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SIERRA VISTA 2008 ECONOMIC OUTLOOK



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Table of contents

1 A review of the national, state, and local economy

3 Our Future Vistas

5 The City of Sierra Vista

- West End Development
- Sierra Vista Municipal Airport
- Sierra Vista Industrial Development Authority
- Cost of Living
- Climate
- Arizona Enterprise Zone Program
- Tax Rates
- Crime Rate
- Primary and Secondary Education
- Post-secondary Educational Opportunities
- Healthcare

14 Demographics

- Population Estimates and Projections
- Race and Ethnicity
- Age Groups
- Household Characteristics
- Educational Attainment
- Income
- Military Veterans



19 Employment

- Employment, Unemployment, Labor Force, and Job Growth
- Occupations and Classes of Workers
- Industries
- Major Employers
- Wages
- Cochise County Employment
- Outlook
- A Note on Employment Data

25 Retail trade and commerce

- Population Served by Sierra Vista's Retail Market
- Taxable Sales
- Retail Sales
- Restaurant and Bar Sales
- Accommodation Sales
- Business Establishments and Licenses
- Sierra Vista Retail Out-Shopping Survey
- Outlook

31 Housing, real estate, and commercial construction

- Cochise County
- Sierra Vista Area
- Sierra Vista
- Housing Affordability
- Rental Market
- Commercial Construction
- Outlook

37 Bank deposits and bankruptcy filings

- Bank Deposits
- Bankruptcy Filings

39 Mexico

- Aqua Prieta, Sonora
- Naco, Sonora
- Economic Impact
- Fiscal Impact
- Mexico's Economy Today



44 Fort Huachuca

- Cochise County's Top Employer
- U.S. Fish and Wildlife Biological Opinion
- History

47 Cochise County agriculture

49 Tourism

- General Overview
- Attractions and Activities
- National Geographic MapGuide Project
- Sierra Vista Convention and Visitors Bureau
- Economic Impact of Tourism in Cochise County
- Tourism Trends in Sierra Vista
- Cochise County State and National Park Visitations
- Cochise County Lodging Indicators
- Lodging in Sierra Vista
- The Arizona Motion Picture Production Tax Incentives Program
- Calendar of Events

56 About the Center

- Contact Information
- Sierra Vista Economic Advisory Committee

58 Cochise College resources

- Governing Board
- CER Staff
- Administration
- Resources

60 Community resources

A review *of the* national, state, *and* local economy



The San Pedro River approach, east of Sierra Vista.



Robert Carreira
Director
Center for
Economic Research
Cochise College

At the national level, real Gross Domestic Product – the inflation-adjusted value of all final goods and services produced in the economy – increased at a seasonally adjusted annual rate of 0.6 percent in the first quarter of 2007. This was followed by much stronger growth of 3.8 percent in the second quarter and 4.9 percent in the third quarter. Despite the strong second and third quarter growth, there have been concerns over an impending economic slowdown. The concerns stem from the credit crunch in the subprime mortgage market and a slowdown of the housing market in general, which many economists fear will spill over into the general economy, leading it into recession. In response, the Federal Reserve lowered its target for the federal funds rate at meetings in late 2007 and early 2008. This includes a cut of

75 basis points at an emergency meeting on January 21 – the largest single cut in a quarter of a century. The rate cuts are designed to give a boost to consumer spending, home purchases, and business investment. On the fiscal policy side, the Bush Administration announced plans in January for a \$150 billion tax rebate initiative to spur consumer spending.

Despite concerns over slowed productivity, the national unemployment rate in 2007 came in at a healthy 4.6 percent, the same level as 2006. The 2006 and 2007 national unemployment rate was at its lowest level since 2000. Despite the low annual level of unemployment in 2007, figures toward the end of the year gave cause for concern. In the second half of 2007, the unemployment rate averaged 4.8 percent, and in December the monthly rate hit 5 percent.

The Consumer Price Index (CPI), our best measure of inflation, rose 2.8 percent in 2007, down from 3.2 percent in 2006. As with the unemployment numbers, however, inflation figures toward the end of the year give reason for concern. In the second

In the first 9 months of 2007, the number of new home permits issued countywide was down nearly 50 percent, following an 18.8 percent decline in 2006. Existing home sales were down more than 10 percent, following a decline of more than 20 percent the year prior.

half of 2007, consumer prices were up 3.2 percent, and in the final quarter of the year they were up 4 percent.

Rising unemployment and rising inflation occurring simultaneously poses a challenge for the Federal Reserve, since its policies designed to deal with one problem tend to exacerbate the other. When the Fed cuts interest rates to spur economic growth, the outcome tends to be inflationary. Likewise, when the Fed raises rates to deal with inflation, a side effect is typically slower economic growth and rising unemployment.

At the state level, Arizona's GDP by state (formerly Gross State Product) rose 6.8 percent in 2006. This made Arizona's economy the third fastest-growing in the nation, behind Idaho and Utah. The largest contributors were real estate, rental and leasing; durable goods manufacturing; retail; and construction. GDP by state is the most comprehensive measure of the overall economic activity of each state and is the primary tool for measuring economic growth among states.

The unemployment rate in Arizona dropped to 3.8 percent in 2007, down from 4.1 percent in 2006. Despite the low unemployment rate, the number of non-farm jobs at the state level in 2007 was up by only 2.9 percent, reflecting the creation of 76,000 jobs. This was down considerably from 134,800 new jobs created in 2006, for job growth of 5.4 percent.

In Cochise County, the unemployment rate for 2007 was 4.3 percent, down from 4.5 percent in 2006. The 2007 rate was the county's lowest unemployment rate on record, with records going back to 1994. In 2007, Cochise County added 275 non-farm jobs, for job growth of 0.7 percent. This was down from 1,025 new jobs created in 2006, for job growth of 2.8 percent.

Retail sales in Cochise County were up 4 percent in the first 10 months of 2007, compared to the same period the year

prior. This reflects inflation-adjusted growth of 1.4 percent. Cochise County's restaurant and bar sales were up 6.7 percent from January through October, reflecting inflation-adjusted growth of 4.1 percent. The county's accommodation receipts were up 25.2 percent in the first 10 months of the year, for inflation-adjusted growth of 22.6 percent. Accommodation receipts include hotel, motel, and other temporary lodging.

In the first 9 months of 2007, the number of new home permits issued countywide was down nearly 50 percent, following an 18.8 percent decline in 2006. Existing home sales were down more than 10 percent, following a decline of more than 20 percent the year prior. The median price of a new home in Cochise County was up 0.6 percent in 2007, but the price per square foot was down 3.7 percent. In 2007, the median home price in Cochise County was \$206,579.

The unemployment rate in Sierra Vista for 2007 was 2.5 percent, down from 2.7 percent in 2006. The 2007 rate was the city's lowest unemployment rate on record, with records going back to 2000.

Retail sales in Sierra Vista were up 6.6 percent in the first 10 months of 2007, compared to the same period the year prior. This reflects inflation-adjusted growth of 4 percent. Sierra Vista's restaurant and bar sales were up 8.9 percent from January through October, reflecting inflation-adjusted growth of 6.3 percent. The city's accommodation receipts were up 26.2 percent in the first 10 months of the year, for inflation-adjusted growth of 23.6 percent.

In 2007, the number of new home permits issued in Sierra Vista was down more than 58 percent, following a decline of 26 percent in 2006 and a drop of more than 16 percent in 2005. Existing home sales in the city were down 11.2 percent in 2007, following a decline of more than 25 percent the year prior. The median price of a new home in Sierra Vista was down 0.2 percent in 2007, and the price per square foot was down 2.8 percent. In 2007, the median home price in Sierra Vista was \$217,461.

Our Future Vistas



The sun sets over the Huachuca mountains.

Photo: V. Tina Gilbertson



Chuck Potucek
City Manager
City of Sierra Vista

In early 2007, Sierra Vista's mayor and council spent a total of four days with an outside consultant to develop the city's first long-range strategic leadership plan, "*Our Future Vistas*." Although we have done informal strategic planning for many years, this is the city's first formal strategic plan specifically developed and adopted by the mayor and council. The plan reflects the council's vision of Sierra Vista in 2027, but it also sets out short-term goals and objectives to help us reach that vision. This is not the kind of planning document that gets put on a shelf—it's a plan the staff works with regularly. In fact, it has become the basis for our annual planning and budget process. The five-year goals and two-year objectives map out where we are headed and clearly define our work priorities.

In the next five years we will be focus-

ing our efforts and resources on projects and programs that fit into the council's eight major goals: growth; housing; recreation, culture and library services; public safety; water; financial stability; a strong economy; and transportation. I'll give you a few examples of the two-year projects we are working on that support those goals.

The council's growth goal is to achieve quality growth through land use planning and other development standards. To reach that goal, we have committed to achieving a number of objectives in the next two years, which include adopting a comprehensive annexation plan that defines the future boundaries for the city, developing architectural design standards for future commercial buildings, and adopting a master plan for future acquisition and development of open space. We're making good progress on all of these initiatives and are certain to meet the two-year deadline to complete these projects.

In order to promote the provision of a variety of housing options for all segments of the community the council has agreed to adopt a comprehensive housing policy

based on recommendations from the Housing Task Force. Those recommendations have been received and the next steps will be taken to make sure the council's two-year time frame is met.

Other goals are supported by more concrete, project-oriented objectives. For example, the council set a goal to provide the community with a variety of parks, recreation, library and cultural facilities and services. Their two-year objectives include the construction of a skate and bike park which was recently completed. Moreover, the public input phase of the Garden Canyon Linear Park is nearly complete. At 148 acres with a 1.5-mile hiking trail, this will be by far the city's largest public park.

We're also making good progress on the council's goal of enhancing public safety facilities and services. One of the two-year objectives in this area is to complete construction of a new animal care facility, which I am pleased to report opened on February 14 to the delight of the many people and pets in attendance. We're also moving forward with the construction of Sierra Vista's third fire station. This new facility, located on Giulio Cesare, has been under construction since August 2007 and it should be operational by the summer of 2008. We are also designing a new Emergency Operations Center as a component of the expansion of our current police station. In other public safety activity, we have entered into an agreement with Cochise County to expand our graffiti abatement program into county enclaves.

Obviously a key goal of the mayor and council is to ensure the long-term water

needs of the community and the San Pedro River are met. The city's two-year objective is to implement a number of projects and programs that will help us achieve a 5 percent reduction in the number of gallons of water used per person per day in Sierra Vista. Since the city doesn't own the local water company, we calculate the per person water use based on data supplied to us by local water companies. We simply add all the water pumped in the City of Sierra Vista and divide it by the most recent population numbers provided by the Department of Economic Security. Since we started calculating water use in Sierra Vista, the daily use per person has gone down from 180 gallons per day in 2000 to 145 gallons per day in 2006. Our goal is to get that number down to 138 gallons in the next two years. Our approach is through tougher water conservation codes for new development, regional detention basins, expanded rebate and incentive programs and other initiatives. To date we are making progress on all those fronts.

Of course the mayor and council are also focused on the financial stability of city government and the overall economic development of the community. We have made real progress in working with the Citizens Advisory Commission on a process for revising our Capital Improvement Plan on an annual basis. We are also working on a financial policy that

addresses everything from a debt policy to investment policies and expenditure projections. We are also making progress on a comprehensive human resources and organizational development plan to address our current and future staffing needs. The economic development goal in *Our Future Vistas* addresses the need for Sierra Vista to have a strong economic base that provides broad opportunities and is not dependent on the business cycle of one industry or employer. This has been an ongoing issue for Sierra Vista for many years and we are working collaboratively with the community to develop long-range plans for our economic growth.

***Our Future Vistas* addresses the need for Sierra Vista to have a strong economic base that provides broad opportunities and is not dependent on the business cycle of one industry or employer.**

The final goal in the city's strategic leadership plan is to provide the community with a variety of safe and efficient transportation systems. Our two-year objectives in this area include long-range plans for Vista Transit, our local bus system, and for the

Sierra Vista Municipal Airport, both of which are in progress. We now operate Vista Transit out of our new transit center, the first public building in Sierra Vista built to meet LEED (green building) standards. In addition, we are committed to completing construction of four more segments of the city's popular multi-use paths and to complete the design of three other sections of the paths. In addition, in the next two years we will complete the designs for widening several of our arterial roads and improving a number of our major intersections.

The mayor and council recognize they did not have a crystal ball when they developed their strategic leadership plan. They have recently held an update planning session to adjust the strategic plan to ensure we are staying on track and in tune with our residents' needs. By keeping focused on the council's future vision of Sierra Vista and looking to our residents to help us along the way, we hope to ensure that the Sierra Vista of 2027 will be what we all envision it can be.

Sierra Vista's third fire station is now under construction and should be operational by the summer of 2008.



The City *of* Sierra Vista



A ribbon-cutting ceremony was held to celebrate the completion of the West End monument rock walls.

Photo: City of Sierra Vista

Sierra Vista is the largest of seven incorporated cities in Cochise County. With a population of 44,736 as of mid-2007, Sierra Vista accounts for nearly one-third of the county's population. The city is located 70 miles southeast of Tucson and 189 miles southeast of Phoenix. Sierra Vista was founded in 1927 and incorporated in 1956.

Sierra Vista is the retail hub of Cochise County. Although the population of the city is just under 45,000, the city serves a commercial market of 111,000 people. Large retail chains such as Target, Wal-Mart, Kmart, Dillard's, Sears, and Home Depot, as well as new arrivals such as Lowe's and Best Buy, are located in the city and serve customers from across Cochise County, neighboring Santa Cruz County, and across the U.S. border with Mexico (for more on Sierra Vista's commercial market, see the Retail Trade and Commerce section of this publication).

Following the opening of the Mall at Sierra Vista in 1999, the city's restaurant industry expanded and now includes such large chain restaurants as Chili's, Outback Steakhouse, and Applebee's, as well as new-

comers Buffalo Wild Wings Grill & Bar, El Paso Bar-B-Que, and Texas Roadhouse. A boom in commercial construction in Sierra Vista in 2006 and 2007 added several new hotels, restaurants, large retailers, office complexes, and other businesses throughout the city. In 2006 and 2007, 64 building permits were issued for more than \$100 million in new commercial construction in the city. In inflation-adjusted dollars, 2006 and 2007 together saw 20 percent more new commercial construction than the previous 6 years combined. For more on this, see the Housing, Real Estate, and Commercial Construction section of this publication.

Fort Huachuca is home to the U.S. Army Intelligence Center and the U.S. Army Network Enterprise Technology Command and is an integral part of the Sierra Vista economy and community. Fort Huachuca was annexed by Sierra Vista in 1971, so population figures for Sierra Vista include the population living on the fort. As of Census 2000, there were about 8,300 residents of Fort Huachuca; these were active duty military personnel and their families. Many military personnel and their

families also reside in Sierra Vista and surrounding communities.

Sierra Vista hosts a wide variety of cultural and family-oriented activities and events throughout the year. The Henry Hauser Museum, the Art Discovery, and Amazing Arizona Series present a continuing program of plays, concerts, musicals, dances, recitals, and readings. Other major events include Olympic-style Senior Games, the Cochise Cowboy Poetry & Music Gathering, Art in the Park, Cars in the Park, Festival of Color Hot Air Balloon Rally, Oktoberfest, and several holiday parades.

Nearby Ramsey Canyon is a popular spot for observing and photographing 14 species of hummingbirds and hundreds of other birds, mammals, reptiles, and plants. Due to the numerous species of hummingbirds, Sierra Vista has been referred to as the Hummingbird Capital of the United States and is included on virtually all international birding maps worldwide.

Nearby locations of interest include Kartchner Caverns State Park, the cities of Tombstone and Bisbee, the San Pedro Riparian National Conservation Area, the National Historic Landmark District of Fort Huachuca, Coronado National Memorial, and the Coronado National Forest. Within driving distance are many other attractions including Arizona's Wine Country, Cochise Stronghold, the Amerind

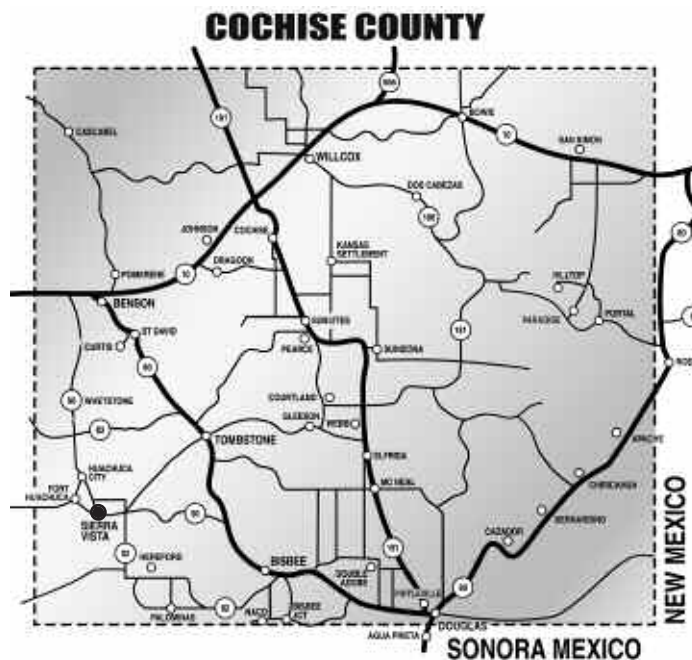
Foundation, Texas Canyon, San Bernardino Wildlife Refuge, and the Chiricahua National Monument. To learn more about Sierra Vista, visit the city's website at www.ci.sierra-vista.az.us. For more information on attractions or events, visit the Sierra Vista Convention and Visitors Bureau website at www.visitsierravista.com or call 1-800-288-3861.

West End Development

Sierra Vista's West End, which is the area along Fry Boulevard from the main gate of Fort Huachuca to 7th Street, has been the focus of redevelopment efforts by the city in recent years. The area is the oldest community within the city and includes most of the original area that made up Sierra Vista when it was first incorporated in 1956. The city staff has worked with residents, business owners, Fort Huachuca officials, Downtown Neighborhood Commissioners, and community leaders to develop strategies to revitalize the area and promote private investment. Sierra Vista and Fort Huachuca recently completed a joint economic and planning program for the West End, the "Army Community Heritage Partnership," working in cooperation with the National Trust for Historic Preservation, National Main Street program.

The area has been viewed as an important component of the city's economy due to its potential to advance small business ownership and entrepreneurship. The city has in place several incentives to encourage redevelopment in the West End. The city's Infill Incentive District Policy provides an expedited review process and offers some flexibility in the city's development code regarding such issues as parking requirements, setbacks, and height limitations. The city also gives consideration to fee waivers for development in the West End. Commercial projects that replace existing structures automatically qualify for an impact fee waiver.

Redevelopment projects in the West End that were underway at the beginning of 2008 include the Garden Place Suites Hotel, the Piazza San Lorenzo office buildings, the Nystrom/Brinks office building, and the Big Sky One office building.



Residential redevelopment is also underway, including development of the Santa Fe Springs Apartments at the current location of the Hummingbird Mobile Home Park. In early 2008, Sierra Vista completed construction on the West End Entryway Monument Walls and Signage, funded by a Rural Tourism Development Grant from the Arizona Office of Tourism.

Sierra Vista Municipal Airport

The Sierra Vista Municipal Airport serves southeastern Arizona and northern Mexico, sharing runways with Fort Huachuca's Libby Army Airfield. The airport is one of only 23 civilian/military joint-use airports in the United States, and one of only two in Arizona. The military owns and operates the land and facilities on the south side of the airport, including the control tower; while the city owns 75 acres on the north side, including 62 hangars and 35 tie-down sites, which it leases out. Hangars include lighting, electrical outlets, skylights, and roof turbine vents, and most have electrically operated doors. Hangar access is available 24-hours a day, seven days a week, through electrically operated security gates. An aircraft wash rack is located on site, and fueling services are provided by the city to general aviation customers and corporate jet customers, as well as some military customers and the U.S. Forest Service in support of their annual firefighting activities. For information on hangar or tie-down leasing, call (520) 458-5775.

The airport has three runways: Runway 08-26 is 12,000 feet long by 150 feet wide and is constructed of reinforced concrete. Runway 12-30 is 5,365 feet long by 100 feet wide, constructed of asphaltic concrete. Runway 03-21 is 4,300 feet long by 75 feet wide, also constructed of asphaltic concrete. Over the past several years, general aviation activity has averaged about 25,000 operations per year, of which approximately 30 percent were itinerant aircraft. During the same period, military use averaged 100,000 operations per year.

A 7,000 square-foot commercial terminal configured for Transportation Security Administration screening, along with a 200-space automobile parking lot, is located at the airport. Currently, there is no commercial air service to the Sierra Vista Municipal Airport. Great Lakes Airlines ended 2 years of service in February 2007 upon expiration of its \$1.2 million Federal Air Service Subsidy Grant.

The Sierra Vista Municipal Airport Master Plan was recently updated, and the city recently contracted with Z & H Engineering for a \$2.5 million rehabilitation project for Runway 12-30. The project is being funded by the Federal Aviation Administration and the Arizona Department of Transportation. Construction is expected to begin in late 2008 or early 2009. For more information on the Sierra Vista Municipal Airport, visit www.ci.sierra-vista.az.us.

Sierra Vista Industrial Development Authority

The Sierra Vista Industrial Development Authority (IDA) was established in 1981 to promote industry and develop trade by inducing manufacturing, industrial, and commercial enterprises

to locate in the city of Sierra Vista. In 1985 the IDA formed the Sierra Vista Economic Development Foundation to promote industrial and commercial growth, and the IDA became the principal not-for-profit organization that provides financial assistance and leadership to stimulate the development of qualified projects with emphasis on affordable housing in the city. In 2004 the IDA established Sierra Housing Resource Partner, Inc., a 501(c)(3) set up to develop low-income housing statewide. For more information on the IDA, visit www.ci.sierra-vista.az.us.

Cost of Living

The Sierra Vista-Douglas Micropolitan Area is a participant in the ACCRA Cost of Living Index program. The Sierra Vista-Douglas Micropolitan Area is a statistical designation for all of Cochise County. Sierra Vista and Douglas are included in the title since they are the principal cities that meet the criteria for establishing Cochise County as a micropolitan statistical area.

The ACCRA Cost of Living Index measures relative price levels for consumer goods and services in participating areas. The average for all participating places nationwide equals 100; and 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, housing, utilities, transportation, health-care, and miscellaneous goods and services.

From 2004 through the first half of 2005, the cost of living in the Sierra Vista-Douglas Micropolitan Area ranged from slightly below to slightly above the national average. Beginning in the second half of 2005 and continuing through the third quarter of 2007,

COST OF LIVING COMPARISONS

	SIERRA VISTA/DOUGLAS MICRO AREA*	TUCSON	PHOENIX	FLAGSTAFF	YUMA	LAKE HAVASU
2004						
1st Quarter	98.0	96.1	98.7	109.5	**	103.1
2nd Quarter	104.0	98.1	99.0	106.9	99.3	107.0
3rd Quarter	100.7	95.0	99.2	111.5	98.4	106.7
4th Quarter	100.4	94.4	98.7	109.7	94.7	109.6
2005						
1st Quarter	98.7	96.2	96.8	107.3	94.1	106.2
2nd Quarter	100.5	96.6	96.9	109.3	98.7	107.1
3rd Quarter	98.0	97.4	99.0	**	98.0	106.6
4th Quarter	94.0	97.3	100.4	112.4	99.4	109.4
2006						
1st Quarter	98.0	100.3	103.8	116.1	106.3	114.1
2nd Quarter	94.5	98.6	100.4	115.5	101.7	113.3
3rd Quarter	96.9	98.8	101.8	115.9	102.4	115.0
4th Quarter	98.8	99.8	102.5	113.1	103.1	111.0
2007						
1st Quarter	96.3	100.4	101.7	113.7	102.3	113.5
2nd Quarter	**	100.8	100.3	116.1	101.6	112.7
2007, 3rd Quarter	99.3	100.5	100.9	119.1	105.1	108.8

*The Sierra Vista-Douglas Micropolitan Area is a statistical area designation for all of Cochise County. Sierra Vista and Douglas are included in the title since they are the principal cities that meet the criteria for establishing Cochise County as a Micropolitan area. **Data not available. Note: The average for all participating places nationwide equals 100, and each participant's index is read as a percentage of the average for all places. Source: ACCRA Cost of Living Index.

SIERRA VISTA/DOUGLAS MICROPOLITAN AREA * COST OF LIVING

	COMPOSITE INDEX	GROCERY ITEMS	HOUSING	UTILITIES	TRANSPORTATION	HEALTH CARE	MISC. GOODS & SERVICES
2006							
3rd Quarter	96.9	111.5	95.5	93.1	101.3	93.6	92.8
4th Quarter	98.8	104.3	91.2	101.2	101.5	96.9	101.6
2007							
1st Quarter	96.3	108.4	93.7	100.6	99.9	92.1	92.0
2nd Quarter	**	**	**	**	**	**	**
3rd Quarter	99.3	104.3	96.1	100.9	107.0	100.4	97.4

*The Sierra Vista-Douglas Micropolitan Area is a statistical area designation for all of Cochise County. Sierra Vista and Douglas are included in the title since they are the principal cities that meet the criteria for establishing Cochise County as a Micropolitan area. **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 WEATHER

MONTH	AVG. HIGH	AVG. LOW	MEAN	AVG. PRECIP.	RECORD HIGH	RECORD LOW
January	62°F	34°F	48°F	1.19 in	81°F (1999)	12°F (1987)
February	65°F	36°F	51°F	0.65 in	83°F (1986)	11°F (1985)
March	70°F	41°F	56°F	0.44 in	91°F (1989)	23°F (1985)
April	77°F	46°F	62°F	0.36 in	97°F (1989)	28°F (1999)
May	85°F	53°F	69°F	0.26 in	102°F (2002)	38°F (1995)
June	93°F	62°F	78°F	0.38 in	107°F (1990)	46°F (1991)
July	93°F	66°F	79°F	3.01 in	108°F (1989)	56°F (2004)
August	90°F	64°F	77°F	3.85 in	102°F (1995)	53°F (1992)
September	87°F	60°F	74°F	1.29 in	98°F (1983)	45°F (1985)
October	79°F	50°F	65°F	1.16 in	96°F (1983)	31°F (1996)
November	69°F	40°F	54°F	0.45 in	85°F (1988)	19°F (2004)
December	62°F	34°F	48°F	0.98 in	79°F (1987)	15°F (1987)

Source: The Weather Channel ©

the area's cost of living remained below the national average.

From 2004 through the third quarter of 2007, the Sierra Vista-Douglas Micropolitan Area's cost of living ranged from a low of 94.0 (interpreted as 94 percent of the average cost of living of all places nationwide participating in ACCRA), to a high of 104.0 (interpreted as 104 percent of the nationwide average). From 2004 through the first half of 2005, the area's cost of living was above that of Tucson and Phoenix; however, this trend reversed beginning in the third quarter of 2005. Since the fourth quarter of 2005, the cost of living in the area has remained below that of Tucson and Phoenix.

In 2007, housing costs in the Sierra Vista-Douglas Micropolitan Area remained consistently below the national average. Healthcare costs were below the national average until the third quarter of 2007, when costs locally were slightly higher. Miscellaneous goods and services have remained mostly below the national average, while groceries, utilities, and transportation costs predominantly have been higher than nationwide.

Climate

Sierra Vista is at an elevation of 4,623 feet. The average monthly

temperature ranges from an average low of 34°F in January and December to an average high of 93°F in June and July. The record low of 11°F was observed in February 1985. The record high is 108°F, observed in July 1989. The average monthly precipitation ranges from 0.26 inches in May to 3.85 inches in August.

Arizona Enterprise Zone Program

Portions of Sierra Vista are located in the Cochise County Enterprise Zone, currently in effect through 2011. This zone also includes the communities of Benson, Bisbee, Douglas, Huachuca City, Tombstone, and Willcox. 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 promoting private investment. The program provides income tax credits for non-retail businesses creating new jobs in enterprise 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 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 5 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 are now 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 fulltime permanent job (1,750 hours per year), pays an hourly wage above the "Wage Offer by County" (\$8.38 in 2008 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 (for cities with a population of less than 15,000) or \$1 million (for cities with a population between 15,000 and 80,000; in Cochise County, this includes

only Sierra Vista and Douglas as of 2007). 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

Sales (or privilege) tax rates in Sierra Vista vary based on the category of sale. City sales tax 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 Sierra Vista is 1.75 percent, for a total (city, county, and state) tax of 7.85 percent. Restaurant and bar sales in the city are taxed at 2.6 percent, for a total tax of 8.7 percent. Hotel/motel stays are taxed at 5.5 percent, for a total tax of 11.55 percent (Note: The state and county combined tax for hotel/motel stays is 6.05 percent). Utilities and telecommunications sales in the city are taxed at 2 percent, for a total rate of 8.1 percent. Construction contracting is taxed at 2.45 percent, for a total rate of 8.55 percent. In 2006, Sierra Vista added a new real property rental tax of 1 percent.

PROPERTY TAX

The combined total of all primary and secondary city, school district, county, state, and other property taxes for property located in Sierra Vista in 2007 was \$11.81 per \$100 assessed value. This was up 27 percent from \$9.301 in 2006, due to an

SIERRA VISTA TRANSACTION PRIVILEGE (SALES) TAX RATES

CATEGORY	COUNTY AND STATE	CITY OF SIERRA VISTA	TOTAL
Privilege Tax	6.10%	1.75%	7.85%
Use Tax - Utilities	6.10%	1.75%	7.85%
Use Tax	5.60%	1.75%	7.35%
Restaurant & Bar	6.10%	2.60%	8.70%
Hotel/Motel	6.05%	5.50%	11.55%
Utilities/Telecommunications	6.10%	2.00%	8.10%
Jet Fuel (per gal.)	3.355¢	2.000¢	5.355¢
Rental of Real Property	—	1.00%	1.00%
Construction Contracting	6.10%	2.45%	8.55%

*As of January 1, 2008. Source: Arizona Department of Revenue and Cochise College Center for Economic Research.

increase in school district taxes. In 2007, it was revealed that an accounting error by the Sierra Vista Unified School District resulted in a \$4.3 million revenue shortfall in 2006. In response, the district more than doubled its primary property tax rate for 2007. The combined primary and secondary tax rates levied by the Sierra Vista Unified School District increased by 66.6 percent from 2006 to 2007. All other districts with taxing jurisdiction over property located in Sierra Vista stabilized or lowered their rates in 2007, largely in response to a substantial increase in property valuations, which brought in more revenue at lower rates. (Note: The Cochise County flood control property tax remained at its 2006 level for 2007; all other rates except the school district were lowered.) Of the nine unified school districts in Cochise

County, the combined primary and secondary property tax rates of the Sierra Vista Unified School District were at the median (i.e., half the school districts levied a higher rate, and half levied a lower rate). The property tax rate levied by the City of Sierra Vista in 2007 was \$0.1319 per \$100 of assessed value, the lowest level of any of the incorporated areas of Cochise County.

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

- 23 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;

SIERRA VISTA PROPERTY TAX RATES, 2007 (PER \$100 ASSESSED VALUE)

DISTRICT	PRIMARY	SECONDARY	TOTAL
City of Sierra Vista	0.1319		0.1319
Buena Elementary School District	3.2865	0.9972	4.2837
Buena High School District	1.5512	0.7434	2.2946
Cochise County General Government*	2.8653		2.8653
Library*		0.1451	0.1451
Flood Control*		0.2597	0.2597
Cochise College*	1.7430		1.7430
Arizona Fire District Assistance Tax*		0.0867	0.0867
TOTAL	9.5779	2.2321	11.8100

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



SVRHC serves 40,000 residents in Sierra Vista, Fort Huachuca, and Cochise County.

commercial and industrial real property not included in other classes. The assessment ratio for property in this class will decline incrementally, reaching 20 percent in 2011 as follows: 23 percent in 2008; 22 percent in 2009; 21 percent in 2010; and 20 percent in 2011.

- 21 percent: Railroad operating property, private car company property, and airline flight property.
- 16 percent: Agricultural real property, golf courses, and vacant land.
- 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.
- 1 percent: Possessor interests; improvements to commercial historic or historic residential rental property (for up to 10 years).

Crime Rate

The crime rate in Sierra Vista in 2006 was 46.3 crimes per 1,000 residents, up considerably from 36.9 in 2005. In 2006, crime in Sierra Vista was at its highest level since

2003. In the intervening years, the city saw crime rates considerably below the county, state, and national averages. In 2006, Sierra Vista's crime rate was lower than the county and state rates, but higher than the national rate.

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, thus crime rates may be impacted by changes in reporting patterns, as well as changes in the actual rates of occurrence of crime.

Primary and Secondary Education

SIERRA VISTA UNIFIED SCHOOL DISTRICT

The Sierra Vista Unified School District (SVUSD) consists of one high school, two middle schools, and six elementary schools. Average daily membership (ADM) at the district level declined steadily between the 2002/2003 and 2004/2005 school years; however, this trend reversed in 2005/2006. ADM is a prime determinant of state-level funding.

The K-12 school district has programs for advanced and gifted students and English Language Learners (ELL), as well as those who need special preschools or have special needs. At all levels, activities are designed to meet the various interests of a diverse student population. High school career-technical programs include accounting and financial services, automotive

SIERRA VISTA CRIME RATE (PER 1,000 POPULATION)

2002	41.4
2003	47.2
2004	37.8
2005	36.9
2006	46.3

Source: Federal Bureau of Investigation, Uniform Crime Reports; Arizona Department of Economic Security; and Cochise College Center for Economic Research.

CRIME RATE, 2006 (PER 1,000 POPULATION)

LOCATION	POPULATION	VIOLENT CRIME	PROPERTY CRIME	ARSON	TOTAL CRIME	CRIME RATE (PER 1,000 POPULATION)
United States	298,754,819	1,417,745	9,938,568	*	11,401,313	38.2
Arizona	6,305,210	30,916	285,370	*	316,286	50.2
Cochise County	135,150	*	*	*	*	**48.5
Benson	4,820	11	246	1	258	53.5
Bisbee	6,355	15	272	0	287	45.2
Douglas	17,660	*	*	*	*	*
Huachuca City	1,825	2	44	0	46	25.2
Sierra Vista	44,870	109	1,957	12	2,078	46.3
Tombstone	1,655	*	*	*	*	*
Willcox	3,910	8	316	2	326	83.4
Unincorporated Areas	54,055	*	1,531	15	*	*

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

technology and repair, business technology, computer maintenance and repair, construction, culinary arts, drafting, early childhood development, education professions, commercial and graphic arts, marketing, photo imagery, radio and television, programming and network development, theater technology, and web design. Partnerships with Cochise College include programs in health services, welding, avionics, and numerous other career programs. Also available is Junior Reserve Officer Training Corps (JROTC), as well as advanced placement classes in English, mathematics, science, psychology, geography, and history. Interscholastic sports, Knowledge Bowl, Speech and Debate, Odyssey of the Mind, Robotics, National History Day, Academic Decathlon competitions, and a large variety of service and special interest clubs are available at the middle schools and high school.

Arizona Learns, a program within the Arizona Department of Education, rates each Arizona school by assigning a label reflecting its ability to meet or exceed the Arizona Standards of Education. The labels include: excelling, highly performing, performing plus, performing, and underperforming. Labels are issued each fall term for the previous year. For the 2006-2007 school year, Pueblo del Sol Elementary was rated excelling; Huachuca Mountain Elementary and Village Meadows Elementary were rated highly performing; and all others were rated performing plus or performing.

FORT HUACHUCA ACCOMMODATION SCHOOLS

Fort Huachuca Accommodation Schools (FHAS) consist of one middle school and two elementary schools. FHAS are Arizona public schools that fall under the Arizona Department of Education. The schools are not Department of Defense Dependent Schools (DoDDS). The school district is under the direction and authority of the Cochise County School Superintendent, who serves as the district's one-person governing board, and administered by a district superintendent. Financial support for FHAS is derived from state aid and federal impact aid.

Although not under the jurisdiction of the military command, the district has a

close working relationship with the garrison commander's office and other military groups on post. A representative from the garrison commander's office serves as a member of the advisory board to the district's governing board. A school liaison officer works closely with the district, the individual schools, parents, and the military to enhance the partnerships needed for successful student growth and achievement.

Under Arizona Learns, Colonel Smith Middle School was rated excelling and General Myer Elementary School was rated highly performing. FHAS students' scores on state mandated assessments (AIMS and Metropolitan) consistently exceed state and county averages. The FHAS curriculum has been aligned to the Arizona state standards and the district has incorporated the standards into instructional practices in the classrooms. The major teaching emphasis is placed on the basic fundamentals while providing a foundation for students to build upon by continuing their learning and inquiry throughout their lifetimes. A certified principal administers each school, and each school employs a registered nurse. ELL coordinators, speech therapists, and counselors work at all three school sites.

CHARTER SCHOOLS

In addition to the SVUSD and the FHAS, Sierra Vista also has five charter schools with a total enrollment of 942 students as of October 1, 2006. In October 2007, the Center for Academic Success broke ground on a new \$7 million, 9-acre campus in Sierra Vista.

Post-secondary Educational Opportunities

COCHISE COLLEGE

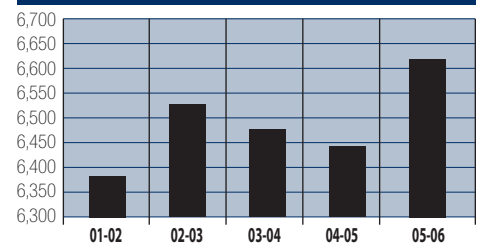
Cochise College is a two-year institution "serving the education needs of Cochise County, the State of Arizona, and

SIERRA VISTA UNIFIED SCHOOL DISTRICT ARIZONA LEARNS RATINGS

SCHOOL	2006/2007	2005/2006
Buena High School (9-12)	Performing	Highly Performing
Apache Middle School (6-8)	Performing Plus	Performing Plus
Sierra Vista Middle School (6-8)	Performing Plus	Performing Plus
Bella Vista Elementary (K-5)	Performing	Performing Plus
Carmichael Elementary (K-5)	Performing Plus	Performing Plus
Huachuca Mountain Elementary (K-5)	Highly Performing	Performing Plus
Pueblo del Sol Elementary (K-5)	Excelling	Highly Performing
Town & Country Elementary (K-5)	Performing Plus	Performing Plus
Village Meadows Elementary (K-5)	Highly Performing	Performing Plus

Source: Arizona Department of Education.

SIERRA VISTA UNIFIED SCHOOL DISTRICT AVERAGE DAILY MEMBERSHIP



Source: Arizona Department of Education.

the world." The college's academic programs include aviation, nursing, welding, computers, English, and Spanish. Its athletic programs draw students from the entire southwest United States and beyond. Students can earn an associate degree and gain experience that will prepare them to complete a bachelor's degree at a four-year institution.

Cochise College classes have been offered in the Sierra Vista/Fort Huachuca area since the 1960s. By 1972, college instructors were teaching courses in temporary buildings at Buena High School. In 1974, the Andrea Cracchiolo family donated 40 acres of land east of Sierra Vista for the future site of the Sierra Vista Campus. The campus opened in 1978. To meet the needs of a growing student population, ground was broken on the Andrea Cracchiolo Library and the science building in September 1994. Today, the campus provides a diverse curriculum of general education, transfer, and occupational programs, including computer science, nursing, business, theater, welding, and manufacturing engineering. It is located in close

FORT HUACHUCA ACCOMMODATION SCHOOLS ARIZONA LEARNS RATINGS

SCHOOL	2006/2007	2005/2006
General Myer Elementary School (3-5)	Highly Performing	Highly Performing
Colonel Johnston Elementary (pre-K-2)	N/A	Performing
Colonel Smith Middle School (6-8)	Excelling	Excelling

N/A = Data Not Available. Source: Arizona Department of Education.

SIERRA VISTA CHARTER SCHOOLS ARIZONA LEARNS RATINGS

SCHOOL	2006/2007	2005/2006
Center for Academic Success #5 (K-5)	Performing	Performing
Center for Academic Success #1 (9-12)	Performing Plus	Performing Plus
Imagine Charter School at Sierra Vista (K-8)	Performing	Performing Plus
The Berean Schools (K-10)	Performing/Performing Plus*	Performing
PPEP-TEC Colin L. Powell Learning Center	Performing	Performing

*Grades K-8 were rated Performing; grades 9-10 were rated Performing Plus. Source: Arizona Department of Education.

SIERRA VISTA PRIMARY AND SECONDARY SCHOOL ENROLLMENT

SCHOOL	2006/2007	2005/2006	2004/2005
Sierra Vista Unified School District	6,905	6,928	6,689
Apache Middle School (6-8)	728	733	703
Bella Vista Elementary School (K-5)	431	445	388
Buena High School (9-12)	2,785	2,750	2,616
Carmichael Elementary School (K-5)	410	389	381
Huachuca Mountain Elementary School (K-5)	567	554	525
Pueblo Del Sol Elementary School (K-5)	481	479	491
Sierra Vista Middle School (6-8)	649	760	824
Town & Country Elementary School (K-5)	473	436	426
Village Meadows Elementary School (K-5)	381	382	335
Fort Huachuca Accommodation District	1,046	1,140	1,209
Colonel Johnston Elementary School (pre-K-2)	372	412	424
Colonel Smith Middle School (6-8)	323	351	345
General Myer Elementary School (3-5)	351	377	440
Charter Schools	942	935	980
The Berean Schools (K-10)	224	194	198
Center for Academic Success #5 (K-5)	61	64	40
Center for Academic Success #1 (9-12)	165	156	187
Imagine Charter School at Sierra Vista (K-8)	435	450	493
PPEP-TEC Colin L. Powell Learning Center (9-12)	57	71	62

Note: Figures reflect enrollment as of October 1 of each school year. Source: Arizona Department of Education.

proximity to apartments, shopping, dining, University of Arizona South, and Buena High School. In addition to its Sierra Vista Campus, the college offers classes in Benson, Bisbee, Douglas, Fort Huachuca, Willcox, and in outlying areas. Classes are also offered online and in neighboring Santa Cruz County.

In December 2007, the Cochise College Governing Board approved a number of capital improvement projects, which the college will initiate in 2008. The initial projects - on both the Douglas and Sierra Vista campuses - are part of the Master Facilities Plan, which was originally developed to modernize sub-standard facilities, upgrade classroom technology and learning environments, and create space to accommodate growth. Since Cochise County voters rejected a bond proposal to fund the plan, the college has modified it to address inadequate and substandard facilities that have the greatest impact on student learning and life and infrastructure systems that are inefficient or ineffective. The revised plan does not address significant growth and calls on funding sources without imposing a secondary property tax levy.

In 2008, work at the Sierra Vista Campus will include an addition to the science building, a new career-technical building, and related site improvements including a new sewer line. The science building project will add 7,500 square feet of labs/classrooms, preparation areas, and storage space at a cost of \$2.25 million. The \$3.4 million, 15,000 square foot career-technical building will be flexibly designed to house welding, drafting, building/construction technology, and other technological programs. Site improvements totaling \$1.3 million in the vicinity of the new construction include a new domestic water line, fire hydrant relocation, electrical services, fire alarm, data and communications, as well as a new sewer line required by the city.

Cochise College is accredited by the Higher Learning Commission of the North Central Association. In 2006, Cochise College earned the maximum re-accreditation of 10 years as the result of an exceptional evaluation by the visiting accreditation team. To learn more about Cochise College, visit www.cochise.edu.

UNIVERSITY OF ARIZONA SOUTH

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 that allow the citizens of the State, and primarily Cochise County, to obtain degrees and develop fully their intellectual and professional capabilities as well as 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. 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 addition to its campus in Sierra Vista, UA South maintains a campus in Douglas, serving the needs of Southeast Cochise County and Northern Mexico, and an office on Fort Huachuca. For more information, visit www.uas.arizona.edu.

UNIVERSITY OF PHOENIX

The Southern Arizona Campus of the University of Phoenix has learning center campus locations in Sierra Vista and on Fort Huachuca. The Southern Arizona Campus allows students to earn their college degree while maintaining their personal and professional commitments. University of Phoenix classes are scheduled in the evenings, and the university is committed to providing higher education to working professionals. University of Phoenix offers professional level undergraduate degrees in business, accounting, administration, information systems, management, and nursing, and graduate degrees in business, counseling, information systems, technology management, management, nursing, and education. For more information, visit www.universityofphoenix.com.

WAYLAND BAPTIST UNIVERSITY

Wayland Baptist University has campus locations in Sierra Vista and on Fort Huachuca. Wayland is a private, coeducational Baptist university, and seeks to educate students in an academically challenging and distinctively Christian environment. The majority of Wayland's undergraduate and graduate programs cater to the working adult student, to include military, border patrol, and other government employees. Undergraduate programs include a Bachelor of Science in Occupational Education degree; Bachelor of Science in Interdisciplinary Studies degree; and Bachelor of Christian Ministry degree. Graduate programs include a Master of Christian Ministry and a Master of Arts in Management. For more information, visit www.wbu.edu.

WESTERN INTERNATIONAL UNIVERSITY

Western International University

(WIU) has a campus located on Fort Huachuca. WIU provides a broad educational foundation, including a focus on business and technology, designed to prepare students for leadership positions in a dynamic, global marketplace. WIU seeks to provide education programs to a student population that includes working adults and international students, in a format and at times and locations conducive to the education of the student population. The university seeks to provide programs that meet the educational needs identified by industry, government, and other institutions of higher education in the community. WIU also seeks to provide students with an education that blends practical experience with a strong theoretical framework, and an international educational environment through the implementation of global-oriented curriculum. For more information, visit www.wintu.edu.

Healthcare

SIERRA VISTA REGIONAL HEALTH CENTER (SVRHC)

SVRHC offers state-of-the-art technology; modern facilities; a newly expanded maternal child unit with birthing suites; a Level 2 nursery; intensive care and a newly renovated medical surgical department; the latest in cardiac catheterization; complete rehabilitation services; and a free-standing ambulatory surgery center. SVRHC maintains an 86-bed acute care facility, with 70 active, 37 courtesy, and 9 Allied Health physicians. SVRHC serves 40,000 residents in Sierra Vista, Fort Huachuca, and Cochise County, and

reports more than 7,600 patient visits, 1,400 births, 28,000 emergency room visits, and 375,000 tests performed each year.

In 2005, SVRHC completed an emergency department expansion, which doubled the size of the department and added a "fast-track" area to speed the processing of patients requiring lower levels of care. The emergency department added a new x-ray machine and four telemetry beds (bringing the total to 14), and the nursing station was renovated. New services including dialysis, a sleep lab, and PET/CT were implemented.

In 2007, SVRHC began renovations to its Medical Surgical Department including the addition of a second nursing station, a private patient room, a treatment room, a new visitor waiting room, a medication room for each nursing station, a staff conference room, and space for the new clinical information system. Also in 2007, Trauma Telemedicine equipment was installed, which provides a real-time connection to trauma doctors at the University Medical Center in Tucson. For more information on SVRHC, visit www.svrhc.org.

VETERANS ADMINISTRATION (VA) OUTPATIENT CLINIC

In July 2007, the new, 10,000 square-foot VA Outpatient Clinic opened in Sierra Vista to meet the healthcare needs of the area's military veterans. Previously, the clinic was located in a 2,600 square-foot area in the basement of the Raymond W. Bliss Army Health Center on Fort Huachuca. The clinic provides comprehensive primary care, optometry, physical therapy, mental health, and laboratory services, as well as eligibility and enrollment services.



Pueblo Del Sol elementary school received an Arizona Learns rating of Excelling for the 2006-2007 school year.

Demographics

The Mall at Sierra Vista caters to local shoppers as well as international shoppers from Mexico.



Population Estimates and Projections

The population of Sierra Vista as of July 2007 was 44,736, according to estimates by the Arizona Department of Commerce's Research Administration (formerly part of the Arizona Department of Economic Security). This was down 0.3 percent from 2006. From 2000 to 2007, Sierra Vista's population grew by 18.4 percent, for average annual growth of 2.5 percent. This was considerably below the statewide average growth rate of 3.4 percent, but ahead of the countywide rate of 2.2 percent. Based on population size, Sierra Vista ranked as the 16th largest incorporated sub-county area in Arizona in 2007.

It is important to note that Sierra Vista's population includes the population of Fort Huachuca. This is the result of the city's annexation of the fort in 1971. In 2005, a total of 6,792 military personnel and their family members resided on Fort Huachuca. This was down from 7,066 in 2004 and 7,736 in 2003. The reduction in the number of military personnel and family members residing on post in recent years has largely been the result of a reduction of the number of housing units on the fort. In 1995, Fort Huachuca launched a redevelopment project for its family housing areas. The project, which is scheduled to be complete in 2011, involves the demolition and replacement of existing units. The net effect will be a reduction of housing units from 1,794 in 2001 to 1,425 in 2011. The result has been an increasing proportion of military personnel and their family members residing off-post.

Although the population of Sierra Vista, including Fort Huachuca, is just under 45,000, the Sierra Vista area includes nearby populated areas that create a community of about 72,000, according to the Arizona Department of Commerce. This community includes the City of Sierra Vista (including Fort Huachuca), the Sierra Vista Southeast Census Designated Place (CDP), Huachuca City, Tombstone, Whetstone, and surrounding areas. The population of this wider Sierra Vista area is projected to reach 100,000 in 2028.

The steady population growth in Sierra Vista in the early 2000s was fueled by the increasing number of military and civilian personnel at Fort Huachuca, along with

increases in defense contractor personnel to support the fort's missions. In recent years, the fort has seen an increase in the demand for intelligence soldiers, who are trained at the fort. One of the faster-growing sectors of defense contracting has been the Unmanned Aerial Vehicle (UAV) industry, which has grown rapidly in recent years. Fort Huachuca became home to the largest UAV training center in the world in 2005 with the opening of a new, 25,000 square-foot UAV training annex. Another contributor to the city's population growth has been an increasing number of retirees, evidenced by the rapid growth of the city's population above the age of 65.

The population decline in 2007 was largely the result of the slowdown in the housing market. New residential construction in the city was down nearly 60 percent in 2007, following decreases of 16 and 26 percent in 2005 and 2006, respectively. Existing home sales were also down more than 12 percent in 2007, following a decline of more than 25 percent in 2006. For more on the Sierra Vista housing market, see the Housing, Real Estate, and Commercial Construction section of this publication.

Race and Ethnicity

In 2000, approximately 15.8 percent of Sierra Vista's 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 Cochise College Center for Economic Research (CER) estimates that, in 2007, Hispanics comprised 18.6 percent of Sierra Vista's population. If recent trends continue, the Hispanic/Latino population in Sierra Vista is projected to reach 20.6 percent in 2012. (Note: The U.S. Census Bureau considers Hispanic/Latino an ethnic group, not a race; thus, there is no separate racial classification for Hispanic/Latino. According to the Census Bureau, people identifying themselves as Hispanic or Latino may be of any race.)

Sierra Vista's population in 2000 was 73.3 percent White, 10.9 percent Black/African American, 0.8 percent American Indian/Alaska Native, 4.1 percent Asian/Pa-

cific Islander, and 10.9 percent other (including two or more races combined). Based on trends between 1990 and 2000, the CER estimates that, in 2007, the racial composition of Sierra Vista was 70.5 percent White, 10.1 percent Black/African American, 0.9 percent American Indian/Alaska Native, 3.3 percent Asian/Pacific Islander, and 15.2 percent other (including two or more races combined).

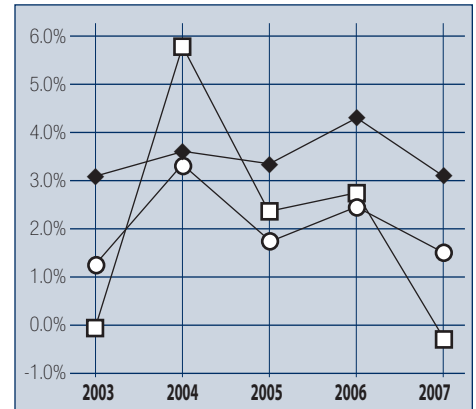
The largest changes in Sierra Vista's racial composition in recent years have occurred in the segment of the population classifying themselves as "other," which has increased significantly. Although comprising a small portion of Sierra Vista's population, the number of those classifying themselves as American Indian or Alaska Native has also grown significantly.

The CER projects that, in 2012, Sierra Vista's racial composition will be 68.4 percent White, 9.7 percent Black/African American, 1 percent American Indian/Alaska Native, 2.8 percent Asian/Pacific Islander, and 18.1 percent other (including two or more races combined). The fastest-growing racial group in Sierra Vista between 2007 and 2012 is projected to be the group classifying themselves as "other" (including two or more races combined), projected to grow by 38.1 percent. The second fastest-growing racial group is projected to be the American Indian/Alaska Native group, projected to grow by 28.8 percent. It is important to note that shifts in racial composition do not necessarily represent changing demographics alone, but may include differences in how residents choose to classify themselves.

Age Groups

According to data from Census 2000, the median age of the city's population that year was 32 years, considerably below the median age of 36.9 years for all of Cochise County and 34.2 years statewide. This is likely attributable to the large number of predominantly

POPULATION GROWTH COMPARISONS



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

POPULATION PROJECTIONS

YEAR	COCHISE COUNTY	CITY OF SIERRA VISTA	SIERRA VISTA AREA*
2008	140,560	47,386	73,767
2009	143,346	48,560	75,446
2010	146,037	49,694	77,068
2011	148,672	50,805	78,656
2012	151,258	51,895	80,215
2013	153,784	52,959	81,738
2014	156,247	53,997	83,222
2015	158,650	55,010	84,671
2016	160,996	55,999	86,085
2017	163,278	56,961	87,460

*Includes City of Sierra Vista, Sierra Vista Southeast CDP, Huachuca City, Tombstone, Whetstone, and surrounding areas. Source: Arizona Department of Commerce.

POPULATION ESTIMATES

	SIERRA VISTA		COCHISE COUNTY		ARIZONA	
	POPULATION	GROWTH	POPULATION	GROWTH	POPULATION	GROWTH
1990	32,983	—	97,624	—	3,665,228	—
2000	37,775	14.5%*	117,755	20.6%*	5,130,632	40.0%*
2001	38,740	2.6%	120,845	2.6%	5,319,785	3.7%
2002	40,415	4.3%	123,945	2.6%	5,470,720	2.8%
2003	40,410	0.0%	125,430	1.2%	5,642,725	3.1%
2004	42,725	5.7%	129,600	3.3%	5,845,250	3.6%
2005	43,690	2.3%	131,790	1.7%	6,044,985	3.4%
2006	44,870	2.7%	135,150	2.5%	6,305,210	4.3%
2007	44,736	-0.3%	137,200	1.5%	6,500,194	3.1%

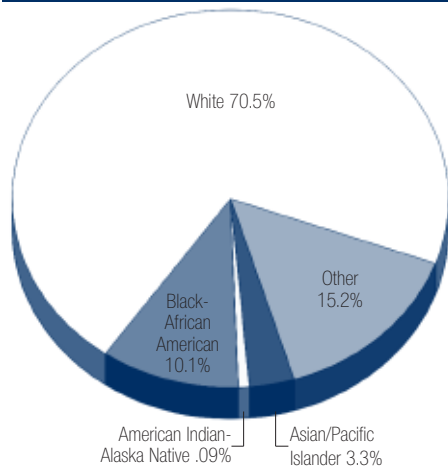
*Indicates total growth over the period 1990-2000. Source: Figures for 1990 and 2000 obtained from the U.S. Census Bureau. Figures for 2001-2007 are estimates provided by the Arizona Department of Commerce.

ARIZONA'S 20 LARGEST INCORPORATED PLACES BY POPULATION SIZE, 2007

RANKING	PLACE	POPULATION
1	Phoenix	1,538,568
2	Tucson	541,132
3	Mesa	456,344
4	Glendale	246,076
5	Chandler	241,205
6	Scottsdale	240,126
7	Gilbert	203,656
8	Tempe	167,871
9	Peoria	151,541
10	Surprise	104,895
11	Yuma	93,212
12	Avondale	75,256
13	Flagstaff	64,200
14	Goodyear	55,954
15	Lake Havasu City	55,263
16	Sierra Vista	44,736
17	Prescott	43,212
18	Oro Valley	42,551
19	Casa Grande	42,422
20	Bullhead City	41,000

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

SIERRA VISTA RACIAL GROUPS ESTIMATES, 2007



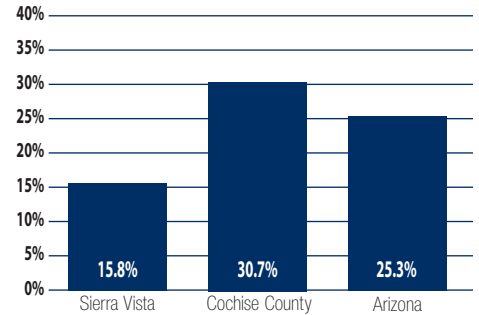
Note: Estimates by the Cochise College Center for Economic Research using U.S. Census data for 1990 and 2000, and Arizona Department of Commerce mid-year population estimates for 2001 through 2007. The U.S. Census Bureau considers Hispanic an ethnicity, not a race; thus, there is no separate racial classification for Hispanic. According to the Census Bureau, people identifying themselves as Hispanic may be of any race.

SIERRA VISTA HISPANIC/LATINO POPULATION, ESTIMATES AND PROJECTIONS

YEAR	HISPANIC OR LATINO (OF ANY RACE) % OF TOTAL POPULATION	HISPANIC OR LATINO NUMBER
2007	18.6%	8,321
2008	19.0%	9,003
2009	19.4%	9,421
2010	19.8%	9,839
2011	20.2%	10,263
2012	20.6%	10,690

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 Commerce mid-year population estimates for 2001 through 2007. 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.

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.

younger military personnel who are stationed at Fort Huachuca.

In 2000, 74.2 percent of Sierra Vista's population was aged 18 years and older; 14.6 percent was aged 62 years or older; and 12.1 percent was aged 65 years or older.

According to CER estimates, in 2007 the three largest age groups in Sierra Vista were 25 to 44 years (25.5 percent of the population), 5 to 17 years (17 percent of the population), and 18 to 24 years (12.6 percent of the population). If recent trends continue, these will remain the three largest age groups into 2012. The three fastest-growing age groups between 2007 and 2012, however, are projected to be 75 to 84 years (projected to grow by 39.2 percent), 85 years and older (projected to grow by 35.2 percent), and 65 to 74 years (projected to grow by 30.9 percent). Each age group 45 years old and older is projected to grow by at least 20 percent between 2007 and 2012, and each age group 65 years old and above is projected to grow by at least 30 percent.

Household Characteristics

According to Census 2000, the average Sierra Vista household size that year was 2.48 persons, down from 2.65 in 1990. Based on this trend, the CER estimates the average household size in 2007 was 2.36. If the trend continues, Sierra Vista's average household size will drop to 2.28 persons in 2012. The declining household size in Sierra Vista is attributable to the growing population of those aged 65 and older, who

tend to have smaller household sizes; as well as the steady increase in the population of military personnel, a disproportionate number of whom are young and unmarried, thus contributing to smaller household sizes.

Of total Sierra Vista households, 70.4 percent were classified as family households as of Census 2000. A total of 37.3 percent of households had individuals under the age of 18, and 22.1 percent had individuals aged 65 years and older. A total of 7.8 percent of Sierra Vista 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 Sierra Vista's population aged 15 years and older, 58.8 percent were married (excluding those who were separated), 1.7 percent were separated, 11.3 percent were divorced, 4.8 percent were widowed, and 23.4 percent had never been married as of Census 2000.

In 2000, approximately 33.6 percent of Sierra Vista's population aged 5 years and older had resided in the same house for at least 5 years. Approximately 38.5 percent of Sierra Vista's population aged 5 years and older had relocated to the city within the previous 5 years from outside Cochise County. The high relocation rate is attributable to military personnel transferring to and from Fort Huachuca.

Educational Attainment

Of Sierra Vista's population aged 25

years and older, 91.5 percent had at least a high school diploma or equivalent as of Census 2000, compared to 79.5 percent countywide, 81 percent statewide, and 80.4 percent nationally. Approximately 25.7 percent of Sierra Vista residents held a bachelor's degree or higher in 2000, compared to 18.8 percent for the county, 23.5 percent statewide, and 24.4 percent nationwide.

Between 1990 and 2000, according to U.S. Census Bureau data, the number of Sierra Vista residents with less than a 9th grade education increased slightly from 3.1 to 3.2 percent of the city's population aged 25 years and older. At the same time, the number of city residents with a 9th to 12th grade education, but without a high school diploma, dropped from 6.8 to 5.3 percent; the number of high school graduates (or equivalent) decreased from 23.3 to 22.8 percent; and the number of residents with some college, but no degree, increased from 31.2 to 32.1 percent. The number of residents with an associate degree decreased slightly from 11.8 to 10.9 percent of the city's population aged 25 years and older; the number of residents with a bachelor's degree increased from 15.1 to 18.2 percent; and the number of residents with a graduate or professional degree decreased from 8.7 to 7.5 percent.

Based on trends between 1990 and 2000, the CER estimates that, in 2007, approximately 92.5 percent of Sierra Vista's

SIERRA VISTA POPULATION BY AGE GROUP ESTIMATES AND PROJECTIONS

	UNDER 5	5 - 17	18 - 24	25 - 44	45 - 54	55 - 59	60 - 64	65 - 74	75 - 84	85 +	TOTAL
2007	3,065 6.9%	7,627 17.0%	5,659 12.6%	11,403 25.5%	5,418 12.1%	2,474 5.5%	2,156 4.8%	3,861 8.6%	2,550 5.7%	523 1.2%	44,736
2008	3,193 6.7%	8,003 16.9%	5,966 12.6%	11,823 25.0%	5,814 12.3%	2,677 5.7%	2,327 4.9%	4,193 8.8%	2,811 5.9%	578 1.2%	47,386
2009	3,215 6.6%	8,124 16.7%	6,089 12.5%	11,858 24.4%	6,036 12.4%	2,802 5.8%	2,428 5.0%	4,409 9.1%	2,991 6.2%	607 1.3%	48,560
2010	3,225 6.5%	8,224 16.6%	6,192 12.5%	11,877 23.9%	6,261 12.6%	2,932 5.9%	2,534 5.1%	4,622 9.3%	3,180 6.4%	646 1.3%	49,694
2011	3,241 6.4%	8,352 16.4%	6,320 12.4%	11,863 23.4%	6,473 12.7%	3,051 6.0%	2,630 5.2%	4,836 9.5%	3,363 6.6%	676 1.3%	50,805
2012	3,248 6.3%	8,449 16.3%	6,425 12.4%	11,848 22.8%	6,700 12.9%	3,181 6.1%	2,735 5.3%	5,054 9.7%	3,550 6.8%	707 1.4%	51,895

Note: Discrepancies due to rounding. Estimates and projections by the Cochise College Center for Economic Research using U.S. Census data for 1990 and 2000, and Arizona Department of Commerce mid-year population estimates for 2001 through 2007. Discrepancies due to rounding.

population had attained a high school diploma or higher and 27 percent had attained a bachelor's degree or higher. If recent trends continue, in 2012 the proportion of residents with a high school diploma or higher will reach 93.2 percent, and those with a bachelor's degree or higher will reach 28 percent.

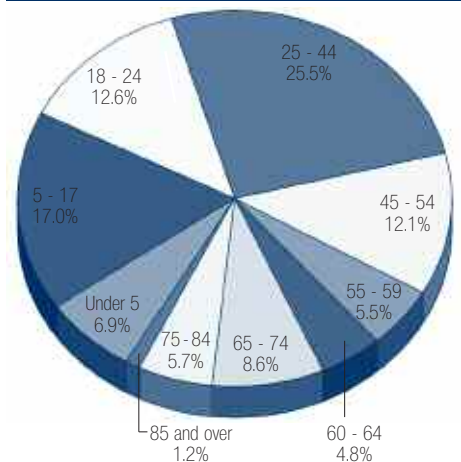
The overall trend in the educational attainment of Sierra Vista's residents has been toward higher levels of education, with most of the increase occurring in the number of those having earned a bachelor's degree, and those having earned some college credit, but no degree. Sierra Vista's res-

SIERRA VISTA POPULATION BY RACE, ESTIMATES AND PROJECTIONS

	WHITE	BLACK OR AFRICAN AMERICAN	AMERICAN INDIAN AND ALASKA NATIVE	ASIAN OR PACIFIC ISLANDER	OTHER	TOTAL
2007	31,494 70.4%	4,563 10.2%	403 0.9%	1,476 3.3%	6,800 15.2%	44,736
2008	33,170 70.0%	4,786 10.1%	474 1.0%	1,516 3.2%	7,440 15.7%	47,386
2009	33,798 69.6%	4,856 10.0%	486 1.0%	1,505 3.1%	7,915 16.3%	48,560
2010	34,388 69.2%	4,920 9.9%	497 1.0%	1,491 3.0%	8,398 16.9%	49,694
2011	34,954 68.8%	4,979 9.8%	508 1.0%	1,473 2.9%	8,891 17.5%	50,805
2012	35,496 68.4%	5,034 9.7%	519 1.0%	1,453 2.8%	9,393 18.1%	51,895

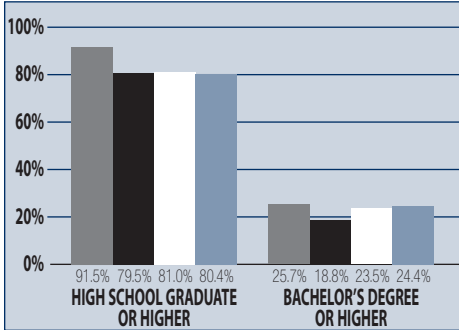
Note: Discrepancies due to rounding. Estimates and projections by the Cochise College Center for Economic Research using U.S. Census data for 1990 and 2000, and Arizona Department of Commerce mid-year population estimates for 2001 through 2007. The U.S. Census Bureau considers Hispanic an ethnicity, 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.

SIERRA VISTA AGE GROUPS ESTIMATES, 2007



Note: Estimates by the Cochise College Center for Economic Research using U.S. Census data for 1990 and 2000, and Arizona Department of Commerce mid-year population estimates for 2001 through 2007.

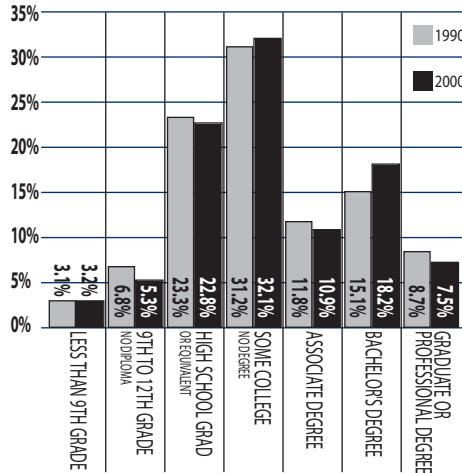
EDUCATIONAL ATTAINMENT COMPARISONS, 2000



Legend: Sierra Vista (dark grey), Cochise County (black), Arizona (light grey), United States (blue)

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

SIERRA VISTA EDUCATIONAL ATTAINMENT, 1990-2000



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

SIERRA VISTA EDUCATIONAL ATTAINMENT, ESTIMATES AND PROJECTIONS

YEAR	PERCENT HIGH SCHOOL GRADUATE OR HIGHER	PERCENT BACHELOR'S DEGREE OR HIGHER
2007	92.5%	27.0%
2008	92.6%	27.2%
2009	92.8%	27.4%
2010	92.9%	27.6%
2011	93.1%	27.8%
2012	93.2%	28.0%

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.

idents are more educated than the county, state, and nationwide averages.

Income

The median household income in Sierra Vista for 2006 was approximately \$45,778, compared to \$38,427 for Cochise County, \$47,265 for Arizona, and \$48,451 nationwide. The median family income for Sierra Vista in 2006 was approximately \$53,462, compared to \$46,097 for the county, \$55,709 statewide, and \$58,526 nationally. The Sierra Vista per capita income in 2006 was approximately \$22,812, compared to \$19,783 for the county, \$24,110 at the state level, and \$25,267 nationally. By each measure, the income level in Sierra Vista was higher than countywide, but below the state and national levels.

Military Veterans

Between Censuses 1990 and 2000, the number of Sierra Vista residents who were civilian veterans of the military increased from 5,810 to 7,212. As a percentage of the city's population aged 18 years and older, civilian veterans of the military increased from 24.7 to 31.5 percent. Based on these trends, the CER estimates that, in 2007, there were 12,358 civilian veterans of the military residing in Sierra Vista, or 36.3 percent of the city's population aged 18

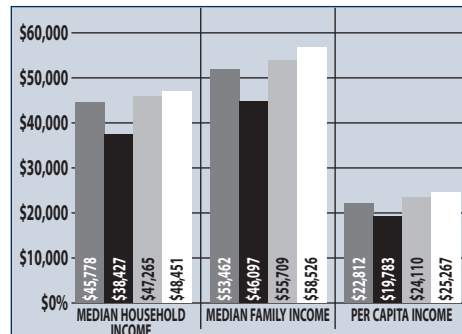
years and older. If this trend continues, this number will reach 15,919 by the year 2012, while increasing to 39.6 percent of the civilian population aged 18 years and older.

Much of the increase in the number of veterans has resulted from the expansion of the number of Department of the Army civilian positions at Fort Huachuca over the years, as well as the demand for defense contracting personnel, many of whom are former members of the military. Also, the increasing number of retirees to the area has expanded the number of civilian veterans, since many of these retirees once served in the armed forces.

The number of civilian veterans in the area is important to housing market analy-

sis, since most veterans finance their homes using Veterans Administration (VA) guaranteed loans. This leads to higher rates of home ownership among veterans, but also decreases the level of affordability of homes as determined by qualifying income ratios, since VA loans are guaranteed without the traditional 20 percent down payment. This means affordability is based on 100 percent of the home price rather than 80 percent, meaning affordable housing for this segment of the population is generally lower than for the non-veteran population, other things being equal. For more on this topic, see the Housing, Real Estate, and Commercial Construction section of this publication.

INCOME COMPARISONS, 2006



Legend: Sierra Vista (dark grey), Cochise County (black), Arizona (light grey), United States (white)

Source: National, state, and county figures are reported by the U.S. Census Bureau. City figures are estimated by the Cochise College Center for Economic Research using a census ratio model.

SIERRA VISTA CIVILIAN VETERANS OF THE MILITARY, ESTIMATES AND PROJECTIONS

YEAR	NUMBER OF CIVILIAN VETERANS OF THE MILITARY	CIVILIAN VETERANS OF THE MILITARY AS A % OF THE POPULATION 18 YEARS AND OLDER
2007	12,358	36.3%
2008	13,354	36.9%
2009	13,995	37.6%
2010	14,648	38.3%
2011	15,253	38.9%
2012	15,919	39.6%

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 Commerce mid-year population estimates for 2001 through 2007.

Employment



The opening of Quiznos sub sandwich shop in 2007 created more jobs in Sierra Vista.

Employment, Unemployment, Labor Force, and Job Growth

According to estimates by the Arizona Department of Commerce (ADOC), in 2007 Sierra Vista's unemployment rate was 2.5 percent. This was considerably below the countywide rate of 4.3 percent and the statewide rate of 3.8 percent. Nationwide, the unemployment rate in 2007 was 4.6 percent. Sierra Vista's unemployment rate in 2007 was down two-tenths of a percentage point from 2.7 percent in 2006, and represents the city's lowest unemployment rate on record, with records going back to 2000.

It is important to note that the ADOC estimates of unemployment rates for cities in Cochise County are based on a model that pegs city rates to the county rate based on data from Census 2000. The model does not pick up changes at the city level since 2000 that differ substantially from county-level trends. CER focus group discussions in various areas of the county indicate a likely overestimation of unemployment in Benson, Bisbee, Douglas, and Willcox, which have reported labor shortages and, as a result, rising wages. It is likely that the unemployment rate in Sierra Vista is higher than estimated by ADOC; probably closer to a full-employment unemployment rate of between 3 and 4 percent. Thus, decreased unemployment in the smaller cities is likely attributed to Sierra Vista in the ADOC figures due to modeling errors.

Sierra Vista's month-to-month unemployment rate reflects seasonal patterns evident in employment data for most localities. The trend in Sierra Vista has been for higher-than-average unemployment rates to prevail in January, February, March, June, and July, while lower-than-average rates prevail in April, May, October, November, and December.

According to ADOC estimates, Sierra Vista's civilian labor force in 2007 consisted of 17,843 potential workers, of which 17,390 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, and excludes active duty military personnel. The size of Sierra Vista's labor force was essentially unchanged from 2006 to 2007. Countywide, the 2007 civilian labor

UNEMPLOYMENT RATE

	SIERRA VISTA	COCHISE COUNTY	ARIZONA	UNITED STATES
2002	3.6%	5.9%	6.1%	5.8%
2003	3.4%	5.7%	5.7%	6.0%
2004	2.9%	4.9%	4.9%	5.5%
2005	2.8%	4.8%	4.6%	5.1%
2006	2.7%	4.5%	4.1%	4.6%
2007	2.5%	4.3%	3.8%	4.6%

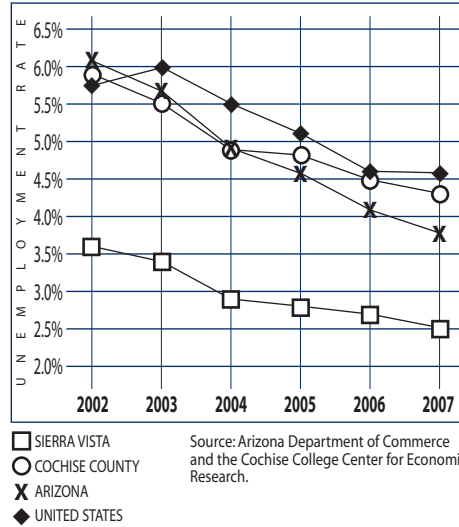
Source: Arizona Department of Commerce.

SIERRA VISTA MONTHLY UNADJUSTED AND SEASONALLY ADJUSTED UNEMPLOYMENT RATES

		UNADJUSTED RATE	SEASONALLY ADJUSTED RATE
2006	January	2.9%	2.7%
	February	2.8%	2.7%
	March	2.7%	2.6%
	April	2.7%	2.8%
	May	2.6%	2.7%
	June	2.9%	2.8%
	July	3.0%	2.8%
	August	2.6%	2.6%
	September	2.7%	2.7%
	October	2.7%	2.8%
	November	2.6%	2.7%
	December	2.6%	2.7%
2007	January	3.1%	3.0%
	February	2.7%	2.6%
	March	2.7%	2.6%
	April	2.5%	2.6%
	May	2.1%	2.3%
	June	2.4%	2.3%
	July	2.6%	2.4%
	August	2.4%	2.4%
	September	2.2%	2.2%
	October	2.3%	2.4%
	November	2.5%	2.6%
	December	3.1%	3.3%

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

UNEMPLOYMENT RATE



force, according to ADOC estimates, included 56,425 actual or potential workers, of which 54,025 were employed. The Cochise County labor force declined 0.1 percent in 2007. The decline in the labor force over the past year has been a primary contributor to the county's low unemployment rate. As fewer jobs were created in the local economy, there were fewer new potential workers competing for those jobs. Sluggish growth in the labor force is likely the result of a slowdown in population growth, as well as a larger share of retired persons moving to the area. Retirees are less likely to participate in the labor force; however, they support job creation through their spending in the local economy.

According to ADOC estimates, job growth in Sierra Vista for 2007 was 0.2 percent, down from 2.2 percent in 2006. This reflects the creation of only 29 jobs over the year, compared to 391 new jobs created in 2006. Countywide, most of the job growth in 2007 occurred in state and local government; professional and business services; trade, transportation, and utilities; educational and health services; and leisure and hospitality.

Occupations and Classes of Workers

According to data collected during Census 2000, of those workers aged 16 years and

SIERRA VISTA CIVILIAN LABOR FORCE, EMPLOYMENT, JOB GAINS, AND JOB GROWTH RATE ESTIMATES

	CIVILIAN LABOR FORCE	EMPLOYMENT	JOB GAINS	JOB GROWTH RATE
2002	16,283	15,704	356	2.3%
2003	16,906	16,333	629	3.9%
2004	17,192	16,691	358	2.1%
2005	17,466	16,970	279	1.6%
2006	17,845	17,361	391	2.2%
2007	17,843	17,390	29	0.2%

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

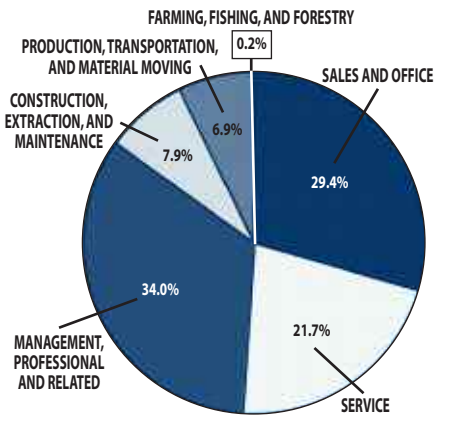
older, 34 percent were employed in management, professional, and related occupations; 29.4 percent were employed in sales and office occupations; and 21.7 percent were employed in service occupations. Construction, extraction, and maintenance operations employed approximately 7.9 percent of the city's workers, while production, transportation, and material moving occupations employed approximately 6.9 percent. Farming, fishing, and forestry occupations employed 0.2 percent of Sierra Vista workers as of Census 2000.

Approximately 62.4 percent of Sierra Vista workers were private wage and salary workers, while 32.2 percent were government workers as of Census 2000. Self-employed workers in unincorporated businesses comprised 5.2 percent, while unpaid family workers accounted for 0.2 percent of Sierra Vista workers.

Industries

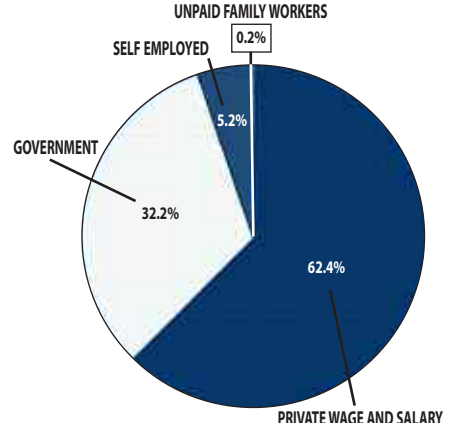
The industry grouping employing the largest number of Sierra Vista workers, as of Census 2000, was educational, health and social services, which employed approximately 21.7 percent of all workers; followed by public administration (18.3 percent); and retail trade (14.1 percent). A total of 10.2 percent of Sierra Vista's workers were employed in the arts, entertainment, recreation, accommodation, and

SIERRA VISTA OCCUPATIONS, 2000



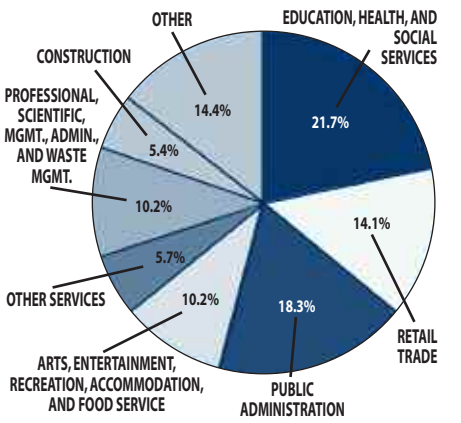
Source: U.S. Census Bureau and Cochise College Center for Economic Research.

SIERRA VISTA CLASSES OF WORKERS, 2000



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

INDUSTRIES IN SIERRA VISTA BY PERCENT OF WORKFORCE, 2000



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.

food services industry grouping; 10.2 percent were employed in professional, scientific, management, administrative, and waste management services; 5.7 percent were employed in other services (except public administration); and 5.4 percent were employed in construction. The industry groupings of manufacturing; finance, insurance, real estate, and rental and leasing; transportation and warehousing, and utilities; agriculture, forestry, fishing and hunting, and mining; information; and wholesale trade each employed fewer than 5 percent of Sierra Vista workers as of Census 2000.

Major Employers

In 2007, Fort Huachuca remained Sierra Vista's and Cochise County's top employer, according to the Cochise College Center for Economic Research's (CER) annual "Top 75 Employer Survey." Fort Huachuca has been the top employer in Cochise County every year since the CER began conducting the survey in 2000. According to the *Arizona Daily Star's* annual "Star 200" employer survey, the fort was Southern Arizona's fourth largest employer in 2007, behind Raytheon Missile Systems in Tucson, University of Arizona in Tucson, and the State of Arizona in Phoenix.

In 2007, Fort Huachuca employed 8,456 fulltime equivalent (FTE) employees, which includes active duty military person-

nel and Department of the Army civilian employees. An FTE employee is equal to one fulltime or two part-time employees. This is a sharp decline from numbers reported by the fort in previous years. In 2006, for example, the fort reported 13,098 FTE employees. The decline is the result of how the fort counts its employees. In past years, Fort Huachuca included all person-

nel working on the fort, including those not directly employed by the fort. This included, for example, employees of the Fort Huachuca Accommodation Schools (FHAS), which reports its employees separately and was Sierra Vista's 18th largest employer in 2007. Although located on Fort Huachuca, FHAS schools are Arizona public schools that fall under the Arizona

SIERRA VISTA BUSINESS ESTABLISHMENTS BY EMPLOYMENT-SIZE CLASS, 2005

INDUSTRY	NUMBER OF ESTABLISHMENTS BY EMPLOYMENT-SIZE CLASS							
	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999
Accommodation & Food Services	26	13	12	33	9	3	0	0
Admin, Support, Waste Mgt, Remediation Services	33	11	7	3	0	1	0	0
Arts, Entertainment, & Recreation	7	1	3	2	0	0	0	0
Construction	49	18	14	18	4	1	0	0
Educational Services	5	5	1	3	1	1	0	0
Finance & Insurance	38	16	7	2	1	0	0	0
Health Care and Social Assistance	59	50	21	18	3	3	0	1
Information	7	5	3	4	1	0	0	0
Management of Companies & Enterprises	0	0	0	2	0	0	0	0
Manufacturing	6	6	2	4	0	0	0	0
Mining	0	0	1	0	0	0	0	0
Other Services (Except Public Administration)	66	16	19	5	0	0	0	0
Professional, Scientific, and Technical Services	51	17	10	9	4	4	1	0
Real Estate & Rental & Leasing	43	9	8	2	1	0	0	0
Retail Trade	68	52	33	15	7	6	2	0
Transportation & Warehousing	9	1	3	4	0	0	0	0
Unclassified Establishments	2	1	0	0	0	0	0	0
Utilities	4	1	0	3	0	0	0	0
Wholesale Trade	13	4	4	1	0	0	0	0
TOTAL	486	226	148	128	31	19	3	1

Note: Includes ZIP codes 85635, 85636, and 85650. Source: U.S. Census Bureau and the Cochise College Center for Economic Research.

Department of Education; they are not Department of Defense Dependent Schools (DoDDS). The school district is under the direction and authority of the Cochise County School Superintendent, who serves as the district's one-person governing board. Financial support for FHAS is derived from state aid and federal impact aid.

Also included in the fort's numbers in previous years were defense contractors, but these were also reported by the contracting firms that directly employ them, such as Northrop Grumman Corporation and General Dynamics, which are the city's 4th and 5th largest employers, respectively. Reporting only those workers directly

employed by the fort reduces significant double-counting that occurred in the survey in previous years.

Despite the elimination of indirect employees from Fort Huachuca's employment figures, the fort continues to have a large impact on the local economy through indirect employment. In 2007, eight of Sierra Vista's top 25 employers were professional and business services firms whose customer base, in whole or large part, was Fort Huachuca. This included Northrop Grumman, General Dynamics, Science Applications International Corporation (SAIC), Newtec, L-3 Communications/ILEX, Integrated Systems Improvement Services (ISIS), All Star Services, and Man-

SIERRA VISTA'S TOP 25 EMPLOYERS, 2007

EMPLOYER	NUMBER OF FULLTIME EQUIVALENT (FTE) EMPLOYEES*
Fort Huachuca	8,456
Sierra Vista Public Schools	1,109
Sierra Vista Regional Health Center	733
Northrop Grumman Corporation	600
General Dynamics	567
Aegis Communications Group, Inc.	510
City of Sierra Vista	428
Wal-Mart	323
Cochise College	251
Lawley Automotive Group	223
Science Applications International Corp. (SAIC)	194
Newtec	190
L3 Communications-ILEX Systems	188
Arizona Family Care Associates, Inc.	174
Cochise County	162
Life Care Center of Sierra Vista	162
Lowe's	160
Fort Huachuca Accommodation Schools	156
ISIS	150
All Star Services	149
ManTech Telecommunications and Information Systems Corp.	136
Target	122
Home Depot	100
Hacienda Rehabilitation and Care Center	99
Safeway	96

*A fulltime equivalent (FTE) employee equals one fulltime employee or two part-time employees. For employers with multiple site locations, the number of FTE employees reflects only those employees reporting to work in Sierra Vista. Source: Cochise College Center for Economic Research.

SIERRA VISTA BUSINESS ESTABLISHMENTS, EMPLOYEES, AND PAYROLL

	2001	2002	2003	2004	2005
No. of Business Establishments	940	980	987	995	1,042
Number of Employees	12,677	13,349	13,401	14,136	14,823
Annual Payroll (Millions)	\$286,556	\$331,162	\$347,567	\$370,249	\$385,681
Annual Payroll Per Employee	\$22,604	\$24,808	\$25,936	\$26,192	\$26,019
Annual Payroll Per Employee Growth	—	9.7%	4.5%	1.0%	-0.7%

Note: Includes ZIP codes 85635, 85636, and 85650. Does not include government sector. Source: U.S. Census Bureau and the Cochise College Center for Economic Research.

COCHISE COUNTY NON-FARM PAYROLL EMPLOYMENT

	2007	2006	CHANGE	% CHANGE
Total Non-farm	37,975	37,700	275	0.7%
Total Private	25,825	25,500	325	1.3%
Goods Producing	3,600	3,650	-50	-1.4%
Construction*	2,675	2,775	-100	-3.6%
Manufacturing	925	850	75	8.8%
Service-Providing	34,375	34,075	300	0.9%
Private Service-Providing	22,225	21,850	375	1.7%
Trade, Transportation, Utilities	6,825	6,650	175	2.6%
Information	425	450	-25	-5.6%
Financial Activities	950	1,025	-75	-7.3%
Professional and Business Serv.	4,975	4,775	200	4.2%
Educational and Health Services	4,075	3,975	100	2.5%
Leisure and Hospitality	4,025	3,950	75	1.9%
Other Services	950	1,025	-75	-7.3%
Government	12,150	12,225	-75	-0.6%
Federal Government	4,725	4,900	-175	-3.6%
State and Local Government	7,425	7,300	125	1.7%

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

Tech Telecommunications and Information Systems Corporation. Combined, these firms employed 2,174 FTE employees, or 14.1 percent of the total workers employed by Sierra Vista's 25 largest employers. It is important to note that not all of these employees work in direct support of the fort, and several of the firms have customer bases beyond Fort Huachuca. SAIC for example serves customers across the United States and internationally from its site in Sierra Vista.

The second largest employer in Sierra Vista in 2007 was the Sierra Vista School District, which employed 1,109 FTE employees. The Sierra Vista Regional Health Center, which employed 733 FTE employees, was ranked third. Northrop Grumman held the fourth-ranked position with 600 FTE employees. General Dynamics was ranked fifth, with 567 FTE employees. The list of top employers includes only those businesses and organizations that responded to the survey. In some cases, corporate policies prohibit certain businesses from releasing information regarding the number of workers they employ.

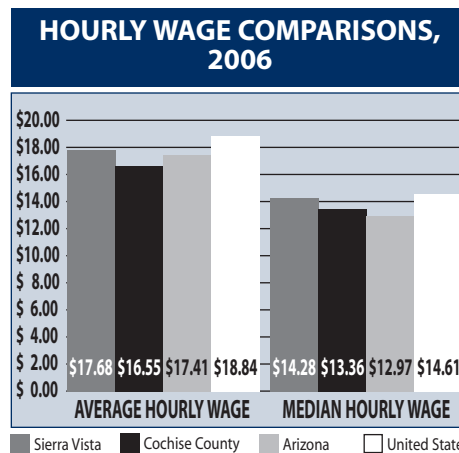
According to the U.S. Census Bureau, more than two-thirds of business establishments in Sierra Vista employed fewer than 10 workers each in 2005 (the most recent data available). Nearly half employed fewer than 5 workers each.

Wages

In 2006, the average wage per job in Sierra Vista was approximately \$17.68 per hour, compared to \$16.55 per hour countywide and \$17.41 statewide. The national average hourly wage was \$18.84. The average annual wage in Sierra Vista in 2006 was \$36,775, compared to \$34,417 for the county, \$36,218 for the state, and \$39,190 nationwide. County and state wages are estimated by ADOC; city figures are estimated by the CER.

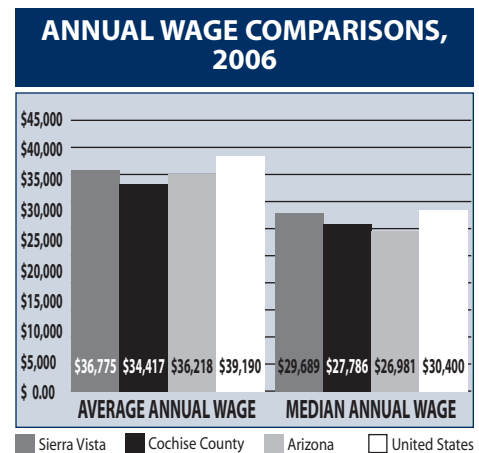
Cochise County Employment

In 2007, Cochise County added 275 non-farm jobs for job growth of 0.7 percent. The fastest growing industry grouping in



Source: U.S. figures are reported by the U.S. Department of Labor. State and county figures are reported by the Arizona Department of Commerce. City figures are estimated by the Cochise College Center for Economic Research using a census ratio model.

2007, as measured by its job growth rate, was manufacturing, which added 75 jobs for annual job growth of 8.8 percent. This was followed by professional and business services, which added 200 jobs for job growth of 4.2 percent. Other industry groupings that experienced job growth were trade, transportation, and utilities, which added 175 jobs (2.6 percent); educational and health services, which added 100 jobs (2.5 percent); leisure and hospitality, which added 75 jobs (1.9 percent); and state and local government, which added 125 jobs (1.7 percent). Industry groupings that lost jobs in 2007 were financial activities and other services, each of which declined by 75 jobs for job growth of -7.3 percent; information,



Source: U.S. figures are reported by the U.S. Department of Labor. State and county figures are reported by the Arizona Department of Commerce. City figures are estimated by the Cochise College Center for Economic Research using a census ratio model.

which declined by 25 jobs (-5.6 percent); construction, which lost 100 jobs (-3.6 percent); and federal government, which declined by 175 jobs (-3.6 percent).

Outlook

We should expect a continued slowing of job growth and rising unemployment into 2008. The hardest hit industries will continue to be construction, financial activities, information, and other services. Much of this is tied to the decline in the area's housing and real estate market. In 2006 and 2007, commercial construction in Sierra Vista helped prop up the local construction industry, but new commercial construction began to slow in 2007 and that trend is like-



A total of 10.2 percent of Sierra Vista's workers were employed in the arts, entertainment, recreation, accommodation, and food services industry grouping.

ly to continue into 2008, leading to further job losses.

The slowdown in the local residential housing market is likely to carry over into other industries, including retail trade. New residential construction often spurs increased retail sales, due to purchases associated with buying and occupying a new home. Home improvement stores such as Home Depot, Lowe's, and Sutherland's are likely to be especially impacted by the slowdown. There were signs of a slowdown in retail trade in September and October 2007, which saw retail sales grow at rates below the annual average. In the first 6 months of 2007, the average monthly growth rate in the city's retail sales was 4.9 percent. In the 4 months that followed (July through October), the average monthly growth rate fell to 2.7 percent. The eventual result is likely to be job losses in retail trade. Slowed population growth, as a result

of the residential housing market slump, will also translate into slower retail sales growth, since fewer buyers will be added to the area's retail market. This will further threaten jobs in the retail trade industry. Aggressive interest rate cuts by the Federal Reserve in late 2007 and early 2008 should provide some short-term relief, but we should nonetheless expect a continued slow job growth and rising unemployment well into 2008.

Slowed population growth, as a result of the residential housing market slump, will also translate into slower retail sales growth, since fewer buyers will be added to the area's retail market.

A Note on Employment Data

Employment data are widely regarded as one of the most

important economic indicators; however, they are subject to sizable revisions. For the most up-to-date employment data for the local economy, visit the CER's website at www.cochise.edu/cer.

Fort Huachuca
is the top
employer in
Sierra Vista and
Cochise County.



Retail trade *and* commerce



Buffalo Wild Wings Grill & Bar. In 2006, restaurant and bar receipts in Sierra Vista totaled \$61.4 million, up 12.3 percent from 2005.

Population Served by Sierra Vista's Retail Market

Although the population of Sierra Vista was 44,736 in 2007, the city's retail market serves a much larger population. Sierra Vista accounts for just under one-third of the population of Cochise County, yet it accounts for nearly two-thirds of its retail sales, making it the economic hub of the county. According to the Arizona Department of Transportation, in 2006 an average of 27,800 vehicles per day traveled along State Route 90 between Fry Boulevard and East Foothills Drive, through the heart of Sierra Vista's commercial district.

The Cochise College Center for Economic Research (CER) has developed a model to estimate the population served by Sierra Vista's retail market. The model considers Sierra Vista's share of total retail sales in Cochise County, and applies that proportion to the estimated total population served by the Cochise County retail market. While Cochise County experiences some in-shopping from residents of other Arizona counties and from New Mexico on its eastern border, it also sees out-shopping by some of its residents to nearby markets, most predominantly Tucson. The CER's model assumes in- and out-shopping involving other Arizona counties and New Mexico will offset each other, so no adjustments are made for these.

Cochise County experiences a high rate of in-shopping from Mexico. This population is included in the CER's retail customer base population model. To estimate the size of the Mexican population that is served by the Cochise County retail market, the CER applied border crossing data from 2006 to data from a 2001 University of Arizona study that showed 70.6 percent of visitors at the Douglas port and 85 percent at the Naco port crossed the border for the primary purpose of shopping (for more on this study, see the Mexico section of this publication). To control for duplicated visits, the CER model assumes that residents of Mexico, who cross for the primary purpose of shopping, make three shopping visits to Cochise County per week.

Based on border crossing data from 2006, the CER estimates that, on average, 38,561

AVERAGE ANNUAL DAILY TRAFFIC COUNT, SIERRA VISTA AREA

LOCATION	2003	2004	2005	2006
Fort Huachuca (North Gate) to Ft Huachuca (East Gate)	14,700	17,100	17,000	17,400
Fort Huachuca (East Gate) to 7th St	14,800	17,600	17,200	15,000
7th Street to Coronado Dr / San Xavier Rd	15,200	16,500	15,800	17,200
Coronado Dr / San Xavier Rd to Charleston Rd	15,800	15,300	14,200	17,700
Charleston Rd to SR 92 / Fry Blvd	16,900	17,000	21,900	15,200
SR 92 / Fry Blvd - Sierra Vista to Giulio Cesare Ave	16,600	16,800	18,600	17,000
Giulio Cesare Ave to Moson Rd	9,000	8,200	8,800	8,400
Moson Rd to SR 80	7,400	4,300	3,600	3,500
SR 90 / Fry Blvd - Sierra Vista to East Foothills Dr	25,000	30,500	31,700	27,800
East Foothills Dr to Snyder Rd	25,400	34,300	28,100	26,600
Snyder Blvd to Avenida Cochise	24,000	30,400	27,200	24,700
Avenida Cochise to Buffalo Soldier Trail	25,200	26,300	23,200	20,700
Buffalo Soldier Trail to Glenn Rd	19,700	22,000	23,900	22,500
Glenn Rd to Ramsey Canyon / Ramsey Rd	14,300	16,000	20,500	19,900
Ramsey Canyon / Ramsey Rd to Hereford Rd - Nicksville	10,300	12,900	12,000	11,800

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

SIERRA VISTA SALES TAX REVENUE COLLECTIONS, 12-MONTH COMPARISON

INDUSTRY GROUP	2007	2006	GROWTH (\$)	GROWTH (%)
Retail Trade	\$9,228,691	\$8,438,905	\$789,786	9.4%
Real Estate, Rental & Leasing	\$1,270,650	\$777,765	\$492,885	63.4%
Construction	\$1,750,842	\$1,383,549	\$367,293	26.5%
Communications & Utilities	\$1,519,915	\$1,290,024	\$229,891	17.8%
Accommodation	\$1,013,618	\$815,353	\$198,265	24.3%
Restaurant & Bar	\$1,711,290	\$1,549,401	\$161,889	10.4%
Other	\$166,665	\$83,692	\$82,973	99.1%
Services	\$413,170	\$344,086	\$69,084	20.1%
Manufacturing	\$384,029	\$365,121	\$18,908	5.2%
Wholesale Trade	\$359,009	\$352,957	\$6,052	1.7%
Transporting & Warehousing	\$9,114	\$6,774	\$2,340	34.5%
Finance & Insurance	\$9,117	\$8,968	\$149	1.7%
Arts & Entertainment	\$18,453	\$19,046	-\$593	-3.1%
TOTAL	\$17,856,570	\$15,437,647	\$2,418,922	15.7%

Note: Figures shown reflect 12 months ending in November. Source: Arizona Department of Revenue and Cochise College Center for Economic Research.

non-duplicated residents of Mexico entered Cochise County three times each week for the primary purpose of shopping. This is roughly one-third of the population of the Sonoran cities of Agua Prieta and Naco, which lie just south of the ports of entry in Douglas and Naco, respectively. It is assumed that all family members represented by a shopper accompanied the shopper on the trip; thus, no additions are made for family members who consume retail products purchased in Cochise County, but who are not part of the shopping party. Also, no additions are made for residents of Mexico who visit for a primary reason other than shopping, but who nonetheless engage in shopping incidental to the visit.

The estimate of 38,561 unduplicated Mexican shoppers is added to Cochise County's 2006 population of 135,150 for a total countywide market of 173,711 (note: Reference year 2006 is used because it is the most recent year complete data are available for the variables in the model). In 2006, retail sales in Sierra Vista accounted for 63.9 percent of total retail sales in Cochise County. Applying this figure to the total population served by the Cochise County retail market, the CER estimates that, in 2006, Sierra Vista's retail market served a population of 111,001.

Research conducted by ESI Corporation in 2003, using a geographic model based on commuting times, estimated the population of the Sierra Vista trade area at 86,876 for the year 2000. Adjusting for population growth estimates for Cochise County, as published by the Arizona Department of Commerce's Research Administration (formerly part of the Arizona Department of Economic Security), this number would be 99,709 for 2006. The ESI figures, however, did not include shoppers from Mexico, which the CER model includes. Also, while the ESI model made additions for in-shopping from Santa Cruz and Pima counties, it did not make subtractions for out-shopping by Cochise County residents. The CER model assumes a countywide net effect of zero for the combined effects of in-shopping and out-shopping from other Arizona counties, as well as New Mexico.

Taxable Sales

In the 12 months ending in November 2007, the City of Sierra Vista collected \$17.9 million in sales tax revenue. This was up 15.7 percent from the previous year. About 20 percent of the net increase was due to the introduction of a new tax of 1 percent on real estate rental property in late 2006. This contributed to a \$493,000 increase in sales tax in the broader category of real estate, rental and leasing (this category of sales also includes non-real estate rentals). Taxes collected under this sales category increased by 63.4 percent in the 12 months ending in November 2007, compared to the same period a year prior. This moved real estate, rental and leasing from being the sixth largest sales tax generator for the city to the fifth largest, surpassing accommodation despite a 24.3 percent increase in revenues in that industry.

The largest sales tax revenue generator for the city in the 12 months ending in November 2007 was retail trade, which accounted for 51.7 percent of the total. This was followed by construction at a distant 9.8 percent, and restaurant and bar at 9.6 percent.

Communications and utilities accounted for 8.5 percent of the city's sales tax revenue, followed by real estate, rental and leasing (7.1 percent), accommodation (5.7 percent), services (2.3 percent), manufacturing (2.2 percent), and wholesale trade (2 percent). All other categories of sales each accounted for less than 1 percent of the city's total sales tax revenue.

In the 12 months ending in November 2007, the largest sales tax revenue increase, measured in dollars, came from retail trade, which brought in an additional \$790,000. This was an increase of 9.4 percent from the previous 12 month period. The only industry in the city to see a decline in sales tax revenue was arts and entertainment, which declined by 3.1 percent, or \$593.

Retail Sales

According to the U.S. Census Bureau, in 2005 there were 183 establishments in Sierra Vista whose primary business was retail trade. In 2006, retail sales in Sierra Vista totaled \$501 million, up 5.2 percent from 2005, for inflation-adjusted growth of 2 percent. Sierra Vista's retail sales in 2006 accounted for 63.9 percent of all retail sales countywide.

From January through October 2007, retail sales in Sierra Vista grew by 6.6 percent when compared to the same period the year prior, for inflation-adjusted growth of 4 percent. In the first 10 months of 2007, Sierra Vista's retail sales grew to 65.9 percent of the countywide total, up from 63.9 percent the year prior.

Retail sales per capita in Sierra Vista in 2006 totaled \$11,167, up 2.4 percent from the year prior, for inflation-adjusted growth of -0.8 percent. This is the slowest rate of growth in the past 5 years. Retail sales per capita is a useful measure because it controls for the effects of population growth on sales and gives an indication of changes in individual spending, as well as the impact of spending by visitors to the city. Contributors to growth in retail sales per capita in Sierra Vista may include an increase in the population outside the city limits, an increase in shoppers from other areas (including Mexico), an increase in

market share (i.e., consumers choosing to shop in Sierra Vista rather than in other cities), an increase in tourism, or higher levels of spending by families, households, and individuals.

Restaurant and Bar Sales

In 2006, restaurant and bar receipts in Sierra Vista totaled \$61.4 million, up 12.3 percent from 2005. This represents inflation-adjusted growth of 9.1 percent. This was the second straight year of strong growth in the city's restaurant and bar sales, following a 1.2 percent inflation-adjusted decline in 2004. In the first 10 months of 2007, restaurant and bar sales grew 8.9 percent when compared to the same period of 2006, reflecting inflation-adjusted growth of 6.3 percent. In 2006, Sierra Vista's restaurant and bar sales accounted for 51.1 percent of the countywide total. In the first 10 months of 2007, this increased to 52.6 percent.

Accommodation Sales

In 2006, accommodation receipts in Sierra Vista totaled \$15.1 million, up 0.4 percent from 2005. This represents inflation-adjusted growth of -2.8 percent. In the first 10 months of 2007, however, accommodation sales rebounded strongly, surging 26.2 percent (23.6 percent after inflation). The recovery has been driven by a variety of factors, including a stronger tourism industry, as evidenced by a 21.5 percent increase in visits to the city's visitor center in the first three-quarters of the year. Another factor was an increase in room rates. According to data from the Arizona Office of Tourism, the average daily room rate in Cochise County in the first 10 months of 2007 increased by 10.3 percent, compared to the same period of 2006. The increase was spurred by strong demand for rooms, which was up 15.6 percent according to AOT. The supply of rooms in the first 9 months of 2007 was up 5.2 percent. In 2006, Sierra Vista's accommodation sales accounted for 42.6 percent of the countywide total. In the first 10 months of 2007, this increased to 43.2 percent. For more on lodging indicators in Sierra Vista and

SIERRA VISTA SALES TAX REVENUE BY INDUSTRY GROUP

INDUSTRY GROUP	SALES TAX REVENUE	SHARE OF TOTAL SALES TAX REVENUE
Retail Trade	\$9,228,691	51.7%
Construction	\$1,750,842	9.8%
Restaurant & Bar	\$1,711,290	9.6%
Communications & Utilities	\$1,519,915	8.5%
Real Estate, Rental & Leasing	\$1,270,650	7.1%
Accommodation	\$1,013,618	5.7%
Services	\$413,170	2.3%
Manufacturing	\$384,029	2.2%
Wholesale Trade	\$359,009	2.0%
Other	\$166,665	0.9%
Arts & Entertainment	\$18,453	0.1%
Finance & Insurance	\$9,117	0.1%
Transporting & Warehousing	\$9,114	0.1%
TOTAL	\$17,854,563	

Note: Figures reflect transaction privilege taxes collected from December 2006 through November 2007. Source: Arizona Department of Revenue and Cochise College Center for Economic Research.

SIERRA VISTA RETAIL SALES

YEAR	SALES	% CHANGE	INFLATION-ADJUSTED GROWTH
2002	\$384,784,067	5.9%	4.3%
2003	\$406,888,567	5.7%	3.4%
2004	\$443,083,563	8.9%	6.2%
2005	\$476,285,441	7.5%	4.1%
2006	\$501,049,475	5.2%	2.0%
2007*	\$426,032,343	6.6%	4.0%

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

SIERRA VISTA RETAIL SALES PER CAPITA

YEAR	RETAIL SALES PER CAPITA	% CHANGE	INFLATION-ADJUSTED GROWTH
2002	\$9,521	1.5%	-0.1%
2003	\$10,069	5.8%	3.5%
2004	\$10,371	3.0%	0.3%
2005	\$10,901	5.1%	1.7%
2006	\$11,167	2.4%	-0.8%

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.

SIERRA VISTA RESTAURANT & BAR SALES

YEAR	SALES	% CHANGE	INFLATION-ADJUSTED GROWTH
2002	\$46,545,800	12.9%	11.3%
2003	\$49,436,483	6.2%	3.9%
2004	\$50,190,962	1.5%	-1.2%
2005	\$54,652,268	8.9%	5.5%
2006	\$61,359,154	12.3%	9.1%
2007*	\$54,511,269	8.9%	6.3%

*January through October 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.

SIERRA VISTA ACCOMMODATION SALES

YEAR	TOTAL REVENUE	% CHANGE	INFLATION-ADJUSTED GROWTH
2002	\$10,598,764	4.6%	3.0%
2003	\$10,496,545	-1.0%	-3.3%
2004	\$12,665,528	20.7%	18.0%
2005	\$15,026,091	18.6%	15.2%
2006	\$15,090,018	0.4%	-2.8%
2007*	\$16,069,309	26.2%	23.6%

*January through October 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.

Cochise County, see the Tourism section of this publication.

Business Establishments and Licenses

According to the U.S. Census Bureau, as of 2005 there were 1,042 business establishments located in the Sierra Vista area (zip codes 85635, 85636, and 85650). The industries with the largest number of businesses were retail trade (183); health care and social assistance (155); other services, except public administration (106); construction (104); accommodation and food services (96); and professional, scientific, and technical services (96).

From 2004 to 2005, the number of business establishments in the Sierra Vista area grew by 47, or 4.7 percent. Industries that grew the most in terms of the number of new establishments were construction, and accommodation and food services, each of which added 12 new establishments. These were followed by health care and social assistance, which added 10 new establishments; educational services (4); arts, entertainment, and recreation (3); finance and insurance (3); wholesale trade (3); administrative, support, waste man-

agement, and remediation services (2); manufacturing (2); information (1); mining (1); and other services except public administration (1). Management of companies and enterprises declined by 1 establishment; retail trade declined by 2; and unclassified establishments declined by 4. The number of establishments in all other industries in the Sierra Vista area stabilized between 2004 and 2005.

According to the City of Sierra Vista, the year-end total number of active business licenses in the city increased by 16.6 percent between 2006 and 2007, from 2,234 to 2,604. These figures are not directly comparable to Census Bureau establishment figures since some establishments hold multiple business licenses.

Sierra Vista Retail Out-Shopping Survey

In 2006, the CER conducted a survey of Sierra Vista residents to determine their level of retail out-shopping. Out-shopping refers to shopping done by Sierra Vista residents at businesses located outside the City of Sierra Vista. The survey included 400 Sierra Vista residents. See the table in this section listing out-shopping by category of sales.

The category of computer hardware and software saw the greatest percentage of out-shopping. Residents reported conducting 49.6 percent of their shopping for computer hardware and software outside Sierra Vista. It is important to note that the survey was conducted prior to the opening of Best Buy. The next largest category of out-shop-

SIERRA VISTA SHARE OF TOTAL COUNTY SALES

CATEGORY	2007*	2006
Retail	65.9%	63.9%
Restaurant & Bar	52.6%	51.1%
Accommodation	43.2%	42.6%

*January through October only. Source: Arizona Department of Revenue and Cochise College Center for Economic Research.

ping was furniture, with reported out-shopping of 45.1 percent; hobby supplies, with 44.2 percent out-shopping; and jewelry, with 40.8 percent out-shopping. Out-shopping for all other categories of merchandise was reported at less than 40 percent.

The category of groceries saw the lowest level of out-shopping. Residents reported making 14.3 percent of their grocery purchases outside Sierra Vista. This was followed by health and personal care items, at 16 percent; and gasoline, at 18.2 percent.

Overall, Sierra Vista residents reported conducting 23.8 percent of their retail shopping over the internet and 20 percent through catalogs. Of total survey respondents, over half offered narrative comments in the free response section of the survey. Of those offering narrative comments, 31.6 percent cited a lack of variety of stores and merchandise, 4.7 percent opined prices were too high, and 3.3 percent cited poor customer service.

As mentioned above, hobby supplies saw one of the largest rates of out-shopping at 44.2 percent, the third highest of all categories. This was reinforced in the free response section of the survey, where 7.9 percent of those leaving comments cited the lack of availability of arts, crafts, or hobby supplies, or called for specific arts and crafts retail outlets. Over 80 percent of those surveyed reported purchasing hobby supplies.

Outlook

Retail sales are on track to grow by 4 percent, after inflation, for 2007 (at the time of this publication, data were available only through October 2007). But there were signs of a slowdown in September and October, which saw retail sales grow at rates below the annual average (1.7 and 3.6 percent, respectively). In the first 6 months of 2007, the average monthly growth rate in the city's retail sales was 4.9 percent. In the 4 months that followed (July through October), average monthly growth fell to 2.7 percent.

We should expect this slowdown to continue into 2008. Part of the reason for the projected slowdown is a continued decline of the city's residential construction market. New residential construction often spurs increased retail sales, due to purchases associated with buying and occupying a new home. Home improvement stores such as Home Depot, Lowe's, and Sutherland's are likely to be especially impacted by this slowdown. Slowed population growth, as a result of the residential housing market slump, will also translate into slower retail sales growth, since fewer buyers will be added to the area's retail market.

Another contributor to the projected slowdown in retail sales in 2008 is slowed job growth countywide, which can be expected to lead to higher unemployment rates in 2008 (for more on this, see the Employment section of this publication). Higher unemployment means a decline in the overall income level of the city's retail market area, meaning less money is available for retail purchases.

A slowdown in commercial construction in the city, which boomed in 2006 and 2007 (for more on this, see the Housing, Real Estate, and Commercial Construction section of this publication), will also impact retail sales, since the slowdown can be expected to lead to more job losses in the construction industry. Following the

SIERRA VISTA BUSINESS ESTABLISHMENTS

INDUSTRY	2002	2003	2004	2005
Accommodation & Food Services	89	84	84	96
Admin., Support, Waste Mgmt, & Remediation Services	48	53	53	55
Arts, Entertainment, & Recreation	9	10	10	13
Construction	88	90	92	104
Educational Services	13	11	12	16
Finance & Insurance	62	59	61	64
Health Care and Social Assistance	129	134	145	155
Information	19	21	19	20
Management of Companies & Enterprises	2	3	3	2
Manufacturing	9	14	16	18
Mining	0	0	0	1
Other Services (Except Public Administration)	102	106	105	106
Professional, Scientific, and Technical Services	104	96	96	96
Real Estate & Rental & Leasing	67	63	63	63
Retail Trade	181	189	185	183
Transportation & Warehousing	19	18	17	17
Unclassified Establishments	6	6	7	3
Utilities	10	9	8	8
Wholesale Trade	21	21	19	22
TOTAL	977	987	995	1,042

Note: Data for zip codes 85635, 85636, and 85650.

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

SIERRA VISTA BUSINESS LICENSES

	2003	2004	2005	2006	2007
New Licenses	316	257	437	524	509
Cancelled/Non-renewed Licenses	231	207	257	134	139
Year-end Total Licenses	1,614	1,664	1,844	2,234	2,604

Source: City of Sierra Vista.

end of the residential housing boom, commercial construction in the city propped up the local construction industry. With the expected slowdown in commercial construction in 2008, and with a recovery of the residential housing market not expected until 2009 or 2010, we should expect a considerable decline in the overall construction industry in 2008 and 2009, which will lead to spillovers into other industries, including retail sales. Interest rate cuts by the Federal Reserve should provide some short-term relief, but retail sales growth in 2008 should be expected to come in below the levels seen over the past few years, perhaps just keeping pace with inflation.

Restaurant and bar sales are on track to add 2007 as the third consecutive year of strong growth in this industry. This is largely the result of the several new chain restaurants added to the city's inventory, including Buffalo Wild Wings Grill & Bar and El Paso Bar-B-Que. Texas Roadhouse, which opened in early 2008, should give a boost to the city's sales early in the year. Although sales growth was exceptionally strong for most of 2007, October figures showed a disturbing sign with a 20.5 percent inflation-adjusted

OUT-SHOPPING BY SIERRA VISTA RESIDENTS, 2006

CATEGORY OF SALES	OUT-SHOPPING (%)
Computer hardware/software	49.6%
Furniture	45.1%
Hobby supplies	44.2%
Jewelry	40.8%
Home Furnishings	39.6%
Electronics	37.4%
Children's clothing	37.4%
Sporting goods	37.3%
Books	34.0%
Women's clothing	33.8%
Appliances	33.2%
Men's clothing	30.5%
Auto parts and accessories	29.5%
Music (CDs, tapes, etc.)	27.6%
Building materials	25.7%
Hardware	24.3%
Beer, wine, and liquor	23.1%
Garden supplies	22.7%
Video (DVDs, VHS tapes, etc.)	22.7%
Gasoline	18.2%
Health and personal care items	16.0%
Groceries	14.3%

Source: Cochise College Center for Economic Research.

decline when compared to October 2006. It is still too early to tell if this represents an anomalously slow month or an indication of the future trend. Broader economic conditions such as slowed job growth, rising unemployment, and uncertainty in consumer confidence would suggest an impending slowdown in this industry. However, the city's restaurant and bar industry is impacted considerably by factors that are generally insulated from broader economic conditions, including trends in the number of military and Department of Defense civilian and contractor personnel visiting Fort Huachuca on temporary duty status. National government fiscal policy tends to be the outcome of political decision making, which includes national defense priorities. Thus, trends in the number of official visitors to Fort Huachuca, which have a considerable impact on restaurant and bar sales in Sierra Vista, are unlikely to be affected by such factors as rising unemployment. Given the sharp decline in October sales, this industry, which accounts for nearly 10 percent of the city's sales tax revenue making it the third largest sales tax generator in Sierra Vista, bears close watching.

The strong growth in accommodation receipts in 2007 reflects a rebound from declining performance in 2006, which established a lower sales base for comparisons. Other factors included a stronger tourism industry, as well as an increase in room rates. There are several reasons to expect a slowdown in this industry in 2008. One reason is the high base level sales established in 2007, which are on track to finish the year about 25 percent higher

than 2006 levels. Another reason is the sharp increase in the number of available rooms, resulting from the opening of five new hotels in 2007 and 2008. This increase in the supply of rooms should place downward pressure on room rates, which increased about 10 percent in the first 10 months of 2007.

As with the city's restaurant and bar industry, October figures for accommodation showed a disturbing sign with a 6.6 percent inflation-adjusted decline – the first decline of the year. As with restaurant and bar, it is still too early to tell if the decline is anomalous or whether it is an indication of the future trend. The city's accommodation industry is also impacted considerably by Fort Huachuca, which could have a greater influence than general economic conditions. Regardless of the significance of the October decline on the overall trend of sales in this industry, a slowing of revenue growth should be expected simply because of the increase in room supply. Indications are that the new hotels that had already opened as of early 2008 have absorbed much of the market leakage to surrounding area markets. Thus, future increases in room supply will likely increase competition and push room rates downward. Mitigating factors include a projected decline in the value of the U.S. dollar on the foreign exchange market, which should increase tourism to the United States; as well as the strength of the city's tourism industry in general, which CER focus group discussions in Sierra Vista suggest may have been spurred by increased efforts toward marketing the area as a year-round tourist destination.

Best Buy is located at the Mall in Sierra Vista.



Housing, real estate, *and* commercial construction



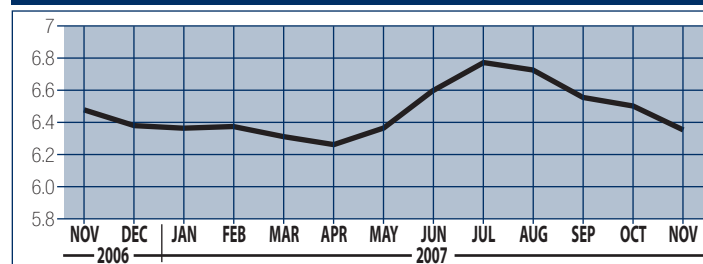
In 2007, the number of existing site-built homes sold in Sierra Vista fell 11.2 percent from the year prior.

Beginning in 2006 and continuing through 2007, the housing market in Cochise County and Sierra Vista followed the trends at the state and national levels, contracting severely following the housing market boom of 2004 and 2005. Home sales slowed significantly and, beginning in 2007, prices began to decline modestly. The housing market decline was exacerbated by a crisis in the nation's subprime mortgage market in mid-2007, when rising interest rates and the subsequent resetting of many adjustable rate mortgages (ARMs) led to a spike in defaults and foreclosures. This raised the level of risk associated with granting and investing in subprime mortgages, drying up funds available for lending in that portion of the market. Subprime mortgages are home loans given to buyers with credit problems, usually low FICO credit scores. These are borrowers who do not qualify for the prime market.

The demise of the subprime mortgage market contributed to a further decline in the overall housing market, which was already experiencing a significant drop in demand due to rising interest rates, rising

home prices, and a general market correction following a period where people bought homes in record numbers; these purchases, under normal market conditions, would have been spread over a much longer period of time. In late 2007 and early 2008, the Federal Reserve responded with a series of aggressive interest rate cuts, designed to slow interest rate increases on subprime ARMs, spur demand in the housing market generally, and boost overall consumer spending to keep the woes of the housing market from spilling over into the general economy. Most analysts predict the

U.S. AVERAGE CONTRACT RATE, FIXED 30-YEAR NON-JUMBO MORTGAGES, NOV 2006-2007



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

nationwide housing market recession will continue into 2009 or 2010.

Cochise County

In 2007, the number of existing site-built homes (including townhouses and condominiums) sold in Cochise County fell 10.7 percent from the year prior. This followed a

20.6 percent decline in 2006. The median price of a home sold in Cochise County was up 0.6 percent in 2007, from \$205,250 to \$206,579. This, however, was the result of a greater number of larger homes included in the mix of homes sold. The average price per square foot of a home sold in Cochise County in 2007 was actually down 3.7 percent, from \$127.11 to \$122.44. In recent years, lower mortgage interest rates led to the construction of larger homes. This is because the lower rates resulted in buyers being able to afford higher monthly payments on the mortgage principal (principal and interest are the two largest components of monthly mortgage payments). These larger homes pushed up the median home price in the Cochise County market. Data on price per square foot, however, indicate a downward trend in home prices, after controlling for the larger size of recently built homes.

In 2007, the average home in Cochise County sold for 96.4 percent of the asking price. This was down from 97.6 percent in 2006, and 98.4 percent in 2005. In 2007, the average home sold countywide was on the market for 134 days, up from 114 the year prior.

Cochise County's manufactured home sales have also seen a decline in sales volume. In 2007, manufactured home sales were down 7.5 percent countywide. This followed a 21.6 percent drop in 2006. Although the median price was up 8.9 percent in 2007, from \$101,050 to \$110,000, the average price per square foot was up only 0.4 percent from \$73.25 to \$73.52. Similar to site-built homes, this reflects a greater number of larger homes in the mix of those that were sold. In 2007, the average manufactured home in Cochise County sold for 94.1 percent of the asking price, indicating greater downward price flexibility for manufactured homes than for site-built homes. The 2007 figure was down from 95.1 percent in 2006, and 96.5 percent in 2005. In 2007, the average manufactured home that was sold was on the market for 147 days, up from 129 the year prior. In 2007, it took, on average, 13 days longer to sell a manufactured home than it took to sell a site-built home in Cochise County.

New single family residential construc-

EXISTING HOME SALES, COCHISE COUNTY (SITE-BUILT HOMES)

YEAR	VOLUME	CHANGE IN VOLUME	MEDIAN PRICE	MEDIAN PRICE CHANGE	AVERAGE SALE/ASKING PRICE	AVERAGE PRICE PER SQ FT (HEATED/COOLED)	AVERAGE PRICE PER SQ FT CHANGE (HEATED/COOLED)	AVERAGE DAYS ON MARKET
2004	1,472	—	\$150,000	—	97.8%	\$92.74	—	111
2005	1,703	15.7%	\$186,000	24.0%	98.4%	\$113.52	22.4%	107
2006	1,352	-20.6%	\$205,250	10.3%	97.6%	\$127.11	12.0%	114
2007	1,208	-10.7%	\$206,579	0.6%	96.4%	\$122.44	-3.7%	134

Note: Includes only those homes listed on Southeast Arizona Multiple Listing Service. Includes townhouses, and condominiums. Source: Southeast Arizona Multiple Listing Service and Cochise College Center for Economic Research.

EXISTING HOME SALES, COCHISE COUNTY (MANUFACTURED HOMES)

YEAR	VOLUME	CHANGE IN VOLUME	MEDIAN PRICE	MEDIAN PRICE CHANGE	AVERAGE SALE/ASKING PRICE	AVERAGE PRICE PER SQ FT (HEATED/COOLED)	AVERAGE PRICE PER SQ FT CHANGE (HEATED/COOLED)	AVERAGE DAYS ON MARKET
2004	217	—	\$76,000	—	93.7%	\$53.28	—	132
2005	273	25.8%	\$91,000	19.7%	96.5%	\$65.41	22.8%	131
2006	214	-21.6%	\$101,050	11.0%	95.1%	\$73.25	12.0%	129
2007	198	-7.5%	\$110,000	8.9%	94.1%	\$73.52	0.4%	147

Note: Includes only those homes listed on Southeast Arizona Multiple Listing Service. Includes townhouses, and condominiums. Source: Southeast Arizona Multiple Listing Service and Cochise College Center for Economic Research.

EXISTING HOME SALES, SIERRA VISTA AREA (SITE-BUILT HOMES)

YEAR	VOLUME	CHANGE IN VOLUME	MEDIAN PRICE	MEDIAN PRICE CHANGE	AVERAGE SALE/ASKING PRICE	AVERAGE PRICE PER SQ FT (HEATED/COOLED)	AVERAGE PRICE PER SQ FT CHANGE (HEATED/COOLED)	AVERAGE DAYS ON MARKET
2004	1,241	—	\$162,500	—	98.4%	\$97.25	—	103
2005	1,469	18.4%	\$199,900	23.0%	99.1%	\$118.67	22.0%	101
2006	1,100	-25.1%	\$216,713	8.4%	98.1%	\$132.77	11.9%	110
2007	961	-12.6%	\$217,479	0.4%	96.9%	\$128.48	-3.2%	135

Note: Includes only those homes listed on Southeast Arizona Multiple Listing Service. Includes townhouses, and condominiums. The Sierra Vista Area includes Sierra Vista, Hereford, Huachuca City, Tombstone, and surrounding unincorporated areas. Source: Southeast Arizona Multiple Listing Service and Cochise College Center for Economic Research.

EXISTING HOME SALES, SIERRA VISTA AREA (MANUFACTURED HOMES)

YEAR	VOLUME	CHANGE IN VOLUME	MEDIAN PRICE	MEDIAN PRICE CHANGE	AVERAGE SALE/ASKING PRICE	AVERAGE PRICE PER SQ FT (HEATED/COOLED)	AVERAGE PRICE PER SQ FT CHANGE (HEATED/COOLED)	AVERAGE DAYS ON MARKET
2004	174	--	\$80,360	--	94.9%	\$56.30	--	123
2005	225	29.3%	\$97,000	20.7%	96.8%	\$66.86	18.8%	120
2006	172	-23.6%	\$110,000	13.4%	95.5%	\$75.36	12.7%	117
2007	154	-10.5%	\$115,500	5.0%	94.5%	\$75.19	-0.2%	140

Note: Includes only those homes listed on Southeast Arizona Multiple Listing Service. Includes townhouses, and condominiums. The Sierra Vista Area includes Sierra Vista, Hereford, Huachuca City, Tombstone, and surrounding unincorporated areas. Source: Southeast Arizona Multiple Listing Service and Cochise College Center for Economic Research.

tion in Cochise County was down 49.7 percent from January through September 2007, compared to the same period the year prior. This followed an 18.8 percent decrease in 2006.

Sierra Vista Area

In 2007, the number of existing site-built homes (including townhouses and condominiums) sold in the Sierra Vista area fell 12.6 percent from the year prior. The Sierra Vista area includes Sierra Vista, Hereford, Huachuca City, Tombstone, and surrounding unincorporated areas. The drop in 2007 followed a 25.1 percent decline in 2006. The Sierra Vista area has been hit harder by declining sales than most other areas of the county. During the boom years, however, Sierra Vista also saw a larger increase in home sales.

The median price of a site-built home sold in the Sierra Vista area was up 0.4 percent in 2007, from \$216,713 to \$217,479. This, however, was the result of a higher number of larger homes included in the mix of homes sold. The average price per square foot of a home sold in the Sierra Vista area in 2007 was actually down 3.2 percent, from \$132.77 to \$128.48. In 2007, the average home in the Sierra Vista area sold for 96.9 percent of the asking price. This was down from 98.1 percent in 2006, and 99.1 percent in 2005. In 2007, the average home sold in the Sierra Vista area was on the market for 135 days, up from 110 the year prior.

A decline in sales volume was also seen in existing manufactured home sales in the Sierra Vista area, which were down 10.5 percent in 2007. This followed a 23.6 percent decline in 2006. Although the median price was up 5 percent in 2007, from \$110,000 to \$115,500, the average price per square foot was down 0.2 percent from \$75.36 to \$75.19. In 2007, the average manufactured home in the Sierra Vista area sold for 94.5 percent of the asking price, indicating greater downward price flexibility for manufactured homes than for site-built homes. The 2007 figure was down from 95.5 percent in 2006, and 96.8 percent in 2005. In 2007, the average manufactured home sold in the Sierra Vista area was on

EXISTING HOME SALES, SIERRA VISTA (SITE-BUILT HOMES)

YEAR	VOLUME	CHANGE IN VOLUME	MEDIAN PRICE	MEDIAN PRICE CHANGE	AVERAGE SALE/ASKING PRICE	AVERAGE PRICE PER SQ FT (HEATED/COOLED)	AVERAGE PRICE PER SQ FT CHANGE (HEATED/COOLED)	AVERAGE DAYS ON MARKET
2004	1,006	—	\$163,811	—	98.7%	\$97.84	—	96
2005	1,217	21.0%	\$199,900	22.0%	99.2%	\$119.24	21.9%	100
2006	910	-25.2%	\$217,995	9.1%	98.2%	\$132.45	11.1%	110
2007	808	-11.2%	\$217,461	-0.2%	96.9%	\$128.71	-2.8%	134

Note: Includes only those homes listed on Southeast Arizona Multiple Listing Service. Includes townhouses, and condominiums. Source: Southeast Arizona Multiple Listing Service and Cochise College Center for Economic Research.

EXISTING HOME SALES, SIERRA VISTA (MANUFACTURED HOMES)

YEAR	VOLUME	CHANGE IN VOLUME	MEDIAN PRICE	MEDIAN PRICE CHANGE	AVERAGE SALE/ASKING PRICE	AVERAGE PRICE PER SQ FT (HEATED/COOLED)	AVERAGE PRICE PER SQ FT CHANGE (HEATED/COOLED)	AVERAGE DAYS ON MARKET
2004	72	—	\$81,250	—	95.3%	\$56.58	—	105
2005	94	30.6%	\$91,000	12.0%	95.6%	\$62.02	9.6%	120
2006	69	-26.6%	\$102,500	12.6%	94.1%	\$72.45	16.8%	108
2007	54	-21.7%	\$99,500	-2.9%	94.3%	\$73.50	1.4%	112

Note: Includes only those homes listed on Southeast Arizona Multiple Listing Service. Includes townhouses, and condominiums. Source: Southeast Arizona Multiple Listing Service and Cochise College Center for Economic Research.

EXISTING HOME SALES, SITE-BUILT HOMES, 2007

AREA	VOLUME	CHANGE IN VOLUME	MEDIAN PRICE	MEDIAN PRICE CHANGE	AVERAGE SALE/ASKING PRICE	AVERAGE PRICE PER SQ FT (HEATED/COOLED)	AVERAGE PRICE PER SQ FT CHANGE (HEATED/COOLED)	AVERAGE DAYS ON MARKET
Cochise County	1,208	-10.7%	\$206,579	0.6%	96.4%	\$122.44	-3.7%	134
Sierra Vista Area	961	-12.6%	\$217,479	0.4%	96.9%	\$128.48	-3.2%	135
Sierra Vista	808	-11.2%	\$217,461	-0.2%	96.9%	\$128.71	-2.8%	134

Note: Includes only those homes listed on Southeast Arizona Multiple Listing Service. Includes townhouses, and condominiums. The Sierra Vista Area includes Sierra Vista, Hereford, Huachuca City, Tombstone, and surrounding unincorporated areas. Source: Southeast Arizona Multiple Listing Service and Cochise College Center for Economic Research.

EXISTING HOME SALES, MANUFACTURED HOMES, 2007

AREA	VOLUME	CHANGE IN VOLUME	MEDIAN PRICE	MEDIAN PRICE CHANGE	AVERAGE SALE/ASKING PRICE	AVERAGE PRICE PER SQ FT (HEATED/COOLED)	AVERAGE PRICE PER SQ FT CHANGE (HEATED/COOLED)	AVERAGE DAYS ON MARKET
Cochise County	198	-7.5%	\$110,000	8.9%	94.1%	\$73.52	0.4%	147
Sierra Vista Area	154	-10.5%	\$115,500	5.0%	94.5%	\$75.19	-0.2%	140
Sierra Vista	54	-21.7%	\$99,500	-2.9%	94.3%	\$73.50	1.4%	112

Note: Includes only those homes listed on Southeast Arizona Multiple Listing Service. Includes townhouses, and condominiums. The Sierra Vista Area includes Sierra Vista, Hereford, Huachuca City, Tombstone, and surrounding unincorporated areas. Source: Southeast Arizona Multiple Listing Service and Cochise College Center for Economic Research.

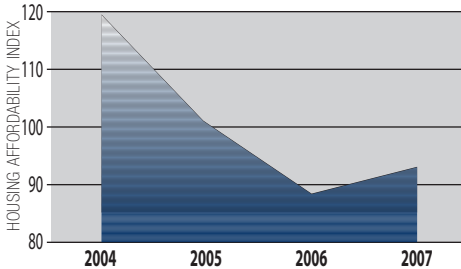
the market for 140 days, up from 117 the year prior.

Sierra Vista

In 2007, the number of existing site-built homes (including townhouses and condominiums) sold in Sierra Vista fell 11.2 percent from the year prior. This followed a 25.2 percent decline in 2006. The median

price of a home sold in Sierra Vista was down 0.2 percent in 2007, from \$217,995 to \$217,461. The average price per square foot was down 2.8 percent, from \$132.45 to \$128.71. In 2007, the average home in Sierra Vista sold for 96.9 percent of the asking price. This was down from 98.2 percent in 2006, and 99.2 percent in 2005. In 2007, the average home sold in Sierra Vista was on the market for 134 days, up from 110

SIERRA VISTA HOUSING AFFORDABILITY INDEX



Note: Based on the median homes price for residential homes (site built, manufactured homes, mobile homes, townhouses, and condominiums) sold on MLS. Presumes a 30-year conventional fixed-rate mortgage, a 20 percent down payment, and a 25 percent qualifying income ratio (principal and interest only). Source: Cochise College Center for Economic Research.

NEW CONSTRUCTION PERMITS, SINGLE FAMILY RESIDENTIAL

	COCHISE COUNTY		SIERRA VISTA	
	PERMITS	CHANGE	PERMITS	CHANGE
2002	653	—	376	—
2003	926	41.8%	595	58.2%
2004	1,046	13.0%	689	15.8%
2005	1,108	5.9%	577	-16.3%
2006	900	-18.8%	427	-26.0%
2007	*392	*-49.7%	178	-58.3%

*January-September only; comparison to same period the year prior. Source: Bright Future Business Consultants of Tucson; City of Sierra Vista; and Cochise College Center for Economic Research.

NEW CONSTRUCTION PERMITS, COMMERCIAL, SIERRA VISTA

YEAR	PERMITS	VALUATION	VALUATION CHANGE
2003	7	\$2,832,673	-86.0%
2004	13	\$7,305,606	157.9%
2005	14	\$18,468,233	152.8%
2006	40	\$61,258,338	231.7%
2007	24	\$43,160,924	-29.5%

Note: Valuation does not include value of land. Source: City of Sierra Vista and Cochise College Center for Economic Research.

SIERRA VISTA HOUSING AFFORDABILITY INDEX (HAI)

YEAR	MEDIAN FAMILY INCOME	MEDIAN HOME PRICE	AMOUNT FINANCED	MONTHLY PRINCIPAL AND EFFECTIVE INTEREST RATE	INTEREST PAYMENT	HAI
2004	\$43,400	\$158,000	\$126,400	6.02%	\$759	119.1
2005	\$44,748	\$191,393	\$153,114	6.08%	\$926	100.7
2006	\$46,097	\$213,000	\$170,400	6.63%	\$1,092	88.0
2007p	\$47,446	\$212,000	\$169,600	*6.46%	\$1,068	92.6

*November 2006 through October 2007. p = preliminary. Note: Based on the median homes price for residential homes (site built, manufactured homes, mobile homes, townhouses, and condominiums) sold on MLS. Presumes a 30-year conventional fixed-rate mortgage, a 20 percent down payment, and a 25 percent qualifying income ratio (principal and interest only). Source: Cochise College Center for Economic Research.

the year prior.

An even larger decline in sales volume was seen in existing manufactured home sales in Sierra Vista, which were down 21.7 percent in 2007. This followed a 26.6 percent decline in 2006. The median price was down 2.9 percent from \$102,500 to \$99,500 in 2007. Although the median price was down, the average price per square foot was up 1.4 percent from \$72.45 to \$73.50. In 2007, the average manufactured home in Sierra Vista sold for 94.3 percent of the asking price, up from 94.1 percent in 2006. In 2007, the average manufactured home sold in Sierra Vista was on the market for 112 days, up only slightly from 108 the year prior.

New single family residential construction in Sierra Vista was down 58.3 percent from January through September 2007, compared to the same period the year prior. This was a much larger decline than the 49.7 percent drop seen countywide. Sierra Vista's drop in new home construction in 2007 followed a 26 percent decline in 2006 and a 16.3 percent decline in 2005.

Housing Affordability

The Cochise College Center for Economic Research's (CER) Housing Affordability Index (HAI) gauges whether a family with the area's median income would qualify for a mortgage on a median-priced home. In 2007, the estimated median family income for Sierra Vista was \$47,446. In 2007, the median home price in Sierra Vista was \$212,000 (includes site-built homes, manufactured homes, townhouses, and condominiums). In calculating the HAI, the CER considers the average effective interest rate (contract rate plus fees) on a fixed, 30-year

conventional mortgage as reported by the Federal Housing Finance Board. From November 2006 through October 2007, this rate was 6.46 percent.

The HAI for Sierra Vista in 2007 was 92.6. In interpreting the HAI, a value of 100 indi-

cates that a family with the median income has exactly enough income to qualify for a mortgage on a median-priced home, assuming a 20 percent down payment and a qualifying income ratio of 25 percent (i.e., the monthly principal and interest payment cannot exceed 25 percent of the family's monthly income). An HAI above 100 indicates that a family earning the median income has more than enough income to qualify for a mortgage on a median-priced home. Thus, Sierra Vista's HAI of 92.6 indicates that a family with the median income had only 92.6 percent of the income necessary to qualify for a conventional loan covering 80 percent of a median-priced, single-family home.

From 2006 to 2007, homes became more affordable in Sierra Vista, with the HAI increasing from 88.0 to 92.6. This was largely the result of declining home prices and lower interest rates. It is important to note that the 2007 HAI is based on a preliminary estimate of family income, and will be revised once updated Census data are released later in 2008. Although the Sierra Vista HAI increased in 2007, the overall trend since 2004 has been declining affordability. In 2004, Sierra Vista's HAI was 119.1, indicating a family with the median income had 19.1 percent more income than was necessary to qualify for a loan covering 80 percent of the price of a median priced home in the city.

In considering affordable housing in Sierra Vista, it is important to take into account the large number of military veterans residing in the area. Between Censuses 1990 and 2000, the number of Sierra Vista residents who were civilian veterans of the military increased from 5,810 to 7,212. As a percentage of the city's population aged 18 years and older, civilian veterans of the military increased from 24.7 to 31.5 percent. Based on these trends, the CER estimates that, in 2007, there were 12,358 civilian veterans of the military residing in Sierra Vista, or 36.3 percent of the city's population aged 18 years and older. If recent trends continue, this number will reach 15,919 in the year 2012, while increasing to 39.6 percent of the civilian population aged 18 years and older.

The number of veterans in the area, in



The boom in commercial construction is evident in new hotels, restaurants, large retailers, office complexes, and other businesses throughout the city.

In addition to the large number of active duty military personnel stationed at Fort Huachuca, is important to housing market analysis, since most veterans finance their homes using Veterans Administration (VA) guaranteed loans. This leads to higher rates of home ownership among military personnel and veterans, but also decreases the level of affordability of homes as determined by qualifying income ratios, since VA loans are guaranteed without the traditional 20 percent down payment. This means affordability is based on 100 percent of the home price rather than 80 percent, meaning affordable housing for this segment of the population is generally lower than for the non-veteran population, other things being equal.

Rental Market

According to a survey of apartment complexes in Sierra Vista, the average rental rate on studio apartments increased by 8 percent in 2007, from \$477 to \$515. This followed an 11.4 percent increase in 2006. Rent on one bedroom apartments increased 12.6 percent in 2007, from \$532 to \$599. Rent on two-bedroom apartments increased by 13.5 percent, from \$661 to \$750. Rental rates on three-bedroom units increased by 8.4 percent, from \$782 to \$848.

Commercial Construction

Although residential construction in Sierra Vista has slowed in recent years, the city has seen extraordinary growth in commercial construction. In 2006 and 2007, 64 permits were issued for new construction projects totaling \$104 million. Although commercial construction investment in Sierra Vista was down nearly 30 percent in 2007, it was more than 50 percent higher than the years 2003, 2004, and 2005 combined. The boom in commercial construction in Sierra Vista over the past 2 years is evident in new hotels, restaurants, large retailers, office complexes, and other businesses throughout the city.

Outlook

Sierra Vista has been caught up in the nationwide housing market slump, which most analysts predict will continue through

2008 and into 2009, and perhaps even 2010. We should expect to see a continued decline in home sales and new residential construction in Sierra Vista and Cochise County at least through 2008. Data from the 4th quarter of 2007 suggest the slowdown has worsened, not improved. In late 2007 and early 2008, the Fed set out on an aggressive interest-rate cutting path, designed to stimulate the housing market. The rate cuts are likely to have a large impact on refinancing, but a less appreciable effect on homes sales and new construction.

Home prices in Sierra Vista and Cochise County are likely to see further modest declines. While home prices can increase significantly in response to market conditions, they tend to have much less downward flexibility. This is due to the inability of many homeowners to absorb losses on their residential investment. The proliferation of home equity loans in recent years, which raised the level of debt tied to individual homes, along with real estate agent commissions which sellers must pay at closing, make it impractical for many sellers to accept considerably less for their homes; thus, declines will remain modest.

A slowdown in the housing market, as well as rising foreclosures, will force a larger number

SIERRA VISTA APARTMENT COMPLEX SURVEY, AVERAGE MONTHLY RENT

	STUDIO		1 BR		2 BR		3 BR	
	RENT	CHANGE	RENT	CHANGE	RENT	CHANGE	RENT	CHANGE
2003	\$365	4.6%	\$389	-4.4%	\$509	-13.9%	\$757	1.9%
2004	\$391	7.1%	\$458	17.7%	\$643	26.3%	\$794	4.9%
2005	\$428	9.5%	\$510	11.4%	\$651	1.2%	\$823	3.7%
2006	\$477	11.4%	\$532	4.3%	\$661	1.5%	\$782	-5.0%
2007	\$515	8.0%	\$599	12.6%	\$750	13.5%	\$848	8.4%

Source: First West Properties and Cochise College Center for Economic Research.

of residents into the rental market, placing continued upward pressure on rents. Uncertainty over the direction of home values will also cause prospective buyers to delay purchasing a home, further adding to the rental market. These factors are likely to result in local rental rate increases catching up with the rise in home prices in recent years.

Although commercial construction was strong in 2006 and 2007, expect this to slow considerably in 2008 and 2009. Part of the reason for the expected slowdown is a market correction from the boom in 2006 and 2007. Many developers likely awaited the results of the 2005 round of Base Realignment and Closure (BRAC) proceedings (which saw the survival of Fort Huachuca secured for at least the near future) before proceeding with large-scale commercial projects. The survival of Fort Huachuca through the BRAC process led to a surge in commercial projects which likely had been planned over a longer period, but were delayed pending the BRAC results. This was likely a large factor in the commercial construction boom in 2006 and 2007. As with the residential construc-

tion market, booms in commercial construction are typically followed by periods of slowdown, which we will likely see in 2008 and 2009.

General economic conditions will also impact the rate at which commercial projects in the city proceed. Widespread concerns over recession will likely lead investors to pause before moving forward with large commercial projects. Interest rate cuts may lead some confident investors to proceed in the near-term. Interest rate cuts, which are often associated with efforts to stimulate

The survival of Fort Huachuca through the BRAC process led to a surge in commercial projects which likely had been planned over a longer period, but were delayed pending the BRAC results.

home purchases and consumer spending, also are targeted toward increasing business investment, including new commercial construction. The lower rates are designed to counter the risk associated with investing at a time of economic downturn, which is likely to see lower levels of sales revenue. For

successful commercial projects, the long-term gains can significantly outweigh the risks, largely as a result of the lower borrowing costs for new construction. Projects with fewer prospects for long-term success are likely to wait until economic conditions improve before moving forward.

New single family residential construction in Sierra Vista was down 58.3 percent from January through September 2007, compared to the same period the year prior.



Bank deposits *and* bankruptcy filings



In 2007, Sierra Vista bank deposits accounted for 51.7 percent of total deposits in the Cochise County market, down from 53.5 percent the year prior.

Bank Deposits

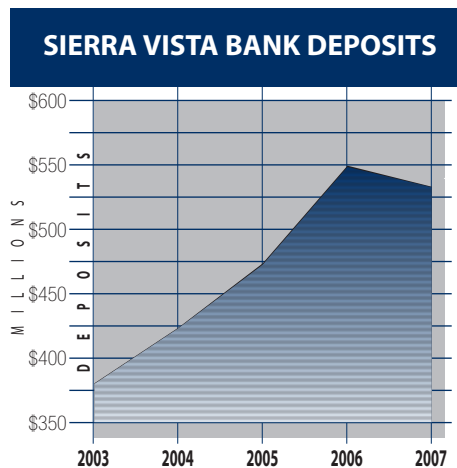
Sierra Vista is served by five banks: Wells Fargo Bank, J.P. Morgan Chase Bank, National Bank of Arizona, Bank of America, and Compass Bank. In previous years, the city was also served by Stockmen’s Bank, which merged with National Bank of Arizona in 2007. The merger more than doubled National Bank

of Arizona’s share of the Sierra Vista market, from 8.5 percent in 2006 to 18.4 percent in 2007.

Bank deposits in Sierra Vista in 2007 totaled \$534.1 million, a 2.6 percent decline from 2006. This represents the first decline in the city’s bank deposits since 1999, when deposits fell by 2.9 percent. The decline in

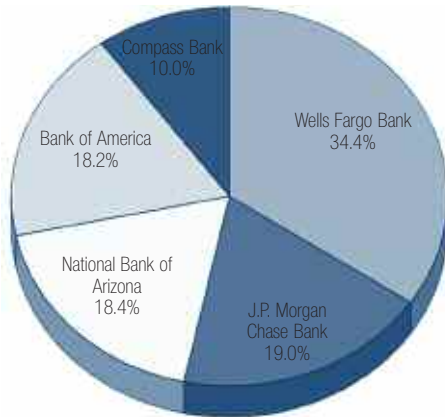
YEAR	SIERRA VISTA		COCHISE COUNTY	
	AMOUNT	CHANGE	AMOUNT	CHANGE
2003	\$382,077,000	6.7%	\$769,197,000	5.5%
2004	\$424,684,000	11.2%	\$824,453,000	7.2%
2005	\$474,321,000	11.7%	\$904,994,000	9.8%
2006	\$548,599,000	15.7%	\$1,025,652,000	13.3%
2007	\$534,076,000	-2.6%	\$1,033,740,000	0.8%

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



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

SIERRA VISTA BANK DEPOSITS, MARKET SHARE (CITY), 2007



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

2007 was on the heels of a 15.7 percent increase in 2006, the largest, single-year increase in bank deposits in Sierra Vista since 2002, when deposits climbed 14.3 percent from the year prior.

Despite the 2007 decline in bank deposits in Sierra Vista, which accounts for more than half of the Cochise County market, bank deposits at the county level inched upward by 0.8 percent. Deposits at the county level remained above the \$1 billion mark, which was first achieved in 2006.

In 2007, Sierra Vista bank deposits accounted for 51.7 percent of total deposits in the Cochise County market, down from

SIERRA VISTA BANK DEPOSITS, SHARE OF COCHISE COUNTY MARKET

YEAR	SHARE OF COCHISE COUNTY MARKET
2003	49.7%
2004	51.5%
2005	52.4%
2006	53.5%
2007	51.7%

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

53.5 percent the year prior. This was the first decline in Sierra Vista's share of the Cochise County market since 2000, when the city's share of the county market fell from 42.3 to 40.3 percent. Sierra Vista's share of the Cochise County market increased each year from 2000 through 2006, climbing by more than 13 percentage points before falling slightly in 2007.

(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 month period ending June 30.)

Bankruptcy Filings

In 2006, there were 126 bankruptcies filed

from within Cochise County, down 79.7 percent from the year prior. This followed an increase of 23 percent in 2005. Adjusting for population size, Cochise County's bankruptcy rate in 2006 decreased to 0.93 bankruptcies per 1,000 residents, down from 4.7 in 2005.

The remarkable decrease of bankruptcies in Cochise County in 2006 followed the trend at the state and national levels. At the national level, bankruptcy filings dropped 70.3 percent, while Arizona saw an 80.6 percent drop. This decline is due primarily to the implementation of the Bankruptcy Abuse Prevention and Consumer Protection Act, which took effect in October 2005. The act requires that most individual debtors complete a special briefing from an approved credit counseling agency before filing for bankruptcy.

Cochise County's bankruptcy rate has remained well below state and national levels since the beginning of the new millennium. In 2006, Cochise County experienced 0.93 bankruptcies per 1,000 residents, compared to 1.24 at the state level and 2.06 nationally. In 2006, Cochise County's bankruptcy rate was 25 percent below the state level, and 54.9 percent below the national level. This is reflective of a healthy environment for lending and borrowing.

COCHISE COUNTY BANKRUPTCY FILINGS

YEAR	POPULATION	TOTAL FILINGS	FILINGS PER 1,000 POP.
2002	123,945	489	3.95
2003	125,430	533	4.25
2004	129,600	504	3.89
2005	131,790	620	4.70
2006	135,150	126	0.93

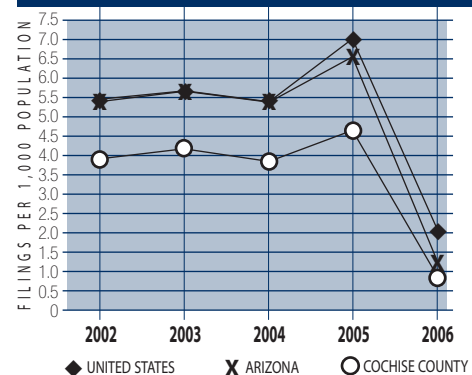
Source: U.S. Bankruptcy Court, Tucson Division; U.S. Census Bureau; Arizona Department of Economic Security; and Cochise College Center for Economic Research.

COMPARISONS OF BANKRUPTCY FILINGS PER 1,000 RESIDENTS

YEAR	COCHISE COUNTY	ARIZONA	UNITED STATES
2002	3.95	5.43	5.48
2003	4.25	5.64	5.71
2004	3.89	5.37	5.44
2005	4.70	6.62	7.01
2006	0.93	1.24	2.06

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 POPULATION)



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

Mexico



The U.S. Customs and Immigration building is located in Naco.

The economy of Cochise County is significantly impacted by that of Mexico. The 82-mile shared border between Cochise County and Sonora, Mexico serves as a crossover point for millions of visitors from Mexico each year, ranging from day shoppers who cross legally through the designated ports of entry at Douglas and Naco, to drug and illegal alien smugglers who cross illegally through the Sonoran desert. The Naco port of entry is located approximately 35 miles southeast of Sierra Vista, and the Douglas port is approximately 50 miles southeast of Sierra Vista. Each year, about 4 million legal visitors to Cochise County from Mexico contribute considerably to retail and other categories of sales throughout the county; including Sierra Vista, which accounts for about two-thirds of the county's retail sales volume.

In addition to visitors from Mexico, the ports also serve as crossover points for about 2.5 million U.S. visitors traveling to Mexico each year. The Janos Highway, which begins in Douglas, is the shortest paved route to Mexico City and Guadalajara in the western United States.

In 2008, a provision of the Western Hemisphere Travel Initiative is scheduled to take effect, which will require U.S. citizens returning from Mexico to show a government issued identification card (e.g., a driver's license) and proof of citizenship (e.g., a birth certificate). This is likely to lead to a decline in the number of U.S. citizens crossing the border, which may impact the various sectors of the Cochise County economy that cater to that group of travelers.

Agua Prieta, Sonora

The City of Douglas, Arizona shares a border with Agua Prieta, Sonora, Mexico. With thousands of border crossings into the United States each day at the Douglas Port of Entry, the city hosts many foreign shoppers, workers, and other visitors. A 2001 study conducted by the University of Arizona indicated that more than 70 percent of Mexico residents entering the United States through the Douglas port did so for the purpose of shopping. Just fewer than 24 percent of visitors reported work as

the purpose of their visit – the highest proportion of all ports of entry in the State of Arizona.

Population estimates for Agua Prieta vary widely, generally ranging from about 60,000 to 150,000, although some estimates

have placed the city's population close to 200,000. According to figures provided by the Agua Prieta municipal government, the city's population in 2006 was 100,000, of which 35 percent were economically active. The city's unemployment rate in 2006 was 15 percent, with a total labor force of 35,000, according to municipal government figures.

Agua Prieta was traditionally 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. Major industrial employers in Agua Prieta in 2006 were Levolor Kirsh, a blinds manufacturer employing 2,100 workers; Commercial Vehicle Group, an automotive manufacturer employing 2,000 workers; Takata, a seat belt/harness manufacturer employing 1,200 workers; Velcro USA, a textile and Velcro products manufacturer employing 850 workers; and Standex International, an electronics manufacturer employing 965 workers.

Agua Prieta's general infrastructure, according to the municipal government, includes 50 hotels and motels, 30 restaurants, a museum, two theaters, two bookstores, five private clubs, a bowling club, two gymnasiums, two shopping centers, seven gas stations, six local radio stations (AM/FM), three supermarkets/food stores, three local newspapers, a post office, six main banks, six private hospitals, three

public hospitals, and two sports arenas. Transportation infrastructure includes six national, intercity bus companies; a local public transport intra-city bus system with 25 routes; eight local and international trucking companies; a rail line; and an interstate airline.

The Douglas Port of Entry for vehicle and pedestrian traffic is open 24 hours a day, 7 days a week. Between 2000 and 2006, an average of more than 6.1 million people each year (nearly 17,000 each day) passed through the pedestrian walkway at the Douglas Port of Entry from Agua Prieta 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 each year (nearly 6,000 a day) enter into Douglas from Agua Prieta through the port of entry.

In 2006, the number of non-U.S. citizens entering into Douglas from Agua Prieta through the pedestrian crossing was up 2.9 percent. Vehicle crossings through the Douglas Port of Entry into the United States were down 7.2 percent in 2006. In the first 9 months of 2007, the number of non-U.S. citizens crossing into Douglas through the pedestrian entry point was down 4.4 percent compared to the same period of 2006. Vehicle crossings from January through September were down 10 percent.

Naco, Sonora

The town of Naco, Sonora, Mexico shares a border with Naco, Arizona, an unincorporated area of Cochise County approximately 6 miles from Bisbee and 35 miles from Sierra Vista. The population of Naco, Sonora as of 2000 was 5,370, according to Mexico's El Instituto Nacional de Estadística, Geografía e Informática (INEGI). The population of the Naco, Arizona Census Designated Place (CDP) as of 2000 was 833, according to the U.S. Census Bureau.

With thousands of border crossings into the United States each day at the Naco Port of Entry, the area serves as a gateway to Cochise County and Sierra Vista's retail shopping outlets. A 2001 study conducted by the University of Arizona indicated that 85 percent of Mexico residents entering the

US-MEXICO BORDER CROSSINGS IN COCHISE COUNTY, ANNUAL

	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
2006	2,154,087	3,244,392	1,983,618	395,447	846,705	321,357
2007*	1,543,055	2,308,229	1,340,783	167,954	540,893	237,837

*January through September only. Note: Includes only those crossing from Mexico into the United States.

Source: U.S. Customs and Border Protection and the University of Arizona's Economic and Business Research Center.



Between 2000 and 2006, an average of more than 1.1 million people each year passed through the pedestrian walkway at the Naco Port of Entry from Mexico into the United States.

United States through the Naco port did so for the purpose of shopping.

The Naco Port of Entry for vehicle and pedestrian traffic is open 24 hours a day, 7 days a week. Between 2000 and 2006, an average of more than 1.1 million people each year (more than 3,000 each day) passed through the pedestrian walkway at the Naco Port of Entry from Mexico into the United States. About 74 percent of these were non-U.S. citizens, while 26 percent were U.S. citizens returning from Mexico. In addition, about 338,000 vehicles (nearly 1,000 a day) enter into the United States from Mexico through the Naco port each year.

In 2006, the number of non-U.S. citizens entering from Mexico into Naco, Arizona through the pedestrian crossing was down 11.5 percent. Vehicle crossings through the Naco Port of Entry were up 0.3 percent in 2006. In the first 9 months of 2007, the number of non-U.S. citizens crossing into Naco, Arizona through the pedestrian entry point was down 17.1 per-

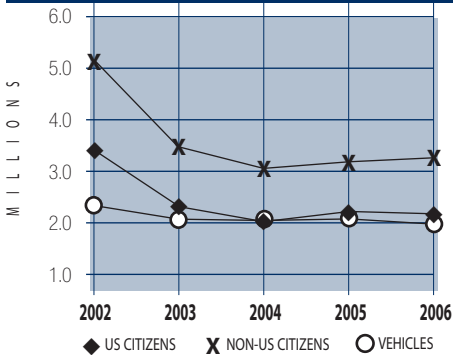
cent compared to the same period of 2006. Vehicle crossings from January through September were up 0.8 percent.

Economic Impact

In 2001, the University of Arizona conducted a study to measure the economic impact of Mexican visitors' spending statewide. The published results were based on a year-long survey of Mexican visitors returning from Arizona at the Phoenix and Tucson airports, as well as six border ports of entry, including the Naco and Douglas ports in Cochise County. The study is scheduled to be updated in 2007-2008.

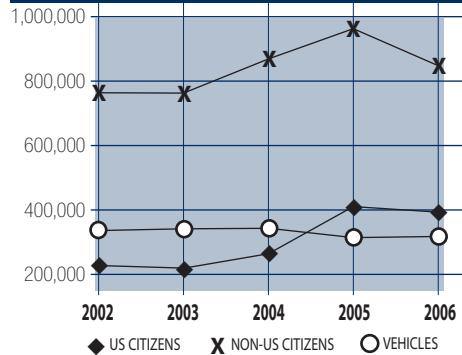
The 2001 study indicated that, statewide, the primary reason for visits was shopping, which accounted for 72 percent of total visits. Other reasons included work (14 percent); visiting family (8 percent); and vacation, medical, business, and personal (less than 3 percent each). At the two ports of entry in Cochise County, 70.6 per-

US-MEXICO BORDER CROSSINGS: DOUGLAS, AZ



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 Center.

US-MEXICO BORDER CROSSINGS: NACO, AZ



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 Center.

US-MEXICO BORDER CROSSINGS IN COCHISE COUNTY, MONTHLY

	DOUGLAS			NACO		
	U.S. CITIZENS	NON-U.S. CITIZENS	VEHICLES	U.S. CITIZENS	NON-U.S. CITIZENS	VEHICLES
January 2005	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
January 2006	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
April	171,187	251,671	170,656	37,016	75,803	24,188
May	191,180	286,200	184,552	35,121	74,141	27,383
June	178,718	267,546	173,302	34,612	71,930	26,382
July	179,655	268,945	170,586	33,820	70,022	27,389
August	188,343	281,955	168,690	33,712	67,685	27,530
September	178,934	287,824	166,612	31,916	65,852	25,714
October	183,727	277,432	163,409	28,515	57,944	27,354
November	176,212	265,881	160,417	32,222	61,344	26,403
December	190,753	285,412	169,449	16,389	74,668	31,609
January 2007	162,581	244,559	151,394	13,929	62,775	26,556
February	154,105	234,320	140,997	16,377	56,112	24,637
March	170,502	259,701	153,690	19,609	67,590	28,404
April	*172,851	250,185	158,978	18,039	60,948	27,040
May	*193,073	290,798	166,194	30,151	56,810	26,773
June	*171,554	258,387	138,900	17,015	57,341	25,994
July	*173,402	261,170	139,258	17,481	59,107	26,471
August	*168,275	242,952	148,110	18,354	62,336	27,271
September	*176,712	266,157	143,262	16,999	57,874	24,691

*Estimated. Note: Includes only those crossing from Mexico into the United States. Source: U.S. Customs and Border Protection, and the University of Arizona's Economic and Business Research Center.

ECONOMIC INDICATORS – MEXICO

	2003	2004	2005	2006	2007
Unemployment Rate*	3.0%	3.1%	3.5%	3.2%	**
Real GDP Growth	1.4%	4.2%	2.8%	4.8%	2.9%
Consumer Price Inflation	4.5%	4.7%	4.0%	3.6%	3.9%

*Source: United Nations International Labour Organization, Bureau of Statistics. Source: International Monetary Fund.

cent 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 reported work as the purpose of their visit, the highest rate in the state.

The study showed that, in 2001, Mexican visitors to Cochise County spent an estimated \$96.8 million (\$110.2 million in 2006 dollars) in the county. Of this amount, approximately \$49.4 million (\$56.2 million in 2006 dollars) was spent in grocery stores; \$17 million (\$19.4 million in 2006 dollars) was spent in department stores; \$16.3 million (\$18.6 million in 2006 dollars) was spent at restaurants; and \$12.8 million (\$14.6 million in 2006 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 (\$65.5 million in 2006 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. It also includes indirect and induced jobs and wages. The study indicated that, in 2001, 5.9 percent of all taxable sales in the county were attributable to Mexican visitors.

Fiscal Impact

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.

The study estimated the cost to Cochise County of apprehending and adjudicating criminal illegal immigrants was \$4.6 million (\$5.6 million in 2006 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 2006 dollars), or 72 percent, was attributable to the sheriff's department. The remainder of the cost was (note: Figures in parenthesis reflect 2006 dollars): \$260,000 (\$315,000) for indigent defense; \$238,000 (\$288,000) for the superior court; \$211,000 (\$255,000) for the juvenile center; \$171,000 (\$207,000) for the county attorney; \$104,000 (\$126,000) for the justice courts; \$97,000 (\$117,000) for the clerk of the superior court; \$82,000 (\$99,000) for emergency medical services; and \$45,000 (\$54,000) for adult probation.

It is important to note that the fiscal impact study did not measure the total cost of law enforcement efforts associated with the problem of illegal immigration, but only that portion of the cost directly levied on county-level resources and funded from the county's 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 and related efforts.

The costs measured in the fiscal impact study did not consider costs to local law enforcement agencies below the county level. The police departments of the incorporated cities of Bisbee and Douglas, for example, incur costs responding to incidents of trespassing and other property crimes committed by illegal immigrants, as well as more serious crimes. 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 leads to a rise in the cost to local residents for law enforcement, a degradation of the level of police service provided to local residents, or some combination of the two.

Another cost absent from the study was that of private medical services provided to illegal immigrants. In recent years, hospitals in Cochise County have reported uncompensated costs totaling 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. From there they are transported to area healthcare facilities, including Bisbee’s Copper Queen Community Hospital and Douglas’ Southeast Arizona Medical Center. 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.

In considering the economic costs and benefits to Cochise County of sharing a border with Mexico, the net effect appears to be overwhelmingly positive, even when considering the conservative estimate of the University of Arizona fiscal impact study. The estimated economic benefit of \$110.2 million (in 2006 dollars), generating 3,551 jobs and \$65.5 million in local wages, is nearly 20 times the estimated \$5.6 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.

Mexico's Economy Today

Mexico’s economy has continued to recover from the slow growth in real Gross Domestic Product (GDP) in the opening years of the new millennium. In 2004, Mexico’s economy grew by 4.2 percent, according to data from the International Monetary Fund (IMF). This followed slow growth of 1.4 percent in 2003 and slower growth in the 2 years prior to that. Real GDP growth slowed to 2.8 percent in 2005, but then rebounded strongly to 4.8 percent in 2006 – its highest level since 2000. In 2007, growth slowed to 2.9 percent, following international trends.

Mexico’s inflation rate in 2007 was 3.9 percent, according to the IMF. This was up from 3.6 percent in 2006, but is a significant improvement over the 1980s and 1990s, which were characterized by consistent, double-digit, and occasional triple-digit levels of inflation. Mexico’s Ministry of Finance attributes recent containment of inflation to improved fiscal discipline. The 2006 inflation rate was the lowest level on record, with records going back to 1980.

According to the United Nations International Labour Organization, Bureau of Statistics, the unemployment rate in Mexico dropped to 3.2 percent in 2006, down from 3.5 percent the year prior. While Mexico’s unemployment rate is at or below what most economists consider the natural rate of unemployment, the nation’s employment situation has been characterized by high levels of underemployment. According to the CIA’s World Factbook, Mexico’s underemployment rate may be as high as 25 percent, as of 2006.



Mayor José Lorenzo Villegas Vasquez of Naco, Sonora

In considering the economic costs and benefits to Cochise County of sharing a border with Mexico, the net effect appears to be overwhelmingly positive, even when considering the conservative estimate of the University of Arizona fiscal impact study.

Fort Huachuca

Fort Huachuca is situated next to the Huachuca Mountains.



Cochise County's Top Employer

In 2007, Fort Huachuca remained Sierra Vista's and Cochise County's top employer, according to the Cochise College Center for Economic Research's (CER) annual "Top 75 Employer Survey." Fort Huachuca has been the top employer in Cochise County every year since the CER began conducting the survey in 2000. According to the *Arizona Daily Star's* annual "Star 200" employer survey, the fort was Southern Arizona's fourth largest employer in 2007, behind Raytheon Missile Systems in Tucson, University of Arizona in Tucson, and the State of Arizona in Phoenix.

In 2007, Fort Huachuca employed 8,456 fulltime equivalent (FTE) employees, which includes active duty military personnel and Department of the Army civilian employees. An FTE employee is equal to one fulltime or two part-time employees. This is a sharp decline from numbers reported by the fort in previous years. In 2006, for example, the fort reported 13,098 FTE employees. The decline is the result of how the fort counts its employees. In past

years, Fort Huachuca included all personnel working on the fort, including those not directly employed by the fort. This included, for example, employees of the Fort Huachuca Accommodation Schools (FHAS), which reports its employees separately and was the county's 27th largest employer in 2007. Although located on Fort Huachuca, FHAS schools are Arizona public schools that fall under the Arizona Department of Education; they are not Department of Defense Dependent Schools (DoDDS). The school district is under the direction and authority of the Cochise County School Superintendent, who serves as the district's one-person governing board. Financial support for FHAS is derived from state aid and federal impact aid.

Also included in the fort's numbers in previous years were defense contractors, but these were also reported by the contracting firms that directly employ them, such as Northrop Grumman Corporation and General Dynamics, which are the county's 7th and 8th largest employers, respectively. Reporting only those workers directly employed by the fort reduces sig-

nificant double-counting that occurred in the survey in previous years.

Despite the elimination of indirect employees from Fort Huachuca's employment figures, the fort continues to have a large impact on the local economy through indirect employment. In 2007, eight of Cochise County's top 75 employers were professional and business services firms whose customer base, in whole or large part, was Fort Huachuca. This included Northrop Grumman, General Dynamics, Science Applications International Corporation (SAIC), Newtech, L-3 Communications/ILEX, Integrated Systems Improvement Services (ISIS), All Star Services, and ManTech Telecommunications and Information Systems Corporation. Combined, these firms employed 2,174 FTE employees, or 9.2 percent of the total workers employed by the county's 75 largest employers. It is important to note that not all of these employees work in direct support of the fort, and several of the firms have customer bases beyond Fort Huachuca. SAIC for example serves customers across the United States and internationally from its site in Sierra Vista.

U.S. - Fish and Wildlife Biological Opinion

In recent years, Fort Huachuca has been engaged in litigation with the Center for Biological Diversity (CBD) and the Maricopa Audubon Society (MAS). CBD and MAS alleged Fort Huachuca was in violation of the Endangered Species Act. The allegations stem primarily from water use by the fort, as well as water use that results from Fort Huachuca's indirect and induced employment and any resultant population increases.

In late 2006, the CBD, MAS, and the fort reached a settlement in which the fort agreed to submit to a revised biological opinion by the U.S. Fish and Wildlife Service (FWS). The previous FWS biological opinion was issued in 2002. The revised biological opinion, which was released in

June 2007, reexamined the environmental impact of Fort Huachuca. The biological opinion concluded that the proposed ongoing and future military operations and activities at Fort Huachuca are not likely to adversely affect the endangered species in question; these are: Canelo Hills ladies' tresses (*Spiranthes delitescens*), the threatened bald eagle (*Haliaeetus leucocephalus*), the endangered jaguar (*Panthera onca*), the threatened spikedace (*Meda fulgida*) with critical habitat, the endangered Gila topminnow (*Poeciliopsis occidentalis occidentalis*), and the endangered desert pupfish (*Cyprinodon macularius*).

Fort Huachuca has been a recognized leader in energy and water reduction initiatives over the past dozen years

The biological opinion noted that: Fort Huachuca has been a recognized leader in energy and water reduction initiatives over the past dozen years; water use has been reduced by over 50 percent, or over half a billion gallons per year; the fort has been below the federal energy conservation goals for the past thirteen years; and the fort has increased the use of renewable energy in the form of solar and wind, neither of which consume water in the production of electricity. Perhaps most important to the future of Fort Huachuca, the FWS biological opinion determined that Fort Huachuca

can accommodate additional growth, accomplish the mission, and continue to meet its water conservation measures.

History

Fort Huachuca, a National Historic Landmark, is a product of the Indian Wars of the 1870s and 1880s. In 1877, the commander of the Department of Arizona ordered that a camp be established in the Huachuca Mountains to protect settlers and travel routes in southeastern Arizona and block Apache escape routes through the San Pedro and Santa Cruz valleys to sanctuary in Mexico. A temporary camp was established at the fort's current location that year. Camp Huachuca was designated a fort in 1882.

Geronimo's surrender in 1886 all but ended the Apache danger in southern Arizona and the Army closed more than 50 camps and forts in the territory. Fort Huachuca was retained due to continuing border troubles. In 1913, the 10th Cavalry "Buffalo Soldiers" arrived and remained almost 20 years. The 10th Cavalry joined General John J. Pershing in the 1916 expedition into Mexico. During World War I, the fort was assigned the mission of guarding the U.S.-Mexican border.

Following World War II, the fort was declared surplus and transferred to the State of Arizona. It was reactivated during



The Fort Huachuca Museum Annex houses additional artifacts belonging to the Fort Huachuca Historical Museum.

Today, Fort Huachuca is a major military installation in Arizona, and one of prominence throughout the Southwest.

the Korean War by the Army Engineers. In 1954, control passed to the Chief Signal Officer, who found the area and climate ideal for testing electronic and communications equipment, a characteristic that remains today.

In 1967, Fort Huachuca became headquarters to the U.S. Army Strategic Communications Command. In 1971, the fort became home to the U.S. Army Intelligence Center and School. Also in 1971, the fort was annexed into Sierra Vista, bringing additional tax revenue to the city and Cochise County.

The Strategic Communications Command became the U.S. Army Communications Command in 1973. Eleven years later it became the U.S. Army Information Systems Command. In October 1990, the U.S. Army Training and Doctrine Command became the new host command. The

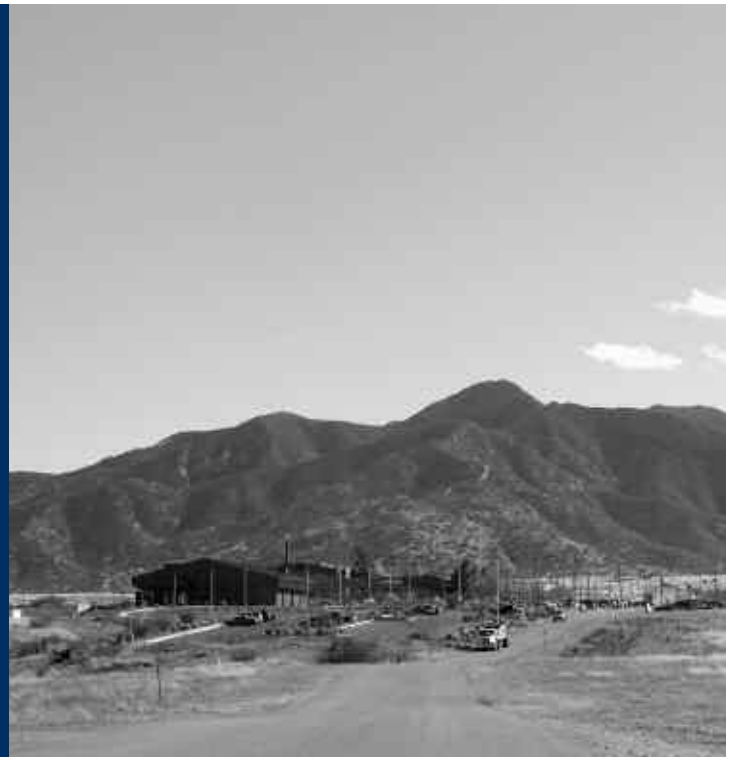
U.S. Army Intelligence Center and Fort Huachuca currently operates the post.

Today, Fort Huachuca is a major military installation in Arizona, and one of prominence throughout the Southwest. Units on the fort include the Joint Interoperability Test Command; Raymond W. Bliss Army Community Health Center; the U.S. Army Communications-Electronics Command; U.S. Army Electronic Proving Ground; U.S. Army Information Systems Engineering Command; U.S. Army Intelligence Center; and U.S. Army Network Enterprise Technology Command.

In 2005, Fort Huachuca became home to the world's largest Unmanned Aerial Vehicle (UAV) training facility with the opening of a \$10 million, 25,000-square-foot UAV System Training Center Annex, bringing the total UAV training area to 125,000 square feet. Earlier in 2005, the Association for Unmanned Vehicle Systems International announced the creation of a Saguaro Chapter in Southern Arizona.

For more information on Fort Huachuca, visit <http://huachuca-www.army.mil>.

In 2005, Fort Huachuca became home to the world's largest Unmanned Aerial Vehicle (UAV) training facility.



Cochise County agriculture



Sierra Vista Farmers' Market has a variety of garden fresh fruits and vegetables for sale.

Agriculture is a large part of the Cochise County economy. While most of the county's agricultural production occurs in the eastern part of the county in the Sulphur Springs Valley, considerable production continues in the San Pedro Valley.

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 number of farms in Cochise County grew by 126, or 15.3 percent, from 824 to 950, according to the 2002 Census of Agriculture conducted by the U.S. Department of Agriculture (USDA). 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 growth in the number of farms. The average farm size in the county declined from over 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 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 larger 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.

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 35.8 percent from \$41.1 million in 1997, for an inflation-adjusted increase of 23.7 percent. This was the result of a shifting of land resources from livestock, poultry, and their products to crops, as evidenced by a 13.2 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 agricul-

tural 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.

USDA conducts the Census of Agriculture every five years, in years ending in a 2 or 7. The 2007 forms were mailed out in late December 2006. Recipients were asked to complete and return their report forms by February 4, 2008, providing data for the 2007 calendar year. The final series of reports will be available on the USDA- National Agricultural Statistics Service (NASS) website at www.nass.usda.gov in early 2009.

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/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/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



Visitors can find information pertaining to the San Pedro Riparian National Conservation Area at the San Pedro House.

General Overview

Tourism is an important component of the economy of both Sierra Vista and Cochise County. As an export-oriented industry, tourism brings dollars to the local area from other regions. This generates local sales, jobs, and tax revenue in addition to that generated by the spending of local residents. According to a study by Dean Runyon & Associates, the travel industry has been one of the top two export-oriented industries in Arizona, as measured by its contribution to the state's Gross Domestic Product.

Tourism is often defined broadly to encompass all travel-related activity, including both business and leisure travel. This broader industry is sometimes referred to as tourism and travel. In Sierra Vista and Cochise County, this includes military and Department of Defense civilian and contractor personnel on temporary duty to Fort Huachuca, whether for training, attendance at a conference, or other military or defense-related activities; as well as other government-related travel.

Despite the inclusion of both business and leisure travelers in the broadly defined tourism and travel industry, the distinction between business and leisure travel is useful for several reasons. One reason is that leisure travelers are likely to be more responsive to marketing efforts since they tend to have greater flexibility when it comes to decisions such as modes of travel, the amount of money to spend on lodging, and the duration of their stay.

Although the spending patterns of business and leisure travelers are similar in many regards, there are some important differences. For example, leisure travelers are likely to have more free time, so they may spend more money on recreational activities. They also may have budgeted for a larger sum of money to spend during their stay, in order to maximize their vacationing experience. Business travelers may be more apt to spend at levels closer to their normal spending habits, with the exception of the added expenses directly related to the travel.

Cochise County communities, including Sierra Vista, have joined together, form-

COCHISE COUNTY TRAVEL IMPACTS

	2002	2003	2004	2005	2006
TOTAL DIRECT TRAVEL SPENDING (\$MILLION)					
Visitor Spending at Destination	269.3	277.9	301.0	318.8	326.6
Other Travel*	0.8	0.8	0.8	0.8	0.8
Total Direct Spending	270.1	278.7	301.8	319.6	327.4
VISITOR SPENDING BY TYPE OF TRAVELER ACCOMMODATION (\$MILLION)					
Hotel, Motel	54.1	57.3	69.4	78.9	86.2
Campground	41.6	44.8	47.5	50.2	52.2
Private Home	45.5	56.6	60.3	63.3	66.4
Vacation Home	5.8	6.0	6.3	6.5	6.8
Day Travel	122.3	113.1	117.6	119.8	115.0
Spending at Destination	269.3	277.9	301.0	318.8	326.6
VISITOR SPENDING BY COMMODITY PURCHASED (\$MILLION)					
Lodging	27.8	28.8	33.6	37.6	40.4
Food & Beverage Services	58.3	61.8	67.4	71.7	74.0
Food Stores	69.4	62.1	63.3	62.2	57.8
Ground Tran. & Motor Fuel	23.6	30.3	36.1	44.4	50.4
Arts, Entertainment & Recreation	31.1	35.0	38.5	39.9	41.3
Retail Sales	59.1	59.8	61.9	62.9	62.7
Spending at Destination	269.3	277.9	301.0	318.8	326.6
INDUSTRY EARNINGS GENERATED BY TRAVEL SPENDING (\$MILLION)					
Accommodation & Food Services	26.8	28.3	31.6	33.5	35.8
Arts, Entertainment & Recreation	13.7	15.4	17.0	17.6	19.1
Retail**	18.6	17.8	18.3	18.3	18.2
Auto Rental & other ground tran.	0.2	0.2	0.2	0.3	0.3
Total Direct Earnings	59.9	62.3	67.7	70.3	73.9
INDUSTRY EMPLOYMENT GENERATED BY TRAVEL SPENDING (JOBS)					
Accommodation & Food Services	1,900	1,940	2,040	2,110	2,160
Arts, Entertainment & Recreation	1,100	1,170	1,190	1,210	1,250
Retail**	860	800	810	800	790
Auto Rental & other ground tran.	10	10	10	10	10
Other Travel*	20	20	20	20	20
Total Direct Employment	3,880	3,940	4,060	4,150	4,230
GOVERNMENT REVENUE GENERATED BY TRAVEL SPENDING (\$MILLION)***					
Local	8.9	9.2	9.9	10.5	10.7
State	9.9	10.4	11.1	11.7	12.0
Total Direct Government Revenue	18.8	19.5	21.1	22.2	22.7

Note: 2006 data are preliminary. Details may not add to totals due to rounding. *Other Travel includes resident air travel and travel arrangement. **Retail includes gasoline. ***Property taxes and sales tax payment of travel industry employees not included. Source: Dean Runyon Associates and Arizona Office of Tourism.

ing the Cochise County Tourism Council (CCTC). The marketing efforts of the CCTC, which are funded by the individual communities, Cochise County, and grant dollars from Arizona Office of Tourism (AOT), market Cochise County as a single entity to leisure travelers nationally and internationally. For examples of these marketing efforts or more information, visit www.explore-cochise.com and www.visitsierravista.com.

Attractions and Activities

Sierra Vista and the surrounding area have attractions and activities that lure hundreds of thousands of visitors annually. In general, these attractions and activities fall into one of the two niche markets identified by the Sierra Vista Convention and Visitors Bureau (CVB): Birding and Watchable Wildlife and Cultural Heritage.

According to the Sierra Vista CVB, bird watching has dramatically increased in popularity and has become a multimillion dollar activity in the Sierra Vista area. Since Sierra Vista and surrounding areas are considered to be one of the top birding destinations in the country, a large proportion of the city's visitor base has consisted of birders and other geo-tourists. According to the CVB, the generally affluent birding enthusiasts contribute a substantial portion of tourism dollars to Sierra Vista businesses and attractions. Factors boosting the area's geotourism industry include the designation of Southeastern Arizona as the Number One Spot by Birder's World Magazine in 2002, and the designation of Cochise County as the "Birdiest Inland County" by the American Birding Association in 2003.

A popular destination of geo-tourists is the Nature Conservancy's Ramsey Canyon Preserve, located just outside Sierra Vista, which has earned worldwide recognition. The preserve is widely known for the number of species of hummingbirds attracted to and sighted within the canyon, which has led to Sierra Vista being known as the "Hummingbird Capital of the U.S." With 20,000 visitors annually, the preserve caters to bird and wildlife enthusiasts from across the United States, as well as international visitors who are drawn to the area.

Another popular birding area is the San Pedro Riparian National Conservation Area (SPRNCA). The SPRNCA, which is managed by the U.S. Bureau of Land Management, is home to 350 species of migrating and breeding birds – nearly one-half the number of known breeding species in North America. Thousands of bird and wildlife watchers and other geo-tourists visit the 40 miles of riverbank along the San Pedro River each year.

Other popular geotourism attractions include the Environmental Operations Park, the Coronado National Memorial, and Garden Canyon on Fort Huachuca. The Environmental Operations Park is a water recharge project area and Arizona's only municipal native grass restoration project. It is common to see wildlife and water birds at this wetland. The Coronado National Memorial – the largest memorial in the National Park Service – was established in 1952 and has 4,750 acres of unspoiled natural habitat for hikers and bicyclists. Garden Canyon has marked trails, bird and wildlife, and ancient pictographs.

The Sierra Vista area is home to numerous other attractions and destinations, including Amerind Foundation; Arizona Folklore Preserve; Bisbee; Chiricahua National Monument; the city's aquatic center "The Cove"; Henry Hauser Museum; Kartchner Caverns State Park; Lehner Mammoth Kill Site; Murray Springs Clovis Site; Tombstone; 16 public and private observatories; and several Arizona wineries. For more information on tourism in the Sierra Vista area, visit www.visitsierravista.com.

National Geographic MapGuide Project

In 2007, National Geographic released its Arizona-Sonora Desert Region Geotourism MapGuide, its first bi-national Geotourism MapGuide, which identifies desert attractions and historical sites in Southern Arizona and Northern Mexico. The project, which was a collaborative effort between National Geographic, the Arizona Office of Tourism, the Sonora Office of Tourism, the Bureau of Land Management, the Sonoran Institute, and the Arizona-Mexico Commission, solicited nominations of places and events from residents of the region for inclusion in the guide. Geotourism locations in Cochise County identified in the guide include: Amerind Museum; Arizona Folklore Preserve; Chiricahua National Monument; Cochise Stronghold Bed & Breakfast; Copper Queen Mine Tour and Hotel; Fort Bowie National Historic Site; Fort Huachuca; the John Slaughter Ranch; Kartchner Caverns State Park; Muleshoe Ranch Coop-

erative Management Area; Ramsey Canyon Preserve; Rex Allen Museum and Willcox Cowboy Hall of Fame; San Pedro Riparian National Conservation Area; Skywatcher's Inn; and Tombstone. A copy of the guide can be accessed at www.sonorandesertgeotourism.org.

Sierra Vista Convention and Visitors Bureau

The Sierra Vista CVB, a component of the Communication & Marketing Division of the City of Sierra Vista, promotes Sierra Vista as a central location from which to explore Southeastern Arizona due to the city's numerous hotels, restaurants, and shopping opportunities. Sierra Vista has several department stores and other retail outlets, and many smaller specialty shops. Sierra Vista is the economic hub of Cochise County, with more than 1,100 hotel and motel rooms as of 2006. The opening of five new hotels in 2007 and 2008 will bring this number to more than 1,500.

The Sierra Vista CVB's marketing strategy includes efforts targeted toward recruiting more group tour and travel business due to their impact on accommodation occupancy rates. Increasing the number of out-of-town visitors, and thus the economic impact of tourism and travel, is a key component of the Sierra Vista CVB's marketing strategy. Using research-based tourism trends based on continually updated research to determine the traveling public's requirements is an integral part of that strategy.

The current strategy of the CVB is to

change people's perception of Arizona. On all of the CVB's ads and collateral materials they promote the slogan: "Sierra Vista – It's Cooler than You Think." According to the CVB, that pertains not only to the weather, but to the community and lifestyle. The CVB focuses on target markets, or niches, rather than broad-based advertising. To support this strategy, the CVB has published two niche brochures: the new "Cool History" brochure and the "Cool Birding and Watchable Wildlife" brochure, along with two audio driving tour CDs.

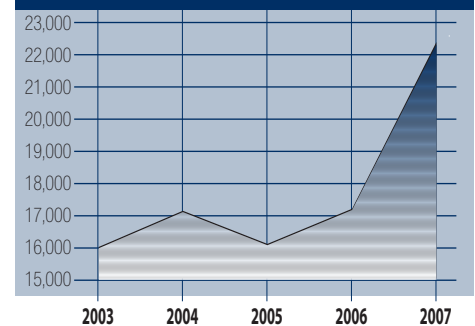
These marketing concepts have resulted in increased name recognition and widespread coverage of Sierra Vista. In 2006 and 2007, Sierra Vista was featured regionally and nationally in AAA Highroads, Ahwatukee Foothills News, Arizona Daily Star, Arizona Highways, Arizona Republic, Birds and Blooms, Conde Nast Traveler, East Valley Tribune, Family Fun - Disney Magazine, Hemmings Motor News, Home & Away, InFlightUSA, Los Angeles Times, Military Officers Magazine, Phoenix Magazine, Scottsdale Tribune, True West Magazine, Tucson Guide, Tucson Citizen, Tucson Lifestyle, Wall Street Journal, and Wildbird. In 2006, Sierra Vista was featured internationally in FVW - The Magazine for the German Travel and Tourism Industry. In 2007, Sierra Vista was featured in the travel section of About.com and the German publication Die Aktuelle, and also was featured on the major Canadian radio stations in Montreal and Toronto. Also in 2007, Tucson based KOLD-TV (Channel 13) dedicated its evening newscast to Sierra Vista at the Tree

SIERRA VISTA VISITOR CENTER, VISITOR COUNTS

	1ST QTR	CHANGE	2ND QTR	CHANGE	3RD QTR	CHANGE	4TH QTR	CHANGE	ANNUAL	CHANGE
2003	5,881	10.3%	3,357	23.5%	2,997	24.4%	3,682	7.8%	15,917	14.7%
2004	6,283	6.8%	3,632	8.2%	3,447	15.0%	3,725	1.2%	17,086	7.3%
2005	6,174	-1.7%	3,636	0.1%	2,793	-19.0%	3,438	-7.7%	16,041	-6.1%
2006	6,972	12.9%	3,914	7.6%	2,613	-6.4%	3,521	2.4%	17,020	6.1%
2007	6,280	-9.9%	3,998	2.1%	6,121	134.3%	5,889	67.2%	22,288	31.0%

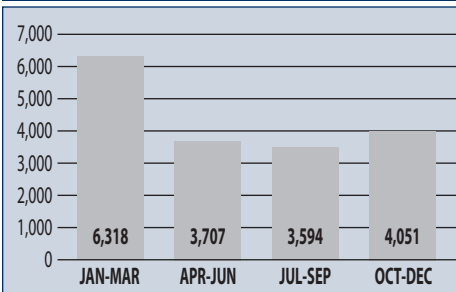
Source: Sierra Vista Convention & Visitors Bureau and Cochise College Center for Economic Research.

SIERRA VISTA VISITOR CENTER, VISITOR COUNTS



Source: Sierra Vista Convention & Visitors Bureau and Cochise College Center for Economic Research.

SIERRA VISTA VISITOR CENTER, VISITOR COUNTS, AVERAGE BY QUARTER



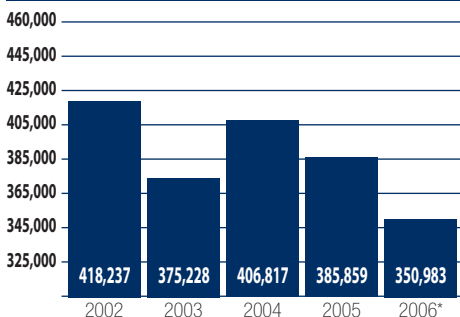
Based on data from 2003-2007. Source: Sierra Vista Convention & Visitors Bureau and Cochise College Center for Economic Research.

COCHISE COUNTY STATE AND NATIONAL PARKS, TOTAL VISITATIONS

Year	STATE AND NATIONAL PARK VISITATIONS	CHANGE
2002	418,237	-5.1%
2003	375,228	-10.3%
2004	406,817	8.4%
2005	385,859	-5.2%
2006*	350,983	-9.0%
2007**	320,726	2.0%

*Areas of the Coronado National Memorial were closed to the public in August and September 2006 due to damage from flash flooding. **January-October only; percent change based on same period the year prior. Note: Includes all state and national parks in Cochise County. Source: National Park Service, Arizona State Parks, Arizona Office of Tourism, and Cochise College Center for Economic Research.

COCHISE COUNTY STATE AND NATIONAL PARK VISITATIONS, 2001-2005



*Areas of the Coronado National Memorial were closed to the public in August and September 2006 due to damage from flash flooding. 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.

Lighting and 1st Annual Santas of the World. The Sierra Vista CVB considers having articles about Sierra Vista in publications as tantamount to free advertising. To determine the value of that advertising – or the advertising value equivalent – the industry standard is to measure the length of the article and to then calculate the cost as if it were paid advertising. In fiscal year 2005, for tracked articles, Sierra Vista realized more than \$2.5 million in advertising value equivalent.

A study by the Tucson CVB showed 50 percent of potential visitors who requested information actually visited the Tucson area within 5 years. Presuming a similar conversion rate, the Sierra Vista CVB estimates its efforts in 2005 will result in 4,411 additional visitors between 2006 and 2010; its 2006 efforts will result in an additional 6,045 visitors between 2007 and 2011; and its 2007 efforts will result in an additional 10,616 visitors between 2008 and 2012.

Economic Impact of Tourism in Cochise County

According to research commissioned by the Arizona Office of Tourism (AOT) and conducted by Dean Runyon & Associates, total travel-related spending in Cochise County was \$327.4 million in 2006, up 2.4 percent from the year prior. Adjusting for inflation, this represents a 0.8 percent decline. Between 2002 and 2006, however, travel-related spending in the county increased at an average annual rate of 5 percent, well ahead of the rate of inflation.

Overnight visitors who stayed in lodging establishments in Cochise County accounted for 42.4 percent of all spending by visitors to the county in 2006. Those who stayed in private homes, including vacation homes, accounted for 22.4 percent of total visitor spending, while day travelers accounted for 35.2 percent.

In 2006, 47.7 percent of spending by visitors to Cochise County was for leisure and hospitality services (arts, entertainment, recreation, accommodations, and food service). Spending on retail (including food stores) accounted for 36.9 percent and transportation accounted for 15.4 percent of total visitor spending.

Approximately 4,230 jobs were generated in Cochise County in 2006 by travel-related spending; this accounted for 7 percent of all jobs countywide. More than 80 percent of these jobs were in leisure and hospitality services, according to the Dean Runyon & Associates study. Travel-related spending accounted for approximately \$73.9 million in direct earnings in the county in 2006. Between 2002 and 2006, travel-generated direct earnings in Cochise County increased at an average annual rate of 5.4 percent, nearly twice the rate of inflation during that time.

According to the study, travel-related spending in Cochise County generated approximately \$10.7 million in direct, local government tax revenue in 2006. This is equivalent to \$220 per Cochise County household. These are taxes levied on visitors rather than residents. This leaves more money in the hands of residents, increasing their purchasing power and, as a result, generating higher levels of local spending that also strengthen local area job growth.

As noted by Dean Runyon & Associates, the jobs, earnings, and tax revenue generated by travel spending are relatively more important for the rural areas of Arizona, including Cochise County, than for the larger metropolitan areas of the state. 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. For more information, visit the AOT website at www.azot.gov.

Tourism Trends in Sierra Vista

Tourism in Sierra Vista, as measured by visits to the Sierra Vista Visitor Center, increased substantially in 2003 and 2004, but then dropped in 2005. Visits rebounded in 2006, regaining the ground lost the previous year. In 2007, visits were up 31 percent. Cochise College Center for Economic Research focus group discussions in Sierra Vista indicate the increase may be due in part to recent efforts by the

Sierra Vista CVB and the Cochise County Tourism Council to market Sierra Vista and all of Cochise County as a year-round tourist destination. This is supported by Sierra Vista Visitor Center visitor counts, which show nearly a 135 percent increase in visitors for the July through August quarter of 2007 – typically the slowest quarter of the year for tourism to the city. Visits to the Sierra Vista Visitors Center for the third quarter of 2007 closely rivaled that of the first quarter of the year, which is typically the busiest season for tourists.

Traditionally, January through March is the busiest season for the Sierra Vista Visitor Center. Between 2003 and 2007, the visitor center received an average of 6,318 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 3,594. But as noted above, the third quarter figures for 2007, which show a visitor count of 6,121, closely rival first quarter figures.

Cochise County State and National Park Visitations

Overall, visits to state and national parks in Cochise County declined by 9 percent in 2006. Part of this decline was due to the closing of areas of the Coronado National Memorial in August and September due to damage caused by flash flooding. However, even aside from the closing of Coronado in August and September, visits to the county's state and national parks were slow in 2006. Total visits to state and national parks in Cochise County declined each year from 2001 through 2006, with the exception of 2004, which saw visits increase by 8.4 percent. The first 10 months of 2007, however, saw a slight rebound, with total visits up 2 percent compared to the same period of 2006. Much of this was spurred by an increase in visits to Kartchner Caverns, the county's most popular attraction. The caverns offered 50 percent discounted tours in July and August, leading to an increase in visits following 2 years of considerable declines.

Visits to the Chiricahua National Monument were up 2.2 percent in 2006,



The annual Festival of Color-Hot Air Balloon Rally is held in November.

Photo: City of Sierra Vista.

but were down 5.9 percent in the first 10 months of 2007. Visits to the Fort Bowie National Historic Site were up 9.4 percent in 2006, but down 6.5 percent from January through October 2007.

The Coronado National Memorial saw visits decline by 18.6 percent in 2006. As noted above, part of this decline was attributable to the closing of areas of the park in August and September. However, from January through July 2006, prior to the park's temporary closure, visits were up only 0.5 percent from the same period a year prior. In the first 10 months of 2007, visits to Coronado were up 5.7 percent compared to the same period of 2006.

In 2006, visits to Kartchner Caverns State Park were down 12.1 percent, following a similar decline of 12 percent in 2005. In the first 8 months of 2007, visits were up 2.8 percent, with much of this due to discounted admissions in July and August. The Tombstone Courthouse State Historic Park saw visits increase by 1.4 percent in 2006 and 5.6 percent in the first 10 months of 2007.

Cochise County Lodging Indicators

In 2006, Cochise County's lodging industry struggled, according to AOT lodging indicator data. Cochise County's lodging occupancy rate decreased by 2.3 percent, falling to 67.5 percent for the year. This drop was reflected in accommodation sales in Cochise County in 2006, which were down 2.8 percent, according to tax collection data

provided by the Arizona Department of Revenue (ADOR).

Cochise County's lodging occupancy rate of 67.5 percent was slightly above the statewide rate of 67 percent. Statewide, the occupancy rate increased by 1.8 percent in 2006. Nationwide, the occupancy rate in 2006 was considerably lower at 53.4 percent, which was up 0.5 percent from the year prior.

The average daily room rate in Cochise County increased by 2.9 percent to \$57.01 in 2006. Despite this increase, Cochise County's average daily room rate was more than 41 percent below both the state and national rates. The 2006 increase of 2.9 percent was significantly below that of the state, which saw rates rise 8.5 percent; and the nation, which saw the average daily room rate climb 7 percent.

In 2006, revenue generated per available room in Cochise County was up only 0.5 percent to \$38.48. Of 13 Arizona counties for which data are available, Cochise County saw the slowest rate of increase in revenue generated per available room (note: Data are not available for Greenlee and La Paz counties). Revenue generated per available room statewide increased by 10.5 percent in 2006. In Cochise County, revenue generated per available room in 2006 was 41.7 percent below the state level and 37.6 percent below the national level.

Lodging room demand in Cochise County was down 3 percent in 2006. Demand was up 1.8 percent statewide and 1.1 percent nationally. Lodging room supply in Cochise County was down 0.7 per-

COCHISE COUNTY STATE PARK VISITATIONS

YEAR	KARTCHNER CAVERNS STATE PARK		TOMBSTONE COURTHOUSE STATE HISTORIC PARK	
	VISITORS	CHANGE	VISITORS	CHANGE
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	157,417	-12.1%	50,936	1.4%
2007*	147,430	2.8%	49,116	5.6%

*January-October only; percent change based on same period the year prior. Source: Arizona Office of Tourism, and Cochise College Center for Economic Research.

COCHISE COUNTY NATIONAL PARK VISITATIONS

YEAR	CHIRICAHUA NATIONAL MONUMENT		CORONADO NATIONAL MEMORIAL		FORT BOWIE NATIONAL HISTORIC SITE	
	VISITATIONS	CHANGE	VISITATIONS	CHANGE	VISITATIONS	CHANGE
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*	61,579	2.2%	70,483	-18.6%	10,568	9.4%
2007**	49,952	-5.9%	63,799	5.7%	8,442	-6.5%

*Areas of the Coronado National Memorial were closed to the public in August and September 2006 due to damage from flash flooding. **January-October only; percent change based on same period the year prior. Source: National Park Service, Arizona Office of Tourism, and Cochise College Center for Economic Research.

cent in 2006, compared to stabilization at 2005 levels statewide and a 0.6 percent increase nationally.

While Cochise County saw its lodging industry struggle in 2006, figures from the first 10 months of 2007 show signs of a strong rebound. From January through October, the county's occupancy rate was 74.9 percent, up 9.8 percent from the same period of 2006. This was the second-highest rate of increase in the state, behind Graham County. Six of Arizona's 13 counties for which data are available saw occupancy rates decline in the first 10 months of 2007.

The average daily room rate in Cochise County from January through October 2007 was \$63.07, up 10.3 percent. This was the second-highest rate of increase in the state, behind Graham County. Revenue generated per available room was up 21.3 percent to \$47.25; this was also the second fastest rate of increase in the state, behind Graham County. Room demand was up 15.6 percent, the highest rate of increase in

the state. Room supply was up 5.2 percent, also the highest rate of increase in the state. At the county level, total accommodation receipts from January through October 2007 were up 25.2 percent from the same period of 2006, according to tax collection data provided by ADOR.

Lodging in Sierra Vista

Sierra Vista had more than 1,100 hotel and motel rooms as of 2006. The opening of five new hotels in 2007 and 2008 will bring this number to more than 1,500. The increase in available rooms has increased the tax revenue collected for the City of Sierra Vista. The Sierra Vista CVB tracks the occupancy rates and average daily room rates of 9 participating hotels/motels in the city (approximately half of the city's existing hotels), and compares those findings with the taxes collected. The CVB's research shows that, in 2006, the average occupancy rate in the city was 78.8 percent,

The Sierra Vista Aquatic Center "The Cove" is a 36,500 square foot facility that contains over 575,000 gallons of water.



the average daily room rate was \$65.93, and lodging taxes collected totaled \$817,209.

The Sierra Vista CVB queries local hoteliers to determine the distribution of leisure and business travelers in Sierra Vista. For 2007, the CVB estimated that approximately 70 percent of those staying in Sierra Vista hotels were business travelers, primarily active duty military and Department of Defense civilian and contractor personnel on temporary duty to Fort Huachuca. An estimated 30 percent were leisure travelers.

In Sierra Vista in the first 10 months of 2007, accommodation receipts were up 26.2 percent compared to the same period of 2006. For more on Sierra Vista's accommodation sales, see the Retail Trade and Commerce section of this publication.

The Arizona Motion Picture Production Tax Incentives Program

Throughout the years, Sierra Vista has been involved with feature films and television segments and episodes, including *The Big Give*, a Harpo Production; *Desperation*, a Stephen King Production with Tom Skerritt; *Buffalo Soldiers* with Danny Glover; *Ruby Jean and Joe* with Tom Selleck; National Geographic Television; the History Channel; the Discovery Channel; and Arizona Highways Television. The Sierra Vista CVB works closely with the Arizona Film Office, Arizona Department of Commerce, and the Cochise County Tourism Council's Film Committee to assist film professionals with location images, lodging requests, and logistical and property support.

Those interested in filming in the Sierra Vista 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 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 more information on filming in Sierra Vista, contact the Sierra Vista Convention and Visitors bureau at (520) 417-6960, or toll free at (800) 288-3861, or visit their website at www.visitsier-ravista.com.

Sierra Vista 2008 Calendar of Events

JANUARY

Jan 11-20 27th Annual Olympic Senior Games
Various Locations

FEBRUARY

Feb 1-2 16th Cochise Cowboy Music & Poetry Gathering
Buena Performing Arts Center

Feb 15-16 15th Annual "High on the Desert!" Master
Gardeners Conference
Windemere Hotel & Conference Center

Feb 23-24 Hummingbird Stitchers Quilt Guild Show
Buena High School

MARCH

Mar 2 5th Annual Sweet Treats & Swinging Sounds
Ethel Berger Center

Mar 15 9th Annual St. Patrick's Day Parade
Fry Boulevard

Mar 15 11th Annual Boys/Girls Club Car Show
The Mall at Sierra Vista

APRIL

Apr 11-13 Festival of the Southwest
Veterans Memorial Park

Apr 19 3rd Annual Block Party
West End

MAY

May (TBA) International Migratory Bird Day & San Pedro
House's Spring Festival, San Pedro House

May 2-4 Fiesta Primavera, Veterans Memorial Park

May 10 8th Annual Telescopes in the Park
Veterans Memorial Park

JUNE

Jun (TBA) Summer Concerts in the Park
Veterans Memorial Park

Jun 7 2nd Annual Boys and Girls Club of Sierra Vista
Golf Tournament, Pueblo del Sol Country Club

JULY

Jul 3-4 Fourth of July Celebration
Veterans Memorial Park

Jul 12 Christmas in July Bazaar
Ethel Berger Center

AUGUST

Aug 6-10 17th Annual Southwest Wings Birding/Nature
Festival, Windemere Hotel & Conference Center

Aug 8-19 14th Annual Carter Classic
Pueblo del Sol Country Club

SEPTEMBER

Sep (TBA) Sierra Vista Open. Pueblo del Sol Country Club

Sept 12-14 Oktoberfest, Veterans Memorial Park

Sept 19-20 20th Annual Oktoberfest, Elks Lodge

Sept 26-28 Fort Huachuca Fall Festival
Veterans' Memorial Park

OCTOBER

Oct 4-5 37th Annual Art in the Park
Veterans Memorial Park

Oct 11 21st Annual Cars in the Park
Veterans Memorial Park

NOVEMBER

Nov (TBA) Veterans Day Parade. Fry Boulevard

Nov 1-2 18th Annual Festival of Color-Hot Air Balloon
Rally, Veterans Memorial Park

Nov 19-Dec 2 Festival of Trees, The Mall at Sierra Vista

DECEMBER

Dec 6 50th Annual Holiday Parade, Fry Boulevard

Dec 7 Holiday Tour of the Officers' Homes
Fort Huachuca

Dec (TBA) Sierra Vista Ballet's "Nutcracker"
Buena Performing Arts Center

About the Center *for* Economic Research

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



The Cochise College Center for Economic Research (CER), founded in 1995, is dedicated to analyzing and interpreting economic information and educating residents of Cochise County on the local, state, and national economy. The CER provides economic and demographic information, analysis, and forecasting to help community leaders in the public, private, and non-profit sectors make informed decisions.

The CER hosts economic outlook luncheons each year in Benson, Bisbee, and Sierra Vista, and provides an economic outlook presentation at a breakfast event hosted by the City of Douglas. The Center also produces four major publications annually as part of its Cochise County Economic Outlook Publication Series: *Benson Economic Outlook*, *Bisbee Economic Outlook*, *Douglas Economic Outlook*, and *Sierra Vista Economic Outlook*. In previous years, these were published, respectively, as *Benson Prospectus*, *Bisbee Outlook*, *Douglas Perspective*, and *Sierra Vista Economic Focus*. They were renamed in 2008 with the unanimous consent of the CER's economic advisory committees to more clearly

identify them as economic outlook publications.

Throughout the year, the CER responds to a wide range of information requests from business and community leaders throughout Cochise County and across the state and region. The CER also provides personnel to serve on community projects, committees, and task forces. In these partnerships, the CER provides technical expertise in research methodology and serves as a source of economic and demographic information, analysis, and forecasting.

As an extension of Cochise College's educational mission, the CER prepares weekly press releases that are published in newspapers countywide and provide 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 also produces the *Cochise County Economic Update*, a biweekly compilation of links to online newspaper articles relevant to the Cochise County economy, which is emailed to everyone on the CER's

distribution list. The CER's website (www.cochise.edu/cer) provides updated economic news, information, analyses, forecasts, and studies.

The CER has economic advisory committees in Benson, Bisbee, and Sierra Vista. These committees include representatives from various sectors of the local economy who provide advice, expertise, and input to the content of the economic outlook publications and luncheon presentations. They also serve as focus groups for the study of the qualitative aspects of the local economy, and provide specialized expertise related to the industries they represent.

The CER is a member of the Association for University Business and Economic Research (AUBER), one of only two community college organizations in

the nation holding membership. In addition, the CER is a state data center affiliate, receiving and disseminating U.S. Census Bureau data to local governments and non-governmental data users at no charge or on a cost-recovery or reimbursable basis.

As an auxiliary department of Cochise College, the CER is charged with raising its own operating budget, independent of the college's budget, through sponsorships, gifts, donations, contract research, and other sources.

Robert Carreira has served as director of the CER since 2005. He holds master's degrees in public administration, education, and international relations, and has completed all coursework and is currently working on his dissertation for a doctoral degree in public policy and administration.

CONTACT THE CENTER

CENTER FOR ECONOMIC RESEARCH

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

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Iris Routhieaux – Information Specialist
Roy Bever – Administrative Assistant, Sr.
Debra Soto – Data Analyst
Daniel Chung – Office Assistant

SIERRA VISTA ECONOMIC ADVISORY COMMITTEE

Keith Allen – Sierra Vista Herald
Kay Daggett – Sierra Vista Convention and Visitors Bureau
V. Tina Gilbertson – City of Sierra Vista
Marie Hansen – City of Sierra Vista
Marcus Harston – Sulphur Springs Valley Electric Cooperative
Sheila DeVoe Heidman – Cochise College
Mignonne Hollis – Cochise College Small Business Development Center
Frank Moro – First West Properties Corporation
John Neal – Sierra Vista Industrial Development Authority
Vicente Santana – Arizona Department of Economic Security
Susan Tegmeyer – Greater Sierra Vista Area Chamber of Commerce
Robert Zazueta – Southeast Arizona Association of Realtors

Cochise College resources

Cochise College Sierra Vista Campus.



Cochise College

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Career Services Center (CSC)

The CSC 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 CSC provides students with current listings of off-campus job openings and refers interested candidates to employers. If you are an employer and wish to have the CSC post your available job opportunities at no charge, please call the Sierra Vista Campus Center at (520) 515-5457 or the Douglas Campus Center 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, recordkeeping, and more. The SBDC sponsors workshops and seminars on a variety of topics designed specifically for small business owners. The SBDC also makes available a library of business resources, which includes many of the latest small business books, videotapes, audiotapes, newsletters, and magazines. For more information call (520) 515-5478, or email sbdc@cochise.edu.

Center for Southwest Studies

Cochise County is unique in its combination of historical and natural attractions. These factors and its border location make Cochise College the logical setting for a center dedicated to exploring, disseminating and protecting cultural and natural resources and contributing to the economic development of the region. The Center for Southwest Studies

was created to establish Cochise College as a leader in border related studies, training, and research, as well as to partner with existing organizations to become a repository for resource availability and a keystone in resource procurement. The Center for Southwest Studies works with its partners to identify and implement entrepreneurial activities related to the rich historical, cultural, and geographical characteristics of Southeast Arizona and the regional/border area. Public input is valued and may be directed to Director – Cochise College Center for Southwest Studies, Cochise College, 4190 W. Hwy. 80, Douglas, Arizona, 85607; phone (520) 417-4772; or email orozcor@cochise.edu. To learn more, visit the Center for Southwest Studies website at www.cochise.edu/information/students/swstudies.

Tech Prep

Tech Prep, located on Sierra Vista Campus, is a federally funded Carl Perkins vocational grant administered by the Arizona Department of Education, Career and Technical Education Division. Tech Prep works with Cochise County high schools that offer Career and Technical Education programs to build pathways for high school students to enter into Cochise College Career and Technical Education programs and employment pathways.

The Cochise College COMPACT program is one of the benefits of having a Tech Prep office at Cochise College. The COMPACT program is a scholarship for Cochise County high school students to take Cochise College Career and Technical Education courses and students pay a significantly reduced rate for qualifying courses. Qualified students interested in skilled occupations or technical careers have the opportunity to begin their education at Cochise College while still in high school. Funding is provided by Cochise College and the Wolslager Foundation. Students may choose from courses in the areas of agriculture, welding, avionics, business, computer information systems, nursing assisting, culinary arts, and more. For more information, call (800) 966-7943, Ext. 5347; email douglasr@cochise.edu; or, visit the Tech Prep website at www.cochise.edu/information/students/techprep.

Workforce Training and Community Education (WTCE)

WTCE 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. For more information, including a current schedule of classes, visit the WTCE website at www.cochise.edu/workforcetraining, call (520) 515-5492, or email training@cochise.edu.

Community resources

The new Vista Transit Center opened on October 5, 2007.



City of Sierra Vista

1011 N. Coronado Drive, Sierra Vista, AZ 85635

Telephone(520) 458-3315

Fax(520) 417-6932

Websitewww.ci.sierra-vista.az.us

City Attorney(520) 458-3315

City Clerk(520) 458-3315

Communications & Marketing Division(520) 458-3315

Human Resources(520) 458-3315

Vista Transit(520) 417-4888

BUDGET & FINANCE DIVISION

1011 N. Coronado Drive, Sierra Vista, AZ 85635

Telephone(520) 458-3315

Fax(520) 417-6932

COMMUNITY DEVELOPMENT

1011 N. Coronado Drive, Sierra Vista, Arizona 85635

Telephone(520) 458-3315

Inspection Lines(520) 452-7019

Fax(520) 458-0584

Building Division(520) 452-7019
 West End Site(520) 458-3315

PUBLIC WORKS

401 Giulio Cesare Avenue, Sierra Vista, AZ 85635
 Telephone(520) 458-5775
 Fax(520) 417-4859

Airport(520) 452-7091
 Compost Program(520) 458-5775
 Recycling Program(520) 458-5775
 Transfer Station(520) 452-9805
 Water Conservation(520) 452-9805 Ext. 2139

SIERRA VISTA FIRE DEPARTMENT

1295 E. Fry Boulevard, Sierra Vista, Arizona 85635
 Telephone(520) 458-3319
 Fax(520) 417-6925

SIERRA VISTA POLICE DEPARTMENT

911 N. Coronado Drive, Sierra Vista, Arizona 85635
 Emergency911
 Non-Emergency(520) 458-3311
 Administration(520) 452-7500
 Animal Control(520) 458-4151
 Chief of Police(520) 452-7500
 Investigations(520) 452-7500
 Narcotics(520) 452-7500
 Non-Injury Traffic Accidents(520) 458-3311
 Patrol Division(520) 452-7500
 Personnel(520) 458-3315
 Public Information Officer(520) 452-7500
 Records and Reports(520) 452-7500
 Recruiter(520) 452-7500
 TDD(520) 452-7066
 88-CRIME(520) 882-7463

SIERRA VISTA PUBLIC LIBRARY

2600 E. Tacoma, Sierra Vista, Arizona 85635
 Telephone(520) 458-4225
 Fax(520) 458-5377

Greater Sierra Vista Area Chamber of Commerce

21 East Wilcox Drive, Sierra Vista, AZ 85635
 Telephone(520) 458-6940
 Fax(520) 452-0878

Emailinfo@sierravistachamber.org
 Websitewww.sierravistachamber.org

Sierra Vista Economic Development Foundation

Telephone(520) 458-6948
 Fax(520) 452-0878
 Technical Support1-888-EzWay4U / 1-530-283-5553
 Websitewww.svedf.org

Cochise County Board of Supervisors

1415 Melody Lane, Bldg. G, Bisbee, AZ 85603
 Phone(520) 432-9200
 Emailboard@co.cochise.az.us

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

3867 S. Towner Avenue, Naco, AZ 85620
 Telephone(520) 432-5349
 Telephone # 2(520) 432-5349
 Fax(520) 432-7798

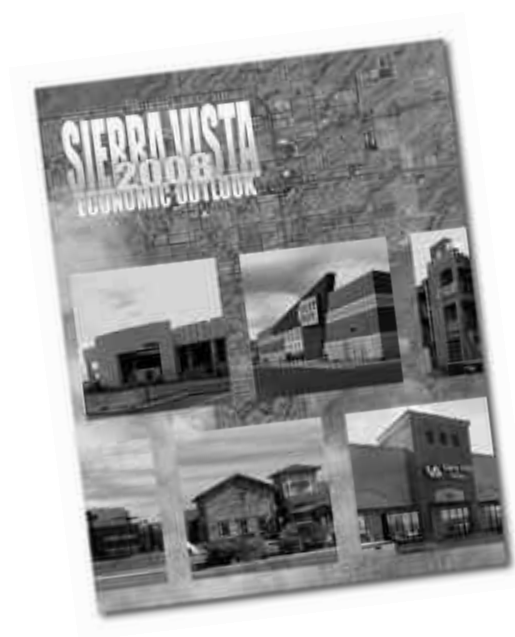
Canine Enforcement Program(520) 432-5349
 CBP Agriculture(520) 432-5349
 Entry Control(520) 397-2050
 Export Control(520) 397-2113
 Import Specialist(520) 397-2113
 Seizure and Penalties(520) 397-2113
 SENTRI/FAST Enrollment Center(520) 397-2113

Financial Services

American Southwest Credit Union(520) 459-1860
 Armed Forces Bank (Ft. Huachuca)(520) 452-8630
 Bank of America(520) 485-1441
 Chase(520) 459-1235
 Compass Bank(520) 458-1088
 National Bank of Arizona(520) 439-5469
 Southeastern Arizona Federal Credit Union ... (520) 459-1333
 Wells Fargo Bank NA(520) 459-8489

Utilities

Arizona Water Company(520) 458-5660
 Bella Vista Water Company(520) 458-5470
 Cox Communications(520) 439-0656
 Qwest(800) 244-1111
 Southwest Gas(520) 459-1702
 Sulphur Springs Valley Electric Cooperative ... (520) 458-4691



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