

DOUGLAS

2006 • PERSPECTIVE • 2007



COCHISE COLLEGE CENTER FOR ECONOMIC RESEARCH



Table of Contents

A Review of the National, State, and Local Economy.....	1	Retail and Trade	25
Douglas Community Continues to Grow	4	Total Taxable Sales	25
The City of Douglas	6	Retail Sales	26
Cost of Living	7	Restaurant and Bar Sales	26
Climate	7	Business Establishments	27
Commercial Market	7	Douglas Retail Out-Shopping Survey	27
Industrial Properties.....	8	Outlook	28
Arizona Enterprise Zone Program.....	8	Housing and Real Estate	29
Tax Rates	9	New Home Construction.....	29
Primary and Secondary Education	9	Commercial Construction	30
Post-Secondary Educational Opportunities	11	Cochise County Land Transactions.....	30
Crime Rate.....	12	Cochise County Housing Market Summary	30
Healthcare.....	13	Outlook	31
What People Like Most About Douglas	13	Bank Deposits and Bankruptcy Filings.....	32
Demographics	14	Impact of Mexico.....	34
Population Estimates and Projections	14	Douglas - Agua Prieta.....	34
Race and Ethnicity	14	Border Crossings in Cochise County	35
Language Spoken at Home	15	Mexico's Economy Today	35
Sex and Age	16	Economic and Fiscal Impacts.....	36
Household Characteristics.....	16	Cochise County Agriculture.....	38
Poverty Status	17	Tourism	40
Educational Attainment.....	17	Local Tourism Trends.....	41
Military Veterans	18	Benefits of Tourism.....	41
Employment	19	Cochise County State and	
Employment, Unemployment, Labor Force,		National Park Visitations	42
and Job Growth.....	19	Cochise County Lodging Indicators.....	43
Occupations and Classes of Workers.....	19	Calendar of Events.....	43
Industries.....	20	The Film Industry in the Douglas Area	44
Major Employers.....	20	Arizona Motion Picture Tax Incentives Program ..	44
Earnings and Income	21	About the Center.....	45
Cochise County Employment.....	21	Cochise College Resources.....	46
Outlook	22	Community Resources.....	48
A Note on Employment Data.....	24		

About the cover:

Celebrating 100 years in 2007, the Gadsden Hotel features an authentic Tiffany stained glass mural extending forty-two feet across one wall of the massive mezzanine. This year's cover features one pane of this beautiful mural.

www.hotelgadsden.com • (520) 364-4481

Design and production:

David Gordon

sierradesign@bellsouth.net

Cover and inside photos:

Center for Economic Research Staff

City of Douglas

Flavio Beltran



A Review of the National, State, and Local Economy

Celebrating 100 years in 2007, the Gadsden Hotel features an authentic Tiffany stained glass mural extending forty-two feet across one wall of the massive mezzanine. Photo: CER Staff – V. Tina Gilbertson.

At the national level in 2005, real Gross Domestic Product (GDP) – the value of all final goods and services produced in the United States, adjusted for inflation – increased at a rate of 3.5 percent. This was significantly slower than the 4.2 percent rate of growth seen a year prior. In the second quarter of 2006, GDP increased at a sluggish annual rate of 2.5 percent, following strong growth of 5.6 percent in the first quarter. The annualized growth rate of the GDP in the first half of 2006 was 4.1 percent, with indications of a slow-down for the second half of the year.

According to the U.S. Department of Commerce, the second-quarter decline was due primarily to decreases in personal consumption expenditures for durable and non-durable goods, equipment and software, and exports, as well as a decline in federal government spending and residential fixed investment. These were partially offset by a decrease in imports and an increase in both private inventory investment and personal consumption expenditures for services.

Employment at the national level improved in 2005, with the unemployment rate dropping from 5.5 to 5.1 percent, its lowest level since 2001. The year 2005 saw a net increase of two million non-farm jobs. This was down slightly from 2.1 million jobs created in 2004. In the first six months of 2006, the national unemployment rate averaged 4.7 percent, and the national economy added 865,000 jobs, according to preliminary estimates. This is down from the first six months of 2005, which saw the creation of 981,000 jobs.

The Consumer Price Index (CPI) rose 3.4 percent in 2005, significantly higher than the 2.7 percent increase seen in 2004. In the first half of 2006, the CPI increased at an annualized rate of 4.7 percent. In June 2006, the CPI was 4.3 percent higher than it was in June 2005. The index for energy, which rose 17.1 percent in 2005, increased at a seasonally adjusted annual rate of 22.8 percent in the first half of 2006. This accounted for more than 40 percent of the overall increase in the CPI.

The Federal Reserve has continued its targeting of the federal funds rate for upward movement to reflect the nation's recovering economy and stave off inflation-



By Robert Carreira
Director
Cochise College
Center for Economic Research

ary pressures. The Federal Open Market Committee increased the targeted federal funds rate by 25 basis points at each of 17 meetings between June 2004 and June 2006. The most recent increase on June 29 of this year brought the targeted rate to 5.25 percent, its highest level since January 2001. 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 purchase and sale of U.S. government securities.

One of the primary sectors of the economy typically affected by changes in the federal funds rate is the housing market; but over the past year and a half, mortgage rates have been slow to respond. As the federal funds rate increased steadily from 1.0 to 2.5 percent between June 2004 and February 2005, the average contract rate on a 30-year fixed conventional mortgage, as reported by the Federal Housing Finance Board, actually decreased from 6.25 to 5.9 percent, continuing the housing boom that began in mid-2003. Between February and April 2005, the average contract rate inched upward to 6.09 percent, but then dropped steadily between April and July to 5.78 percent. Between July and December, the average rate for a 30-year fixed mortgage climbed to 6.44 percent, but then dropped slightly to 6.4 percent in January of this year. Between January and June of this year, the average contract rate increased steadily to 6.71 percent.

At the state level, economic indicators offer good reason for optimism. Recently revised figures from the U.S. Department of Commerce indicate Arizona's Gross State Product (GSP) rose 7.1 percent in 2004, its largest rate of increase since 2000. This made Arizona the second-fastest-growing state in the nation in 2004, as measured by increases in GSP. The fastest-growing state was Nevada. The largest contributors to economic growth at the state level in 2004 were durable manufactured goods, retail, finance and insurance, and construction.

Between 1997 and 2003, Arizona's GSP rose at an average annual rate of 5.1 percent, making it the fastest growing state, economically, in the nation during that period. The GSP is the most comprehensive measure of the overall economic activity of each state and is the primary tool for measuring economic growth within states.

The unemployment rate in Arizona dropped to 4.7 percent in 2005, its lowest level since 2001. This was down from 5 percent a year prior. In the first six months of 2006, statewide unemployment declined slightly to a seasonally adjusted rate of 4.6 percent.

Arizona added 97,700 jobs in 2005, for a job growth rate of 4.1 percent. This was the state's highest rate of growth since 1999. In the 12 months ending in June 2006, Arizona's economy added 116,700 jobs, for a 12-month job growth rate of 4.7 percent.

At the county level, the unemployment rate for 2005 came in at 4.9 percent, down from 5 percent in 2004. The county's 2005 unemployment rate was below the national average of 5.1 percent, but two-tenths of a percentage point above the statewide rate. In 2005, Cochise County had the fifth lowest unemployment rate of Arizona's 15 counties, behind only Mohave, Yavapai, Maricopa, and Pima. Cochise County's unemployment rate in 2005 was at its lowest level since 2001. In the first six months of 2006, the county's seasonally adjusted unemployment rate averaged 4.8 percent. The county's unemployment rate of 4.9 percent for the month of June 2006, however, was at its highest since the beginning of the year.

In 2005, Cochise County added 1,900 jobs for job growth of 5.4 percent, its highest level on record, with records going back to 1994.

Douglas' unemployment rate in 2005 was 7.6 percent, its lowest level since 2001. In the first six months of 2006, Douglas' seasonally adjusted unemployment rate averaged 7.4 percent. Douglas' unemployment rate of 7.6 percent for the month of June of

At the state level, economic indicators offer good reason for optimism. Recently revised figures from the U.S. Department of Commerce indicate Arizona's Gross State Product (GSP) rose 7.1 percent in 2004, its largest rate of increase since 2000.

this year was its highest since January.

Taxable sales in Cochise County's incorporated cities and towns totaled \$1.26 billion in 2005, up 7.5 percent from 2004. This represents healthy, inflation-adjusted growth of 4.1 percent. Retail sales in the incorporated places totaled \$731.8 million in 2005, up 5.7 percent from 2004. This reflects moderate, inflation-adjusted growth of 2.3 percent.

Restaurant and bar sales in the incorporated cities increased to \$97.4 million in 2005, up 8.6 percent from a year prior, reflecting strong, inflation-adjusted growth of 5.2 percent. Accommodation receipts in Cochise County's incorporated cities surged to \$27.7 million in 2005, up an astonishing 19.5 percent from 2004. This reflects inflation-adjusted growth of 16.1 percent. Accommodation receipts include hotel, motel, and other lodging.

At the city level, Douglas' total taxable sales in 2005 dropped to \$180.9 million, down 1.2 percent from 2004, for inflation-adjusted growth of -4.6 percent. In the first four months of 2006, total sales rebounded, increasing to \$66.4 million. This was up a strong 9.7 percent from the same period of 2005, showing an inflation-adjusted increase of 6.1 percent.

Douglas' retail sales in 2005 climbed to \$133.6 million, up 8.1 percent from 2004. This reflects healthy, inflation-adjusted growth of 4.7 percent. The strong performance of 2005 continued into the first four months of this year, with retail sales totaling \$43 million. This was up 7.9 percent from the same period a year prior, or 4.3 percent in inflation-adjusted terms.

Douglas' restaurant and bar sales in 2005 fell to \$12 million, down 3.7 percent from 2004, reflecting inflation-adjusted growth of -7.1 percent. Sales in this category rebounded strongly in the opening months of 2006, with sales from January through April totaling \$4.3 million. This reflects a 10.9 percent increase from the same period in 2005, for robust inflation-adjusted growth of 7.3 percent.

In 2005, the Cochise County housing market was characterized by a shift away from new home construction and toward the purchase of resale homes. The number of permits for new, single-family residential construction countywide grew at its slowest rate in years, and new home closings declined for the first time in years. At the same time, the volume of sales of existing homes grew by more than 15 percent as homeowners and investors sought to cash in their equity and capitalize on higher home prices. This trend continued into the first five months of 2006, with a continued shift of the housing market from new to resale homes.

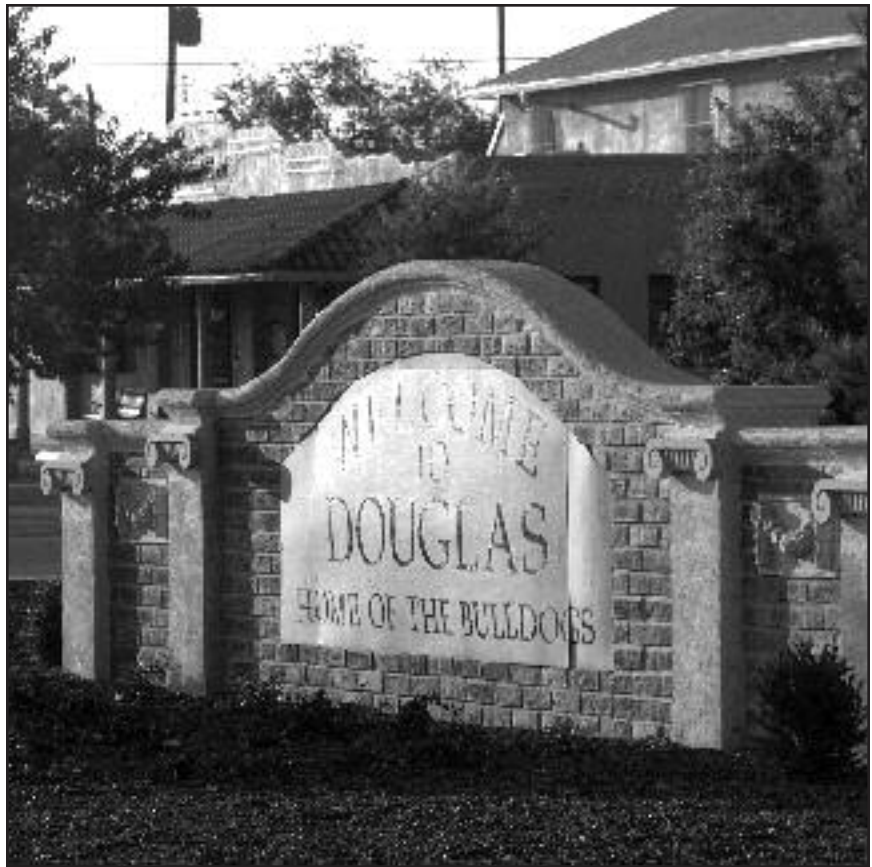
But while countywide the number of new residential construction permits grew at its slowest rate in a year, much of this was due to slowed growth in Sierra Vista and the unincorporated areas in the southwest quadrant. For years, the vast majority of new home construction in Cochise County has taken place in the southwest quadrant. But while growth has slowed in that area, it has accelerated in other areas of the county, including Douglas. This was evidenced by the more-than-tripling of new home permits in the city in 2005.



An evening sky unfolds over the Visitor Center in Douglas.
Photo: Courtesy City of Douglas.

Douglas Community Continues to Grow

Restoring and sustaining downtown's physical and economic vitality has become a priority for the mayor and council. Photo: Courtesy City of Douglas.



Victor Gonzalez
Economic Development Director
City of Douglas

The Douglas community continues to show signs of growth. Through the leadership of the mayor and city council, Douglas is not only investing in infrastructure, but is developing partnerships and strategies for effective and sustainable community and economic development.

The Home Town Competitiveness (HTC) program currently being implemented in the community will provide the framework for entrepreneurship development, charitable assets, youth, and leadership. Through these four pillars, critical issues plaguing rural communities, such as generational wealth transfer, youth out-migration trends, loss of businesses, and the erosion of leadership capacity, will be addressed. Furthermore, HTC will build upon community assets and create community capacity through the empowerment of local leadership, and, most importantly, the power of "Hometown."

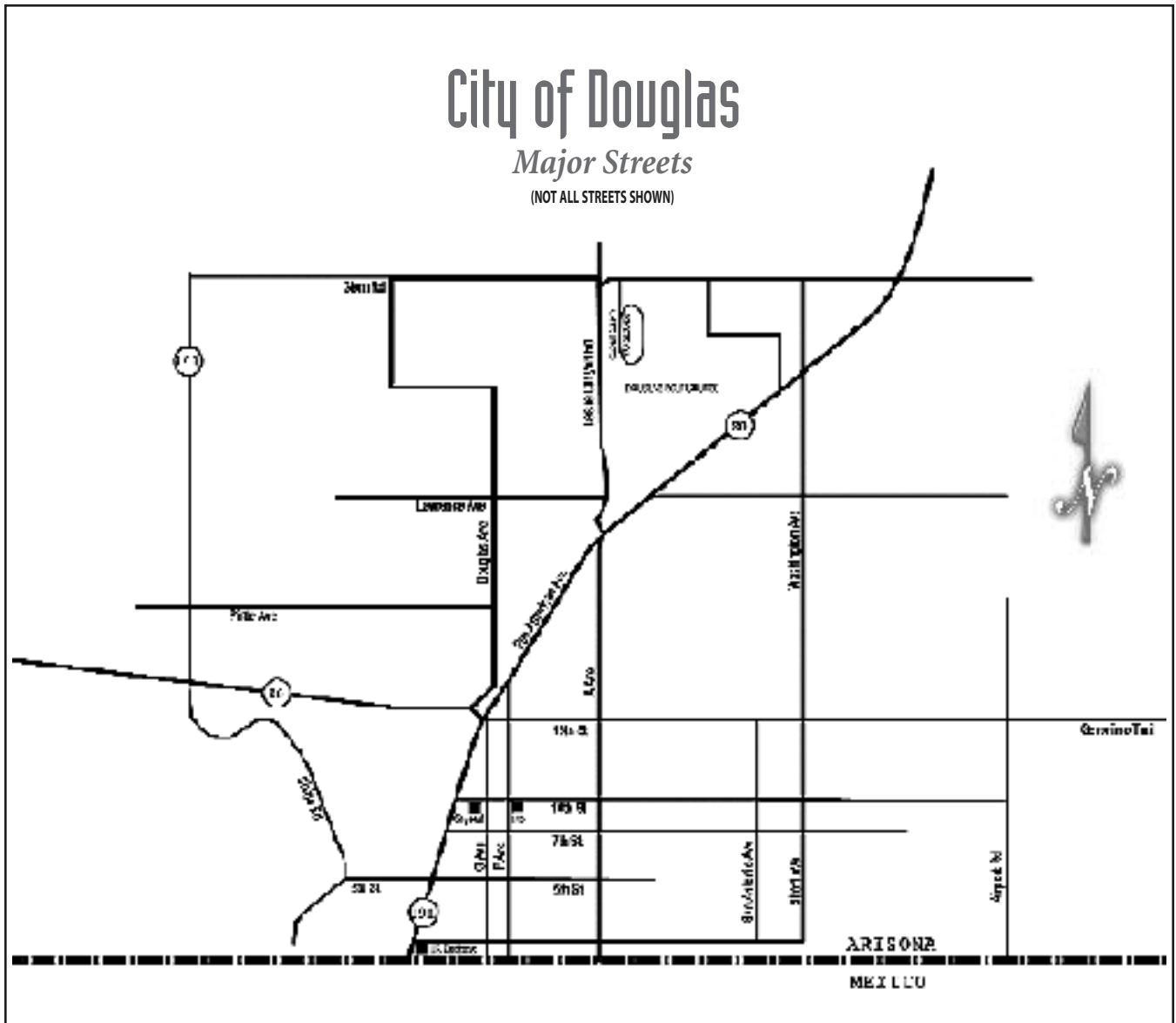
In terms of current economic development, the new commercial construction market has continued to be very active in the Douglas area over the past five years. In 2005, issued permits totaled the third highest valuation in the past 22 years. In addition, an 18,252-square-foot retail center located on Fifth Street and Pan American Avenue has recently been completed; tenants will include Sally's Beauty Supplies, Movie Gallery, Dollar Tree, and GameStop. Also in 2005, the Community Development Office issued 82 new single-family home permits, up sharply from 2004, marking the highest yearly recorded number of new homes constructed over the past two decades. The total valuation for new homes in 2005 was nearly \$9 million.

Southeast Arizona Medical Center will soon expand its services and begin construction on a new, 7,300-square-foot dialysis center. The Douglas Dialysis Center will not only provide much-needed healthcare service in the community – service that currently is found only outside of Douglas – but will also eliminate dollar leakage for such services. Total capital investment in the dialysis center will be in excess of \$500,000.

Restoring and sustaining downtown's physical and economic vitality has become

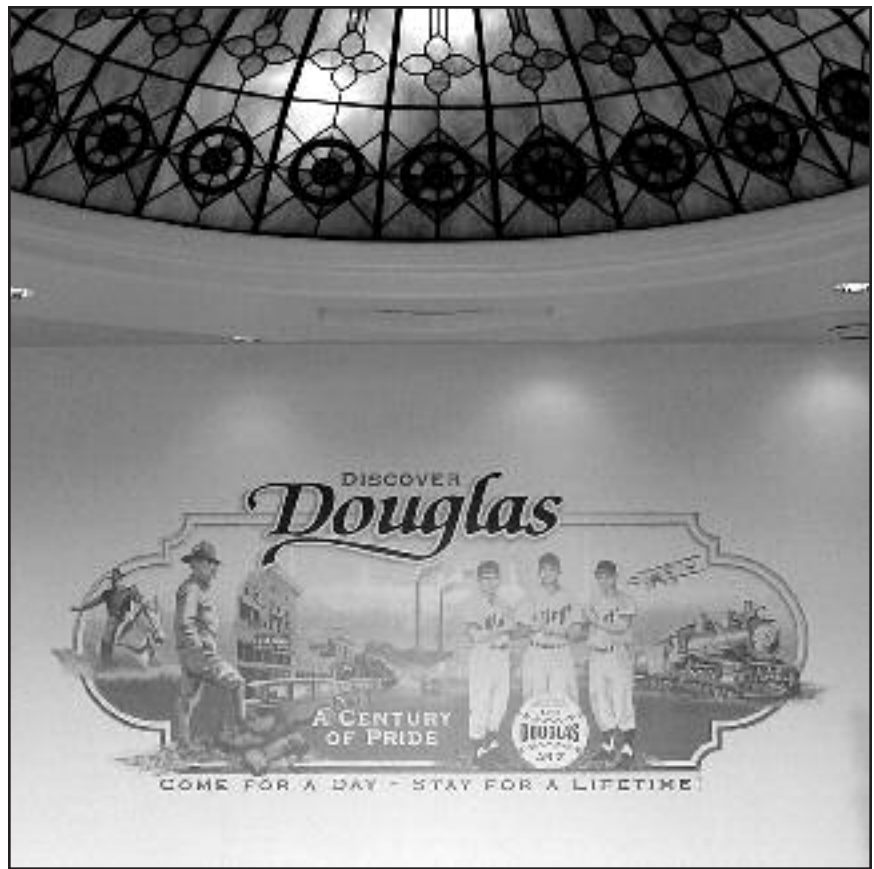
a priority for the mayor and council. The city is currently working on developing a sidewalk café concept. The intent is to locate this on the sidewalk in the public right-of-way in the downtown commercial corridor, thus encouraging redevelopment of existing structures. Furthermore, efforts are underway to improve the image of downtown through organization, promotion, design, and, most importantly, economic restructuring.

A long-term vision for economic development will be positioning Douglas/Agua Prieta as an emerging strategic location for international trade and commerce. Current imports and exports to and from Mexico through the Douglas Port of Entry include refined copper wire, molybdenum ores, motor vehicle parts and accessories, ignition wiring sets, textiles, and plastics, to name a few; the trade value totaled more than \$557 million in 2005. Thus, pursuing promotional activities that position Douglas/Agua Prieta as an immediate business development opportunity, as well as a viable trade corridor from Sonora and Chihuahua, will make our region attractive for twin plant operators, warehousing/distribution, maquiladora suppliers, and other related industries. This will ensure Douglas' economy will diversify, Agua Prieta will increase and strengthen its industrial base, and the Douglas/Agua Prieta region will competitively take advantage of global markets.



The City of Douglas

A century of pride – Douglas was founded in 1901 and incorporated in 1905. Come for a day – stay for a lifetime.
Photo: Courtesy City of Douglas.



The City of Douglas is located 118 miles southeast of Tucson and 229 miles southeast of Phoenix on the U.S./Mexico border. The major traffic route to Douglas is Highway 80 south from Interstate 10.

Douglas was founded in 1901 and incorporated in 1905. The city developed as a smelter site for the copper mines in the area due to its abundant water supply and rail-road service. The present site of Douglas originally served as a staging area for cattle ranchers during annual round-ups in the late 1800s. Agriculture and mining remain important to the economy of the Douglas area. Because of its location along the U.S.-Mexico border, international commerce is also an important part of the local economy.

The City of Douglas offers numerous community facilities, including an art gallery, library, indoor theater, two city recreation centers, an Olympic-size swimming pool, a new indoor aquatic center, seven parks, a golf course, and several handball, racquetball, and tennis courts. Douglas is served by 325 hotel and other lodging rooms, along with 12 meeting rooms. The capacity of the largest facility is 160. Douglas is also served by an international municipal airport with two lighted runways (6,400 feet, paved/unpaved).

Douglas is home to several nationally registered historic landmarks, including the Southern Pacific Depot, Gadsden Hotel, Church Square, Douglas Public Library, Douglas Municipal Airport, Downtown Historic District, and Sonoran District. Nearby locations of interest include the historic John Slaughter Ranch, Agua Prieta, the cities of Tombstone and Bisbee, ghost towns of Charleston and Dos Cabezas, historic Old Fort Bowie, Fort Huachuca, Coronado National Memorial, Cochise Stronghold, Texas Canyon, San Bernardino Wildlife Refuge, Chiricahua National Monument, Coronado National Forest, the Chiricahua Mountains, and historic Arizpe in Sonora, Mexico. Scenic drives include Bisbee and Cave Creek Canyon. There are nearby hunting and fishing areas on both sides of the international border. To learn more about the City of Douglas, visit the city's website at <http://www.douglasaz.gov>.

Cost of Living

The Sierra Vista-Douglas Micropolitan area is a participant in the ACCRA Cost of Living Index program. From 2003 through the first quarter of 2006, the cost of living in the Sierra Vista-Douglas Micropolitan Area remained below the national average, with the exception of the second through fourth quarter of 2004 and the second quarter of 2005, when the cost of living rose slightly above the national average.

The ACCRA Cost of Living Index measures relative price levels for consumer goods and services in participating areas. The average price level for all participating places nationwide equals 100. Each participant's index is read as a percentage of the average for all places. The ACCRA index comprises separate weighted sub-indices for grocery items (13 percent), housing (29 percent), utilities (10 percent), transportation (9 percent), healthcare (4 percent), and miscellaneous goods and services (35 percent).

Since the beginning of 2003, the Sierra Vista-Douglas Micropolitan Area's cost of living, as measured by the ACCRA index, has ranged from a low of 93.6 (interpreted as 93.6 percent of the national average cost of living) in the first quarter of 2003, to a high of 104.0 (interpreted as 104 percent of the national average) in the second quarter of 2004.

In 2003, the Sierra Vista-Douglas Micropolitan Area's cost of living was below that of Tucson and Phoenix; however, in 2004, this trend reversed itself. Through the first two quarters of 2005, the Sierra Vista-Douglas Micropolitan Area's cost of living remained slightly higher than that of Tucson and Phoenix; but in the third quarter of 2005, the trend again reversed itself. Since the third quarter of 2005, the cost of living in Sierra Vista-Douglas has remained below that of Tucson and Phoenix.

From the first quarter of 2005 through the first quarter of 2006, housing costs in the Sierra Vista-Douglas Micropolitan Area were substantially lower than the national average, with the ACCRA index for housing ranging between 86.2 and 99.8. Healthcare costs in Sierra Vista-Douglas have also remained below the national average over the past few years.

Climate

Douglas is at an elevation of 3,990 feet. The average monthly temperature ranges from an average low of 29°F in December and January to an average high of 95°F in June. The record low of -4°F was observed in December 1978. The record high was 110°F, observed in June 1994. The average monthly precipitation ranges from a low of 0.2 inches in April to a high of 3.14 inches in July.

Commercial Market

Douglas has an estimated population of 17,195 as of July 2005. Its sister city is Agua Prieta, Sonora, Mexico, located just across the international border, with a population of 110,000, according to the Municipal Government of Agua Prieta. The two cities share an interdependent economy and culture.

The commercial market in the Douglas area serves an estimated population of more than 150,000, including Douglas, Pirtleville, Agua Prieta, and surrounding areas. The Janos Highway, which is the shortest paved

Source: The Weather Channel ©

COST OF LIVING COMPARISONS, 2003-2006

	SIERRA VISTA DOUGLAS MICRO AREA	TUCSON	PHOENIX	FLAGSTAFF	LAKE HAVASU	PRESCOTT	YUMA
2003, 1st Quarter	93.6	97.5	97.1	106.7	*	*	100.0
2003, 2nd Quarter	96.5	96.5	98.5	106.1	*	*	*
2003, 3rd Quarter	95.8	94.9	97.2	107.0	99.5	102.4	*
2003, 4th Quarter	95.5	97.3	98.5	108.7	102.2	*	100.7
2004, 1st Quarter	98.0	96.1	98.7	109.5	103.1	106.5	*
2004, 2nd Quarter	104.0	98.1	99.0	106.9	107.0	107.3	99.3
2004, 3rd Quarter	100.7	95.0	99.2	111.5	106.7	109.2	98.4
2004, 4th Quarter	100.4	94.4	98.7	109.7	109.6	*	94.7
2005, 1st Quarter	98.7	96.2	96.8	107.3	106.2	111.5	94.1
2005, 2nd Quarter	100.5	96.6	96.9	109.3	107.1	*	98.7
2005, 3rd Quarter	98.0	97.4	99.0	*	106.6	111.6	98.0
2005, 4th Quarter	94.0	97.3	100.4	112.4	109.4	111.6	99.4
2006, 1st Quarter	98.0	100.3	103.8	116.1	114.1	107.5	106.3

*Data not available. Note: The average for all participating places nationwide equals 100. Each participant's index is read as a percentage of the average for all places. Source: ACCRA Cost of Living Index.

SIERRA VISTA-DOUGLAS MICRO AREA COST OF LIVING, 2005-2006

	COMPOSITE INDEX	GROCERY ITEMS	HOUSING	UTILITIES	TRANS- PORTATION	HEALTH CARE	MISC. GOODS & SERVICES
2005							
1st Qtr	98.7	97.6	98.2	121.6	98.6	97.4	93.1
2nd Qtr	100.5	98.5	99.8	96.0	105.6	97.5	102.2
3rd Qtr	98.0	112.5	92.5	94.7	98.1	98.8	98.0
4th Qtr	94.0	94.8	86.2	99.6	101.5	96.5	96.3
2006							
1st Qtr	98.0	101.7	90.2	116.5	101.7	95.0	96.8

Note: The average for all participating places nationwide equals 100. Each participant's index is read as a percentage of the average for all places. Source: ACCRA Cost of Living Index.

DOUGLAS WEATHER

MONTH	AVG. HIGH	AVG. LOW	MEAN	AVG. PRECIP.	RECORD HIGH	RECORD LOW
January	62°F	29°F	46°F	0.75 in.	82°F (2000)	6°F (1949)
February	66°F	32°F	49°F	0.64 in.	86°F (1957)	10°F (1972)
March	71°F	36°F	54°F	0.46 in.	92°F (1989)	13°F (1951)
April	79°F	42°F	60°F	0.20 in.	99°F (1989)	21°F (1999)
May	86°F	50°F	68°F	0.33 in.	105°F (2005)	29°F (1967)
June	95°F	59°F	77°F	0.63 in.	110°F (1994)	40°F (1971)
July	93°F	64°F	79°F	3.14 in.	109°F (1989)	53°F (2004)
August	91°F	63°F	77°F	2.88 in.	103°F (1995)	52°F (1985)
September	88°F	59°F	74°F	1.63 in.	102°F (1948)	36°F (1965)
October	80°F	47°F	64°F	1.30 in.	95°F (2003)	19°F (1993)
November	70°F	35°F	53°F	0.74 in.	87°F (1999)	14°F (1957)
December	62°F	29°F	46°F	1.06 in.	84°F (2000)	-4°F (1978)



route to Mexico City and Guadalajara in the western United States, originates in Douglas, attracting many travelers through the city. Douglas also attracts many tourists, sightseers, shoppers, and other visitors from across Cochise County and surrounding areas due to its rich cultural heritage and easy access to Mexico. Brief visits to Agua Prieta, Sonora, Mexico, do not require a visa or special documents.

Industrial Properties

As of mid-2005, Douglas had three manufacturing plants and Agua Prieta had 33. Many of the manufacturing plants in Agua Prieta operate under the twin-plant (maquiladoras) concept. There are three industrial parks in Douglas: the 75-acre Cochise Industrial Park, the 33-acre Douglas Industrial Development Authority (IDA) Park, and the 30-acre Phelps Dodge Industrial Park. All utilities are accessible upon request. Air and truck transportation are also available. For more information, contact the City of Douglas Economic Development Office at (520) 805-4047.

Arizona Enterprise Zone Program

Douglas is located in the Cochise County Enterprise Zone, currently in effect through 2011. This zone also includes the communities of Bisbee, Benson, Huachuca City, Tombstone, Willcox, and portions of Sierra Vista. Companies that locate to enterprise zones may be eligible to benefit from two tax incentive programs.

The Arizona Enterprise Zone program was enacted in 1989 and revised by subsequent legislation. The goal of the program is to improve the economies of areas in the state with high poverty or unemployment rates by enhancing opportunities for private investment. The program provides income tax credits for non-retail businesses creating new jobs in zones, and property reclassification for small manufacturers investing in a zone.

In 1993, property tax benefits were added to the program. In 1996, the program was revised to encourage the creation of quality jobs that paid a state-designated wage and for which employers paid 50 percent of health insurance costs. In 1998, the program was extended for three years. In 1999, legislation was passed to allow insurers to use credits to offset premium taxes. In 2001, the program was again extended, the investment threshold for small manufacturers in rural Arizona was lowered, and qualified companies were allowed to conduct up to 10 percent retail activity at the zone location. In 2002, the program was revised to strengthen the program's administrative procedures and help target the program more closely toward its purpose as an economic development tax incentive. In 2006, the program was extended for five years and revised to allow certain family-owned manufacturers to qualify under the EZ property tax reduction. Additionally, qualified commercial printers using lithography or flexography printing processes will now be able to participate in the program.

The Enterprise Zone program provides for an income and premium tax credit for net increases in qualified employment positions at a site located in the enterprise zone, except for those at a business location where more than 10 percent of the activity is the sale of tangible personal property at retail. Tax credits may total up to \$3,000 per qualified employment position over three years, for a maximum of 200 employees in any given tax year. A qualified employment position is a full-time permanent job (1,750 hours per year), pays an hourly wage above the "Wage Offer by County" (\$8.14 in 2006 for the Cochise County Enterprise Zone), and provides health insurance to employees for which the employer pays at least 50 percent.

The program also provides for property tax benefits in conjunction with property reclassification for qualified manufacturing businesses locating or expanding facilities in the enterprise zone. A manufacturer in an enterprise zone is eligible for an assessment ratio of 5 percent on all personal and real property (for primary tax purposes only) in the zone for five years if it is: (1) either minority-owned, woman-owned, or small (as defined by enterprise zone rules); and (2) makes an investment in

fixed assets in the zone of \$500,000, \$1 million, or \$2 million, depending upon the location of the facility. For more information on the Enterprise Zone program, contact the Cochise County grants administrator at (520) 432-9742, or the Arizona Enterprise Zone Administrator at (602) 771-1213.

Tax Rates

Privilege Tax. The city sales (or privilege) tax in Douglas is added to a base of 6.1 percent, which includes county and state taxes, for most categories of sales. The general privilege tax rate in Douglas is 2.5 percent, for a total (city, county, and state) tax of 8.6 percent. For retail sales on single items costing more than \$10,000, the city sales tax is reduced to 1.5 percent, for a total tax rate of 7.6 percent. An additional bed tax of 2 percent is added to hotel/motel stays, for a total tax of 10.55 percent (Note: The state and county combined tax for hotel/motel stays is 6.05 percent).

Property Tax. The combined total of all primary and secondary city, school district, county, state, and special district property taxes for property located in Douglas is \$12.97 per \$100 assessed value, as of 2005. This is down from \$13.66 in 2004, due to decreases in school district taxes, as well as the statewide school and fire district assistance taxes.

In Arizona, assessed value is based on an assessment ratio of the property's value. The state uses the following assessment ratios:

- **24.5 percent:** Mines and mining claim property, and standing timber; local telecommunications service, gas, water and electric utility company property; pipeline company property producing oil; gas property; commercial and industrial real property not included in other classes; and commercial and industrial personal property exceeding \$57,632 of full cash value.
- **21 percent:** Railroad operating property, private car company property, and airline flight property.
- **16 percent:** Agricultural real property, golf courses, and vacant land; and agricultural personal property exceeding \$57,632 of full cash value.
- **10 percent:** Owner-occupied residential property; and leased or rented residential property.
- **5 percent:** Noncommercial historic property, foreign trade zone property, qualifying military reuse zone property, qualifying enterprise zone property, qualifying environmental technology property, and qualifying environmental remediation property.

Primary and Secondary Education

The Douglas Unified School District encompasses 552 square miles, extending from the border with Mexico on the south to 15 miles to the north, and from the Arizona/New Mexico border on the east to a line one mile west of King's Highway.

In 2005, the Douglas School District served nearly 4,300 students in grades pre-kindergarten through 12th grade and employed more than 560 people. The district has more than 260 certified staff, made up of 230 teachers, 17 administrators, seven counselors, four nurses, and a communications coordinator. The district employs more than 300 support staff, including 118 teaching assistants.

The Early Learning Center/Challenge Center consists of pre-kindergarten classes for 4-year-olds and the pre-school for disabled children. There are six elementary schools serving students from kindergarten through fifth grade. Two middle schools serve sixth-, seventh-, and eighth-grade students, while Douglas High School educates students in ninth through 12th grade. The Douglas High School East Campus serves the high school age students who dropped out of school, who are more than one year behind in high school, or in situations that prohibit their attendance or success in the traditional high school setting.

Approximately 66 percent of the district's students are considered English

DOUGLAS PRIVILEGE (SALES) TAX RATES, 2006

CATEGORY	COUNTY AND STATE	CITY OF DOUGLAS	TOTAL
Privilege Tax	6.10%	2.50%	8.60%
Retail Tax (Single Item over \$10,000)	6.10%	1.50%	7.60%

Source: Arizona Dept. of Revenue and Cochise College Center for Economic Research.

DOUGLAS PROPERTY TAX RATES, 2005-2006 (PER \$100 ASSESSED VALUE)

DISTRICT	PRIMARY	SECONDARY	TOTAL
City of Douglas	1.0926		1.0926
Douglas Unified School District	5.3254	0.8343	6.1597
Cochise Joint Technical District		0.0500	0.0500
Cochise County General Government*	2.9373		2.9373
Library*		0.1551	0.1551
Flood Control*		0.2597	0.2597
Cochise College*	1.7868		1.7868
Arizona School District Assistance Tax**	0.4358		0.4358
Arizona Fire District Assistance Tax**		0.0896	0.0896
Total	11.5779	1.3887	12.9666

*Rate applies to all property in Cochise County. **Rate applies to all property in Arizona. Source: Cochise County Treasurer and Cochise College Center for Economic Research.

DOUGLAS UNIFIED SCHOOL DISTRICT

SCHOOL	2005 ENROLLMENT	ARIZONA LEARNS RATING*
Clawson School	441	Performing
Douglas High School East Campus....	**	Performing
Douglas High School	1,266	Performing
Faras Elementary School.....	234	Performing
Joe Carlson Elementary School	418	Underperforming
Maryvale School	20	N/A
Paul Huber Middle School	608	Performing
Ray Borane Middle School.....	432	Performing
Sarah Marley School.....	287	Performing
Stevenson Elementary School	430	Performing Plus
TOTAL ENROLLMENT.....	4,136	

*2004-2005 school year. **Data not available. Source: Arizona Department of Education.

Language Learning (ELL) or Limited English Proficient (LEP). Therefore, the district has developed exceptionally strong English as a Second Language (ESL) programs. The district urges teachers to get and maintain either an ESL or bilingual endorsement — and those who maintain these endorsements receive a stipend to their regular contract amounts.

District-wide enrollment has been on the decline in recent years. The district's average daily membership (ADM) declined steadily from a high of 4,278 in 2000 to 3,884 in 2005.

Arizona Learns, a program within the Arizona Department of Education, evaluates each Arizona school and assigns a rating with respect to the school's ability to meet or exceed the Arizona Standards of Education. The ratings include: excelling, highly performing, performing plus, performing, and underperforming. Ratings are issued each fall term for the previous year.

Douglas schools were rated as follows for the 2004-2005 school year: Clawson School, performing; Douglas High School East Campus, performing; Douglas High School, performing; Faras Elementary School, performing; Joe Carlson Elementary School, underperforming; Paul Huber Middle School, performing; Ray Borane Middle School, performing; Sarah Marley School, performing; and Stevenson Elementary School, performing plus.

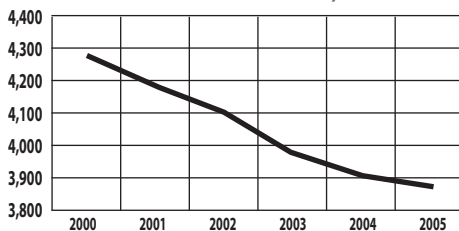
Special services within the Douglas Unified School District include a speech therapy program, which provides screening, assessment, and intervention services to students with a wide range of communication needs; an occupational therapy program, which emphasizes the use of self-care, work, and play activities to increase the student's independent functioning and success in the school environment; a physical therapy program, in which students are evaluated for their physical abilities in the school setting and, if the student would benefit from therapy services, a plan of care is written that may include exercises and therapeutic interventions; a homebound program, which is designed to accommodate students with medical reasons for not being able to attend school on site; and a special education program designed to help students with disabilities. Special education teachers in Douglas serve 18 different categories of disabilities: multiple disabilities/severe sensory impairment, visual impairment, orthopedic impairment, multiple disabilities, autism, severe mental retardation, hearing impairment, moderate mental retardation, emotionally disabled, other health impairments, mild mental retardation, specific learning disability, speech/language impairment, preschool speech/language delay, traumatic brain injury, preschool-moderately delay, and preschool-severe delay. There is a special education program at each public school in Douglas. Each elementary school has a special education resource room. There are three special education resource rooms at Huber Middle School and two at Ray Borane Middle School. The high school has four resource rooms and one special needs classroom. In addition, special education services are provided at Maryvale School and the Challenge Center Preschool. Special education is also available to any student at a parochial school or any student who is home-schooled.

In addition to the special services, the Douglas Unified School District offers a gifted program, which is designed to extend and enrich core curriculum while providing students the opportunity to develop to their highest educational potential. To learn more about the Douglas Unified School District, visit their website at www.dusd.k12.az.us.

In addition to the Douglas Unified School District schools, the City of Douglas also has five charter schools: Center for Academic Success #2, Center for Academic Success #3, Center for Academic Success #4, Omega Alpha Academy School, and PPEP TEC - Raul H. Castro Learning Center.

Center for Academic Success #2 serves grades nine through 12. The school focus is on school-to-work in a multimedia, multisensory, high-technology environment, utilizing a student- and systems-centered approach. Comprehensive programming

DOUGLAS UNIFIED SCHOOL DISTRICT, AVERAGE DAILY MEMBERSHIP, 2000-2005



Source: Arizona Department of Education.

DOUGLAS CHARTER SCHOOLS

SCHOOL	2005 ENROLLMENT	ARIZONA LEARNS RATING*
Center for Academic Success #2.....	173	Underperforming
Center for Academic Success #3.....	106	Performing Plus
Center for Academic Success #4.....	110	Performing Plus
Omega Alpha Academy School.....	542	Underperforming
PPEP TEC High School.....	41	Performing
TOTAL ENROLLMENT.....	972	

*2004-2005 school year. Source: Arizona Department of Education.

includes provision of an alternative approach to lifelong learning, and connecting activities philosophy, providing a community perspective on education, employment, and citizenship.

Center for Academic Success #3 serves grades kindergarten through four, and Center for Academic Success #4 serves grades five through eight. All Center for Academic Success school sites place an emphasis on the acquisition of basic skills. Reading instruction includes an organized, explicit skills program that stresses phonemic awareness, phonics, and decoding skills to address the fundamental deficiencies of emergent readers, English language learners, and students with special needs. Ongoing diagnosis and assessment are provided in order to provide individual tutoring for children at risk of reading failure. The other basic skills are, whenever possible, integrated into the teaching of reading – especially for the emergent reader and the English language learner. Basic skills are also taught in isolation when content-specific concepts are introduced or reinforced.

Omega Alpha Academy serves grades kindergarten through 12. The mission of Omega Alpha Academy is to be among the top 10 academically achieving schools in Cochise County. Omega Alpha seeks to accomplish this mission through the comprehensive implementation of curriculum, classroom management, and delivery (CCD).

PPEP TEC High School serves grades nine through 12. The mission of PPEP TEC High School is to provide quality educational programs and services to students ages 15 through 21 who would otherwise become permanent dropouts of the public education system, and to provide students with the knowledge, skills, and abilities necessary to obtain employment or continue their education in postsecondary institutions.

Post-Secondary Educational Opportunities

Cochise College. Cochise College, a comprehensive “learning community” college, provides high-quality learning opportunities by offering a diverse curriculum in general education and liberal arts, direct employment programs, and various community courses and events that provide educational, cultural, and recreational services beyond formalized classroom instruction.

Cochise College was established in 1961 as the second community college in Arizona. The original 540-acre Douglas Campus, which opened in 1964, is unique in its architecture and provides panoramic views of the Mule and Chiricahua Mountains as well as neighboring Sonora, Mexico. The Douglas Campus is located nine miles northwest of Douglas, comprising 17 buildings and serving more than 1,400 students. This traditional campus is home to a number of academic buildings housing classrooms, faculty and staff offices, and computer labs, as well as a full-service library, an airport/aviation programs, residence halls, athletic facilities, and a cafeteria.

The Cochise College Douglas Campus is also home to the Center for Southwest Studies, established to further the studies of historical and natural attractions. The center is dedicated to exploring, protecting, and disseminating information about cultural and natural resources, and contributes to the local economic development of the region. Cochise College and the Center for Southwest Studies partner with many organizations to identify and implement entrepreneurial activities related to the rich historical, cultural, and geographical characteristics of southeast Arizona and the border region. Cochise College prides itself as a leader in border-related studies, training, and research.

Cochise College also maintains an Adult Education program in Douglas, offering programs in General Education Development (GED) in both English and Spanish; English for Speakers of Other Languages (ESOL); reading preparation; math preparation; citizenship; and family literacy. In early 2005, the program began offering English GED classes online. For more information on the Adult Education program, call (520) 364-3736 or visit their website at <http://www.cochise.edu/adulteducation/index.asp>.

The development of community-directed college programs and services district-



A 2005 survey asked nearly 600 residents, former residents, and visitors what they liked most about the City of Douglas - the top response was the small community. Photo: Courtesy CER Staff – Kimberly Kelso.

wide has included Workforce Training and Community Education, the Small Business Development Center, the Career Services Center, the Online Campus, the Prison Education Program, Adult Education, and the Center for Economic Research. Cochise College continues to provide quality educational opportunities to the people of Cochise County and specific populations in the southwestern United States.

Cochise College is accredited by the Higher Learning Commission of the North Central Association. To learn more about Cochise College, visit their website at <http://www.cochise.edu>.

University of Arizona South. The Tucson Campus of the University of Arizona established UA South in Sierra Vista, an official branch campus of the university, as part of its land grant mission to serve the citizens of the State of Arizona. The mission of UA South is to provide quality liberal arts and professional instruction as a branch campus of the University of Arizona that allows the citizens of the state, and primarily Cochise County, to obtain degrees and develop fully their intellectual and professional capabilities, as well as to gain an appreciation of diversity; to enrich instruction through the integration of technology in resident and distance learning programs; and to foster regional economic development and provide expertise for generating solutions to community problems through the education and public service activities of faculty, staff, and students.

UA South offers upper-division courses for students to complete undergraduate degree programs in cooperation with Cochise College and other Arizona community colleges, often referred to as "2 + 2." Graduate degrees are also offered in select disciplines. UA South is a commuter campus, with schedules designed to accommodate working adults and returning students. Throughout Arizona, students may also take advantage of UA South courses available online.

In 1999, UA South established an office in Douglas through a partnership with the city. For more information, visit the Douglas UA South office at 558 10th Street, or call (520) 364-4146. Information is also available online at www.uas.arizona.edu.

Crime Rate

The crime rate in Douglas in 2004 – the most recent data available – was 43.8 crimes per 1,000 population, significantly below the statewide crime rate of 58.4. Douglas' 2004 crime rate was the fourth lowest of Cochise County's seven incorporated cities and towns. Douglas' crime rate increased between 2001 and 2003; however the crime rate dropped significantly between 2003 and 2004.

Through increased enforcement and deterrence, Douglas' crime rate has been reduced significantly from a decade ago, when the rate sat at 101.5 crimes per 1,000 population. Since 1998, the city's crime rate has remained below 60 crimes per 1,000

CRIME RATE (PER 1,000 POPULATION), 2004

LOCATION	POPULATION	VIOLENT CRIME	PROPERTY CRIME	ARSON	TOTAL CRIME	CRIME RATE (PER 1,000 POPULATION)
United States	293,655,404	1,367,009	10,328,255	*	11,695,264	39.8
Arizona	5,743,835	28,952	306,747	*	335,699	58.4
Cochise County	130,220	916	4,343	24	5,283	**41.1
Benson	4,785	11	208	0	219	45.8
Bisbee	6,390	25	360	1	386	60.4
Douglas	16,740	34	698	1	733	43.8
Huachuca City	1,830	6	13	1	20	10.9
Sierra Vista	42,805	123	1,492	5	1,620	37.8
Tombstone	1,595	*	*	*	*	*
Willcox	3,875	5	296	0	301	77.7
Unincorporated Areas	52,200	712	1,276	16	2,004	38.4

*Data not available.**Estimated by the Cochise College Center for Economic Research based on reporting for all areas except Tombstone. Source: Federal Bureau of Investigation, Uniform Crime Reports; Arizona Department of Economic Security; and Cochise College Center for Economic Research.

population, and has remained below 50 crimes per 1,000 population since the beginning of the new millennium.

The crime rate reflects data reported in the Federal Bureau of Investigation's (FBI) Uniform Crime Report and includes violent crimes (murder and non-negligent manslaughter, forcible rape, robbery, and aggravated assault), property crimes (burglary, larceny-theft, and motor vehicle theft), and arson, which is reported separately. The crime index measures only crimes that are reported to local law enforcement agencies.

Healthcare

Southeast Arizona Medical Center (SAMC) in Douglas provides general medical and surgical care for inpatient, outpatient, and emergency room patients, and participates in the Medicare and Medicaid programs. The emergency room is open 24 hours a day, seven days a week, with a board-certified emergency medicine physician on site at all times.

Among the services SAMC provides are: administration; business office with financial counseling; a full-service lab with a remote draw station in town; physical therapy with many specialties; radiology (mammography, x-ray, CAT scan, nuclear medicine, bone density scan, ultrasound, and open MRI); respiratory therapy on site; and cataract surgery and retina laser surgery (services are offered at SAMC by a Tucson specialist). To help accommodate the transportation issues of many SAMC patients, SAMC offers a free shuttle to pick up patients at their homes and bring them to the hospital for their appointments.

A recent addition to SAMC is the Community Healthcare of Douglas Clinic, staffed by a gerontologist, internist, and pediatric nurse practitioner. The CHD Clinic is involved in several educational activities targeted toward both children and the elderly. SAMC is linked with the University Medical Center in Tucson via a T-1 line that allows the community and staff in Douglas to participate in programs presented by field specialists in Tucson without leaving town. The telemedicine and teletrauma programs also allow patients to consult a specialist, be examined, and ask questions without the two-hour drive time to Tucson. Should a patient require specialized emergency care that SAMC does not provide, an on-site med-flight helicopter stands ready to respond with a quick flight to Tucson.

In addition to its direct services to patients, many of SAMC's employees are involved in community organizations and serve on various committees and action groups. In recent years, SAMC employees have been involved in STEPS program meetings, the Douglas Special Action Group for Diabetes, Bi-National Border Health Week celebrations, the CARE Fair, Bioterrorism Awareness, Healthy Lifestyles Expo, the Cochise County Quality of Life Index steering committee, and many other community events and groups.

For more information on SAMC, call (520) 364-7931, or visit their website at www.samcdouglas.org.

What People Like Most about Douglas

In May and June 2005, a survey led by the City of Douglas and the Douglas Chamber of Commerce asked nearly 600 residents, former residents, and visitors what they liked most about the City of Douglas. The top response was the small community, followed by parks and activities at the parks; Wal-Mart and food stores; friendliness; family and people; weather and natural environment; peaceful, nice, and calm place; schools; the aquatic center and public pool; McDonalds, Burger King, and restaurants; and proximity to Mexico.

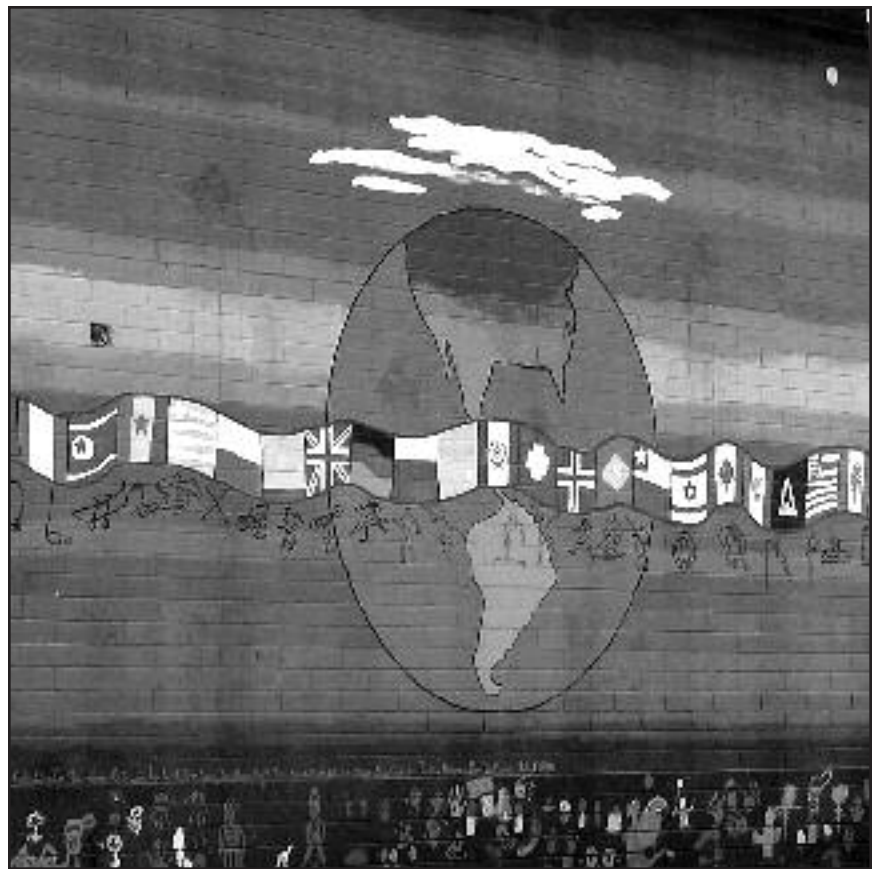
Respondents were also asked what they would change about Douglas. The top response was more activities for children, teens, and adults, followed by more job opportunities and economic development, a mall, removal of trash from streets and parks, addition of more restaurants and coffee houses, and less vandalism and violence and drugs.

DOUGLAS CRIME RATE, 2001-2004 (PER 1,000 POPULATION)

2001	40.0
2002	*
2003	47.3
2004	43.8

*Data not available. Source: Federal Bureau of Investigation, Uniform Crime Reports; Arizona Department of Economic Security; and Cochise College Center for Economic Research.

Demographics



Douglas, where two countries meet, two flags fly, and cultures combine. Photo: Courtesy CER Staff – Kimberly Kelso.

Population Estimates and Projections

The population of Douglas as of July 2005 was 17,195, according to estimates by the Arizona Department of Economic Security (DES). This represents a 0.7 percent increase from 2004 and a 20.1 percent increase since Census 2000. Most of the growth in Douglas' population since Census 2000 occurred between 2000 and 2001 and is attributable to the city's annexation of the state prison complex in Douglas, which added more than 2,000 residents to the city's population. Since 2001, the city's population has grown by an average annual rate of 0.9 percent.

According to the U.S. Census Bureau, the Douglas population grew by 11.6 percent during the 1990s, significantly below the countywide rate of growth of 20.6 percent. The State of Arizona experienced rapid population growth of 40 percent during the 1990s.

In 2005, Douglas ranked as the 31st largest incorporated sub-county area of 88 areas statewide. Based on its population growth rate since Census 2000, Douglas ranked as the 28th fastest-growing, incorporated sub-county area of the 88 areas.

If recent population growth trends continue, the population of Douglas can be expected to reach 18,562 in 2010 and 19,928 in 2015. Cochise County's population is projected to reach 146,904 by 2010 and 161,846 by 2015.

Race and Ethnicity

In 2000, according to the U.S. Census Bureau, approximately 86 percent of the Douglas population was 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. The CER estimates that, in 2006, Hispanics/Latinos comprise 87.5 percent of the Douglas population. If recent trends continue, the Hispanic/Latino

POPULATION COMPARISONS, 1990-2004

	DOUGLAS		COUNTY		ARIZONA	
	POPULATION	GROWTH	POPULATION	GROWTH	POPULATION	GROWTH
1990	12,822	--	97,624	--	3,665,228	--
2000	14,312	11.6%*	117,755	20.6%*	5,130,632	40.0%*
2001	16,600	16.0%	120,845	2.6%	5,319,785	3.7%
2002	16,990	2.3%	123,945	2.6%	5,470,720	2.8%
2003	17,075	0.5%	125,430	1.2%	5,642,725	3.1%
2004	17,080	0.0%	129,600	3.3%	5,845,250	3.6%
2005	17,195	0.7%	131,790	1.7%	6,044,985	3.4%

*Indicates total growth over the period 1990-2000. Source: Figures for 1990 and 2000 obtained from the U.S. Census Bureau. Figures for 2001-2005 are estimates provided by the Arizona Department of Economic Security.

population in Douglas is projected to increase to 88.5 percent of the city's population by 2010. (Note: The U.S. Census Bureau considers Hispanic an ethnicity, not a race; thus, there is no separate racial classification for Hispanics. According to the Census Bureau, people identifying themselves as Hispanic may be of any race.)

According to the U.S. Census Bureau, the Douglas population in 2000 was 63.2 percent White, 0.5 percent Black or African American, 1.1 percent American Indian or Alaska Native, 0.5 percent Asian or Pacific Islander, and 34.7 percent other (including two or more races combined). Based on a continuation of trends between 1990 and 2000, the CER estimates that, in 2006, the racial composition of Douglas is 52.4 percent White; 0.4 percent Black or African American; 1.6 percent American Indian or Alaska Native; 0.5 percent Asian or Pacific Islander; and 45 percent other (including two or more races combined).

The largest changes in Douglas' racial composition in recent years have occurred in the segment of the population classifying themselves as "other," which has increased significantly; and the segment of the population classifying themselves as White, which has decreased significantly. It is important to note that shifts in the racial composition of Douglas do not necessarily represent changing demographics alone, but may include differences in how residents choose to classify themselves.

If recent trends continue, in 2010 the racial composition in Douglas will be 44.3 percent White; 0.1 percent Black or African American; 1.9 percent American Indian or Alaska Native; 0.5 percent Asian or Pacific Islander; and 53.2 percent other (including two or more races combined). The fastest-growing racial group in Douglas between 2006 and 2010 is projected to be the group classifying themselves as American Indian or Alaska Native, projected to grow by 27.8 percent. The slowest growing racial group is projected to be the group classifying themselves as Black or African American, projected to decline by 73.4 percent.

Language Spoken at Home

In 2000, a total of 20.2 percent of the population aged 5 years and older resided in homes where English was the only language spoken, compared to 70.5 percent countywide and 74.1 percent statewide. Of those who speak a language other than English, 41.2 percent reported they spoke English less than "very well." Of those who resided in homes where a language other than English was spoken, the vast majority (98.6 percent) also spoke Spanish. Of Spanish speakers, 41.4 percent reported they spoke English less than "very well."

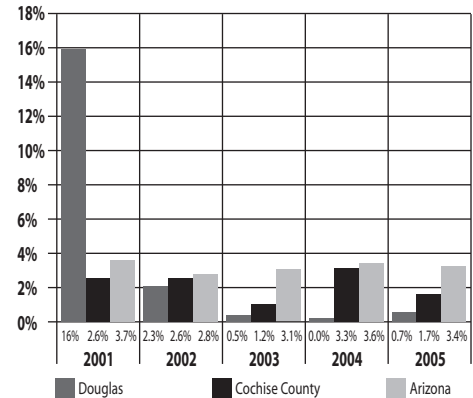
Based on a continuation of trends between 1990 and 2000, the CER estimates that, in 2006, approximately 20.6 percent of the population aged 5 years and older reside in homes where English is the only language spoken, up slightly from the 2000 figures. Of those who speak a language other than English, the CER estimates that, in 2006, approximately 36.5 percent speak English less than "very well," down considerably from 2000.

Of those residing in homes where a language other than English is spoken, it is estimated that, in 2006, approximately 98.1 percent also speak Spanish, down slightly



Las Capillitas built throughout the local area reflect promises and respect for those who were here. Photo: Courtesy CER Staff – Kimberly Kelso.

POPULATION GROWTH COMPARISONS, 2001-2005



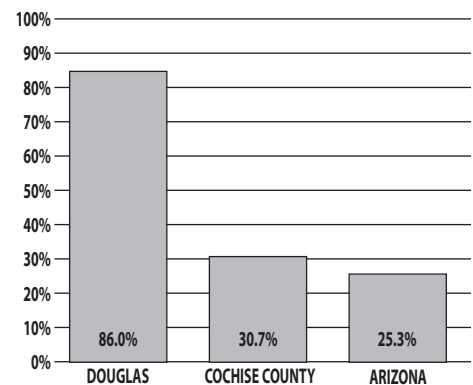
Source: Arizona Department of Economic Security and Cochise College Center for Economic Research.

POPULATION ESTIMATES AND PROJECTIONS, 2006-2015

YEAR	DOUGLAS	COCHISE COUNTY
2006	17,468	134,950
2007	17,742	137,939
2008	18,015	140,927
2009	18,288	143,916
2010	18,562	146,904
2011	18,835	149,892
2012	19,108	152,881
2013	19,382	155,869
2014	19,655	158,857
2015	19,928	161,846

Note: Population projections by the Cochise College Center for Economic Research using U.S. Census data for 1990 and 2000, and Arizona Department of Economic Security mid-year population estimates for 2001 through 2005.

HISPANIC/LATINO POPULATION, 2000



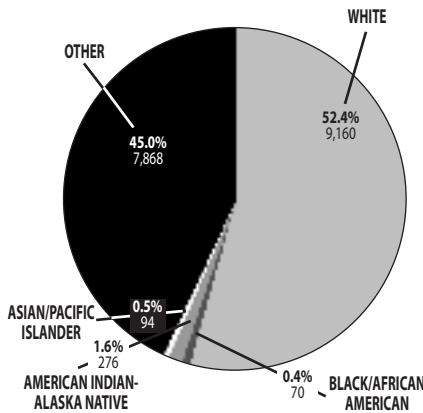
Note: The U.S. Census Bureau considers Hispanic an ethnicity, not a race; thus, there is no separate racial classification for Hispanic. According to the Census Bureau, people identifying themselves as Hispanic may be of any race. Source: U.S. Census Bureau and Cochise College Center for Economic Research

DOUGLAS HISPANIC/LATINO POPULATION, ESTIMATES AND PROJECTIONS, 2006-2010

YEAR	HISPANIC OR LATINO (OF ANY RACE) PERCENT OF TOTAL POPULATION	HISPANIC OR LATINO NUMBER
2006	87.5%	15,285
2007	87.8%	15,577
2008	88.0%	15,853
2009	88.3%	16,149
2010	88.5%	16,427

Note: Estimates and projections by the Cochise College Center for Economic Research using U.S. Census data for 1990 and 2000, and Arizona Department of Economic Security mid-year population estimates for 2001 through 2005. The U.S. Census Bureau considers Hispanic an ethnicity, not a race; thus, there is no separate racial classification for Hispanic. According to the Census Bureau, people identifying themselves as Hispanic may be of any race.

DOUGLAS RACIAL GROUPS ESTIMATES, 2006



Note: Estimates by the Cochise College Center for Economic Research using U.S. Census data for 1990 and 2000, and Arizona Department of Economic Security mid-year population estimates for 2001 through 2005. The U.S. Census Bureau considers Hispanic an ethnicity, not a race; thus, there is no separate racial classification for Hispanic. According to the Census Bureau, people identifying themselves as Hispanic may be of any race.

DOUGLAS POPULATION BY RACE, ESTIMATES AND PROJECTIONS, 2006-2010

	2006	2007	2008	2009	2010	Estimated Growth 2006-2010
White	9,160 52.4%	8,938 50.4%	8,723 48.4%	8,478 46.4%	8,223 44.3%	-10.2%
Black or African American	70 0.4%	53 0.3%	36 0.2%	18 0.1%	19 0.1%	-73.4%
American Indian and Alaska Native	276 1.6%	295 1.7%	313 1.7%	333 1.8%	353 1.9%	27.8%
Asian or Pacific Islander	94 0.5%	96 0.5%	97 0.5%	99 0.5%	100 0.5%	6.3%
Other	7,868 45.0%	8,353 47.1%	8,849 49.1%	9,356 51.2%	9,875 53.2%	25.5%
Total	17,468	17,742	18,015	18,288	18,562	6.3%

Note: Estimates and projections by the Cochise College Center for Economic Research using U.S. Census data for 1990 and 2000, and Arizona Department of Economic Security mid-year population estimates for 2001 through 2005. The U.S. Census Bureau considers Hispanic an ethnicity, not a race; thus, there is no separate racial classification for Hispanic. According to the Census Bureau, people identifying themselves as Hispanic may be of any race.

from the 2000 figures. Of those who speak Spanish at home, the CER estimates that 36.7 percent speak English less than “very well,” down 4.7 percentage points since 2000.

Thus, the recent trend in Douglas has been toward a slight increase in the percentage of the population speaking only English at home. Among Spanish speakers, there has been an increasing level of English proficiency.

If recent trends continue, the CER projects that, in 2010, the percentage of the population aged 5 years and older who will reside in homes where English is the only language spoken will increase to 20.8 percent. Of those speaking a language other than English at home, the CER projects those speaking English less than “very well” will drop to 33.4 percent.

Of those who reside in homes where a language other than English is spoken, it is estimated that 97.7 percent will also speak Spanish in 2010, down slightly from current estimates. Of those who speak Spanish at home, the CER estimates that English proficiency will continue to improve, with 33.6 percent speaking English less than “very well” in 2010, down considerably from current estimates.

Sex and Age

Douglas’ population, as of Census 2000, was 51.9 percent female and 48.1 percent male. This reflects a narrowing of the gap from the 1990 population, which was 53.2 percent female and 46.8 percent male.

According to Census 2000, the median age of the city’s population that year was 30.5 years, considerably below the median age of 36.9 years for all of Cochise County and 34.2 years statewide.

In 2000, 66.5 percent of Douglas’ population was aged 18 years and older, and 15.4 percent was aged 62 years or older.

Based on recent trends, the CER estimates that, in 2006, Douglas’ largest age group is the 25 to 44 years group, comprising 25.7 percent of the city’s population. The next largest age group, according to CER estimates, is 5 to 17 years, comprising 24 percent of the city’s population.

If recent trends continue, the CER estimates that, in 2010, the three largest age groups will be 25 to 44 years (26.2 percent of the population); 5 to 17 years (23.7 percent of the population); and 45 to 54 years (12.6 percent of the population). The three fastest-growing age groups between 2006 and 2010 are projected to be 45 to 54 years (projected to grow by 12.9 percent), 85 years and older (projected to grow by 10.5 percent); and 25 to 44 years (projected to grow by 8.2 percent).

Household Characteristics

According to Census 2000, the average Douglas household size that year was 3.07 persons, down from 3.17 in 1990. Based on trends between 1990 and 2000, the CER estimates the average household size in 2006 is 3.01. If recent trends continue, Douglas’ average household size is projected to drop to 2.97 by 2010.

Of total Douglas households, 76.3 percent were classified as family households as of Census 2000. A total of 50.1 percent of households had individuals under the age of 18, and 30.3 percent had individuals aged 65 years and older. In 2000, a total of 13.6 percent of Douglas households were headed by single mothers of children under the age of 18, compared to 7.1 percent countywide and 6.8 percent statewide. Of Douglas’ population aged 15 years and older, 47.5 percent were married (excluding those who were separated), 4.1 percent were separated, 10 percent were divorced, 8.2 percent were widowed, and 30.3 percent had never been married as of Census 2000.

As of the Census 2000, approximately 47 percent of the Douglas population had resided in the same house for at least five years. Approximately 26 percent of Douglas’ population aged 5 years and older had relocated to the city within the previous five years from outside Cochise County.

Poverty Status

According to the U.S. Census Bureau, in 1999, there were 3,452 families in Douglas. Of these, 1,108 or 32.1 percent lived below the poverty level. Based on growth trends between 1989 and 1999, the CER estimates that in 2006 there are 3,659 families in Douglas, of which 1,092 or 29.8 percent live below the poverty level. If recent trends continue, by 2010 there will be 3,780 families in Douglas, of which 1,083 or 28.6 percent will live below the poverty line.

According to the U.S. Census Bureau, in 1999 there were 2,209 families in Douglas with related children under 18 years old. Of these, 939 or 42.5 percent lived below the poverty level. Based on growth trends between 1989 and 1999, the CER estimates that in 2006 there are 2,381 families with related children under 18 years old, of which 937 or 39.3 percent live below the poverty level. If recent trends continue, by 2010 there will be 2,480 families with related children under 18 years old, of which 936, or 37.7, percent will live below the poverty level.

U.S. Census Bureau data for 1999 also indicate there were 893 families in Douglas with related children under 5 years old. Of these, 425 or 47.6 percent lived below the poverty level. Based on growth trends between 1989 and 1999, the CER estimates that in 2006 there are 1,026 families with related children under 5 years old, of which 450, or 43.8 percent, live below the poverty level. If recent trends continue, by 2010 there will be 1,102 families with related children under 5 years old, of which 464, or 42.1 percent, will live below the poverty level.

If recent trends continue, the number of families, including families with children both under the age of 18 and under the age of 5, will continue to grow. The number of families in all categories living below the poverty level will stabilize and the percentage of families living below the poverty line will continue to drop.

Educational Attainment

Of Douglas' population aged 25 years and older, 54.8 percent had at least a high school diploma or equivalent as of Census 2000, compared to 79.5 percent countywide and 81 percent statewide. A total of 9.2 percent of Douglas residents held a bachelor's degree or higher, compared to 18.8 percent for the county and 23.5 percent statewide.

Between 1990 and 2000, according to U.S. Census Bureau data, the number of Douglas residents with less than a ninth-grade education dropped from 36.4 to 27.3 percent of the city's population aged 25 years and older. At the same time, the number of city residents with a ninth- to 12th-grade education, but without a high school diploma, increased from 15.5 to 18 percent; the number of high school graduates (or equivalent) increased from 17.9 to 23.6 percent; and the number of residents with

DOUGLAS POPULATION BY AGE GROUP, ESTIMATES AND PROJECTIONS, 2006-2010

	UNDER 5	5-17	18-24	25-44	45-54	55-59	60-64	65-74	75-84	85+	TOTAL
2006	1,602 9.2%	4,199 24.0%	1,673 9.6%	4,496 25.7%	2,073 11.9%	652 3.7%	593 3.4%	1,130 6.5%	801 4.6%	248 1.4%	17,468
2007	1,634 9.2%	4,249 23.9%	1,696 9.6%	4,587 25.9%	2,138 12.1%	655 3.7%	587 3.3%	1,128 6.4%	814 4.6%	254 1.4%	17,742
2008	1,666 9.2%	4,298 23.9%	1,718 9.5%	4,679 26.0%	2,204 12.2%	658 3.6%	581 3.2%	1,124 6.2%	827 4.6%	261 1.4%	18,015
2009	1,698 9.3%	4,346 23.8%	1,741 9.5%	4,771 26.1%	2,272 12.4%	660 3.6%	574 3.1%	1,120 6.1%	839 4.6%	267 1.5%	18,288
2010	1,731 9.3%	4,394 23.7%	1,763 9.5%	4,864 26.2%	2,340 12.6%	662 3.6%	567 3.1%	1,116 6.0%	852 4.6%	274 1.5%	18,562

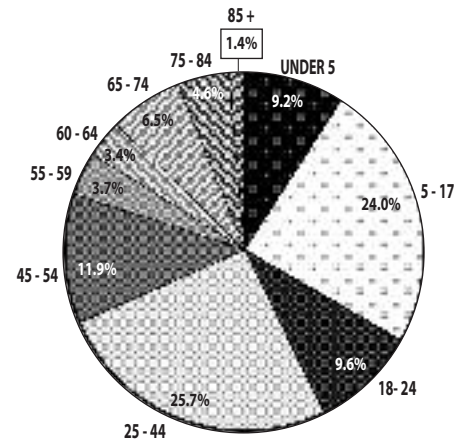
Note: Estimates and projections by the Cochise College Center for Economic Research using U.S. Census data for 1990 and 2000, and Arizona Department of Economic Security mid-year population estimates for 2001 through 2005. Discrepancies due to rounding.

DOUGLAS-LANGUAGE SPOKEN AT HOME (PERSONS 5 YEARS AND OLDER), ESTIMATES AND PROJECTIONS, 2006-2010

	2006	2007	2008	2009	2010
English Only.....	3,261	3,320	3,379	3,437	3,496
Language other than English	12,605	12,788	12,970	13,153	13,335
Do not speak English very well	4,604	4,570	4,534	4,494	4,452
Speak Spanish	12,362	12,531	12,698	12,865	13,031
Do not speak English very well	4,543	4,508	4,469	4,427	4,383

Note: Estimates and projections by the Cochise College Center for Economic Research using U.S. Census data for 1990 and 2000, and Arizona Department of Economic Security mid-year population estimates for 2001 through 2005.

DOUGLAS AGE GROUPS ESTIMATES, 2006



Note: Estimates by the Cochise College Center for Economic Research using U.S. Census data for 1990 and 2000, and Arizona Department of Economic Security mid-year population estimates for 2001 through 2005.

DOUGLAS POVERTY STATUS, ESTIMATES AND PROJECTIONS, 2006-2010

	2006	2007	2008	2009	2010
Total Families.....	3,659	3,689	3,720	3,750	3,780
Families below poverty level	1,092	1,090	1,087	1,085	1,083
Families below poverty level (%)	29.8%	29.5%	29.2%	28.9%	28.6%
Total families with children under 18 years	2,381	2,406	2,430	2,455	2,480
Families with children under 18 years below poverty level	937	937	936	936	936
Families with children under 18 years below poverty level (%)	39.3%	38.9%	38.5%	38.1%	37.7%
Total families with children under 5 years	1,026	1,045	1,064	1,083	1,102
Families with children under 5 years below poverty level	450	453	457	460	464
Families with children under 5 years below poverty level (%)	43.8%	43.3%	42.9%	42.5%	42.1%

Note: Estimates and projections by the Cochise College Center for Economic Research using U.S. Census data for 1990 and 2000, and Arizona Department of Economic Security mid-year population estimates for 2001 through 2004.

Paseo de las Americas linear park in the evening glow.
Photo: Courtesy City of Douglas.



some college, but no degree, increased from 13.6 to 17 percent. The number of residents with an associate's degree decreased from 7.1 to 5.0 percent of the city's population aged 25 years and older; the number of residents with a bachelor's degree increased slightly from 5.2 to 5.6 percent; and the number of residents with a graduate or professional degree dropped from 4.2 to 3.5 percent.

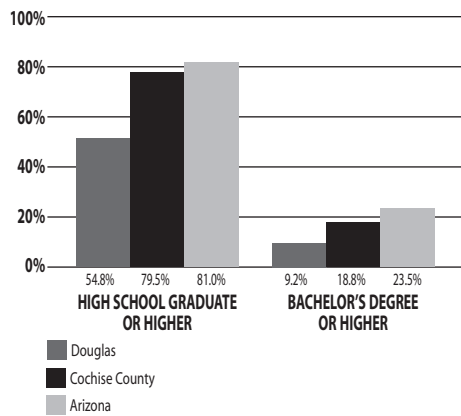
Of the Douglas population aged 25 years and older, the number of residents with a

DOUGLAS EDUCATIONAL ATTAINMENT, ESTIMATES AND PROJECTIONS, 2006-2010

YEAR	PERCENT HIGH SCHOOL GRADUATE OR HIGHER	PERCENT BACHELOR'S DEGREE OR HIGHER
2006	58.8%	9.0%
2007	59.5%	9.0%
2008	60.2%	9.0%
2009	60.8%	8.9%
2010	61.5%	8.9%

Note: Population 25 years and over. Estimates and projections by the Cochise College Center for Economic Research using U.S. Census data for 1990 and 2000.

EDUCATIONAL ATTAINMENT COMPARISONS

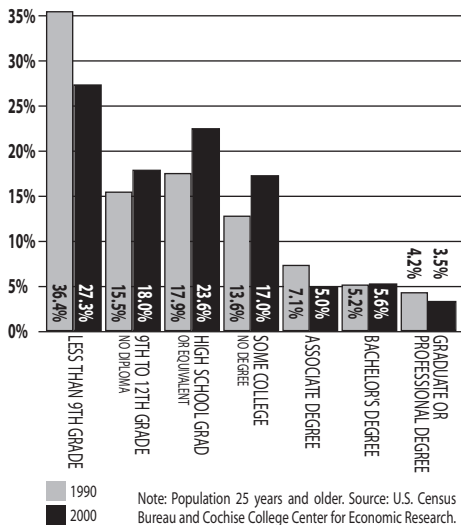


Note: Population 25 years and older in 2000. Source: U.S. Census Bureau and Cochise College Center for Economic Research.

high school diploma or higher increased from 48 to 54.8 percent, while those with a bachelor's degree or higher dropped from 9.5 percent to 9.2 percent. Thus, the trend from 1990 to 2000 was toward expanded educational attainment above the ninth-grade level and continuing through the first few years of college, but educational attainment at the post-baccalaureate level has dropped off. This indicates a potential out-migration of a segment of the population educated at higher levels in search of greater job opportunities outside the city, but may also reflect merely a movement of highly educated residents from within the city limits to the unincorporated areas of the county.

Based on trends between 1990 and 2000, the CER estimates that, in 2006, a total of 58.8 percent of the Douglas population has attained a high school diploma or higher and 9 percent have attained a bachelor's degree or higher. If recent trends continue, in 2010 the number of residents who have earned a high school diploma or higher will reach 61.5 percent of the city's population, and the number of residents who have earned a bachelor's degree or higher will decline to 8.9 percent. For the latter group, the decline will be attributable to those at the graduate or professional degree level as the number of residents having earned a bachelor's degree continues to move upward slightly.

DOUGLAS EDUCATIONAL ATTAINMENT, 1990-2000



Note: Population 25 years and older. Source: U.S. Census Bureau and Cochise College Center for Economic Research.

Military Veterans

Between Censuses 1990 and 2000, the number of Douglas residents who were civilian veterans of the military increased from 915 to 999. As a percentage of the city's population aged 18 years and older, civilian veterans of the military declined between 1990 and 2000 from 10.8 to 10.5 percent. Based on trends between 1990 and 2000, the CER estimates that there are 1,202 civilian veterans of the military, or 10.3 percent of the city's population aged 18 years and older, residing in Douglas in 2006. If recent trends continue, this number will reach 1,269 by the year 2010, while declining to 10.2 percent of the population aged 18 years and older.

DOUGLAS CIVILIAN VETERANS OF THE MILITARY, ESTIMATES AND PROJECTIONS, 2006-2010

YEAR	NUMBER OF CIVILIAN VETERANS OF THE MILITARY	CIVILIAN VETERANS OF THE MILITARY AS A PERCENT OF THE POPULATION 18 YEARS AND OLDER
2006	1,202	10.3%
2007	1,222	10.3%
2008	1,241	10.3%
2009	1,249	10.2%
2010	1,269	10.2%

Note: Estimates and projections by the Cochise College Center for Economic Research using U.S. Census data for 1990 and 2000, and Arizona Department of Economic Security mid-year population estimates for 2001 through 2005.



Employment

Friendly service keeps Douglas residents returning to Tadeo's Service Station, located on North G Avenue. Photo: Courtesy CER Staff - V. Tina Gilbertson.

Employment, Unemployment, Labor Force, and Job Growth

In 2005, Douglas' unemployment rate averaged 7.6 percent, according to estimates by the Arizona Department of Economic Security (DES). This was considerably above the countywide rate of 4.9 percent and the statewide rate of 4.7 percent. Nationwide, the unemployment rate for 2005 averaged 5.1 percent. Douglas' unemployment rate in 2005 was down one-tenth of a percentage point from 7.7 percent a year prior and represents the lowest rate the city had seen since 2001. In the first six months of 2006, Douglas' seasonally adjusted unemployment rate was 7.4 percent.

It is important to note that Douglas' month-to-month unemployment rates reflect seasonal patterns evident in employment data for most localities. The trend in Douglas has been for higher-than-average unemployment rates to prevail in January, February, March, June, July, and August, while lower-than-average rates prevail in April, May, September, October, November, and December.

According to DES estimates, Douglas' civilian labor force in 2005 consisted of 5,934 potential workers, of which 5,482 were actually employed. The civilian labor force consists of those persons aged 16 years and older who either are employed or are actively seeking work. Countywide, the 2005 civilian labor force, according to the DES estimates, comprised 55,650 actual or potential workers, of which 52,925 were employed.

According to DES estimates, job growth in Douglas for 2005 was 3 percent, reflecting the creation of 162 new jobs over the year. This was the highest rate of job growth since the beginning of the new millennium.

Occupations and Classes of Workers

Workers in Douglas are employed in a broad range of occupations. According to data collected during Census 2000, of those workers aged 16 years and older, 28.6 percent were employed in service occupations; 28.4 percent were employed in

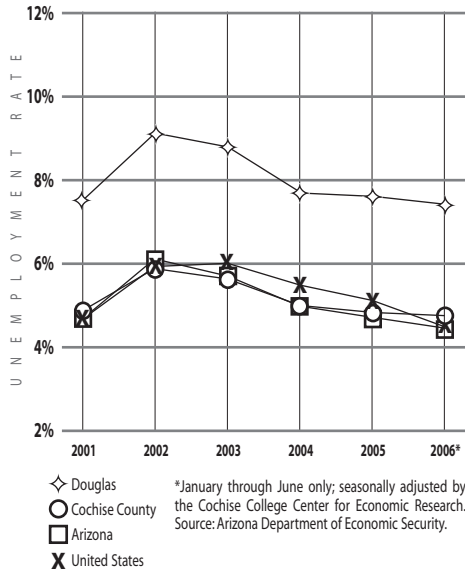
ANNUAL UNEMPLOYMENT RATE COMPARISONS, 2001-2006

	DOUGLAS	COCHISE COUNTY	ARIZONA	UNITED STATES
2001	7.5%	4.9%	4.7%	4.7%
2002	9.1%	5.9%	6.1%	5.8%
2003	8.8%	5.7%	5.7%	6.0%
2004	7.7%	5.0%	5.0%	5.5%
2005	7.6%	4.9%	4.7%	5.1%
2006*	7.4%	4.8%	4.4%	4.7%

*January through June only; seasonally adjusted by the Cochise College Center for Economic Research. Source: Arizona Department of Economic Security.

Douglas is not only investing in infrastructure, but is developing partnerships and strategies for effective and sustainable community and economic development.
Photo: Courtesy CER Staff – Kimberly Kelso.

UNEMPLOYMENT COMPARISONS, 2001-2006



DOUGLAS MONTHLY UNADJUSTED AND SEASONALLY ADJUSTED UNEMPLOYMENT RATES, 2004-2006

	UNADJUSTED RATE	SEASONALLY ADJUSTED RATE
2004		
January	8.8%	8.3%
February	8.1%	7.8%
March	8.2%	8.0%
April	7.9%	8.1%
May	7.4%	7.9%
June	7.9%	7.6%
July	8.0%	7.5%
August	7.8%	7.6%
September	7.7%	7.9%
October	7.3%	7.5%
November	6.8%	7.3%
December	6.7%	7.3%
2005		
January	7.4%	6.9%
February	7.7%	7.4%
March	7.7%	7.4%
April	7.4%	7.4%
May	7.0%	7.5%
June	7.7%	7.4%
July	8.0%	7.5%
August	7.9%	7.6%
September	8.2%	8.2%
October	7.7%	7.9%
November	7.4%	7.9%
December	7.2%	7.8%
2006		
January	8.6%	8.0%
February	7.7%	7.4%
March	7.1%	6.8%
April	7.3%	7.5%
May	6.7%	7.2%
June	7.9%	7.6%

Source: Unadjusted rates provided by the Arizona Department of Economic Security; seasonally adjusted rates estimated by the Cochise College Center for Economic Research.



sales and office occupations; and 21.3 percent were employed in management, professional, and related occupations. Construction, extraction, and maintenance operations employed approximately 10.3 percent of the city's workers, while production, transportation, and material moving occupations employed approximately 9.7 percent. Farming, fishing, and forestry occupations employed 1.8 percent of Douglas workers in 2000.

Approximately 61.1 percent of Douglas workers were private wage and salary workers, while 30.7 percent were government workers as of Census 2000. Self-employed workers in unincorporated businesses comprised 7.8 percent of Douglas workers, while unpaid family workers accounted for 0.4 percent.

Industries

The industry grouping employing the largest number of Douglas workers, as of Census 2000, was educational, health and social services, which employed approximately 23.4 percent; followed by retail trade, which employed 20.1 percent; public administration, which employed 14.4 percent; the arts, entertainment, recreation, accommodation, and food services industry grouping, which employed 8.3 percent; other services, which employed 6.3 percent; manufacturing, which employed 5.5 percent; and construction, which employed 5 percent. The industry groupings of finance, insurance, real estate, and rental and leasing; agriculture, forestry, fishing and hunting, and mining; transportation and warehousing, and utilities; professional, scientific, management, administrative, and waste management services; and wholesale trade each employed less than 5 percent of Douglas workers as of Census 2000.

Major Employers

In 2006, the Arizona Department of Corrections was the top employer in the Douglas area, employing 651 fulltime equivalent (FTE) employees – down from 674 in 2005. An FTE employee equals one fulltime or two part-time employees. The Douglas Unified School District was the second largest employer, employing 541 FTE employees, up from 513 a year prior. The Department of Homeland Security, Customs and Border Protection – Douglas Border Patrol Station held the third-ranked position, with 471 FTE employees. Wal-Mart Stores was the fourth-ranked top employer, with 339 FTE employees, down from 408 a year prior. Cochise College held the fifth ranking, with 223 FTE employ-

DOUGLAS CIVILIAN LABOR FORCE, EMPLOYMENT, JOB GAINS, AND JOB GROWTH RATES, 2001-2005

	CIVILIAN LABOR FORCE	EMPLOYMENT	JOB GAINS	JOB GROWTH RATE
2001	5,341	4,940	138	2.9%
2002	5,561	5,055	115	2.3%
2003	5,702	5,198	143	2.8%
2004	5,766	5,320	122	2.3%
2005	5,934	5,482	162	3.0%

Source: Arizona Department of Economic Security and the Cochise College Center for Economic Research.

ees, down from 327 in 2005.

According to the U.S. Census Bureau's 2003 ZIP Code Business Patterns, all business establishments in Douglas employed fewer than 250 employees that year. (Note: The subsequent opening of the Wal-Mart Supercenter, with more than 400 employees, led to this business becoming the only private-sector employer in Douglas to employ more than 250 employees). Of the 257 business establishments in Douglas in 2003, a total of 139, or 54.1 percent, employed fewer than five workers; 203, or 79 percent, employed fewer than 10 workers; and 234, or 91.1 percent, employed fewer than 20 workers.

Between 2001 and 2003, the number of business establishments in Douglas dropped from 297 to 257, according to the U.S. Census Bureau. With this came a decrease in the number of employees from 2,607 to 2,476, a drop of approximately 5 percent. During this time, the total annual payroll of businesses located in Douglas declined from \$49.8 to \$43.8 million. On a per-employee basis, this represented a decrease in payroll from \$19,105 to \$17,702 per employee, per year – a 7.3 percent decline.

Earnings and Income

The median household income in Douglas for 2004 was approximately \$21,296, compared to \$33,243 for all of Cochise County and \$41,995 statewide. The median family income for Douglas in 2004 was approximately \$23,515, compared to \$39,853 for the county and \$48,995 statewide. Douglas' per capita income in 2004 was approximately \$11,156, compared to \$17,431 for the county and \$22,105 for the state. State figures are estimated by the U.S. Census Bureau; county and below figures are estimated by the CER. (Note: In 2005, the CER adopted a new formula for estimating income; thus, these figures should not be compared to figures from earlier editions of this publication.)

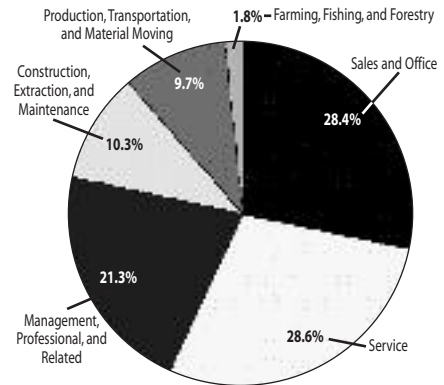
The average wage per job in Douglas in 2004 was approximately \$12.14 per hour, compared to \$15.08 countywide and \$16.56 statewide. The average annual salary in Douglas in 2004 was \$25,244, compared to \$31,359 for the county and \$34,436 for the state. County and state wages and salaries are estimated by DES; sub-county figures are estimated by the CER.

Cochise County Employment

DES tracks employment on a monthly basis, by industry grouping, using the North American Industrial Classification System (NAICS) and makes this data available for the state and county levels. These figures are not available for sub-county areas. In 2005, Cochise County's average annual employment grew by 1,575 jobs, for total job growth of 3.1 percent. Non-farm employment in the county expanded by 5.4 percent, increasing from 35,150 to 37,050. This reflects a net gain of 1,900 jobs. (Note: The differential between total job creation and non-farm job creation is accounted for by job losses in the agricultural sector. For more information on this, please see the Cochise County Agriculture section of this publication.)

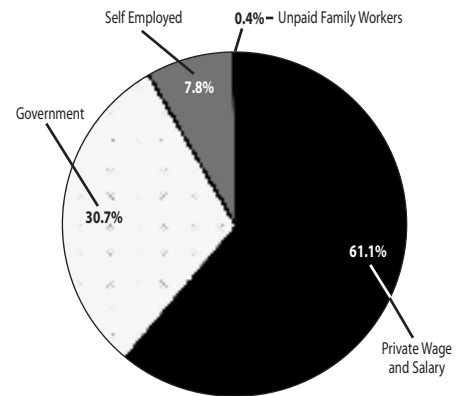
The fastest growing industry grouping in 2005, as measured by percent change, was professional and business services, which grew by 600 jobs for job growth of 16 percent. Other industry groupings that experienced job growth were mining and construction, which grew by 275 jobs (11.1 percent); state and local government, which grew by 500 jobs (7.4 percent); leisure and hospitality, which grew by 200 jobs (5.1 percent); educational and health services, which grew by 175 jobs (4.6 percent); federal government, which grew by 175 jobs (3.7 percent); financial activities, which grew by 25 jobs (2.6 percent); and trade, transportation, and utilities, which grew by 75 jobs (1.2 percent). Industry groupings that lost jobs in 2005 were other services, which lost 50 jobs (-4.7 percent); and information, which lost 25 jobs (-5 percent). The manufacturing industry remained unchanged in 2005, stabilizing at 850 jobs.

DOUGLAS OCCUPATIONS, 2000



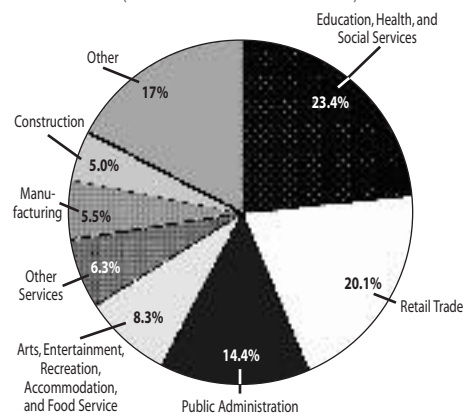
Source: U.S. Census Bureau and Cochise College Center for Economic Research.

DOUGLAS CLASSES OF WORKERS, 2000



Source: U.S. Census Bureau and the Cochise College Center for Economic Research.

INDUSTRIES IN DOUGLAS, 2000 (BY PERCENT OF WORKFORCE)



Note: Includes only those industries comprising at least 5 percent of the workforce. Source: U.S. Census Bureau and the Cochise College Center for Economic Research.

Douglas' labor force is projected to reach 6,807 in 2011.
 Photo: Courtesy City of Douglas.



Outlook

Douglas' labor force is projected to reach 6,807 in 2011. The unemployment rate is expected to increase slightly, reaching 7.6 percent in 2007 and 2008 as tighter monetary policy at the national level leads to continued interest-rate increases. Wages and salaries can be expected to grow by about 2.1 percent per year.

At the county level, the CER projects the total number of jobs will grow by an average of 2.6 percent annually between 2006 and 2009.

DOUGLAS' TOP 10 EMPLOYERS, 2006

EMPLOYER	FTE* EMPLOYEES
Arizona Department of Corrections	651
Douglas Unified School District	541
Homeland Security: Douglas Border Patrol Station	471
Wal-Mart Stores, Inc.	339
Cochise College	223
City of Douglas	222
Homeland Security: Field Operations	112
Southeast Arizona Medical Center	98
Basha's Inc.	71
Cochise County	59

*(FTE) A fulltime equivalent employee equals one fulltime employee or two part-time employees. For employers with multiple site locations, the number of fulltime equivalent employees reflects only those employees reporting to work in Douglas. This list includes only those employers who responded to the annual major employer survey. Source: Cochise College Center for Economic Research.

The number of jobs in the county is forecasted to reach 58,750 in 2009.

The total number of non-farm jobs in the county is projected to grow by 2.1 percent per year over the next four years, reaching 40,200 jobs in 2009. Private-sector jobs in the county are forecasted to grow by 2.2 percent annually over the next few years, reaching 27,075 in 2009. Government jobs are projected to grow by 1.9 percent per year over the next few years, reaching 13,125 in 2009.

The goods-producing sector of the local economy, which includes mining and construction, as well as manufacturing, is projected to experience an average annual job growth rate of 2.2 percent, reaching 3,925 jobs in 2009. Most of these jobs will be in the construction industry, as steady population growth offsets declines that would

DOUGLAS BUSINESS ESTABLISHMENTS BY EMPLOYMENT-SIZE CLASS, 2003

	NUMBER OF ESTABLISHMENTS BY EMPLOYMENT-SIZE CLASS						
	TOTAL	1-4	5-9	10-19	20-49	50-99	100-249
Total Establishments	257	139	64	31	15	4	4
Accommodation & food services	33	17	3	6	4	3	0
Admin, support, waste mgt, remediation services	3	2	0	1	0	0	0
Arts, entertainment & recreation	3	1	1	1	0	0	0
Auxiliaries	0	0	0	0	0	0	0
Construction	9	5	2	2	0	0	0
Educational services	3	1	1	1	0	0	0
Finance & insurance	15	7	5	3	0	0	0
Forestry, fishing, hunting, and agriculture	1	0	1	0	0	0	0
Health care and social assistance	24	9	7	2	4	1	1
Information	5	2	2	0	1	0	0
Management of companies & enterprises	1	1	0	0	0	0	0
Manufacturing	4	1	1	0	2	0	0
Other services (except public administration)	36	25	11	0	0	0	0
Professional, scientific & technical services	10	8	2	0	0	0	0
Real estate & rental & leasing	13	11	2	0	0	0	0
Retail trade	73	36	19	12	3	0	3
Transportation & warehousing	13	8	5	0	0	0	0
Unclassified establishments	1	1	0	0	0	0	0
Utilities	2	0	0	2	0	0	0
Wholesale trade	8	4	2	1	1	0	0

Source: U.S. Census Bureau 2002 ZIP Code Business Patterns and Cochise College Center for Economic Research

otherwise be expected to result from rising long-term interest rates. Job growth in this category should be slow in 2006, as a result of inflationary pressures on building and construction materials resulting from increased demand worldwide; however, the pace should pick up in 2007 and beyond as the supply of materials expands and the market re-establishes equilibrium.

The service-providing sector in Cochise County is projected to experience average annual job growth of 2.1 percent, reaching 36,275 jobs in 2009. The service-providing sector includes trade, transportation, and utilities; information; financial activities; professional and business services; educational and health services; leisure and hospitality; other services; and government.

Overall, it is projected that 5,825 jobs will be created in the county in the years 2006 through 2009. Of these, 3,150 are projected to be non-farm jobs, while the remaining 2,675 are projected to occur in the agricultural sector. Of the 3,150 non-farm jobs, 2,200 are projected to be in the private sector and 950 in government.

Of total non-farm job creation in Cochise County, the industry groupings projected to see the largest numbers of new jobs are federal government, educational and health services, professional and business services, and mining and construction.

Federal government jobs are projected to grow by 700 jobs in the years 2006 through 2009, for average annual job growth of 3.4 percent. The strong growth in this category will be driven by the federal government's continued emphasis on homeland security and efforts to secure the nation's border with Mexico.

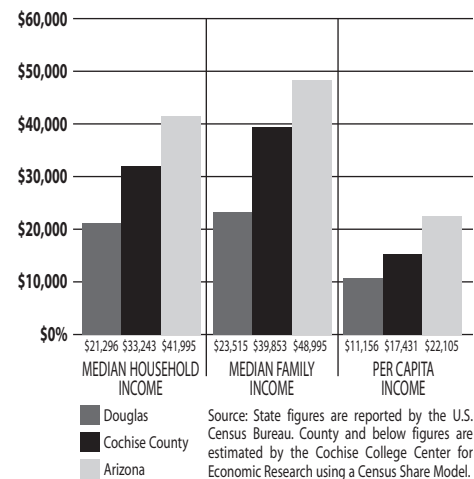
The industry grouping of educational and health services is projected to grow by 600 jobs in the years 2006 through 2009, for average annual job growth of 3.6 percent. An increase in the population of school-age children is expected to increase demand for workers in educational services. An aging population resulting from longer life spans and the continued influxes of retirees will increase demand for health services workers.

DOUGLAS BUSINESS ESTABLISHMENTS, EMPLOYEES, AND PAYROLL, 2001-2003

	2001	2002	2003
No. of Business Establishments	297	275	257
Number of Employees	2,607	2,920	2,476
Annual Payroll	\$49,808,000	\$48,997,000	\$43,830,000
Annual Payroll Per Employee	\$19,105	\$16,780	\$17,702

Note: Includes businesses located in postal zip codes 85607 and 85608. Source: U.S. Census Bureau.

INCOME COMPARISON, 2004

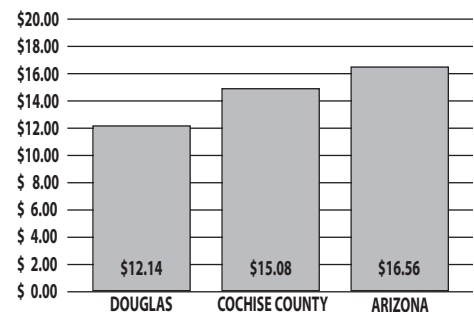


COCHISE COUNTY EMPLOYMENT BY CATEGORY, 2004-2005

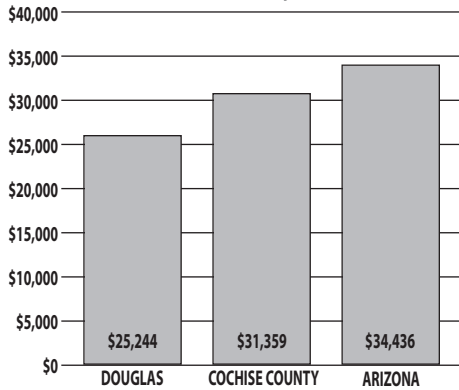
	2004	2005	CHANGE	% CHANGE
Total Employment	52,925	51,350	1,575	3.1%
Total Nonfarm	37,050	35,150	1,900	5.4%
Total Private	24,875	23,650	1,225	5.2%
Goods-Producing	3,600	3,350	250	7.5%
Mining and Construction	2,750	2,475	275	11.1%
Manufacturing	850	850	0	0.0%
Service-Providing	33,450	31,800	1,650	5.2%
Private Service-Providing	21,275	20,300	975	4.8%
Trade, Transportation, and Utilities	6,425	6,350	75	1.2%
Information	475	500	-25	-5.0%
Financial Activities	975	950	25	2.6%
Professional and Business Services	4,350	3,750	600	16.0%
Educational and Health Services	3,950	3,775	175	4.6%
Leisure and Hospitality	4,100	3,900	200	5.1%
Other Services	1,025	1,075	-50	-4.7%
Government	12,175	11,500	675	5.9%
Federal Government	4,950	4,775	175	3.7%
State and Local Government	7,225	6,725	500	7.4%

Note: Numbers are rounded to the nearest 25. Discrepancies are due to rounding. Source: Arizona Department of Economic Security and Cochise College Center for Economic Research.

AVERAGE HOURLY WAGE COMPARISONS, 2004



AVERAGE ANNUAL SALARY COMPARISONS, 2004



Source: State and county figures are reported by the Arizona Department of Economic Security. Sub-county figures are estimated by the Cochise College Center for Economic Research using a Census Share Model.

The industry grouping of professional and business services is projected to grow by 500 jobs in the years 2006 through 2009, for average annual job growth of 2.8 percent.

The industry grouping of mining and construction is projected to grow by 375 jobs in the years 2006 through 2009, for average annual job growth of 3.3 percent. Most of the new jobs will occur in construction as residential and business development continues throughout the county and steady population growth counteracts increases in long-term interest rates and inflationary pressures.

The industry grouping of leisure and hospitality is projected to grow by 200 jobs in the years 2006 through 2009, for average annual job growth of 1.5 percent. The projected growth is attributable to increased tourism as a result of local efforts to attract more visitors, as well as increased activity at Fort Huachuca, which brings an increasing number of military and civilian personnel to the area on temporary duty status.

The industry grouping of trade, transportation, and utilities is projected to grow by 275 jobs in the years 2006 through 2009, for average annual job growth of 1.1 percent.

State and local government jobs are projected to grow by 250 jobs in the years 2006 through 2009, for average annual job growth of 0.9 percent.

The industry grouping of financial activities is projected to grow by 175 jobs in the years 2006 through 2009, for average annual job growth of 4.2 percent. Strong job growth in this category will be driven by increased business and residential development in the area, necessitating increased and expanded financial support activities.

The industry grouping of "other services" is projected to grow by 75 jobs in the years 2006 through 2009, for average annual job growth of 1.8 percent.

The information industry is projected to decline by 25 jobs in the years 2006 through 2009, for average annual job growth of -1.3 percent.

Manufacturing is projected to decline by 25 jobs in the years 2006 through 2009, for average annual job growth of -1.5 percent. Slower growth is attributable to increased foreign competition and excess capacity in these markets.

COCHISE COUNTY JOB GROWTH PROJECTIONS, 2006-2009

	2006		2007		2008		2009	
	NUMBER	GROWTH	NUMBER	GROWTH	NUMBER	GROWTH	NUMBER	GROWTH
Total Number of Jobs	54,325	2.6%	55,800	2.7%	57,275	2.6%	58,750	2.6%
Total Non-farm Jobs	37,450	1.1%	38,375	2.5%	39,300	2.4%	40,200	2.3%
Total Private Sector Jobs	25,100	0.9%	25,775	2.7%	26,425	2.5%	27,075	2.5%
Goods Producing	3,575	-0.7%	3,700	3.5%	3,800	2.7%	3,925	3.3%
Mining & Construction	2,750	0.0%	2,875	4.5%	3,000	4.3%	3,125	4.2%
Manufacturing	825	-2.9%	825	0.0%	800	-3.0%	800	0.0%
Service-Providing	33,875	1.3%	34,675	2.4%	35,500	2.4%	36,275	2.2%
Private Service Providing	21,525	1.2%	22,075	2.6%	22,625	2.5%	23,150	2.3%
Trade, Transportation, and Utilities	6,425	0.0%	6,525	1.6%	6,600	1.1%	6,700	1.5%
Information	475	0.0%	475	0.0%	475	0.0%	450	-5.3%
Financial Activities	1,025	5.1%	1,075	4.9%	1,100	2.3%	1,150	4.5%
Professional and Business Services	4,325	-0.6%	4,500	4.0%	4,675	3.9%	4,850	3.7%
Educational and Health Services	4,075	3.2%	4,225	3.7%	4,400	4.1%	4,550	3.4%
Leisure and Hospitality	4,100	0.0%	4,175	1.8%	4,275	2.4%	4,350	1.8%
Other Services	1,100	7.3%	1,100	0.0%	1,100	0.0%	1,100	0.0%
Government	12,350	1.4%	12,600	2.0%	12,875	2.2%	13,125	1.9%
Federal Government	5,125	3.5%	5,300	3.4%	5,475	3.3%	5,650	3.2%
State and Local Government	7,225	0.0%	7,300	1.0%	7,400	1.4%	7,475	1.0%

Note: Rounded to nearest 25. Forecasts by the Cochise College Center for Economic Research.

DOUGLAS EMPLOYMENT FORECAST, 2006-2011

	2006	2007	2008	2009	2010	2011
Labor Force	6,117	6,259	6,396	6,533	6,670	6,807
Unemployment Rate	7.5%	7.6%	7.6%	7.7%	7.7%	7.7%
Average Hourly Wage	\$12.61	\$12.89	\$13.17	\$13.45	\$13.73	\$14.01
Average Annual Salary	\$26,227	\$26,812	\$27,398	\$27,984	\$28,569	\$29,155

Forecasts by the Cochise College Center for Economic Research.

A Note on Employment Data

Employment data are widely regarded as one of the most important economic indicators. However, employment figures are subject to sizable revisions. For the most up-to-date employment data for the local economy, please visit the CER's website at www.cochise.edu/cer.



Retail and Trade

Restaurant and bar sales are forecasted to grow at an average annual rate of 3.5 percent.

Photo: Courtesy CER Staff – Kimberly Kelso.

Although the population of Douglas is 17,195, the commercial market in the Douglas area serves an estimated population of more than 150,000, including Douglas, Pirtleville, Agua Prieta, and surrounding areas. The Janos Highway, which is the shortest paved route to Mexico City and Guadalajara in the western United States, originates in Douglas, attracting many travelers through the city. Douglas also attracts many tourists, sightseers, shoppers, and other visitors from across Cochise County and surrounding areas due to its rich cultural heritage and easy access to Mexico. According to the Arizona Department of Transportation, more than 11,000 vehicles per day travel along SR 80 through the Douglas area.

Total Taxable Sales

Total taxable sales in Douglas include the categories of communications and utilities; construction; manufacturing; wholesale trade; retail trade; real estate, rental and leasing; restaurant and bar; services; and the category of “other.” Retail trade accounted for 73.5 percent of total taxable sales from May 2005 through April 2006, by far the largest category of sales in Douglas. This was followed by restaurant and bar sales, which accounted for 6.6 percent, and communications and utilities, which accounted for 5.2 percent of total taxable sales. All other categories of sales each accounted for less than 5 percent of sales.

Taxable sales in Douglas for

AVERAGE ANNUAL DAILY TRAFFIC COUNT, 2001-2004

LOCATION	2001	2002	2003	2004
SR 80, US 191 to Chino Rd.	8,300	9,400	9,200	10,400
SR 80, Chino Rd. to Pirtleville Rd.-Douglas	8,300	8,400	8,000	2,200
SR 80, Pirtleville Rd. – West of Douglas to US 191B/ Hwy 80	12,100	11,800	12,000	11,100

Note: Figures are rounded to nearest hundred. Source: Arizona Department of Transportation.

DOUGLAS TOTAL TAXABLE SALES, 2001-2006

YEAR	SALES	% CHANGE	INFLATION-ADJUSTED GROWTH
2001	\$165,237,519	-0.5%	-3.3%
2002	\$166,798,432	0.9%	-0.7%
2003	\$168,373,722	0.9%	-1.4%
2004	\$183,133,360	8.8%	6.1%
2005	\$180,905,120	-1.2%	-4.6%
2006*	\$61,443,960	9.7%	6.1%

*January through April only; percent change and inflation-adjusted growth based on same period a year prior. Note: Inflation-adjusted growth is calculated using the inflation rates as determined by the Consumer Price Index (CPI). Data shown are estimates. Source: Arizona Department of Revenue and Cochise College Center for Economic Research.

In 2005, Douglas' restaurant and bar sales accounted for 12.3 percent of the countywide total. Photo: Courtesy CER Staff – V.Tina Gilbertson.



2005 totaled \$180.9 million, down 1.2 percent from 2004. Adjusting for inflation, which was 3.4 percent, this represents real growth of -4.6 percent. In the first four months of 2006, taxable sales rebounded, totaling \$61.4 million. This was up 9.7 percent from the same period in 2005, reflecting inflation-adjusted growth of 6.1 percent. Total sales in Douglas have been unstable over the past few years, alternating between periods of positive and negative growth.

DOUGLAS TOTAL TAXABLE SALES BY CATEGORY, MAY 2005 - APRIL 2006

INDUSTRY GROUP	SALES	PERCENT OF TOTAL SALES
Communications & Utilities	\$9,740,400	5.2%
Construction	\$6,336,200	3.4%
Manufacturing	\$3,314,720	1.8%
Wholesale Trade	\$3,893,240	2.1%
Retail Trade	\$136,807,920	73.5%
Real Estate, Rental & Leasing	\$6,657,280	3.6%
Restaurant & Bar	\$12,381,680	6.6%
Services	\$1,622,320	0.9%
Other	\$5,493,880	2.9%
TOTAL	\$186,247,640	

Note: Data shown are estimates. Source: Arizona Department of Revenue and Cochise College Center for Economic Research.

DOUGLAS RETAIL SALES, 2001-2006

YEAR	SALES	% CHANGE	INFLATION-ADJUSTED GROWTH
2001	\$123,682,604	0.5%	-2.3%
2002	\$125,116,400	1.2%	-0.4%
2003	\$118,533,640	-5.3%	-7.6%
2004	\$123,575,800	4.3%	1.6%
2005	\$133,595,800	8.1%	4.7%
2006*	\$42,987,800	7.9%	4.3%

*January through April only; percent change and inflation-adjusted growth based on same period a year prior. Note: Inflation-adjusted growth is calculated using the inflation rates as determined by the Consumer Price Index (CPI). Data shown are estimates. Source: Arizona Department of Revenue and Cochise College Center for Economic Research.

DOUGLAS RETAIL SALES PER CAPITA, 2001-2005

YEAR	RETAIL SALES PER CAPITA	% CHANGE	INFLATION-ADJUSTED GROWTH
2001	\$7,451	—	—
2002	\$7,364	-1.2%	-2.8%
2003	\$6,942	-5.7%	-8.0%
2004	\$7,235	4.2%	1.5%
2005	\$7,769	7.4%	4.0%

Note: Based on population estimates provided by the Arizona Department of Economic Security and sales tax collection data provided by the Arizona Department of Revenue.

Retail Sales

According to the U.S. Census Bureau, in 2003 there were 73 establishments in Douglas whose primary business was retail trade. This was up from 72 a year prior, but down from 78 in 2001.

In 2005, retail sales in Douglas totaled \$133.6 million, up 8.1 percent from 2004, for solid, inflation-adjusted growth of 4.7 percent. Douglas' retail sales in 2005 accounted for 18.3 percent of all retail sales countywide. This was up from 17.8 percent in 2004. The increase in Douglas' share of countywide retail sales is likely attributable to the opening of the Wal-Mart Supercenter in late 2004, which more than doubled the size of the city's previous Wal-Mart store.

From January through April 2006, retail sales in Douglas continued the pattern of strong growth seen in 2005. In the first four months of the year, retail sales were up 7.9 percent, for inflation-adjusted growth of 4.3 percent, when compared to the same period of 2005.

In 2005, retail sales per capita in Douglas totaled \$7,769, up 7.4 percent from a year prior, for inflation-adjusted growth of 4 percent. Retail sales per capita declined steadily between 2001 and 2003, but this trend reversed itself beginning in 2004.

Retail sales in Douglas were strong in 2005 and into the first four months of 2006, despite the tightening of monetary policy at the national level, which has resulted in higher interest rates throughout the economy. Higher interest rates have the effect of discouraging borrowing and slowing consumer spending. However, despite this continued tightening of monetary policy, along with nationwide inflationary pressures, retail sales in the city have continued to grow at a healthy pace. The strong growth in retail sales beginning in 2004 and continuing through the first four months of 2006 reflects the longest period of sustained growth in the city's retail sales since the late 1990s.

Restaurant and Bar Sales

In 2005, restaurant and bar receipts in Douglas totaled \$12 million, down 3.7 percent from 2004. This represents inflation-adjusted growth of -7.1 percent. In the first four months of 2006, restaurant and bar sales rebounded, showing growth of 10.9 percent when compared to the same period of 2005, reflecting inflation-adjusted growth of 7.3 percent.

In 2005, Douglas' restaurant and bar sales accounted for 12.3 percent of the countywide total, down from 13.9 percent in 2004. Since 2000, restaurant and bar sales in

Douglas have been unstable, alternating between periods of positive and negative growth.

Business Establishments

According to the U.S. Census Bureau, as of 2003, there were 257 business establishments located in the Douglas area (zip codes 85607 and 85608). The industry with the largest number of business establishments was retail trade, with 73 establishments, followed by other services (excluding public administration), with 36 establishments; accommodation and food services, with 33 establishments; healthcare and social assistance, with 24 establishments; and finance and insurance, with 15 establishments. Other industries in Douglas each had fewer than 15 establishments.

Between 2001 and 2003, the most recent data available, the number of business establishments in the Douglas area declined from 294 to 257. The only industries to grow in terms of the number of new establishments were healthcare and social assistance, which added three establishments, and administrative support, waste management, and remediation services, which added one establishment. Industries that saw the largest decrease in the number of businesses were construction, which declined by seven establishments; and retail trade, which declined by five establishments.

U.S. Census Bureau data for 2003 are the most recent available. However, business license activity reported by the City of Douglas indicates an increase in the total number of establishments in 2004 and 2005 (Note: U.S. Census Bureau business establishment data and Douglas business license activity are not compatible; however, the latter offers insight into the general trend observed subsequent to the most recent Census data).

Douglas Retail Out-Shopping Survey

In 2006, the Cochise College Center for Economic Research (CER) conducted a survey of Douglas residents to determine their level of retail out-shopping. Out-shopping refers to shopping done by Douglas residents at businesses located outside the City of Douglas. The intercept survey included 407 Douglas residents and was conducted at Douglas grocery stores at random days and times over a six-week period. The survey utilized a confidence level of 95 percent, with a margin of error of plus or minus 5 percent.

The category of computer hardware/software saw the greatest percentage of retail out-shopping. Residents reported conducting 30.1 percent of their computer hardware/software shopping outside of Douglas. The second-highest level of out-shopping was for books, with a 29.4 percent out-shopping rate; followed by furniture, with an out-shopping rate of 29.3 percent. The category of gasoline saw the lowest level of out-shopping at 21.7 percent, followed by groceries at 22.7 percent.

Retail out-shopping patterns provide an indication of unmet demand for retail goods or a lack of competitive pricing within the city, encouraging residents to shop elsewhere. Categories of retail goods with a high level of out-shopping present an opportunity for new businesses to enter the market to supply these goods, or for



DOUGLAS RESTAURANT & BAR SALES, 2000-2006

YEAR	SALES	% CHANGE	INFLATION-ADJUSTED GROWTH
2001	\$11,192,256	2.6%	-0.2%
2002	\$12,012,009	7.3%	5.7%
2003	\$10,697,440	-10.9%	-13.2%
2004	\$12,419,680	16.1%	13.4%
2005	\$11,954,560	-3.7%	-7.1%
2006*	\$4,270,080	10.9%	7.3%

*January through April only; percent change and inflation-adjusted growth based on same period a year prior. Note: Inflation-adjusted growth is calculated using the inflation rates as determined by the Consumer Price Index (CPI). Data shown are estimates. Source: Arizona Department of Revenue and Cochise College Center for Economic Research.

DOUGLAS SHARE OF TOTAL COUNTY SALES, 2004-2005

CATEGORY	2004	2005
Total Taxable Sales	15.6%	14.3%
Retail	17.8%	18.3%
Restaurant & Bar	13.9%	12.3%

Note: County total includes only those sales occurring in the incorporated cities and towns. Source: Arizona Department of Revenue and Cochise College Center for Economic Research.

DOUGLAS BUSINESS ESTABLISHMENTS, 2001-2003

INDUSTRY	2001	2002	2003
Accommodation & food services	35	35	33
Admin, support, waste mgt, remediation services	2	2	3
Arts, entertainment, and recreation	4	3	3
Auxiliaries	3	2	0
Construction	16	14	9
Educational services	5	6	3
Finance & insurance	17	16	15
Forestry, fishing, hunting, and agriculture	1	1	1
Health care and social assistance	21	24	24
Information	6	6	5
Management of companies & enterprises	3	2	1
Manufacturing	8	4	4
Other services (except public administration)	38	37	36
Professional, scientific & technical services	10	9	10
Real estate & rental & leasing	15	15	13
Retail trade	78	72	73
Transportation & warehousing	17	16	13
Unclassified establishments	2	0	1
Utilities	2	2	2
Wholesale trade	11	9	8
TOTAL	294	275	257

Note: Data for zip codes 85607 and 85608. Source: U.S. Census Bureau and Cochise College Center for Economic Research.

Accommodation receipts are not available for Douglas due to the small number of establishments and Arizona Department of Revenue's confidentiality policy. Photo: Gadsden Hotel – Governor's Suite. Courtesy CER Staff – V. Tina Gilbertson.

DOUGLAS BUSINESS LICENSES, 2004-2005

	NEW LICENSES	RENEWED LICENSES	CANCELLED LICENSES	TOTAL ACTIVE LICENSES
2004	71	388	25	484
2005	109	612	43	764

Note: Business licenses in the City of Douglas must be renewed each year.
Source: City of Douglas.

RETAIL OUT-SHOPPING BY DOUGLAS RESIDENTS

CATEGORY OF SALES	(%) OUT-SHOPPING
Auto parts and accessories.....	27.6
Furniture	29.3
Home Furnishings	28.3
Electronics.....	28.5
Computer hardware/software	30.1
Appliances	28.0
Building materials	28.1
Hardware.....	27.4
Garden supplies	27.2
Groceries	22.7
Beer, wine, and liquor	26.6
Health and personal care items	24.1
Gasoline.....	21.7
Men's clothing.....	26.5
Women's clothing.....	26.5
Children's clothing.....	26.6
Jewelry.....	28.3
Sporting goods.....	28.4
Hobby supplies.....	28.5
Books	29.4
Music (CDs, tapes, etc.)	27.5
Video (DVDs, VHS tapes, etc.)	27.6

Source: Cochise College Center for Economic Research.

existing businesses to expand within the market.

The 2006 retail out-shopping survey also revealed that Douglas residents conducted 7.8 percent of their retail shopping over the internet, and 4.4 percent via catalogs.

The retail out-shopping survey also included a space for free-response comments. A total of 18.9 percent of respondents entered comments in the free-response section. Of those providing comments, 28.6 percent indicated they believed there were too few stores or a lack of variety and availability of retail goods in Douglas. A total of 10.4 indicated they believed retail prices in Douglas were too high. Of respondents leaving comments, 7.8 percent indicated cleanliness of stores in Douglas was problematic, and 5.2 percent indicated customer-service skills were a problem. A total of 16.9 percent of those completing the free-response section offered only generalized, positive comments of retail shopping in Douglas.

Outlook

Forecasting sales in Douglas for the coming years is extremely tenuous due to the relative instability and the lack of clearly established trends over the past few years. For example, annual growth of total taxable sales over the past five years has ranged from a high of 8.8 percent in 2004 to a low of -1.2 percent in 2005. Growth in retail sales has ranged from a high of 8.1 percent in 2005 to a low of -5.3 percent in 2003. Restaurant and bar sales also have been subject to drastic shifts between positive and negative growth, ranging from -10.9 percent in 2003 to positive growth of 16.1 percent in 2004.

The forecasts provided in this section employ time-series trend analysis to identify the general trend in sales over time, and project that trend into future years. Total sales are forecasted to grow by an average annual rate of 3.4 percent per year between 2006 and 2011. Retail sales are projected to grow by an average of 3.2 percent per year during this same period. Also during this period, restaurant and bar sales are forecasted to grow at an average annual rate of 3.5 percent.

DOUGLAS SALES FORECAST, 2006-2011

	2006	2007	2008	2009	2010	2011
Total Taxable Sales (\$)	\$198,452,917	\$198,452,917	\$203,988,816	\$209,524,716	\$215,060,615	\$220,596,515
Total Taxable Sales (Growth)	9.7%	0.0%	2.8%	2.7%	2.6%	2.6%
Retail Sales (\$)	\$144,149,868	\$147,561,079	\$150,972,290	\$154,383,500	\$157,794,711	\$161,205,922
Retail Sales (Growth)	7.9%	2.4%	2.3%	2.3%	2.2%	2.2%
Restaurant & Bar Sales (\$)	\$13,257,607	\$13,257,607	\$13,601,832	\$13,946,057	\$14,290,283	\$14,634,508
Restaurant & Bar Sales (Growth)	10.9%	0.0%	2.6%	2.5%	2.5%	2.4%

Forecasts by the Cochise College Center for Economic Research.



Housing and Real Estate

Rancho La Perilla Estates offers homes located around the Douglas Golf Course. Photo: Courtesy CER Staff – V. Tina Gilbertson.

From June 2003 to June 2004, the federal funds rate, a major determinant of mortgage rates, sat at 1 percent, its lowest level since 1958. But although the federal funds rate has increased steadily since June 2004, mortgage rates, until recently, have been unusually slow to respond.

As the federal funds rate increased steadily from 1.0 to 2.5 percent between June 2004 and February 2005, the average contract rate on a 30-year fixed conventional mortgage, as reported by the Federal Housing Finance Board, actually decreased from 6.25 to 5.9 percent, continuing the housing boom that began in mid-2003. Between February and April 2005, the average contract rate inched upward to 6.09 percent, but then dropped steadily between April and July to 5.78 percent. Between July and December of last year, the average rate for a 30-year, fixed mortgage climbed to 6.44 percent, but then dropped slightly to 6.4 percent in January of this year. Between January and June of this year, the average contract rate increased steadily to 6.71 percent.

New Home Construction

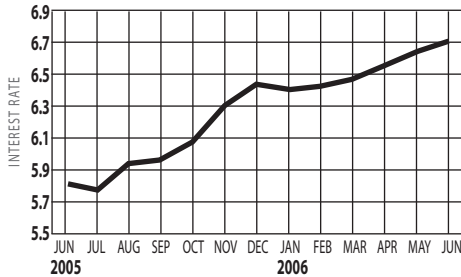
In 2005, there were 1,108 building permits issued for single family residential construction of site-built homes in Cochise County, up 5.8 percent from 2004. Of these, 81 were for construction in Douglas, more than triple the number of permits from a year prior. New residential construction permits in Douglas accounted for 7.3 percent of countywide permits in 2005, up from 2.5 percent in 2004.

In Cochise County in 2005, the average permit value of a new, single-family residential home was \$123,796, up 17 percent from 2004. In Douglas, the average permit value was considerably lower at \$107,785, but this was up 27.3 percent from a year prior.

In the first six months of 2006, there were 619 building permits issued for new

At the state level, economic indicators offer good reason for optimism. Recently revised figures from the U.S. Department of Commerce indicate Arizona's Gross State Product (GSP) rose 7.1 percent in 2004, its largest rate of increase since 2000.

U.S. AVERAGE CONTRACT RATE, FIXED 30-YEAR MORTGAGES, 2005-2006



Source: Federal Housing Finance Board and Cochise College Center for Economic Research.

SINGLE FAMILY RESIDENTIAL PERMITS – COCHISE COUNTY, 2002-2006

YEAR	NO.	AVERAGE PRICE	PRICE CHANGE
2002	653	\$93,550	—
2003	926	\$97,340	4.1%
2004	1,046	\$105,840	8.7%
2005	1,108	\$123,796	17.0%
2006*	619	\$141,561	14.4%

*January-June only; change based on comparison to previous year-end figures. Note: Price does not include value of land. Source: Bright Future Business Consultants of Tucson and Cochise College Center for Economic Research.

SINGLE FAMILY RESIDENTIAL PERMITS – DOUGLAS, 2001-2006

YEAR	NO.	AVERAGE PRICE	PRICE CHANGE
2001	21	\$64,800	-10.0%
2002	11	\$118,133	82.3%
2003	19	\$98,584	-16.5%
2004	26	\$84,663	-14.1%
2005	81	\$107,785	27.3%
2006*	30	\$109,640	1.7%

*January-June only; change based on comparison to previous year-end figures. Note: Price does not include value of land. Source: City of Douglas and Cochise College Center for Economic Research.

NEW SINGLE FAMILY RESIDENTIAL PERMIT VALUE, 2005

LOCATION	AVERAGE VALUE	AVERAGE VALUE CHANGE FROM 2004
Cochise County	\$123,796	17.0%
Douglas	\$109,640	1.7%

Note: Price does not include value of land. Source: City of Douglas, Bright Future Business Consultants of Tucson, and Cochise College Center for Economic Research.

New residential construction permits in Douglas accounted for 7.3 percent of countywide permits in 2005. Photo: Courtesy CER Staff – V. Tina Gilbertson.

single family residential construction in Cochise County. Of these, 30 were for construction in Douglas. New residential construction permits in Douglas from January through June of this year accounted for 4.8 percent of countywide permits, compared to 7.3 percent for all of 2005.

At the county level in the first half of 2006, the average permit value of a new, single-family residential home was \$141,561, up 14.4 percent from the average price for all of 2005. In Douglas, the average permit value was considerably lower at \$109,640, up only 1.7 percent from 2005. (Note: Permit values do not include the value of land.)

Commercial Construction

In 2005, there was one permit issued for new commercial construction in Douglas at a total dollar valuation of \$2.5 million. In the first six months of 2006, there was one permit issued at a valuation of \$889,000. Between 2001 and 2005, there was \$24 million in new commercial construction in Douglas, compared to \$9.3 million in the previous five-year period (1996-2000). This represents an inflation-adjusted boost in new commercial construction of 132.7 percent in the most recent five-year period, when compared to the previous five-year period. (Note: Permit values do not include the value of land.)

Cochise County Land Transactions

In 2005, there were 3,663 vacant land transactions countywide, up 48.5 percent from 2004. The median price of land that changed ownership in 2005 was \$38,500, up 45.3 percent from a year prior. In 2005, land changed ownership at a wide range of prices, ranging from land that changed ownership at no cost to the new owner, to a single purchase that changed ownership at a price of \$26.5 million. Countywide, approximately 20 percent of the land parcels that changed owners were sold at prices at or below \$7,000, while about 20 percent were priced at \$97,000 or above. The modal price, or the price at which most vacant land parcels were sold in 2005, was \$40,000. Eliminating the lowest- and highest-priced 25 percent, the middle 50 percent of land sold in Cochise County in 2005 was priced between \$11,000 and \$80,000.

Cochise County Housing Market Summary

In Cochise County in 2005, there were 611 closings on new homes, down 6.9 percent from 2004. The median price at closing was \$210,000 (includes land), up 24 percent from a year prior. New home closings in 2005 accounted for 17.7 percent of total



home closings countywide, with resale homes accounting for the remainder. This was down from 21 percent new homes in 2004. In the first five months of 2005, new homes accounted for 16.5 percent of total home closings. The median price of new homes countywide from January through May of this year was \$250,915, up 19.5 percent from 2005.

There were 2,850 resale home closings in Cochise County in 2005, up 15.7 percent from 2004. The median price at closing was \$140,050,

up 21.8 percent from a year prior. Resale home closings in 2005 accounted for 82.3 percent of total closings countywide. This was up from 79 percent in 2004. In the first five months of 2006, there were 1,008 resale homes closings, which comprised 83.5 percent of total home closings. The median price of resale homes countywide from January through May of this year was \$143,510, up only 2.5 percent from 2005.



In 2005, there was one permit issued for new commercial construction in Douglas at a total dollar valuation of \$2.5 million. Photo: Courtesy City of Douglas.

Outlook

In 2005, the Cochise County housing market was characterized by a shift away from new home construction and toward the purchase of resale homes. The number of permits for new, single-family residential construction countywide grew at its slowest rate in years, and new home closings declined for the first time in years. At the same time, the volume of sales of existing homes grew by more than 15 percent as homeowners and investors sought to cash in their equity and capitalize on higher home prices. This trend continued into the first five months of 2006, with a continued shift of the housing market from new to resale homes.

But while the number of new residential construction permits countywide grew at its slowest rate in years, much of this was due to slowed growth in Sierra Vista and the unincorporated areas in the southwest quadrant of the county. For years, the vast majority of new home construction in Cochise County has taken place in the southwest quadrant. But while growth has slowed in that area, it has accelerated in other areas of the county, including Douglas. This was evidenced by the more-than-tripling of new home permits in the city in 2005.

Indications are that there will be slowing of new residential construction in 2006. The combined effects of inflationary pressures on building and construction materials, higher energy costs, rising long-term interest rates, and an increase in the supply of resale homes on the market combine to pose a threat to new home construction, not only in Douglas but throughout Cochise County.

COMMERCIAL BUILDING PERMITS (NEW CONSTRUCTION) CITY OF DOUGLAS, 2001-2006

YEAR	NUMBER	TOTAL VAULTION
2001	7	\$2,522,000
2002	2	\$42,000
2003	4	\$9,830,000
2004	5	\$9,118,000
2005	1	\$2,528,000
2006	1	\$889,416

Note: Price does not include value of land. Source: City of Douglas and Cochise College Center for Economic Research.

COCHISE COUNTY LAND TRANSACTIONS, 2001-2005

YEAR	NUMBER	CHANGE IN VOLUME	MEDIAN PRICE	PRICE CHANGE
2001	931	—	\$16,000	—
2002	1,893	103.3%	\$20,500	28.1%
2003	2,162	14.2%	\$20,000	-2.4%
2004	2,467	14.1%	\$26,500	32.5%
2005	3,663	48.5%	\$38,500	45.3%

Source: Bright Future Business Consultants of Tucson and Cochise College Center for Economic Research.

COCHISE COUNTY HOUSING MARKET AT A GLANCE, 2002-2006

YEAR	NEW HOME CLOSINGS	NEW HOME SALES MEDIAN PRICE	NEW HOME SALES AVERAGE PRICE	RESALE HOME CLOSINGS	RESALE HOME MEDIAN PRICE	RESALE HOME AVERAGE PRICE	NEW HOME PERMITS (SINGLE FAMILY RESIDENTIAL)
2002	330	\$148,460	\$149,937	1,884	\$104,438	\$89,900	653
2003	407	\$162,157	\$169,647	1,979	\$102,000	\$116,673	926
2004	656	\$169,421	\$179,599	2,464	\$115,000	\$128,857	1,047
2005	611	\$210,000	\$215,020	2,850	\$140,050	\$159,640	1,108
2006*	199	\$250,915	\$248,337	1,008	\$143,510	\$166,822	500

*January-May only. Source: Bright Future Business Consultants of Tucson.

Bank Deposits and Bankruptcy Filings



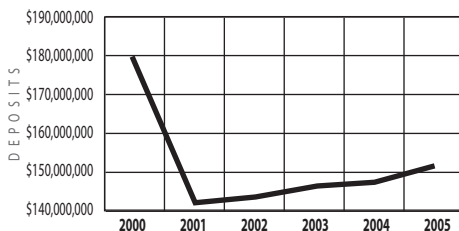
Douglas is served by three banks: JP Morgan Chase Bank, Bank of America, and Wells Fargo Bank.
Photo: Courtesy CER Staff – V. Tina Gilbertson.

BANK DEPOSITS 2000-2005

YEAR	DOUGLAS		COCHISE COUNTY	
	AMOUNT	CHANGE	AMOUNT	CHANGE
2000	\$180,130,000	35.1%	\$652,405,000	10.9%
2001	\$141,744,000	-21.3%	\$637,907,000	-2.2%
2002	\$143,603,000	1.3%	\$728,857,000	14.3%
2003	\$146,130,000	1.8%	\$769,197,000	5.5%
2004	\$146,814,000	0.5%	\$824,453,000	7.2%
2005	\$151,242,000	3.0%	\$904,994,000	9.8%

Note: Data reflect total deposits as of June 30 each year. Source: Federal Deposit Insurance Company and Cochise College Center for Economic Research.

DOUGLAS BANK DEPOSITS, 2000-2005



Source: Federal Deposit Insurance Company and Cochise College Center for Economic Research.

Bank Deposits

Douglas is served by three banks: JP Morgan Chase Bank, Bank of America, and Wells Fargo Bank. A fourth bank, National Bank of Arizona, closed its Douglas branch in October 2005. Bank deposits in Douglas for fiscal year 2005 totaled \$151.2 million, a 3 percent increase from 2004. At the county level, bank deposits in 2005 totaled \$905 million, an increase of 9.8 percent from a year prior. Growth in Douglas bank deposits was modest between 2002 and 2004 but picked up in 2005. Since 2000, Douglas banks have seen a steadily declining share of the Cochise County market.

(Note: Bank deposit data include only those deposits made to commercial banks. They do not include deposits to credit unions or other financial institutions. Annual deposits include those made each year in the 12 months ending June 30.)

Bankruptcy Filings

In 2005, there were 620 bankruptcies filed from within Cochise County, up 23 percent from 504 a year prior. Adjusting for population size, Cochise County's bankruptcy rate in 2005 increased to 4.7 bankruptcies per 1,000 residents, up from 3.89 in 2004. The increase of bankruptcies in Cochise County in 2005 followed the upward trend that was also seen at the state and national levels. While the county's bankruptcy rate grew by 23 percent in 2005, bankruptcies increased 28.5 percent at the state level and 30.1 percent nationally.

Despite the relatively steady increase in bankruptcies countywide since 2001 (with the exception of 2004, which saw a decline in bankruptcies), the Cochise County bankruptcy rate has remained well below state and national levels since the beginning of the new millennium. In 2005, Cochise County experienced 4.7 bankruptcies per 1,000 residents, compared to 6.49 at the state level and 7.01 nationally. Between 2000 and 2005, the narrowest gap between the Cochise County bankruptcy rate and those at the state and national levels was seen in 2000, when the county rate was only 2.5 percent below the state and 10.4 percent below the national rate. Since then, the gap

between Cochise County's bankruptcy rate and that of the state and nation has continued to widen. In 2005, Cochise County's bankruptcy rate was 27.6 percent below the state level, and 33 percent below the national level. This is reflective of a healthy environment for lending and borrowing, which has continued to fuel local consumption and investment spending.

DOUGLAS BANK DEPOSITS, SHARE OF COCHISE COUNTY MARKET, 2000-2005

YEAR	SHARE OF COCHISE COUNTY MARKET
2000	27.6%
2001	22.2%
2002	19.7%
2003	19.0%
2004	17.8%
2005	16.7%

Source: Federal Deposit Insurance Company and Cochise College Center for Economic Research.

COCHISE COUNTY BANKRUPTCY FILINGS, 2000-2005

YEAR	POPULATION	TOTAL FILINGS	FILINGS PER 1,000 POP.
2000	117,755	469	3.98
2001	128,845	478	3.71
2002	123,945	489	3.95
2003	125,430	533	4.25
2004	129,600	504	3.89
2005	131,790	620	4.70

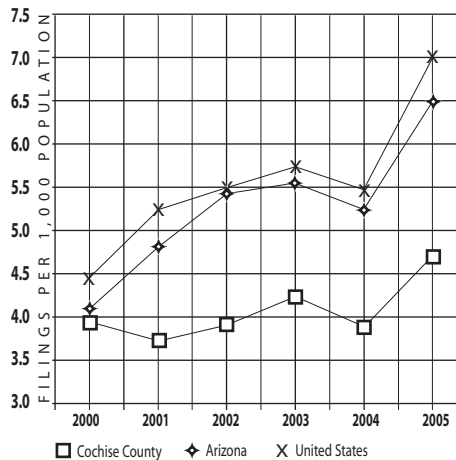
Source: U.S. Bankruptcy Court, Tucson Division; U.S. Census Bureau; Arizona Department of Economic Security; and Cochise College Center for Economic Research.

COMPARISONS OF BANKRUPTCY FILINGS (PER 1,000 POP.), 2000-2005

YEAR	COCHISE COUNTY	ARIZONA	UNITED STATES
2000	3.98	4.08	4.44
2001	3.71	4.79	5.23
2002	3.95	5.43	5.48
2003	4.25	5.55	5.71
2004	3.89	5.22	5.44
2005	4.70	6.49	7.01

Source: U.S. Bankruptcy Court, Tucson Division; U.S. Census Bureau; Arizona Department of Economic Security; and Cochise College Center for Economic Research.

BANKRUPTCY FILINGS (PER 1,000 POP.)



Source: U.S. Bankruptcy Court, Tucson Division; U.S. Census Bureau; Arizona Department of Economic Security; and Cochise College Center for Economic Research.

The Impact of Mexico



The Douglas Port of Entry.
Photo: Courtesy CER Staff – Kimberly Kelso.

US-MEXICO BORDER CROSSINGS, COCHISE COUNTY, 1996-2005

	DOUGLAS			NACO		
	U.S. CITIZENS	NON-U.S. CITIZENS	VEHICLES	U.S. CITIZENS	NON-U.S. CITIZENS	VEHICLES
1996	2,011,274	2,989,579	1,952,673	367,300	783,084	295,741
1997	2,106,251	3,103,164	2,031,280	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	2,140,308	215,628	825,875	345,611
2002	3,428,267	5,098,472	2,351,976	221,357	761,253	341,552
2003	2,310,310	3,447,921	2,123,801	214,949	756,782	343,411
2004	2,010,095	3,003,384	2,120,724	262,684	870,187	345,959
2005	2,174,486	3,151,861	2,137,150	405,921	957,048	320,432

Note: Includes only those crossing from Mexico into the United States. Source: U.S. Citizenship and Immigration Service, U.S. Customs Service, and University of Arizona Economic and Business Research.

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 crossover point for visitors from Mexico, ranging from day shoppers who cross legally through the designated ports of entry at Douglas and Naco, as well as the port of entry in Nogales in neighboring Santa Cruz County, to drug and illegal alien smugglers who cross illegally through the Sonoran desert. Day shoppers from Mexico contribute greatly to retail sales throughout the county, particularly in Douglas and Sierra Vista, due to the large retail sectors of those cities.

Douglas-Agua Prieta

Douglas shares a border with Agua Prieta, Sonora, Mexico. With thousands of border crossings each day at the Douglas Port of Entry, businesses in Douglas host many foreign shoppers.

Agua Prieta has traditionally been a ranching, farming, and copper smelting community, but since the passage of the North American Free Trade Agreement (NAFTA) in 1993 the town has seen a significant increase in maquiladoras (twin factories), which are foreign-owned factories that manufacture and assemble products for export.

Since the passage of NAFTA, the population of Agua Prieta has grown significantly, drawing residents from further south in search of employment opportunities. The town's current population is approximately 110,000, up from about 37,000 in 1990, according to the Municipal Government of Agua Prieta (MGAP). MGAP reports that 37.7 percent of the town's population is economically active, and the town's unemployment rate is 30 percent. The average monthly base salary with benefits is approximately \$515 in U.S. dollars.

As of 2005, there were 23 maquiladoras in Agua Prieta, employing 7,425 workers, according to MGAP. The largest is Levolor Kirsch, a retail factory, which employs 1,800 workers; followed by Takata, an automotive factory, which employs 1,250; and MWC de Mexico, an automotive factory, which employs 1,100.

According to MGAP, Agua Prieta offers several incentives for business development, including no-fee construction permits; administrative and legal assistance for startup opera-

tions; exemption from the 2 percent payroll tax for new corporations on newly created jobs for one to two years; free training programs for new employees (state government pays for employee training and the first eight weeks of trainee salaries, while the corporation designs the training program and hires instructors); assistance in site selection in Agua Prieta; build-to-suit coordination; public transport subsidy; labor market analysis; coordination with federal, state, and local authorities to obtain permits and other paperwork; employee recruitment assistance; and other incentives from the state government upon request. To learn more about Agua Prieta's economy and business opportunities, visit www.aguaprieta.gob.mx/promocion-economica. To learn more about investing in the State of Sonora, visit www.sonora.org.mx.

Border Crossings in Cochise County

Between 2000 and 2005, an average of more than 6.2 million people each year passed through the pedestrian walkway at the Douglas Port of Entry from Mexico into Douglas. About 60 percent of these were non-U.S. citizens, while 40 percent were U.S. citizens returning from visits to Mexico. In addition, about 2.2 million vehicles entered into the United States from Mexico through the Douglas port each year.

Since 2000, the number of non-U.S. citizens entering into Douglas has ranged from a high of 5.1 million in 2002 to a low of 3 million in 2004. From 2004 to 2005, the number of non-U.S. citizens entering into Douglas through the pedestrian crossing increased by 4.9 percent. This followed a decline of 12.9 percent between 2003 and 2004. Patterns of returning U.S. citizens, as well as vehicle crossings through the Douglas Port of Entry, have generally followed those of non-U.S. citizen visitors.

In the first quarter of 2006, the number of pedestrian crossings into Douglas was up 7.4 percent compared to the first quarter of 2005; however, vehicle crossings were down by 9.8 percent.

Douglas is one of two official ports of entry from Mexico into the United States in Cochise County. The other is Naco, about six miles south of Bisbee. The Naco Port of Entry saw an average of about 1.1 million pedestrian crossing and 340,000 vehicle crossings each year between 2000 and 2005.

Mexico's Economy Today

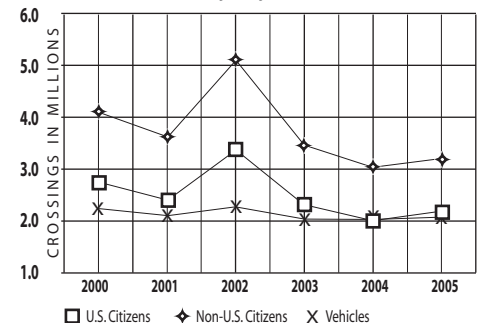
Mexico's economy has continued to recover from the 2001 recession, which saw real Gross Domestic Product (GDP) stagnate and was followed by slow growth of 0.8 percent in 2002 and 1.4 percent in 2003, according to data published by the International Monetary Fund (IMF). In 2004, according to the IMF, Mexico's GDP rebounded strongly, expanding by 4.4 percent, followed by slower growth of 3 percent in 2005. The IMF forecasts Mexico's GDP to grow by 3.3 percent in 2006.

Mexico's inflation rate in 2005 was 4.3 percent, down from 4.7 percent in 2004. This is a significant improvement over the 1980s and 1990s, which were characterized by consistent, double-digit levels of inflation. The IMF forecasts Mexico's inflation rate for 2006 to be 3.7 percent. Mexico's Ministry of Finance attributes recent containment of inflation to improved fiscal discipline.

According to IMF data, Mexico's current account balance in 2005 reflected a trade deficit equal to 1.1 percent of GDP, the same level as 2004. This represents a declining trade deficit as a percent of GDP, from 1.4 percent in 2003 and 2.1 percent in 2002. The IMF forecasts Mexico's trade deficit to increase to 1.6 percent of GDP in 2006; however, recent increases in the world price of oil may scale this back. A major contributor to Mexico's declining trade deficit has been the increase in world oil prices, which has propelled the value of Mexico's oil exports.

According to the Central Intelligence Agency's (CIA) World Factbook, the unemployment rate in Mexico moved from 3.2 percent in 2004 to 3.6 percent in 2005, despite higher levels of domestic production. While Mexico's unemployment rate is below what most economists would consider the natural rate of unemployment, the nation's employ-

**US-MEXICO BORDER CROSSINGS:
DOUGLAS, AZ, 2000-2005**



Note: Includes only those crossing from Mexico into the United States. Source: U.S. Citizenship and Immigration Service, U.S. Customs Service, and University of Arizona Economic and Business Research.

US-MEXICO BORDER CROSSINGS, COCHISE COUNTY, BY MONTH, 2005-2006

	DOUGLAS			NACO		
	U.S. CITIZENS	NON-U.S. CITIZENS	VEHICLES	U.S. CITIZENS	NON-U.S. CITIZENS	VEHICLES
2005						
January	152,284	227,971	156,353	30,125	80,225	27,293
February	150,607	225,457	163,944	30,215	78,819	24,704
March	177,136	265,174	185,187	31,002	76,292	28,632
April	191,669	286,930	178,890	32,110	78,422	27,083
May	205,032	306,380	196,237	33,510	80,941	29,406
June	183,483	274,677	182,792	35,013	82,222	21,621
July	187,952	281,365	183,995	34,715	82,132	22,062
August	202,278	200,008	184,864	33,893	79,425	28,382
September	184,102	275,601	174,679	32,710	80,014	25,324
October	181,076	271,072	175,772	36,715	78,198	26,953
November	169,511	253,759	177,099	37,612	80,413	27,952
December	189,356	283,467	177,338	38,301	79,945	31,020
2006						
January	189,356	283,468	149,218	37,110	77,850	26,517
February	154,355	231,072	150,697	37,002	74,341	24,235
March	171,667	256,986	156,030	38,012	75,125	26,653

Note: Includes only those crossing from Mexico into the United States. Source: U.S. Citizenship and Immigration Service, U.S. Customs Service, and University of Arizona Economic and Business Research.

ment situation has been characterized by high levels of underemployment. According to the CIA's World Factbook, in 2005 Mexico's underemployment rate was approximately 25 percent.

According to Mexico's Ministry of Finance, the reason for the slowdown in economic growth in the late 1990s and early years of the new millennium was the absence of fiscal reform. In recent years, the Mexican Congress has emphasized fiscal discipline as the principal guideline, while at the same time increasing spending on education, agriculture, health-care, infrastructure, and poverty alleviation. The Congress has retained its budget deficit target of 0.3 percent of GDP and inflation target of 3.0 percent. The Congress has also maintained its commitment to monetary stability and provisions for expansionary monetary policy to help spur economic growth in the private sector.

Presidential elections were held in Mexico in July 2006. When this publication went to press, Felipe Calderon had been declared the victor by a narrow margin (less than 1 percent of the vote); however, Mexico's federal electoral tribunal ordered a partial recount of the disputed vote.

Calderón had campaigned on issues of job creation, investment, market competition, and greater transparency in government. The populist candidate, Andrés Manuel López Obrador, called for more government intervention in the economy, including increased government spending, a more active role for the government in economic planning, and agricultural protectionism.

The recount will involve less than 10 percent of the votes cast. Presuming Calderón's victory is upheld, Mexico will likely continue on its path of market-based economic reforms.

Economic and Fiscal Impacts

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 Douglas and Naco 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 total visits. Other reasons included work (14 percent); visiting family (8 percent); and vacation, medical, business, and personal (less than 3 percent each). At the two ports of entry in Cochise County, 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 (\$106.8 million in 2005 dollars) in the county. Of this amount, approximately \$49.4 million (\$54.5 million in 2005 dollars) was spent in grocery stores; \$17 million (\$18.8 million in 2005 dollars) was spent in department stores; \$16.3 million (\$18 million in 2005 dollars) was spent at restaurants; and \$12.8 million (\$14.1 million in 2005 dollars) was spent on gasoline and other automotive expenses.

The study estimated that spending from Mexican visitors to Cochise County generated approximately 3,551 jobs countywide, accounting for \$57.5 million (\$63.4 million in 2005 dollars) in local wages. This includes direct jobs and associated wages in retail establishments, restaurants and bars, and other sectors that directly serve Mexican visitors, and induced jobs and wages that are generated as a portion of the income earned by local residents are 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 indicated 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 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 (\$5.5 million in 2005 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 (\$4 million in 2005 dollars), or 72 percent, was attributable to the sheriff's department. The remainder of the costs was \$260,000 (\$312,000 in 2005 dollars) for indigent defense; \$238,000 (\$285,000 in 2005 dollars) for the superior court; \$211,000 (\$253,000 in 2005 dollars) for the juvenile center; \$171,000 (\$205,000 in 2005 dollars) for the county attorney; \$104,000 (\$125,000 in 2005 dollars) for the justice courts; \$97,000 (\$116,000 in 2005 dollars) for the clerk of the superior court; \$82,000 (\$98,000 in 2005 dollars) for emergency medical services; and \$45,000 (\$54,000 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 noted, 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.

The costs measured in the University of Arizona fiscal impact study also did not consider costs to local law enforcement agencies below the county level. The police departments of the incorporated cities of Douglas and Bisbee also incur significant costs responding to incidents of trespassing and other property crimes committed by illegal aliens, as well as more serious 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.

Another cost absent from the study was that of private medical services provided to illegal immigrants. In recent years, hospitals in Douglas, Bisbee, and Sierra Vista have reported uncompensated costs of between \$350,000 and \$750,000 per year treating illegal immigrants. 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 area hospitals. The uncompensated services provided to illegal aliens and compassionate entries have been on the rise in recent years. These uncompensated services lead to higher costs for medical services provided to local residents. In 2005, changes to Centers for Medicare and Medicaid Services regulations resulted in increased federal aid to Arizona hospitals to help offset uncompensated costs resulting from illegal immigration; it will likely take several years to gauge the effectiveness of this increased funding.

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 \$106.8 million (in 2005 dollars), generating 3,551 jobs and \$63.4 million in local wages, far exceeds the estimated \$5.5 million in costs to the county associated with illegal immigration. The costs not accounted for in the fiscal impact study, although significant, are unlikely to be of a sufficient degree to reverse the net positive economic benefit.

ECONOMIC INDICATORS – MEXICO

	2000	2001	2002	2003	2004	2005
Unemployment Rate*	1.9%	2.5%	2.1%	3.0%	3.2%	3.6%
Real GDP Growth	6.6%	0.0%	0.8%	1.4%	4.4%	3.0%
Consumer Price Inflation ..	9.5%	6.4%	5.0%	4.5%	4.7%	4.3%
Current Account Balance (as % of GDP)	-3.1%	-2.9%	-2.1%	-1.4%	-1.1%	-1.1%

*Source: Latin Focus. **Source: CIA World Factbook. Source: International Monetary Fund.

Cochise County Agriculture



Agriculture in Cochise County contributed 15,875 jobs, or 30 percent of countywide jobs in 2005. Photo: Courtesy CER Staff – V. Tina Gilbertson.

In 2005, agriculture in Cochise County accounted for 15,875 jobs, or 30 percent of all jobs countywide. This was down from 16,200 jobs in 2004, or 31.5 percent of the county's workforce. Between 2001 and 2005, the number of agriculture jobs in Cochise County grew by 1,125 for total job growth of 7.6 percent. The average annual job growth rate in the county's agricultural industry during this period was 1.9 percent. The agricultural industry in Cochise County experienced strong job growth of 4.4 percent in both 2002 and 2003. This slowed to a modest increase of 0.8 percent in 2004, and agriculture jobs declined in 2005 by 2 percent, according to estimates by the Arizona Department of Economic Security.

Major crops in Cochise County include corn, wheat, barley, oats, dry edible beans (excluding limas), sorghum, and forage land (alfalfa and hay). Livestock inventories consist primarily of cattle and calves (primarily beef cows), layers, sheep and lambs, and hogs and pigs.

Between 1997 and 2002, the most recent data available, the number of farms in Cochise County grew by 126, or 15.3 percent, from 824 to 950. This was mostly the result of a deconsolidation of farmland, evidenced by the decline in total farm acreage from nearly 1.3 million acres in 1997 to less than 970,000 acres in 2002, despite the growth in the number of farms. The average farm size in the county declined from more than 1,500 acres in 1997 to about 1,000 acres in 2002.

Although the size of farms decreased between 1997 and 2002, the value of land and buildings on farms increased. Countywide, the total value of land and buildings on farms grew from \$546,000 to \$705,000, an increase of 29.2 percent, for an inflation-adjusted growth of 17.1 percent. The average market value of land and buildings per acre of farmland grew by 81.3 percent, from \$348 to \$631, for an inflation-adjusted increase of 69.2 percent. The estimated market value of machinery and equipment per farm in Cochise County grew from \$41,000 to \$53,000 between 1997 and 2002, an inflation-adjusted increase of 17.4 percent.

The changing structure of farms in Cochise County has been characterized by an

increase in the number of small farms, and a simultaneous decrease in the number of larger farms. The number of farms that were less than 10 acres each nearly doubled between 1997 and 2002, growing from 60 to 110. At the same time, the number of farms that were 500 acres or more dropped from 316 to 255. In terms of the market value of agricultural products sold, the number of farms with annual sales valuing less than \$2,500 grew by 72.9 percent from 210 to 363. At the same time, the number of farms with sales of \$100,000 or more declined by 7 percent from 129 to 120. In the years between 1997 and 2002, the county also saw a large decline in the number of farms with sales totaling between \$10,000 and \$24,999, which dropped 31.5 percent from 162 to 111.

Although the area of farmland in Cochise County has been on the decline, the market value of agricultural products sold grew by 30.2 percent from \$60.2 to \$78.3 million, for an inflation-adjusted increase of 18.1 percent over the five-year period. The majority of these products were crops, which comprised 71.2 percent of total agricultural products countywide in 2002, up from 68.2 percent in 1997. The market value of crops in 2002 was \$55.7 million, up 35.5 percent from \$41.1 million in 1997, for an inflation-adjusted increase of 23.4 percent. This was the result of a shifting of land resources from livestock, poultry, and their products, to crops, as evidenced by a 13 percent increase in acres of cropland, while the overall acreage of farms in the county dropped by 23.1 percent.

In looking at Cochise County's agricultural sector, a clear pattern emerges. Between 1997 and 2002, the county saw a shift from large, consolidated farms to smaller, more productive farms. Although the total acreage of farms in the county decreased significantly, the total output expanded along with the value of land, buildings, and machinery. This is likely attributable to the development and procurement of more technologically advanced equipment, making farms less labor intensive, as well as the more efficient use of land resources to increase output per acre.

COCHISE COUNTY AGRICULTURAL EMPLOYMENT, 2001-2005

YEAR	NUMBER OF JOBS	CHANGE	% CHANGE
2001	14,750	—	—
2002	15,400	650	4.4%
2003	16,075	675	4.4%
2004	16,200	125	0.8%
2005	15,875	-325	-2.0%

Source: Source: Arizona Department of Economic Security and Cochise College Center for Economic Research.

COCHISE COUNTY AGRICULTURE

	2002	1997	CHANGE	% CHANGE
Farms (number)	950	824	126	15.3%
Land in farms (acres)	969,253	1,260,021	-290,768	-23.1%
Land in farms - Average size of farm (acres)	1,020	1,529	-509	-33.3%
Estimated market value of land and buildings - Average per farm (dollars)	\$704,895	\$545,528	\$159,367	29.2%
Estimated market value of land and buildings - Average per acre (dollars)	\$631	\$348	\$283	81.3%
Estimated market value of all machinery and equipment - Average per farm (dollars)	\$53,260	\$41,138	\$12,122	29.5%
Farms by size - 1 to 9 acres	110	60	50	83.3%
Farms by size - 10 to 49 acres	211	135	76	56.3%
Farms by size - 50 to 179 acres	227	172	55	32.0%
Farms by size - 180 to 499 acres	147	141	6	4.3%
Farms by size - 500 to 999 acres	74	97	-23	-23.7%
Farms by size - 1,000 acres or more	181	219	-38	-17.4%
Total cropland (farms)	557	446	111	24.9%
Total cropland (acres)	131,382	116,018	15,364	13.2%
Irrigated land (farms)	460	379	81	21.4%
Irrigated land (acres)	64,593	63,252	1,341	2.1%
Market value of agricultural products sold (\$1,000)	\$78,307	\$60,154	\$18,153	30.2%
Market value of agricultural products sold - Average per farm (dollars)	\$82,429	\$73,003	\$9,426	12.9%
Market value of agricultural products sold - Crops (\$1,000)	\$55,737	\$41,054	\$14,683	35.8%
Market value of agricultural products sold - Livestock, poultry, and their products (\$1,000)	\$22,570	\$19,101	\$3,469	18.2%
Farms by value of sales - Less than \$2,500	363	210	153	72.9%
Farms by value of sales - \$2,500 to \$4,999	97	84	13	15.5%
Farms by value of sales - \$5,000 to \$9,999	118	100	18	18.0%
Farms by value of sales - \$10,000 to \$24,999	111	162	-51	-31.5%
Farms by value of sales - \$25,000 to \$49,999	82	81	1	1.2%
Farms by value of sales - \$50,000 to \$99,999	59	58	1	1.7%
Farms by value of sales - \$100,000 or more	120	129	-9	-7.0%

Source: U.S. Department of Agriculture and Cochise College Center for Economic Research.

Tourism



Douglas is served by 325 hotel and other lodging rooms, along with 12 meeting rooms. Gadsden Hotel's main lobby. Photo: Courtesy CER Staff – V. Tina Gilbertson.

Because of its location along the international border and status as a gateway to “Old Mexico,” Douglas enjoys a vibrant tourism industry. The Janos Highway, which is the shortest paved route to Mexico City and Guadalajara in the western United States, originates in Douglas, attracting many travelers through the city. Douglas also attracts many tourists, sightseers, shoppers, and other visitors from across Cochise County and surrounding areas due to its rich cultural heritage.

Douglas is home to several nationally registered historic landmarks, including the Douglas Historic District, Douglas Municipal Airport, the residential historic district, the Sonoran historic district, the El Paso and Southwestern Railroad Passenger Depot, the El Paso and Southwestern Railroad YMCA, and the Gadsden Hotel.

Nearby locations of interest include the historic John Slaughter Ranch; Agua Prieta, Sonora, Mexico; the cities of Tombstone and Bisbee; the ghost towns of Charleston and Dos Cabezas; historic Fort Bowie; Fort Huachuca; Coronado National Memorial; Cochise Stronghold; Texas Canyon; San Bernardino Wildlife Refuge; Chiricahua National Monument; Coronado National Forest; the Chiricahua Mountains; and historic Arizpe in Sonora, Mexico. Combined, Cochise County tourist

attractions lure nearly half a million visitors to the area each year.

Cultural heritage destinations, especially those in Arizona’s Old West Territory, have become increasingly popular among tourists. The days of wagon trains and pioneers, Indian raids, and the Buffalo Soldiers in the western territories characterize the area’s history. Of interest to tourists are ghost towns, which symbolize the lawlessness of the Old West. These romanticized outcroppings of abandoned buildings draw visitors from all

DOUGLAS VISITOR CENTER, VISITOR COUNTS, 2001-2006

	1ST QTR	CHANGE	2ND QTR	CHANGE	3RD QTR	CHANGE	4TH QTR	CHANGE	ANNUAL	CHANGE
2001.....	2,381	--	1,305	--	531	--	741	--	4,958	--
2002.....	1,721	-27.72%	1,421	8.89%	683	28.63%	892	20.38%	4,717	-4.86%
2003.....	1,245	-27.66%	702	-50.60%	626	-8.35%	842	-5.61%	3,415	-27.60%
2004.....	1,470	18.07%	641	-8.69%	560	-10.54%	725	-13.90%	3,396	-0.56%
2005.....	1,008	-31.43%	437	-31.83%	445	-20.54%	214	-70.48%	2,104	-38.04%
2006	927	-8.04%	1,546	253.78%					2,473*	71.14%*

*January-June only; annual percent change based on same period a year prior. Source: Douglas Visitor Center and Cochise College Center for Economic Research.

over the world to learn about life as it once was for the farmers, ranchers, prospectors, and cowboys of the Old West.

Local Tourism Trends

Tourism in Douglas, as measured by visitor counts, declined each year from 2001 through 2005. The largest declines were seen in 2003 and 2005, when visitor counts dropped by 27.6 and 38 percent, respectively. However, in the first half of 2006, this trend reversed itself, with total visitor counts up 71.1 percent. Most of this increase was seen in the second quarter, when visitor counts nearly tripled compared to a year prior.

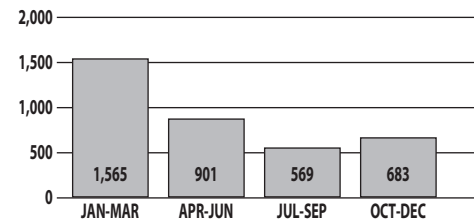
January through March is the busiest season for the Douglas Visitor Center. Between 2001 and 2005, the visitor center received an average of 1,565 visitors in the first quarter of each year. The slowest quarter of the year for visitors has been July through September, which has seen an average visitor count of 569. Since 2001, March has been the busiest month for the visitor center, receiving an average of 579 visitors each year. The slowest month has been July, when the center receives an average of 163 visitors.

For more information, contact the Douglas Visitor Center at (520) 364-2478, toll free at (888) 315-9999, or by email at info@douglasaz.gov.

Benefits of Tourism

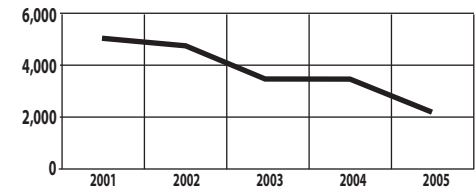
According to a study commissioned by the Arizona Office of Tourism (AOT) and conducted by Dean Runyon Associates, travel-related sales accounted for approxi-

DOUGLAS VISITOR CENTER, VISITOR COUNTS, AVERAGE BY QUARTER



Note: Based on data from 2001-2005. Source: Douglas Visitor Center and Cochise College Center for Economic Research.

DOUGLAS VISITOR CENTER, VISITOR COUNTS, 2001-2005



Source: Douglas Visitor Center and Cochise College Center for Economic Research.

COCHISE COUNTY TRAVEL IMPACTS, 2000-2005

	2000	2001	2002	2003	2004	2005
TOTAL DIRECT TRAVEL SPENDING (\$MILLION)						
Visitor Spending at Destination.....	256.8	260.8	282.8	279.4	301.0	321.6
Other Travel*	0.8	0.8	0.8	0.8	0.8	0.9
Total Direct Spending	257.7	261.6	283.7	280.2	301.8	322.4
VISITOR SPENDING BY TYPE OF TRAVELER ACCOMMODATION (\$MILLION)						
Hotel, Motel	54.4	53.8	54.2	57.3	69.4	78.9
Campground.....	41.8	42.6	41.8	44.8	47.5	50.0
Private Home.....	53.0	54.8	55.6	57.8	60.3	63.1
Vacation Home	5.6	5.7	5.8	6.0	6.3	6.5
Day Travel	102.0	103.9	125.4	113.5	117.6	123.0
Spending at Destination.....	256.8	260.8	282.8	279.4	301.0	321.6
VISITOR SPENDING BY COMMODITY PURCHASED (\$MILLION)						
Lodging	27.8	27.7	27.8	28.8	33.6	37.6
Food & Beverage Services	55.5	57.1	63.0	62.3	67.4	72.2
Food Stores	56.0	57.3	69.8	62.2	63.3	64.0
Ground Tran. & Motor Fuel.....	27.6	26.6	25.2	30.5	36.1	44.4
Arts, Entertainment & Recreation.....	31.4	32.9	33.8	35.3	38.5	39.8
Retail Sales.....	58.5	59.2	63.2	60.2	61.9	63.5
Spending at Destination	256.8	260.8	282.8	279.4	301.0	321.6
INDUSTRY EARNINGS GENERATED BY TRAVEL SPENDING (\$MILLION)						
Accommodation & Food Services	25.9	26.4	28.4	28.4	31.6	33.7
Arts, Entertainment & Recreation.....	13.9	14.5	14.9	15.6	17.0	17.6
Retail**	16.6	16.9	19.2	17.9	18.3	18.7
Auto Rental & other ground tran.....	0.2	0.2	0.2	0.2	0.2	0.3
Total Direct Earnings	57.2	58.6	63.3	62.7	67.7	70.9
INDUSTRY EMPLOYMENT GENERATED BY TRAVEL SPENDING (JOBS)						
Accommodation & Food Services	1,960	1,960	2,010	1,960	2,040	2,120
Arts, Entertainment & Recreation	1,160	1,160	1,190	1,180	1,190	1,230
Retail**	840	820	890	800	810	820
Auto Rental & other ground tran.....	10	10	10	10	10	10
Other Travel*	30	30	20	20	20	20
Total Direct Employment	4,000	3,970	4,120	3,970	4,060	4,190
GOVERNMENT REVENUE GENERATED BY TRAVEL SPENDING (\$MILLION)						
Local	8.6	8.8	9.4	9.2	9.9	10.6
State	8.7	9.1	10.1	10.0	10.7	11.3
Total Direct Gov't. Revenue	17.4	17.9	19.5	19.3	20.6	21.9

Note: 2005 data are preliminary. Details may not add to totals due to rounding. *Other Travel includes resident air travel and travel arrangement. **Retail includes gasoline. Source: Dean Runyon Associates and Arizona Office of Tourism.

The City of Douglas offers numerous community facilities including several city parks. Photo: Courtesy of City of Douglas.



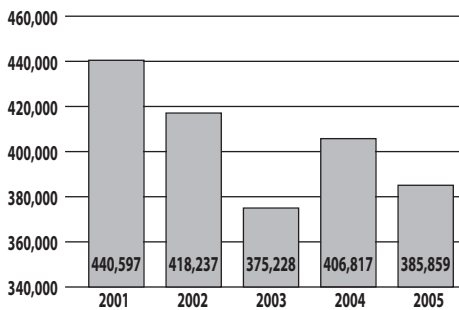
mately 13 percent of total sales tax generated in Cochise County in 2005. In 2005, approximately 6.9 percent of all jobs in Cochise County, or 4,190 jobs, were generated by travel-related expenditures, according to the study. This accounted for approximately \$71 million in earnings, or 3 percent of total earnings in Cochise County. This was up 4.7 percent from a year prior. Between 1998 and 2005, travel-generated earnings in Cochise County increased at an average annual rate of 5.7 percent – well ahead of the rate

COCHISE COUNTY STATE AND NATIONAL PARKS, TOTAL VISITATIONS, 2001-2006

	STATE AND NATIONAL PARK VISITATIONS	CHANGE
2001	440,597	--
2002	418,237	-5.1%
2003	375,228	-10.3%
2004	406,817	8.4%
2005	385,859	-5.2%
2006	166,424	-8.8%

*January-April only; change based on comparison to same period one year prior. Note: Includes all state and national parks in Cochise County. Source: National Park Service, Arizona State Parks Board, Arizona Office of Tourism, and Cochise College Center for Economic Research.

COCHISE COUNTY STATE AND NATIONAL PARK VISITATIONS, 2001-2005



Note: Includes all state and national parks in Cochise County. National park data include only recreational visitations. Source: National Park Service, Arizona State Parks Board, Arizona Office of Tourism, and Cochise College Center for Economic Research.

of inflation.

The Dean Runyon Associates study estimated that total travel-related spending in Cochise County was \$322.4 million in 2005, up 6.8 percent from a year prior. Between 1998 and 2005, travel-related spending increased at an average annual rate of 5.9 percent, well ahead of the rate of inflation.

The AOT has dedicated funding and resources specifically designed to assist rural communities in marketing their tourism-related products and services. AOT has also developed a series of customer service and grant workshops to assist Arizona's rural communities in their tourism-related efforts. Additionally, AOT has collaborated with the Arizona Council for Enhancing Recreation and Tourism (ACERT) to assist rural communities with tourism and recreation enhancement throughout the State of Arizona. For more information, visit the AOT website at www.azot.com.

Cochise County communities, including Douglas, have joined together, forming the Cochise County Tourism Council (CCTC). The marketing efforts of the CCTC, which are funded by the individual communities, Cochise County, and grant dollars received from AOT, market Cochise County as a single entity. For more information, visit www.explorecochise.com.

Cochise County State and National Park Visitations

Overall, visits to state and national parks in Cochise County declined 5.2 percent in 2005 and 8.8 percent in the first four months of 2006. Total visits to state and

COCHISE COUNTY NATIONAL PARK VISITATIONS, 2001-2006

YEAR	CHIRICAHUA NATIONAL MONUMENT		CORONADO NATIONAL MEMORIAL		FORT BOWIE NATIONAL HISTORIC SITE	
	VISITATIONS	CHANGE	VISITATIONS	CHANGE	VISITATIONS	CHANGE
2001	75,824	—	89,107	—	8,858	—
2002	67,040	-11.6%	87,311	-2.0%	8,290	-6.4%
2003	44,976	-32.9%	89,309	2.3%	8,445	1.9%
2004	54,155	20.4%	89,591	0.3%	9,483	12.3%
2005	60,224	11.2%	86,618	-3.3%	9,656	1.8%
2006*	30,749	1.5%	32,044	-0.9%	5,345	12.5%

*January-April only; change based on comparison to same period one year prior. Source: National Park Service, Arizona Office of Tourism, and Cochise College Center for Economic Research.

COCHISE COUNTY STATE PARK VISITATIONS, 2001-2006

YEAR	KARTCHNER CAVERNS STATE PARK		TOMBSTONE COURTHOUSE STATE HISTORIC PARK	
	VISITATIONS	CHANGE	VISITATIONS	CHANGE
2001	192,289	--	74,519	--
2002	191,661	-0.3%	63,935	-14.2%
2003	183,437	-4.3%	49,061	-23.3%
2004	203,464	10.9%	50,124	2.2%
2005	179,129	-12.0%	50,232	0.2%
2006*	75,899	-18.3%	22,387	1.0%

*January-April only; change based on comparison to same period one year prior. Source: Arizona State Parks Board, Arizona Office of Tourism, and Cochise College Center for Economic Research.

national parks in Cochise County have declined each year since 2001, with the exception of 2004, which saw visits increase by 8.4 percent.

In 2005, visits to Kartchner Caverns State Park were down 12 percent from 2004. In the first four months of 2006, visits were down 18.3 percent. The Tombstone Courthouse State Historic Park saw visits increase by 0.2 percent in 2005. From January through April 2006, visits were up by 1 percent.

The Coronado National Memorial saw visits decline by 3.3 percent in 2005 and 0.9 percent from January through April 2006. In 2005, visits to the Fort Bowie National Historic Site were up 1.8 percent. From January through April 2006, visits to Fort Bowie were up 12.5 percent compared to the same period a year prior. Visits to the Chiricahua National Monument were up 11.2 percent in 2005 and 1.5 percent in the first four months of 2006.

The decline in visits to state and national parks in Cochise County in 2005 and the first few months of 2006 is likely attributable to higher gasoline prices, which discourage domestic travel and tourism; and higher interest rates, which raise the cost of previously incurred, variable-rate consumer debt, leaving families with less discretionary spending for recreational activities.

Cochise County Lodging Indicators

In 2005, according to the Arizona Office of Tourism (AOT) and Smith Travel Research, Cochise County's lodging industry performed well, despite indications of declining tourism as measured by park visitations. According to AOT, Cochise County's lodging occupancy rate increased by 7.3 percent in 2005, from 64.6 to 69.4 percent. This was well ahead of statewide growth in occupancy rates of 4.9 percent, and more than double the nationwide growth rate of 2.9 percent. Cochise County's occupancy rate of 69.4 percent in 2005 was the second highest of Arizona's counties, behind only Yuma County which had an occupancy rate of 72.2 percent. In 2005, the occupancy rate statewide was 65.9 percent, while nationally it was 63.1 percent.

The average daily room rate in Cochise County increased by 6.2 percent in 2005, from \$52.14 to \$55.55. Despite this increase, Cochise County's average daily room rate in 2005 was nearly 40 percent below both the state and national rates. The 2005 increase of 6.2 percent in the average daily room rate was below that of the state, which saw rates increase 7.3 percent. Nationally, the average daily room rate in 2005 increased by 5.3 percent.

Revenue generated per available room in Cochise County in 2005 was up 13.8 percent from \$33.69 to \$38.53. This was the third highest rate of increase in the state, behind only Graham and Pima counties. However, despite the large increase in revenue generated per available room in Cochise County, the county rate remained about 36 percent below the state level and 33 percent below the national level.

Lodging room demand in Cochise County was up 5.5 percent in 2005, the same rate of increase as that seen at the state level, and significantly ahead of the 3.3 percent increase seen at the national level. Lodging room supply in Cochise County was down 1.5 percent in 2005, compared to a 0.6 percent increase at the state



DOUGLAS CALENDAR OF EVENTS

The Douglas area offers a variety of cultural and community activities and events, listed on the calendar below. For more information, contact the Douglas Visitor Center at (520) 364-2478; toll free at (888) 315-9999; or by email at info@douglasaz.gov. For more information on events throughout Cochise County, visit www.explorecochise.com..

2006

SEP 15-17 2006 Mexican Independence Celebration, Veterans Memorial Park (520) 364-3484

22-25 **Cochise County Fair, (520) 364-3819**

OCT 14 Cochise County Cycling Classic, Castro Park, (520) 364-3851 or (520) 745-2033

Two Flags Art in the Park, (520) 364-3851 or (520) 745-2033

NOV 25 City of Douglas Annual Christmas Light Parade, (520) 364-2496

2007

FEB (TBD) Mariachi and Piñata Festival, (520) 364-2496

APR 14-15 Horse Races, Cochise County Fairgrounds, (520) 364-3819

21-22 **Horse Races, Cochise County Fairgrounds, (520) 364-3819**

MAY (TBD) International Border Horse Races, (520) 805-4077

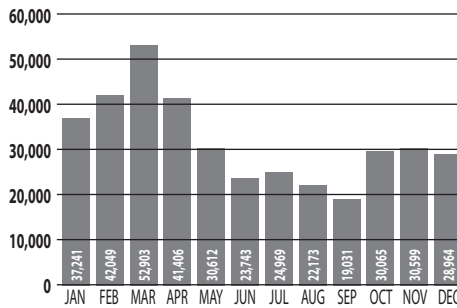
JUN 23 - 24 ARIZONA JUNIOR RODEO, (520) 364-3819

JUL (TBD) Douglas July 4th Celebration

TBD: To Be Determined

In the first half of 2006 total visitor counts were up 71.1 percent. Photo: Courtesy City of Douglas.

COCHISE COUNTY STATE AND NATIONAL PARK AVERAGE MONTHLY VISITATION



Note: Based on data from 2003-2005. Includes all state and national parks in Cochise County. National park data include only recreational visitations. Source: National Park Service, Arizona State Parks Board, and Cochise College Center for Economic Research.

COCHISE COUNTY STATE AND NATIONAL PARKS, AVERAGE MONTHLY VISITATIONS

MONTH	AVERAGE MONTHLY VISITATION
January	37,241
February	42,049
March	52,903
April	41,406
May	30,612
June	23,743
July	24,969
August	22,173
September	19,031
October	30,065
November	30,599
December	28,964

Note: Based on data from 2003-2005. Includes all state and national parks in Cochise County. National park data include only recreational visitations. Source: National Park Service, Arizona State Parks Board, and Cochise College Center for Economic Research.

level and a 0.4 percent increase nationally.

From January through May 2006, Cochise County's occupancy rate was 73 percent, up 0.7 percent from the same period in 2005. The average daily room rate in Cochise County for the first five months of 2006 was \$56.88, up 2 percent from a year prior. Revenue generated per available room in the county in the first five months of 2006 was \$41.53, up 2.8 percent from the same period of 2005. Room demand at the county level was up 2.1 percent, and room supply was up 1.3 percent in the January-May comparisons.

The Film Industry in the Douglas Area

Throughout the years, the Douglas area has been involved with feature films and television segments and episodes. The film industry provides a boost to the local economy via the recruitment of support workers and film extras and the spending of per diem in the local area. Movies that have been filmed in the Douglas area in recent years include:

- Groom Lake, starring William Shatner, Dan Gauthier, and Dick Van Patten
- The Magnificent Seven, starring Michael Biehn, Ron Perlman, Eric Close, Andrew Kavovit, Dale Midkiff, Rick Worthly, and Anthony Starke
- Ruby, Jean and Joe, starring Tom Selleck
- Pontiac Moon, starring Ted Danson, Mary Steenburgen, Ryan Todd, Cathy Moriarty, Eric Schweig, Frank Carl Fisher Jr., Max Gail, and Lisa Jane Persky
- Geronimo, starring Joseph Runningfox, Michael Greyeyes, and Harrison Lowe.
- Arizona Dream, starring Jerry Lewis, Faye Dunaway, and Johnny Depp
- Real Cowboys, starring Cheryl Hinter and Mike Assolanna
- Jackals, starring Gerald McRaney and Jameson Parker

Arizona Motion Picture Production Tax Incentives Program

Those interested in filming in the Douglas area may benefit from the Arizona Motion Picture Production Tax Incentives Program, which offers the following incentives:

- Transaction privilege tax exemption on purchased machinery; equipment and other tangible personal property; leased or rented lodging space; sales of catered food, drink and condiments; and construction contracts for buildings and other structures.
- Use tax exemption on machinery, equipment and other tangible personal property.
- Arizona transferable income tax credit equal to 10, 15 or 20 percent of the company's investment in eligible Arizona production costs.

To be eligible for the Motion Picture Production Tax Incentives Program, the applicant must be a motion picture production company that is primarily (more than 50 percent) engaged in the business of producing motion pictures; have a physical office and bank account in Arizona; incur Arizona production costs of at least \$250,000 in a 12-month period; and employ Arizona residents in its motion picture productions, as follows: In 2006, at least 25 percent of the full-time employees working in Arizona must be Arizona residents; in 2007, at least 35 percent of the full-time employees working in Arizona must be Arizona residents; and in 2008 through 2010, at least 50 percent of the full-time employees working in Arizona must be Arizona residents.

For more information on the Motion Picture Production Tax Incentives Program, visit the Arizona Department of Commerce's website at www.azcommerce.com/film. For information on filming in Douglas, contact the Douglas Visitor Center at (520) 364-2478 or (888) 315-9999. For information on filming in the unincorporated areas of Cochise County, contact the Cochise County Tourism Council at (520) 432-9215 or visit their website at www.explorecochise.com.



About the Center for Economic Research

The Center for Economic Research is located at the Sierra Vista Campus of Cochise College. Photo: Gill Kenny.

The Cochise College Center for Economic Research (CER), founded in 1995, is dedicated to analyzing and interpreting economic data for businesses, agencies, and residents of Cochise County. The CER provides economic information and forecasts to assist community leaders in the public, private, and nonprofit sectors in making informed decisions.

In 1995, the CER began hosting an annual economic focus luncheon in Sierra Vista, providing a review of the local economy over the previous year and an economic forecast for the coming year. Between 1996 and 2002, this program was expanded to include the cities of Douglas, Benson, and Bisbee. The CER produces four economic review and forecast publications annually: *Sierra Vista Economic Focus*, *Douglas Perspective*, *Benson Prospectus*, and *Bisbee Outlook*, which are released in conjunction with the economic focus luncheons held in those cities.

The CER responds to a wide range of data requests from citizens and business and community leaders throughout Cochise County and across the state and region. The CER provides economic information, analysis, and forecasts to local citizens, businesses, public agencies, financial institutions, private developers, and other research centers. The CER prepares weekly press releases providing insight into economic issues affecting Cochise County. The CER's quarterly newsletter, *The Indicator*, provides updates on the local economy and CER activities. The CER's website (www.cochise.edu/cer) provides updated economic news, information, analysis, and forecasts.

The CER is a member of the Association for University Business and Economic Research (AUBER), one of only two community colleges in the nation holding membership. In addition, the CER is a state data center affiliate, receiving and disseminating U.S. Census Bureau data to individuals, agencies, and organizations in the local area.

Robert Carreira has served as director of the CER since 2005. Robert holds master's degrees in international political economics, education, and public administration, and is currently working toward a doctoral degree in public policy and administration.

CENTER STAFF

Robert Carreira – Director
 Roy Bever – Administrative Assistant, Sr.
 V.Tina Gilbertson – Research and Information Specialist
 Iris Routhieux – Data Analyst
 Michelle Metcalf – Office Assistant

DOUGLAS ECONOMIC ADVISORY COMMITTEE

Ana Bernal – Chase Bank
 Cynthia Acuna-Robles – City of Douglas
 Donald Hudgins – Arizona Public Service
 Irene Garcia – Ram Realty
 Michael J. Ortega – City of Douglas
 Monica Romero – Arizona Public Service
 Victor Gonzalez – City of Douglas

PUBLICATION STAFF

Jerry Eades - Coordinator, Print Services
 Denise Merkel - Public Information Officer
 David Gordon, Designer - Sierra Design & Publishing

Cochise College Resources

The 540-acre Douglas Campus, which opened in 1964, is unique in its architecture and provides panoramic views of the Mule and Chiricahua Mountains, as well as neighboring Sonora, Mexico.
Photo: Courtesy CER Staff – V. Tina Gilbertson.



COCHISE COLLEGE

GOVERNING BOARD

Mrs. Jan Guy, Chair
Dr. Michael J. Carter, Secretary
Mrs. Jane C. Strain, Member
Mr. David DiPeso, Member
Dr. John M. Eaton, Member

ADMINISTRATION

Dr. Karen A. Nicodemus
President

Dr. Joanna K. Michelich
Vice President for Instruction/Provost

Mr. Carlos Cartagena
Vice President for Information Technology

Mr. Neil Goodell
Vice President for Institutional Advancement

Mr. Robert Howell
Associate Vice President for Human Resources

Career Services Center (CSC)

The Career Services Center provides job search skills and placement assistance to students and alumni of the college. Cooperative education internship programs are available for students wishing to gain experience in their field of study. Students receive academic credit for these field experiences. In addition, the Career Services Center provides to students current listings of off-campus job openings and refers interested candidates to employers. If you are an employer and wish to have the Career Services Center post your available job opportunities at no charge, please call the Sierra Vista Campus at (520) 515-5457 or the Douglas Campus at (520) 417-4750.

Small Business Development Center (SBDC)

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

Center for Southwest Studies

The Cochise College Center for Southwest Studies partners with external organizations to explore, disseminate and protect cultural and natural resources and contribute to the economic development of the border region. The Center for Southwest Studies was 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 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, Center for Southwest Studies, Cochise College, 4190 W. Hwy. 80, Douglas, Arizona, 85607 or orozcor@cochise.edu.

Tech Prep

Tech Prep, located in the Career Services Center building on Sierra Vista Campus, is a federally funded Carl Perkins vocational grant administered by the Arizona Department of Education, School to Work Division. The Workforce Development Program (COMPACT) builds career pathways for Cochise County high school students. Qualified students interested in skilled occupations or technical careers have the opportunity to begin their education at Cochise College while still in high school. Students pay a significantly reduced rate for qualifying courses. Funding also is provided by Cochise College and The Wolslager Foundation. Students may choose from courses in the areas of agriculture, aerospace thermal fusion welding, avionics, business, computer information systems, computer networking, just to name a few. For more information contact Rhonda Douglas at (800) 966-7943, Ext. 5347, or douglasr@cochise.edu. Or visit the website at www.cochise.edu/information/students/techprep.

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 weekdays, weekends and in the evenings.

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

Community Resources



An historic train depot now houses the Douglas Police Department. Photo: Courtesy CER Staff – Kimberly Kelso.

City of Douglas

425 10th Street, Douglas, Arizona 85607
 Telephone: (520) 364-7501
 Fax: (520) 364-7507
www.douglasaz.gov

- Animal Control** (520) 364-8422
- City Clerk** (520) 364-1586
- City Manager** (520) 364-1586
- Community Development** (520) 364-4047
- Economic Development** (520) 364-4047
- Planning & Zoning** (520) 805-4077
- Public Works** (520) 805-4077
- Douglas Police Department**
 - Emergency 911
 - Non-Emergency (520) 364-8422
 - Crime Check (520) 364-4433
 - Investigation Division (520) 364-9422 or (520) 364-8422
- Douglas Fire Department**
 - Emergency 911
 - Sunnyside Fire Department (520) 364-7751
- Douglas Public Library**
 - Library Director: Glenda Bavier
 - Address: 560 10th Street,
Douglas, Arizona 85607.
 - Tel: 520-364-3851
 - Fax: 520-805-5503
 - Web: <http://206.207.153.3/douglas.html>

Douglas Chamber of Commerce

The Chamber is a working partner of business and professional people and their interests in the community and the area. It is an organization of people who practice the vision of coordinating their efforts under effective leadership for the advancement and development of the community and area.

Address: 345 16th Street, Douglas, AZ 85607
Tel: (520) 364-2477
Fax: (520) 364-6304
Email: do@digiody.com

Douglas Visitor Center

The Douglas Visitor Center provides information to tourists on local attractions, tours, and things to do in the Douglas area. It also mails relocation information to potential residents.

Address: 345 16th Street, Douglas, AZ 85607
Tel: (520) 364-2478
Fax: (520) 364-6304
Email: info@douglasaz.gov

Cochise County Board of Supervisors

Tel: (520) 432-9200

U. S. Customs and Border Protection Agency (Homeland Security)

Provides customs; border protection; immigration and naturalization services.

Tel: (520) 805-6900

Financial Assistance

Bank of America (520) 364-2451
Huachuca Federal Credit Union. (520) 364-2881
JP Morgan Chase Bank (520) 364-7981
Southeastern Arizona Federal Credit Union . . . (520) 364-8401
Wells Fargo Bank (520) 364-3405

Utility Assistance

Arizona Public Service (APS), Inc (520) 364-4451
Southwest Gas (800) 428-7324
Qwest (800) 879-4357

CONTACT THE CENTER FOR ECONOMIC RESEARCH

CENTER FOR ECONOMIC RESEARCH

Cochise College
901 North Colombo Avenue
Sierra Vista, AZ 85635-2317
Phone: (520) 515-5486
Fax: (520) 515-5343
cer@cochise.edu
www.cochise.edu/cer

All publications released by the Center for Economic Research are available on our website.

Additional copies of the Douglas Perspective are available. Economic publications are also available for Bisbee, published annually in December; Sierra Vista, published annually in March; and Benson, published annually in June. All Cochise County residents may obtain one copy of all CER publications free of charge. Additional copies can be provided at a small charge to cover the cost of printing.

The CER's quarterly newsletter, The Indicator, is mailed free of charge to everyone on the CER's mailing list. It is also available online at the CER website.

For more information, or to be added to the CER's mailing list, please contact us.