
NOVEMBER

TBA	Festival of Trees	The Mall at Sierra Vista

DECEMBER

Dec 3	Annual Holiday Parade	

Agriculture in Cochise County



A group of at least eleven pronghorn antelope was spotted Saturday afternoon grazing on the military reservation along Buffalo Soldier Trail. Photo: Suzanne Cronn-

Agriculture in Cochise County is responsible for more sales annually than many may realize. Every five years, a census of agriculture is conducted nationwide. The census is conducted in years ending in either a two or a seven. Data on the 2002 agriculture census was just released this summer. The intent of this article is to share information released from the census and to create a profile of agriculture in Cochise County.

Across the country, the number of family farms has been declining over the past several years. This decline is also true in Cochise County; the most recent census shows 950 farms across the county, down from 1,105 during the 1997 census. This represents a decline of 14.0 percent of family farms in the past five years. The size of farms has also declined over the past five years. In 2002, an average farm in Cochise County consisted of 1,020 acres; down from 1997, when an average or typical farm consisted of 1,205 acres.

While the size of farms has declined, the average value in land and buildings has actually increased during the five year period. In 2002, the average value of land and buildings on farms in Cochise County was $704,895. This is a considerable increase in value from 1997, when the average farm was valued at $478,232.

The value of machinery and equipment per farm also has increased between the two censuses discussed. In 2002, a typical farm had an average value of equipment and machinery amounting to $53,260. The 1997 census reflected a total value of $38,726 in equipment and machinery. In conclusion, while the total acreage has declined per farm, the value of land, buildings, machinery, and equipment has shown considerable gain in value over the five-year period.

The market value of products sold has grown between the 1997 and 2002 censuses. For Cochise County, a total of $78,307,000 in products was sold in 2002; this includes both crops and livestock. The census taken in 1997 showed a value of $60,154,000 in products sold. According to census 2002, the average market value of production per farm in the county totaled $82,429. That was a significant increase over the 1997 production value per farm of $57,648. This change in market value per farm represents an increase of 43.0 percent over the five-year period. In 2002, the total valuation of crops produced amounted to $55,737,000. The largest valuation of crops was in vegetables, melons, potatoes, and sweet potatoes, with a total value of $13,947,000. Livestock accounted for $22,570,000 according to the 2002 census. Within the livestock classification, cattle and calves accounted for the largest amount of products sales at $20,481,000. The table in this section shows a breakdown by category of all crop and livestock sales for the censuses taken in 1997 and 2002.

The census also revealed that agriculture in Cochise County is responsible for a large group of employed persons. In addition to the owners of the farms, agriculture is responsible for hired farm labor workers amounting to 2,172. The payroll for these workers is estimated at $12,139,000.

As far as sales value per year, Cochise County ranked sixth of the 15 counties in Arizona. The total value of agriculture sales for the state amounted to $2,395,447,000. This represents an increase of 22.0 percent over the five-year period discussed. Of that total, Cochise County accounts for approximately 3.3 percent of the state's total agriculture sales. Of the other five counties, which account for sales above those of Cochise County, Graham County ranked fifth with total sales of $81,900,000. La Paz County is ranked fourth at $86,623,000 in sales. The amount of sales then takes a significant jump with Pinal County ranked third at $424,759,000. Ranked second is Maricopa County at $740,183,000. Yuma County is ranked first in the state with sales totaling $802,368,000.

Cochise County Agricultural Census

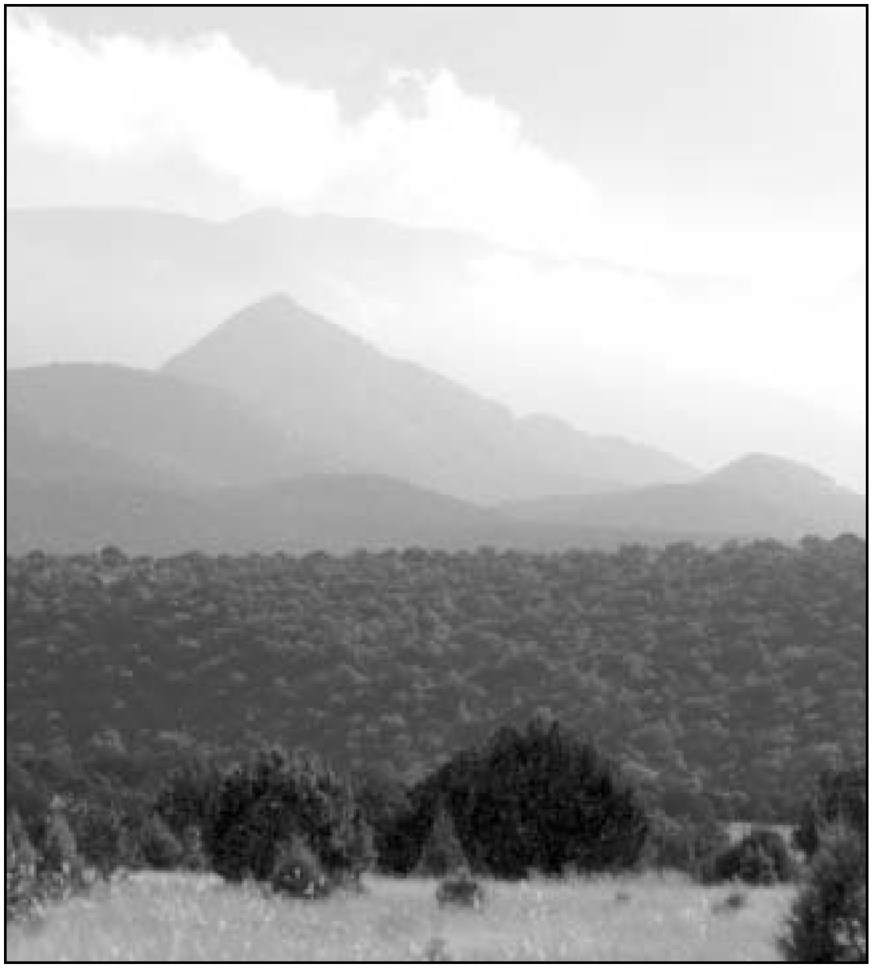
ITEMS	2002 NO. FARMS	2002 DOLLAR TOTALS	1997 NO. FARMS	1997 DOLLAR TOTALS
Grains, oilseeds, dry beans, dry peas	48	$10,892,000	N/A	N/A
Cotton and cottonseed	15	(D)	50	$4,102,000
Vegetables, melons, potatoes, sweet potatoes	47	$13,947,000	N/A	N/A
Fruits, tree nuts, berries	182	$13,432,000	97	$7,259,000
Nursery, greenhouse, floriculture, sod	20	$6,691,000	N/A	N/A
Cut Christmas trees, short rotation woody crops	2	(D)	N/A	N/A
Other crops and hay	67	$8,619,000	N/A	N/A
Poultry and eggs	45	$32,000	61	$256,000
Cattle and calves	404	$20,481,000	602	$17,947,000
Milk, dairy products from cows	4	(D)	3	(D)
Hogs and pigs	29	$28,000	30	$493,000
Horses, ponies, mules, burros, donkeys	104	$615,000	N/A	N/A
Other animals, other animal products	21	(D)	N/A	N/A

SOURCE: USDA NATIONAL AGRICULTURAL STATISTICS SERVICE, 1997 CENSUS OF AGRICULTURE

ABBREVIATIONS AND SYMBOLS:
N/A – NOT AVAILABLE OR NOT PUBLISHED. SOME HISTORIC DATA ARE NOT PUBLISHED BECAUSE THEY ARE NOT COMPARABLE ELECTRONIC FILES ARE UNAVAILABLE, OR RE-SUMMARIZING COULD COMPROMISE RESPONDENT CONFIDENTIALITY.
(D) – WITHHELD TO AVOID DISCLOSING DATA FOR INDIVIDUAL FARMS.

Beyond BRAC

Charles P. Potucek, Sierra Vista City Manager



The Huachuca Mountains. Photo: Gil Kenny.

As most everyone in Cochise County is aware, the Base Realignment and Closure (BRAC) process is nearing an end. It is through the BRAC process that the Department of Defense proposes to achieve cost efficiencies by closing up to 25 percent of the nation's military installations. The preliminary list of installations selected for closure should be published by May of this year and should be finalized by November when President Bush signs the final legislation.

CHARLES P. POTUCEK
CITY MANAGER, SIERRA VISTA

BRAC has been a major focus for the City of Sierra Vista; our local, state, and national elected officials; and many members of the community over the past two years. We have done our best to ensure Washington, D.C., decision-makers understand the fort's missions and to tell the story of our community and the extraordinary support the fort receives from the residents of our area. We are optimistic that Fort Huachuca will survive the BRAC process and will continue to grow and provide critical support for our nation's security. But the BRAC-related work we have done to date is only the beginning. Assuming a positive outcome for Fort Huachuca, our community must be ready to provide the critical support Fort Huachuca needs from us – and that includes everything from adequate affordable housing, medical facilities, and spouse employment to solutions to the area's environmental challenges.

So what are we doing to position Sierra Vista to be successful "beyond BRAC?" Many things. Our efforts include further development of the Sierra Vista Municipal Airport. Commercial air service is back, and we are again reactivating our request to acquire 203 acres of land adjacent to the airport from the Department of Defense, an action that was put on hold during the BRAC process. Successful expansion of the airport could lead to significant commercial development with the potential to benefit our entire region. Along the same lines, the Sierra Vista Economic Development Foundation is working with Cochise County to develop an unmanned aerial vehicle (UAV) airstrip and private UAV research and development center near the county's Whetstone landfill facility. We also anticipate a renewed interest in commercial development in Sierra Vista as a number of projects are waiting for the final BRAC announcement. All of these efforts and projects will provide important employment opportunities for area residents and military spouses.

The ability to accept new missions enhances Fort Huachuca's chances in the BRAC process. With new missions come new people and new families who will be joining our community. They will need places to live. Currently Sierra Vista's growth rate has held steady at between 1.5 and 2.5 percent annually over the last 10 years. Although this doesn't compare to the explosive growth being experienced by many other communities in the southwest, it still brings challenges to our city. The city has been fortunate to see the beginnings of new infill development in the more established areas, as well as large-scale residential development such as that proposed by Castle & Cooke on 2,000 acres of vacant land. Castle & Cooke is now in the process of developing a master plan for the 2,000 acres which will include more than 6,000 units of multi-family and single family residential housing that will be developed over the next 10 to 20 years. All of this development is important to the community and to the fort, which relies on the surrounding area to provide housing and other amenities to military families. And, over the last 18 months, we have learned a great deal more about what military families need from the surrounding community through the Army-Community Heritage Partnership, a project funded by the Department of Defense in only four communities nationwide. We will focus even more attention on the west end of Sierra Vista over the next several years in response to recommendations made through this planning process.

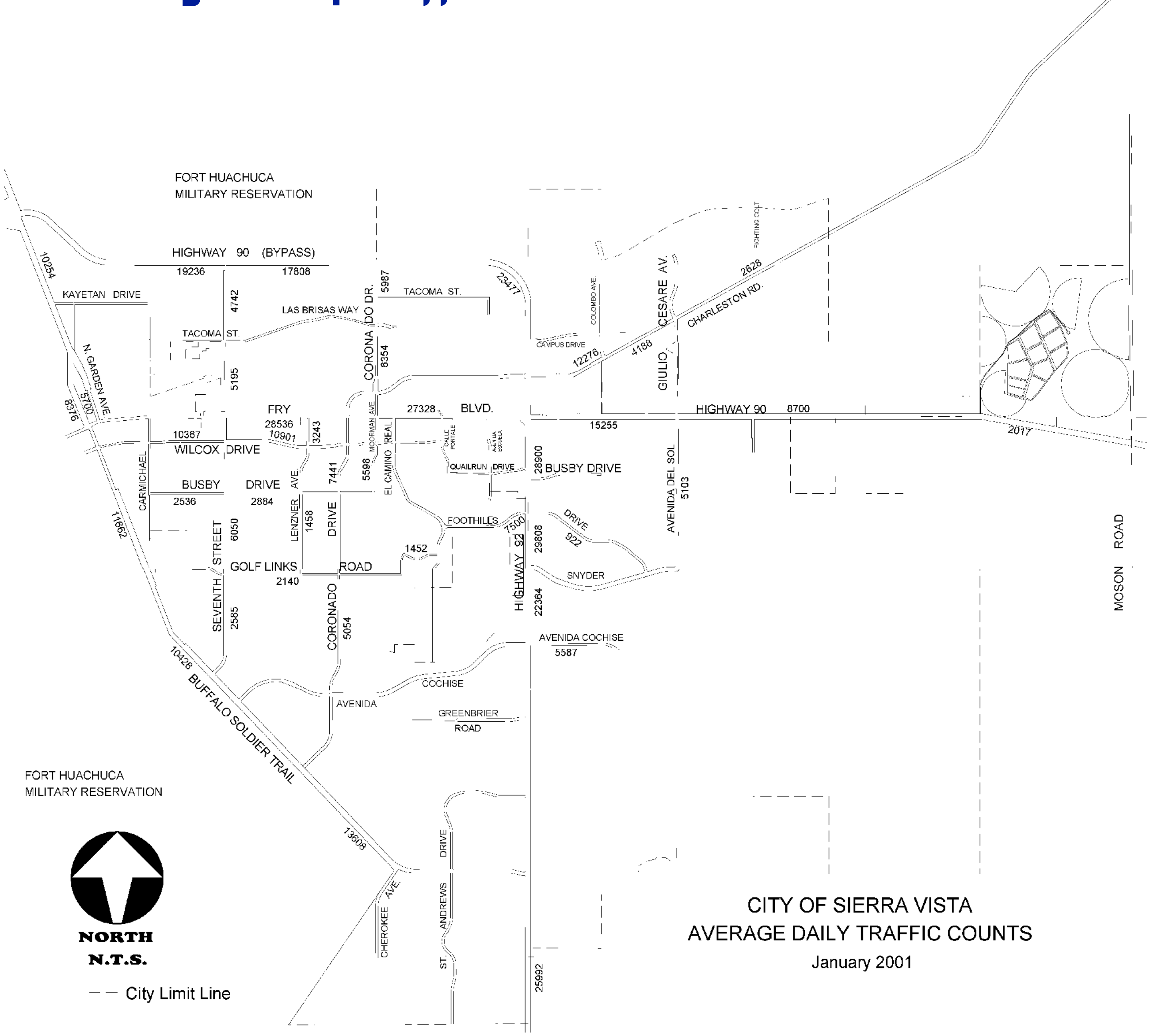
Of course, along with necessary development comes the obligation to ensure that the area's water and environmental issues are addressed. It is important to remember that Fort Huachuca has a legal obligation through the current biological opinion to reach a zero balance between water pumping and recharge by the year 2011. The city is working closely with the fort and other entities through the Upper San Pedro Partnership (Partnership) to ensure that obligation is met. New homes built in the city will be on the sewer system that will allow the additional effluent to be cleaned and returned to underground storage. Detention and retention basins are being built and more are planned to slow the run-off of rainwater and increase the amount of water that is returned to the aquifer. Our residents have enthusiastically participated in city-sponsored conservation opportunities such as the toilet rebate and home retrofit programs. These and other projects and conservation programs implemented and supported by partnership members will be the key to balancing needed development with protection of the San Pedro River, which relies on the same underground water supply as does our community.

Of course, it's not just housing and employment that current and future residents need. We have numerous capital improvement projects that have been waiting for several years because of budget constraints. The most important of those are the expansion of our police station, building and equipping a third fire station, and building a new animal control facility. If growth trends in Arizona continue as they have in the past – with the larger communities growing much more rapidly than our rural areas – we will continue to receive a smaller portion of population-based state-shared tax revenues. This means we will need to find ways to fund our community's public safety needs – most likely through a combination of development impact fees, property taxes, sales taxes, and possibly asking the voters to approve a general obligation bond. It's a challenge that our residents and elected officials are ready to meet to protect our economic base and our quality of life.

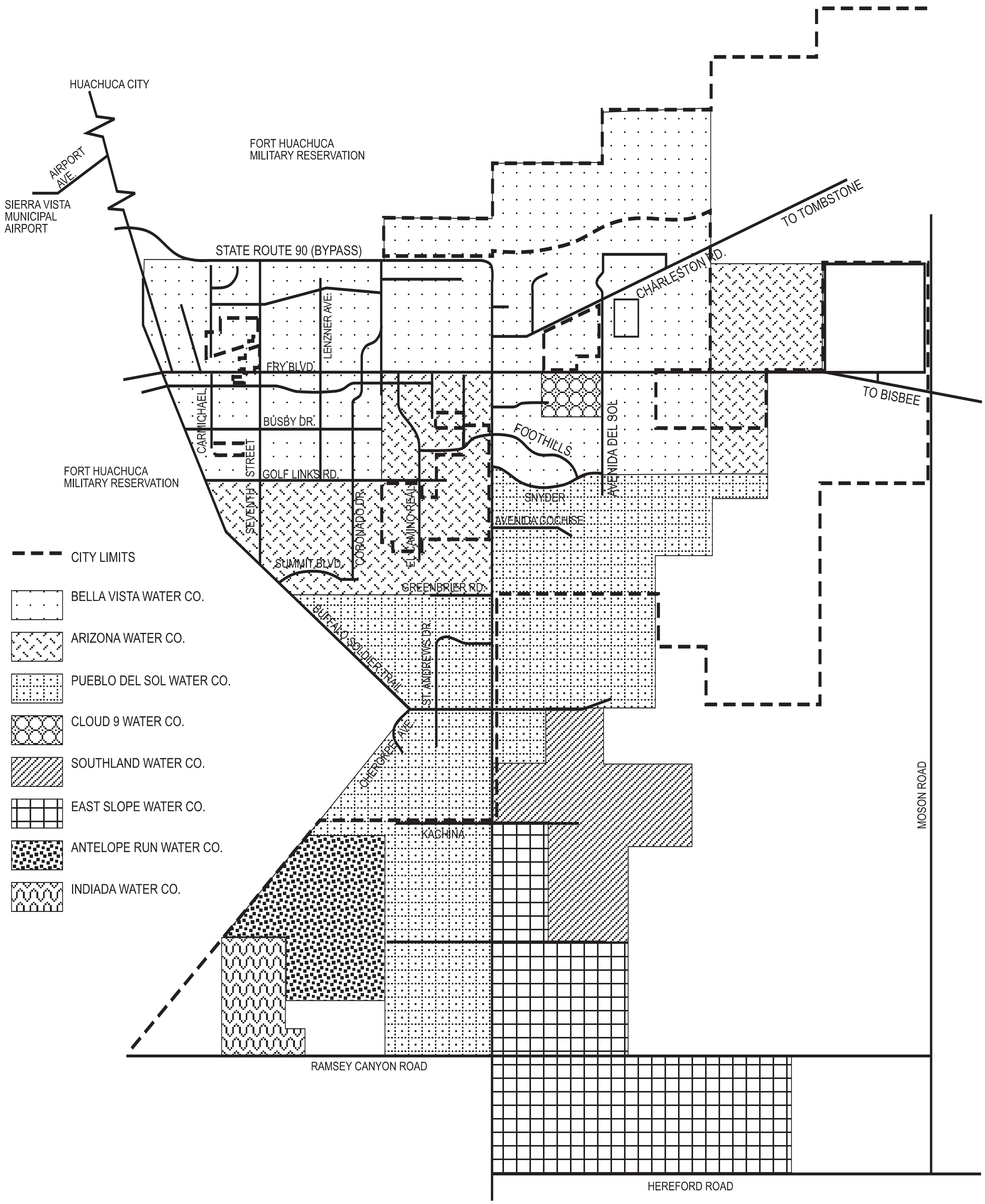
We have spent a great deal of time and effort over the last several years addressing BRAC issues, grappling with budget constraints, and planning and implementing water conservation projects and programs. At the City of Sierra Vista, we are now hopeful that we can begin working on projects and development that will shape our community "beyond BRAC." Sierra Vista and Fort Huachuca have grown up together and have survived challenging times together. The culture of our city is a based on a seamless blending of our military and civilian communities. We are optimistic that we will survive the challenge of BRAC and that we will emerge "beyond BRAC" to grow together for decades to come.

City of Sierra Vista

Average Daily Traffic Counts



City of Sierra Vista • Water Franchise Service Area



About the Center

On June 8, 2004, Ken Jones, director and founder of the Center for Economic Research, was presented the Mayor's Award for excellence in service to the community by Mayor ProTem Bob Strain. In addition to the certificate, Jones received the Mayor's Coin. Jones was the 13th person to be recognized since the Hessler took office seven years ago. Jones kidded with Strain for presenting him with the lucky number 13 coin. Photo: Denise Merkel, Cochise College.

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.

Cochise College Resources

The Sierra Vista campus library, south entrance.
Photo: Gil Kenny.

Career Services Center (CSC)

The Career Services Center (CSC) provides workforce development, including job development and placement activities, and cooperative education placements for credit. The Career Services Center maintains employment postings with current openings on and off campus. If you are an employer, you can post your available employment positions on the Sierra Vista and/or Douglas Campuses. In Sierra Vista, call (520) 515-5457, or call (520) 417-4750 in Douglas. Tech Prep is located in the CSC building on the Sierra Vista Campus. For more information contact Rhonda Douglas, coordinator, at (520) 515-5347.

Center for Economic Research (CER)

The 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 and the Employment Security Administration, has formed the Cochise County One-Stop Center to provide information throughout Cochise County for job seekers and employers. 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. 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.

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Small Business Development Center (SBDC)

The 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. Phone (520) 515-5478, or email sbdc@cochise.edu.

Center for Southwest Studies

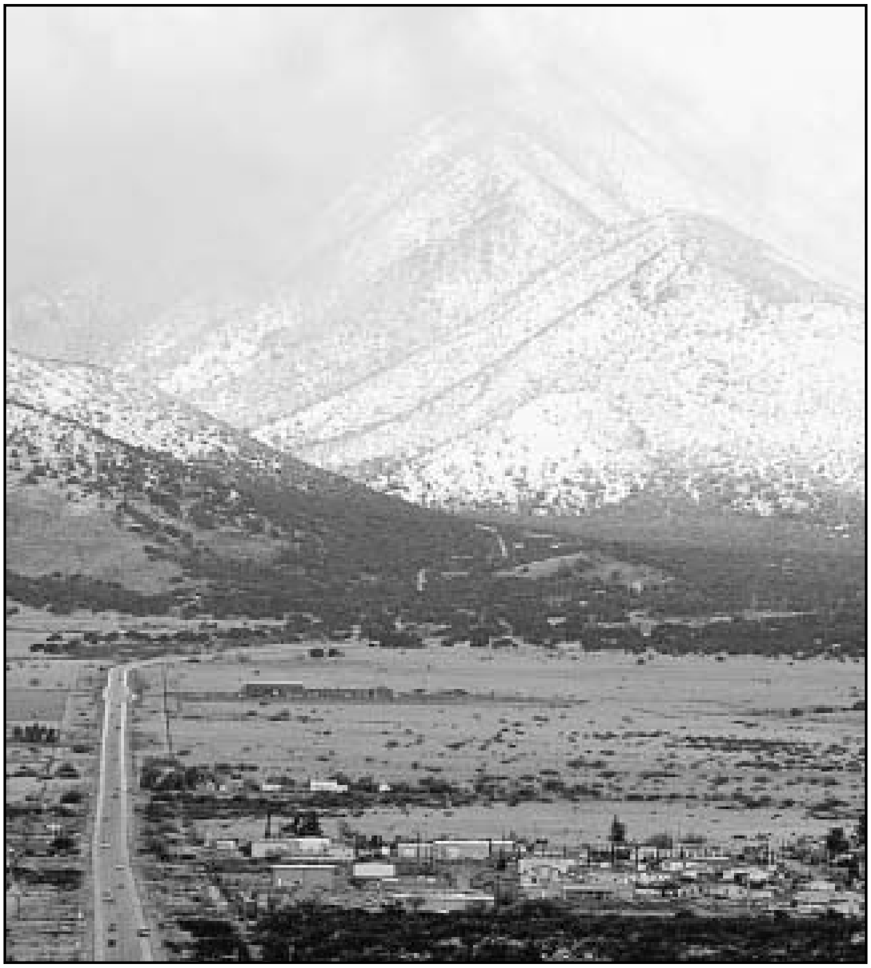
Cochise County is unique in its combination of historical and natural attractions. These factors and its border location makes Cochise College the logical setting for a center dedicated to exploring, disseminating and protecting cultural and natural resources and contributing to the economic development of the region. The Center for Southwest Studies has been created to establish Cochise College as a leader in border-related studies, training and research and to partner with existing organizations to become a repository for resource availability and a keystone in resource procurement. The Center for Southwest Studies works with its partners to identify and implement entrepreneurial activities related to the rich historical, cultural and geographical characteristics of southeast Arizona and the regional/border area. Public input is valued and may be directed to Rebecca Orozco, director, Cochise College Center for Southwest Studies, Cochise College, 4190 W. Hwy. 80, Douglas, Arizona, 85607 or orozcor@cochise.edu.

Workforce Training and Community Education (WTCE)

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.

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



A Review of the Forecast for 2004-2005

The Huachuca Mountains receives a blanket of white as Sunday nights storm activity in parts of Cochise County left the cold stuff on the ground, a reminder that winter is around the corner. Photo: Ed Honda-Herald/Review.

A Review of the Forecast for 2004

Looking at employment, last year's forecast called for an unemployment rate between 3.5 and 3.7 percent. The actual unemployment rate came in better than expected at 3.3 percent. Job growth was forecasted to occur at a rate between 2.5 and 3.0 percent. Again, the picture was brighter than expected, with job growth of 3.2 percent for 2004. A likely contributor to the better-than-expected growth was the increased economic activity resulting from the stepped-up role of Fort Huachuca in meeting the needs of the war on terrorism and military commitments in Iraq, Afghanistan, and elsewhere. Recently the fort has increased student throughput in many specialties at the Intelligence Center to meet the high demand for trained intelligence professionals. Along with the increased student load comes an increased need for instructors as well.

Total taxable sales for 2004 were forecasted to grow at a rate of 6.5 to 8.5 percent. Actual growth in total taxable sales came in as expected at 7.3 percent. Retail sales, the largest subcategory of total taxable sales, were forecasted to grow between 6 and 8 percent. Growth in retail sales outperformed last year's expectations, coming in at 8.9 percent. Restaurant and bar sales were forecasted to grow between 5 and 7 percent. Performance in this category was considerably weaker than expected, with growth of only 1.5 percent. As with employment, higher than predicted sales growth in 2004 can be attributed in large part to increased activity at Fort Huachuca.

Home sales for 2004 were forecasted to stabilize at 2003 levels, with approximately 1,000 homes being sold. Despite the increasing federal funds rate, which rose by 125 basis points from 1 to 2.25 percent between June and December 2004, mortgage rates actually declined during this period, continuing to fuel and already active housing market. The result is that home sales significantly outperformed last year's predictions, with 1,340 homes being sold. New home permits also benefited from an active housing market. Last year's forecast called for stabilization at the 2003 rate of approximately 600 new permits, but the city instead saw a significant increase, with 689 permits being issued. Apartment rental rates were forecasted to increase between 3 and 5 percent. The actual increase came in considerably higher at 10.9 percent.

A Forecast for 2005

Expect job growth to continue through 2005, albeit at a slower rate than 2004. Job growth for 2005 is expected to be between 2.2 and 2.7 percent. This trend should continue into 2006. The categories experiencing the fastest job growth are likely to be construction, financial activities, educational and health services, and the federal government. Unemployment should continue to improve during the year, averaging 3.1 to 3.3 percent.

Expect retail sales to show growth of 4 to 6 percent over the next year. The increase will come from continued population growth, as well as improvements in consumer confidence. The strength of the local economy will create new jobs giving rise to further wage and salary growth. Restaurant and bar sales can be expected to recover from a sluggish year, growing between 6.5 and 8.5 percent in 2005. Overall, total taxable sales can be expected to grow between 6 and 8 percent. Much of this will depend on the continued strength of the retail sector and stronger growth in restaurant and bar sales. A primary contributor to the increase in sales is likely to come from increased activity at Fort Huachuca.

The strength of the local economy will create new jobs giving rise to further wage and salary growth. Restaurant and bar sales can be expected to recover from a sluggish year, growing between 6.5 and 8.5 percent in 2005.

The housing market continues to be difficult to forecast. As mentioned above, home mortgage rates actually moved in the opposite direction of the federal funds rate in the second half of 2004. Most analysts predict that this trend is not likely to continue, as the federal funds rate approaches 4 percent by the end of 2005. The impact, however, is most likely to be seen in homes prices, not necessarily in the volume of sales or the number of new home permits. Those buying new homes are more likely to settle for smaller, less expensive homes, while the prices of existing homes can be expected to stabilize to compensate for the higher principal and interest payments as interest rates rise. Most home buyers primarily consider the monthly mortgage payment in determining the affordability of a home, and as interest rates increase the tendency should be toward lower loan amounts. With this in mind, expect existing home sales activity comparable to 2004 activity, with volume between 1,300 and 1,350 homes sold. New home permits should continue to grow, with between 750 and 800 new permits. As mentioned, prices should stabilize as rising interest rates shift housing demand toward smaller, less-expensive homes. Look for rental rates to increase by 3 to 5 percent.

Commercial development remains difficult to forecast, pending the May 2005 BRAC recommendations by the Secretary of Defense. Presuming Fort Huachuca is not on the Secretary's list of recommended closures; commercial construction activity should pick up significantly in late 2005 and continue through 2006 and 2007.

Forecasting Credentials, Economic Analyst Robert Carreira

Robert began working for Cochise College in August 2003 as an associate faculty member at the Fort Huachuca Center, where he taught courses in political science. In November 2003, he was appointed as the Center for Economic Research's first economic analyst.

Robert holds a master of science degree in international relations with a concentration in international political economics; a master of science degree in foundations of education with a concentration in educational leadership; and a master of public administration degree with a concentration in public management. All three of his master's degrees are from Troy State University, Ala. He also holds a bachelor of arts degree in sociology from Saint Leo University, Fla., and an associate of applied science degree in police science and administration from Austin Peay State University, Tenn. He is currently working toward a doctorate in public policy and administration through Walden University.

Robert's work with economics and econometrics dates to 1990. In all of his graduate and post-graduate studies, economics served as the foundation for his research. In recent years, he has specialized in the application of econometric models to the examination of public policy issues. Prior to joining the Cochise College staff, Robert served with the U.S. Army analyzing sociopolitical and economic events worldwide for their impact on the security of U.S. armed forces deploying overseas.

Robert's articles dealing with the economy of Cochise County appear in newspapers countywide. His articles on politics and economics have appeared in major metropolitan newspapers across the nation and world, including the "Philadelphia Inquirer," "Denver Post," "Atlanta Journal Constitution," "Tampa Tribune," "San Francisco Examiner," "Detroit News," "Tucson Citizen," "Arizona Daily Star," "Stars & Stripes," and numerous others. His articles on economics are routinely published by the Foundation for Economic Education in Irvington-on-Hudson, New York, in their monthly journal and on their website. His articles have been cited by the Cato Institute in Washington, D.C., and the Center for the Law and the Public's Health at Georgetown and Johns Hopkins universities. In addition to his work at the Center, Robert also teaches classes in economics, business and political science at the college.

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