

**Fall 2008**

# **Monterey County Economic Report**

Presented by the Monterey County Business Council



## **MCBC Mission Statement**

**To serve business and local government by providing collaborative leadership, promoting sustainability and global competitiveness of existing and emerging businesses, while reflecting our organization's strong commitment to economic viability, the environment and quality of life.**

# President's Message

---



As 2008 winds down, it is interesting to take a look at the strengths of our market area and to determine what we can do as a region to be better qualified, more competitive and ready to take advantage of new opportunities. Along this line, several initiatives and partnerships have been put into action. Some will have short-term gain and others will be able to carry us far into the future with positioning and help for our business and education community.

One of the most significant is the new Central Coast Career Readiness Consortium. This group will allow our region to offer certificates for the workforce, confirming sets of skills and aptitudes necessary for over 14,000 job classifications. The founding partners include Monterey County Workforce Investment Board and One Stop System, Monterey Peninsula College, Salinas Union High School District ROP, Soledad Adult School, Monterey County Office of Education (Alternative Education Programs), California State University Monterey Bay and Office Star Computer Training Centers. This group of education leaders will provide skills assessments recognized on a national level, certify the participants

based on their testing and issue certificates that can be used by employers to establish qualified applicants. The additional component provides skills training to assist employees and students in attaining the tools they need to be able to work effectively in the careers of their choice. The programs are in use in 24 states at present and look to become a national model.

The MCBC has continued to grow its relationship with the County of Monterey, providing economic benefit through its participation in several facets of job retention and attraction. Currently, there are six cluster working groups and a myriad of initiatives. Stay tuned, as we will feature a couple of these success stories in our 2009 Spring report. An aggressive marketing plan has been developed and rolled out to educate business owners on the various loan programs available in our area and to provide some help to the small business community, in particular.

Monterey Peninsula College and MCBC have embarked on a partnership to provide Employment Training Panel dollars for employers in our area. This is a valuable tool for both employees and employers.

Cal State University Monterey Bay is partnering with MCBC on an application for a planning grant for our region to determine long-term needs for education, research and business.

MCBC took the lead for a regional group of concerned citizens and is actively involved with state reform issues through Ca Forward. This will be a very hot topic in 2009 for issues regarding budget reform and other vital pieces that must occur in order to make our state healthy from a policy and fiscal view.

Please join us in any or all of these and work with us as we strive to make Monterey County a better place to live, work and play.

Mary Ann Leffel

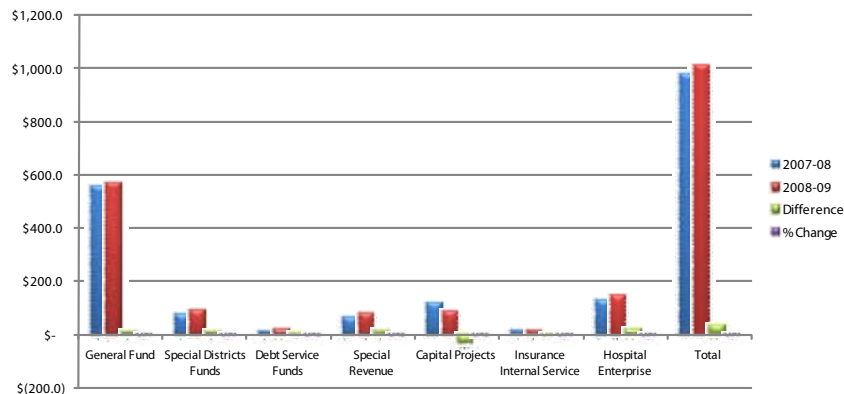
President, MCBC

# County Overview

Monterey County's economic situation mirrors both the state and the Nation. The growing real estate crisis and economic downturn are hand-in-hand driving a downturn in the County's financial outlook. For more than a year, transient occupancy tax (hotel tax) receipts has been on a steady decline. A signal that discretionary spending is slowing. The County anticipated the drop and budgeted conservatively. But at the same time, the volume of delinquent property tax payments increased from 3% to 5% by June 2008, a delinquent amount of \$31 million.

Anticipated state budget reductions and cash delays have made the current fiscal climate one of the most challenging in recent years. The County has an adopted budget so that services can continue. Monterey County is not just a government entity; it is a business with the distinction of being the County's largest employer with more than 4,500 employees.

The Recommended Budget of \$1.0 billion represents growth of \$38.7 million or 3.9% over the FY 2007-08 Adopted Budget. The Chart below displays year-over-year budget changes by fund.



## County Budget 2007-08 vs 2008-09

One bright spot in Monterey County's economic picture is the recent dramatic financial turnaround at Natividad Medical Center, the County owned hospital. For the first time in many years, the hospital operated this last fiscal year with a positive cash balance and started the current year's budget in the black. That could not have been achieved without a Board of Trustees and staff committed to the turn-around and support from Community Hospital of the Monterey Peninsula and Salinas Valley Memorial Healthcare System.

Monterey County's partners in economic development will play an important role in helping the area rebound from the current downturn. The Monterey County Business Council has been the County's private sector partner for the past five years to administer the Competitive Clusters (C<sup>2</sup>) projects. The Overall Economic Development Commission (OEDC), created by the Board of Supervisors, has developed a Work Plan that includes identifying and promoting employee/employer training programs. And a new group of partners: the Salinas Valley Cities of Salinas, King City, Greenfield, Soledad and Gonzales, along with the County have submitted a joint Salinas Valley Enterprise Zone (SVEZ) application to the California State Department of Housing and Community Development (HCD), review and approval. HCD has given the SVEZ a conditional enterprise zone designation. Such a designation can provide substantial tax credits and benefits to promote business investment and job creation.

*(Source: Monterey County Administrative Office)*

## California Facts

California is the 8th Largest Economy in the World

California possesses 25 percent of the Forbes 400 richest people in the Nation, larger than any other state

California possesses 10 % of the Fortune 500 firms in the Nation, behind the states of New York and Texas

California is not the most expensive state to do business, that title goes to Hawaii

California is not the highest taxed state in the Nation for business, that title goes to Rhode Island

#1 in High Tech jobs in the Nation with 919,300

#1 in employment for Computer Design and Related Services

#1 in Telecommunications Services employment

#1 in Semiconductor Manufacturing employment

#1 in Computer and Peripheral Equipment Manufacturing employment

#1 in health care employment with over 1,434,000 employees

#1 in Asian-Pacific, Black, Hispanic and Women Owned Businesses than any other state

*(Source: California Business Minute)*

# Monterey County Profile



**Fernando Armenta**  
District 1



**Louis R. Calcagno**  
District 2



**Simon Salinas**  
District 3



**Ila Mette-McCutcheon**  
District 4



**Dave Potter**  
District 5

Monterey County is governed by a five-member Board of Supervisors, elected by district. Monterey County is situated on the California coastline 106 miles south of San Francisco and 241 miles north of Los Angeles.

- Square miles: 3,322
- Consist of twelve incorporated cities and sixteen unincorporated areas.
- Population @ 7/1/07 = 423,762; 7/1/08 = 428,549
- Projected Population @ 2020 = Approx. 505,000
- July 2008 labor force = 182,100
- July 2008 Unemployment = 6.7%
- August 2008 Unemployment = 6.8%
- 2008 County Median Income – Monterey \$64,800; San Benito - \$ 78,000; Santa Cruz - \$79,900
- 2006 family below poverty rate was 7.5%
- 2006 individuals below poverty rate levels was 10.8%
- 2006 per-capita income was \$24,102
- Average Price - Single Family Homes – 8/2008 = \$454,188
- Average Price - Condos - 8/2008 \$ 336,740
- Percentage of Households with Housing Cost Greater than 35% of Income = 37%; compared to 19.3% for California and 14.9% for United States
- English Learners in K -12 Schools = 27,819
- Average Household size = 3.16
- County Sales Tax Rate = 7.25% (Individual Cities vary)
- Fiscal Year 2008- 09 Total County Budget = \$1.0 Billion
- 2007 Ag Production = \$3.8B
- 2007 Tourism value = Approx. \$2B
- Education = \$1.8B
- 2006/2007 Taxable Sales & Use Tax –\$5,706,322 – 2.4% increase over 2005/2006

## Tri-County Unemployment Rate & Labor Force Comparison

County	Period	Labor Force	Unemployment
Monterey	8/08	221,400	6.8%
San Benito	8/08	25,700	7.9%
Santa Cruz	8/08	155,000	6.2%
San Luis Obispo	8/08	139,100	6.2%

# Demographics & Population

The chart below shows the population of the twelve cities and the unincorporated areas of Monterey County.

## Population by Jurisdiction

	Jan. 07	Jan. 08	% Change
<b>MONTEREY</b>		<b>428,549</b>	<b>1.1</b>
Carmel-By-The-Sea	4,041	4,049	0.2
Del Rey Oaks	1,623	1,627	0.2
Gonzales	8,717	8,803	1.0
Greenfield	16,589	17,316	4.4
King City	11,491	11,852	3.1
Marina	18,914	19,171	1.4
Monterey	30,057	29,322	-2.4
Pacific Grove	15,408	15,472	0.4
Salinas	149,208	150,898	1.1
Sand City	300	298	-0.7
Seaside	33,306	34,194	2.7
Soledad	28,323	27,905	-1.5
Unincorporated	105,785	107,642	1.8

According to the chart, Monterey County's population increased from 423,762 to 428,549, or a 1.1% increase from January 1, 2007 to January 1, 2008. The population at July 1, 2008 was 425,356, a slight adjustment over the January 1, 2008 number.

The City of Greenfield had the highest increase with a 4.4% increase. The cities of Carmel and Del Rey Oaks tied with a 0.2% increase each.

The cities of Monterey, Sand City and Soledad reflected a decrease of 2.4%, 0.7% and 1.5% respectively.

(Source: California Dept. of Finance)

## State

California's population grew to 38,049,462 on January 1, 2008 according to official population estimates released by the State Department of Finance. The growth of 1.3 percent, representing 490,022 new residents during the fiscal year, continued the pattern of slower growth rates each year since the 2.0 percent growth in 2000.

California adds 400,000 to 600,000 people a year, creating a population the current size of Alaska in nearly one year or another 9 states in four years and another 5 other states in 6 years. (State Dept of Finance)

The outlook for the California economy is for little growth in 2008 followed by slow growth in 2009 and moderate growth in 2010:

- Personal income is projected to grow 4.5 percent in 2008, 4.1 percent in 2009, and 5.1 percent in 2010, as compared to 5.9 percent in 2007.
- Nonfarm payroll employment is forecast to fall 0.2 percent in 2008, and then grow by 0.6 percent in 2009 and 1.4 percent in 2010, as compared to 0.7 percent in 2007.

California has an enormously productive economy, which for a Nation would be one of the ten largest in the world. Although agriculture is gradually yielding to industry as the core of the state's economy, California leads the Nation in the production of fruits and vegetables, including carrots, lettuce, onions, broccoli, tomatoes, strawberries, and almonds. The state also produces the major share of U.S. domestic wine. Much of the state's industrial production depends on the processing of farm produce and upon such local resources as petroleum, natural gas, lumber, cement, and sand and gravel. Since World War II, however, manufacturing, notably of electronic equipment, computers, machinery, transportation equipment, and metal products, has increased enormously.

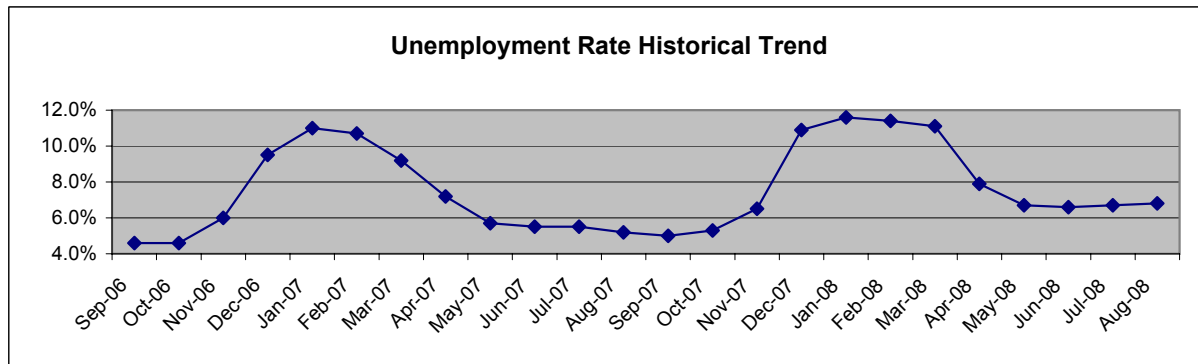
## Unemployment Rates 2004 – August 2008 (Source: EDD)

	2004	2005	2006	2007	Aug-08
<b>Monterey County</b>	8.3%	7.3%	6.9%	7.2%	6.8%
<b>California</b>	6.2%	5.4%	4.9%	5.9%	7.6%
<b>Nation</b>	5.5%	5.1%	4.6%	4.6%	6.1%



# Labor Force & Unemployment

The unemployment rate in Monterey County was 6.8 in August 2008, up from a revised 6.7 percent in July 2008, and above the year-ago estimate of 5.2 percent. This compares with an unadjusted unemployment rate of 7.6 percent for California and 6.1 percent for the Nation during the same period.



Industry	Jul-2008	Aug-2008	Change		Aug-2007	Aug-2008	Change
	Revised	Prelim				Prelim	
Total, All Industries	182,500	181,900	(600)		182,600	181,900	(700)
Total Farm	52,700	51,200	(1,500)		53,300	51,200	(2,100)
Total Nonfarm	129,800	130,700	900		129,300	130,700	1,400
Natural Resources and Mining	200	200	0		200	200	0
Construction	6,500	6,600	100		7,000	6,600	(400)
Manufacturing	5,900	6,000	100		6,100	6,000	(100)
Trade, Transportation and Utilities	26,300	26,400	100		25,800	26,400	600
Information	2,100	2,100	0		2,100	2,100	0
Financial Activities	5,700	5,700	0		6,000	5,700	(300)
Professional and Business Services	11,800	11,800	0		12,100	11,800	(300)
Educational and Health Services	13,000	13,000	0		12,400	13,000	600
Leisure and Hospitality	21,700	22,100	400		21,900	22,100	200
Other Services	4,600	4,600	0		4,600	4,600	0
Government	32,000	32,200	200		31,100	32,200	1,100

Notes: Data not adjusted for seasonality. Data may not add due to rounding  
 Labor force data are revised month to month  
 Additional data are available on line at [www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov)

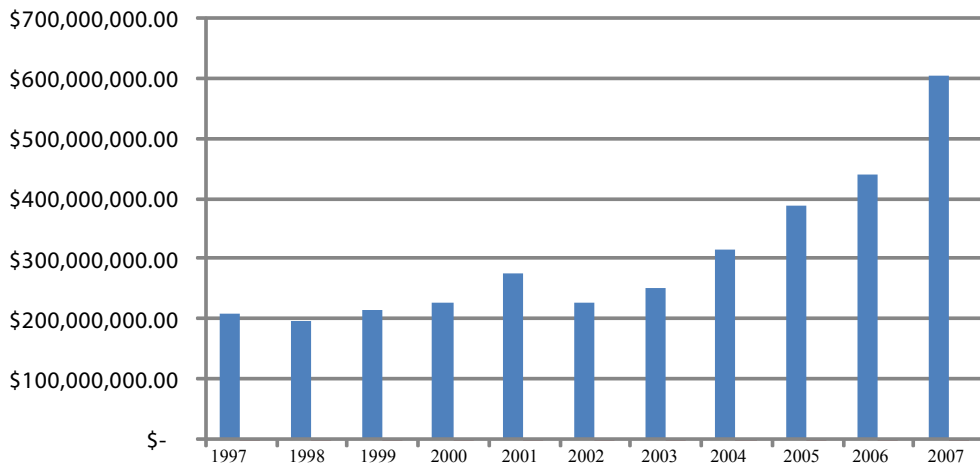
In August 2008 the total jobs for Monterey County was 181,900, a decrease of 700 jobs from the August 2007 total of 182,600. Farm jobs dropped from 53,300 to 51,200, while Non-Farm jobs increased from 129,300 to 130,700, an increase of 1,400. Government jobs had the largest increase, from 31,100 to 32,200. Construction had the largest decrease, from 7,000 to 6,600, a decrease of 400 jobs. Hospitality remained fairly steady with a loss of only 200 jobs. (Source: EDD)

# Key Industry Clusters Overview

## Agriculture

In 2007, Monterey County had a production value of \$3.8 billion, an increase of 9.5% over 2006. The increase is attributable to higher values for strawberries, head lettuce, grapes, broccoli, carrots, spinach, and a variety of other vegetable crops. However, decreases were noted in leaf lettuce, salad products, and a number of other crops. While the overall production value has again increased, it is important to note that the figures provided are gross values and do not represent or reflect net profit or loss experienced by individual growers, or by the industry as a whole. It does reflect the diversity and resilience of our agriculture industry.

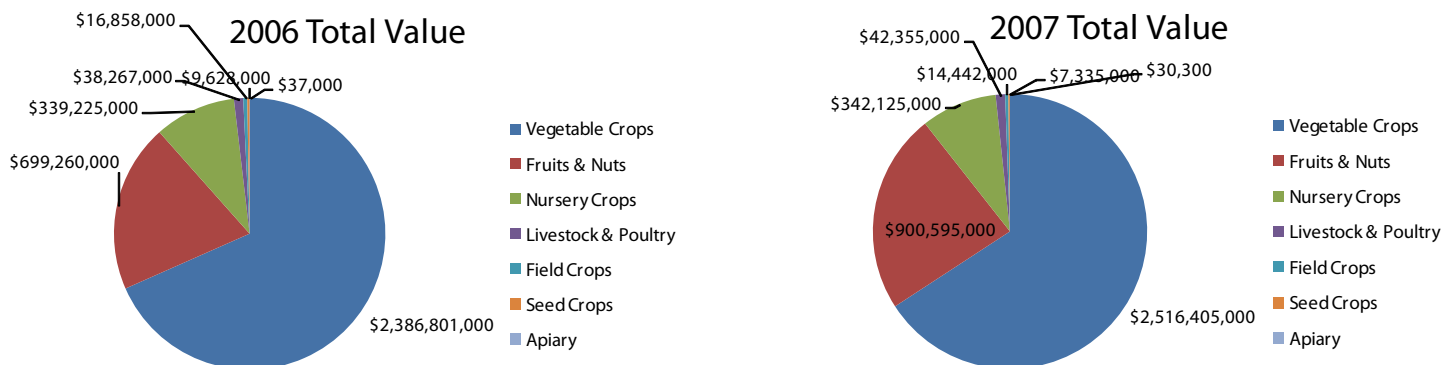
**Value of Strawberries**



The largest increase achieved was in the value of strawberry crop, which increased by 38% or \$165 million on increased acreage, good production, and higher prices. For the second time, strawberries have surpassed head lettuce to become the County's second largest crop.

Head lettuce, for many years our number one crop, posted a 15% increase of \$65 million on good prices. Leaf lettuce, which took over the top spot in 2002, declined slightly but still held on to its lead. Spinach also gained 15% or \$17 million following its \$77 million decline in 2006 on concerns over food safety outbreak in 2005. Salad products, which also declined in 2006 over the same concern, showed a further 6% decline, but this is mostly attributable to more accurate data for specific commodities. Wine grapes also showed a strong increase of \$34 million or 15% with more bearing acres, higher prices, and increased yield. This puts our grape crop close to the record value established in 2005. The freeze of January 2007 resulted in a 45% loss of \$426,000 for avocados, while citrus actually showed a slight increase, despite the freeze damage, due to higher prices in a tighter market.

In 2007, Monterey County had forty-three million dollar crops, with Leaf Lettuce heading the list at \$613,306,000, Strawberries a close second with \$604,939,000 and Grapes in sixth place with \$251,604,000. A total of twelve crops exceed \$100M. Below is a summary of crop categories for 2006 and 2007.



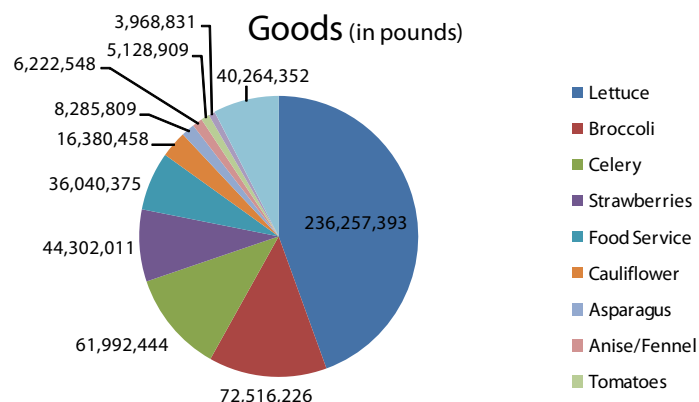
# Key Industry Clusters Overview (Continued)

## Monterey County's Million Dollar Crops

<u>Crops</u>	<u>2007 Value</u>
Leaf Lettuce	\$ 613,306.000
Head Lettuce	\$ 508,599.000
Strawberries	\$ 604,939.000
Nursery	\$ 342,125.000
Broccoli	\$ 260,410.000
Grapes	\$ 251,604.000
Spring Mix	\$ 175,275.000
Salad Products	\$ 114,070.000
Misc. Vegetables	\$ 117,734.000
Spinach	\$ 128,528.000
Celery	\$ 117,276.000
Cauliflower	\$ 103,433.000
Mushrooms	\$ 73,224.000
Artichokes	\$ 74,164.000
Beef Cattle	\$ 32,209.000
Cabbage	\$ 34,430.000
Peas	\$ 25,547.000
Raspberries	\$ 24,706.000
Asparagus	\$ 18,340.000
Green Onions	\$ 21,353.000
Rappini	\$ 16,861.000
Carrots	\$ 23,814.000
Kale	\$ 16,681.000
Citrus	\$ 16,287.000
Radicchio	\$ 13,317.000
Rangeland	\$ 10,656.000
Dry Onions	\$ 10,225.000
Seeds	\$ 7,335.000
Tomatoes	\$ 8,357.000
Peppers	\$ 6,305.000
Dairy	\$ 8,652.000
Napa	\$ 4,398.000
Cilantro	\$ 5,630.000
Anise	\$ 5,427.000
Chard	\$ 5,770.000
Parsley	\$ 5,039.000
Leeks	\$ 2,324.000
Misc. Fruits	\$ 1,685.000
Bok Choy	\$ 2,154.000
Squash	\$ 1,969.000
Radish	\$ 1,205.000
Misc. Poultry	\$ 1,005.000

array of commodities, such as: strawberries, salad mix, miscellaneous vegetables, spinach, lettuce, celery, raspberries, broccoli, and grapes. The total value of organic production in Monterey County during 2007 was \$226,843,000.

In 2007 exports decreased by 58,582,462 lbs over 2006 from 589,941,818 to 531,359,356, with the largest decrease in broccoli, from 118,214,425 in 2006 to 72,516,226 in 2007. Lettuce increased from 224,142,481lbs to 236,257,393.



In summary, it's a challenging time to be in the produce industry. At the same time, production costs have kept rising across the agricultural chain, from field to fork. The increase in fuel prices is perhaps the most significant. Nitrogen-based fertilizers are directly tied to natural gas costs, since methane is a key component of the manufacturing process, and fertilizer prices across the board have risen as much as 40 percent since last fall.

Transportation costs, the impact of fuel prices on materials and supplies, increased labor costs and a shrinking labor pool are all issues affecting the industry. Because a few major buyers like Safeway, Costco, and Wal-Mart now dominate the market Salinas Valley farmers either have to have a wide range of products or be big enough players to be a major supplier to those huge chains.

On the employment side, companies are hiring food safety directors, staffing food safety departments and spending significantly more on product testing and water and soil analysis. Farmers are paying a lot more this year for the costs of fertilizer, diesel, labor, seeds, chemicals, land and tractors. The cost of fertilizer has doubled, and in some cases even tripled, for growers, and increased competition for those products from China and India puts added pressure on suppliers of those products.

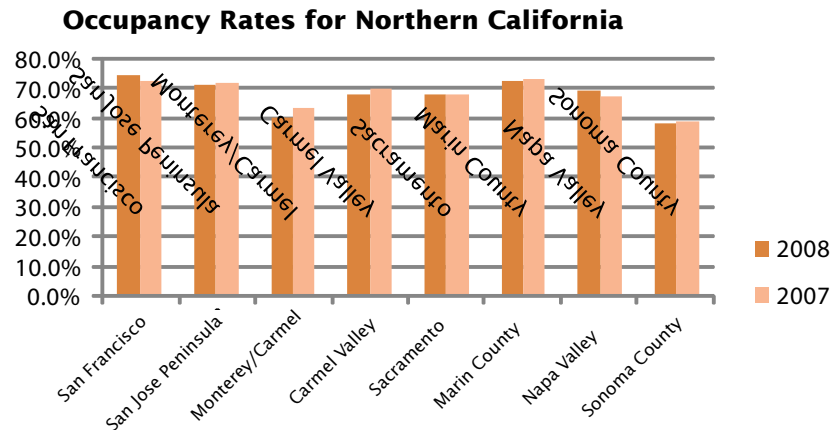
One hundred eleven organic farms, totaling 17,653 acres, were registered in Monterey County in 2007. Utilizing organic principles defined in the California Organic Food Act of 1990, these farms produce a wide



## Tourism

Monterey County ranks 11<sup>th</sup> out of all 58 counties in tourism expenditure and employs over 21,000. Monterey County has a market share of 2.2 percent of the State's almost \$100B industry. This share has remained the same for a number of years. Over 8.5 million visitors come to Monterey County each year, double the number of visitors to Yosemite National Park.

During the first five months of 2008, the Monterey/Carmel area posted a 60.7% occupancy rate, which is 4.9% lower than last year's rate of 63.6%. The average daily room rate in 2008 was \$277.80, compared to \$270.20 in 2007. In comparison, Napa Valley had a 69.3% occupancy rate in 2008 and 67.9% in 2007. The average daily room rate was \$145.76 in 2008 and \$148.58 in 2007. San Francisco had an occupancy rate of 74.6% in 2008 and 73.0% in 2007; with an average daily room rate of \$197.80 in 2008 and \$163.34 in 2007. Below is a chart comparing occupancy rates for eight areas in Northern California for the first five months of 2008 and 2007.



According to Phocus Wright, a travel research company, online booking is a steady growing trend. The gap between online and offline will continue to widen as more and more travelers shift to the convenience of online research and purchasing. The Monterey County Visitors and Convention Bureau realizes this is a trend and has upgraded their website to stay on the cutting edge.

A barometer for the industry is the transient Occupancy Tax (TOT) receipts. The 2003-04 through 2007-08 are reflected below. The TOT receipts for Fiscal Year 2007/08 was 45,792,565, reflecting an increase of \$1,097,959 over 2006/07. Monterey County was down by \$272,463. Monterey posted the largest gain with \$699,084; Seaside posted a gain of \$216,466; Carmel \$190,153 and Marina with \$142,089.

### Transient Occupancy Tax (TOT)

Area	FY2002 / 2003	FY 2003 / 2004	FY 2004 / 2005	FY 2005 / 2006	FY 2006 / 2007	FY 2007/2008
Monterey County	\$13,182,973	\$13,801,807	\$14,420,192	\$15,569,105	\$16,713,639	\$16,441,176
City of Monterey	\$12,530,952	\$12,829,322	\$13,628,147	\$14,180,312	\$15,169,797	\$15,868,881
Carmel By the Sea	\$3,417,862	\$3,490,807	\$3,612,533	\$3,878,762	\$4,204,819	\$4,394,972
Gonzales	\$2,712	\$3,300	\$2,433	\$2,959	\$2,843	\$2,375
Greenfield	\$15,342	\$12,868	\$12,107	\$10,638	\$11,545	\$12,827
Marina	\$1,002,997	\$1,141,330	\$1,204,912	\$1,274,431	\$1,382,974	\$1,525,063
Pacific Grove	\$2,604,579	\$2,859,803	\$3,275,109	\$3,002,038	\$3,219,361	\$3,250,015
Salinas	\$1,402,981	\$1,305,474	\$1,542,067	\$1,595,959	\$1,526,148	\$1,571,785
Soledad	\$74,781	\$76,870	\$94,866	\$64,585	\$93,138	125,924
Seaside	\$1,801,899	\$1,765,489	\$1,829,696	\$2,074,553	\$2,070,960	\$2,287,426
King City	\$384,193	\$248,087	\$238,929	\$258,366	\$299,382	\$312,121
Total	\$36,421,271	\$37,535,157	\$39,860,991	\$41,911,708	\$44,694,606	\$45,792,565

## Housing

Compared to July 2007, the number of sales for new and resale properties, including single-family detached residences and condominiums, was up 53.5 percent. There were 327 properties in the County sold in July, up from 317 in June and 213 in July 2007. The median sales price was down 44.1 percent year to year, dropping \$242,000 in the past year from \$549,000 in July 2007 to \$307,000.

Notices of defaults in Monterey County increased 136.90% in August 2008 over August 2007. The largest increase was April over April at 307.19%, the lowest increase was July over July at 135.84%.

### Notices of Default

Calendar Year			March	April	May	June	July	August
2007	142	191	216	167	201	211	226	290
2008	450	528	638	680	634	633	533	687
<b>Change over the last year</b>	<b>308</b>	<b>337</b>	<b>442</b>	<b>513</b>	<b>433</b>	<b>422</b>	<b>307</b>	<b>397</b>
<b>Percent of Change</b>	<b>216.90</b>	<b>176.44</b>	<b>195.37</b>	<b>307.19</b>	<b>215.42</b>	<b>200.00</b>	<b>135.84</b>	<b>136.90</b>

It is likely a fair number of the sales have shifted to more affordable inland markets where depreciation and foreclosures have attracted bargain hunters. Sales of distressed properties, foreclosed or near foreclosure have played a major role in most Northern California regions showing annual sales gains in July.

Statewide, home sales were up 12 percent in July from a year ago, the biggest jump in sales in four years. Foreclosed homes accounted for 44.8 percent of all homes sold statewide last month.

According to the Department of Finance, Monterey County has a total of 134,296 single / multiple housing units. 98,829 of Single-family units and 35,467 of multiple-family units. Below is a breakdown of the units by jurisdiction.

### Home Sales 2008 vs 2007

Monterey County continues to see an uptick in sales that begun early in the year. August sales were up 74.6 percent over the same period last year, with 398 sales, including new and existing single-family homes and condos, compared with 228 total sales in August 2007. The bulk of those homes, 63.1 percent, were in the foreclosure market in August, according to a report release last week by research firm MDA DataQuick. Sales of those distressed properties, heavily concentrated in Salinas, Marina and Seaside, have proven attractive to investors and first-time homebuyers as the median sales price continues to slip. The median sales price for Monterey County in August slipped to \$299,000, a 48 percent drop from the same month last year and down from \$307,000 in July.

County/City	Housing Units			Multiple Family	
	Total	Single Family	Detached	2 to 4	5 plus
<b>Monterey County</b>					
Carmel-By-The-Sea	3,363	2,756	114	223	270
Del Rey Oaks	727	567	25	23	109
Gonzales	2,023	1,474	133	205	169
Greenfield	3,764	2,830	282	319	247
King City	3,009	1,712	282	304	421
Marina	8,709	3,510	1,537	1,457	1,748
Monterey	13,549	5,934	914	2,265	4,415
Pacific Grove	8,108	5,017	451	990	1,559
Salinas	42,268	22,848	3,594	3,479	11,061
Sand City	138	58	7	28	40
Seaside	11,257	6,296	2,339	920	1,270
Soledad	3,810	2,834	214	364	275
Balance of County	39,571	30,406	2,695	1,580	1,726
Incorporated	100,725	55,836	9,892	10,577	21,584
<b>County Total</b>		<b>86,242</b>	<b>12,587</b>	<b>12,157</b>	<b>23,310</b>

## Education

The chart below outlines the enrollment and dropout rates by ethnic categories. In 2007, the Department of Education reflected a total enrollment for Grades 9 – 12 at 20,728, with the highest enrollment of 13,393 for the Hispanic or Latino. The four year dropout rate is 19.00% and the one year dropout rate is at 5.00%.

### Higher Education

<b>Ethnic Category</b>	<b>Grade 9-12</b>	<b>Adjusted Grade 9-12 Four Year Derived Dropout Rate</b>	<b>Adjusted Grade 9-12 One Year Dropout Rate</b>
American Indian/Alaska Native	90	25.20%	6.70%
Asian	607	5.10%	1.30%
Pacific Islander	185	10.00%	2.20%
Filipino	691	6.70%	1.70%
Hispanic or Latino	13,393	22.60%	5.90%
African American (not Hispanic)	738	17.30%	4.60%
White	4,703	13.40%	3.60%
Multiple/No Response	321	16.70%	4.40%
<b>County Total</b>	<b>20,728</b>	<b>19.00%</b>	<b>5.00%</b>

High Education contributes approximately \$1.8B to the local economy through operating and research budgets, confirming it as the third leg of the economic tripod that supports the region. The institutions employ over 13,864 faculty and staff and has enrollment of over 65,000 students. The higher education and research institutions represent a powerful driver of the future economic vitality of our communities. The higher education community consists of eleven institutions of higher learning, five wildlife and/or marine-related reserves, and seven government agencies, which includes premier military education and research institutions.

The Monterey Peninsula College Education Center at the former Fort Ord gives North County residents an opportunity to pursue a college education. Hartnell is in the process of implementing recommendations in their Vision for the Valley report and has developed / expanded their agriculture and construction curriculum, in addition to building a satellite campus near the Salinas Airport. CSUMB approved a ten year (2008 – 2018) Strategic Plan. CSUMB has fostered a significant number of partnerships with both private and public organizations. For example, the new biology program at CSUMB is working with Monterey Peninsula College to encourage and facilitate student transfers from MPC. The Defense Language Institute provides culturally based foreign language education, training, evaluation and sustainment for the Department of Defense personnel in order to ensure the success of the programs and enhance the security of the Nation, teaching twenty four languages in Monterey. The top eight languages are Arabic, Spanish, Korean, French, Chinese, Russian, Persian-Farsi and Serbian/Croatian. A Memorandum of Understanding between Waseda, the Harvard of Japan, and the Monterey Institute of InterNational Studies (MIIS) offers a framework for a variety of cooperative activities, the first of which is an annual exchange of students. The Naval Postgraduate School (NPS) is a National and interNational treasure and home to the Center for Homeland Defense and Security, the Nation's premier provider of homeland security-related graduate degrees, certificates and executive level programs.

# Hot Topics

---

**City of Marina** – opened the Dunes on Monterey Bay shopping center with REI, Kohls, Best Buy, and other stores for local residents. In addition, the City saw substantial building removal along Highway One and roadway and infrastructure completions for its two largest projects. The City undertook significant negotiations with the Dunes on Monterey Bay project so that construction and development of additional commercial facilities will be renewed in the coming fiscal year. The City also completed a mutually beneficial property exchange with CSU Monterey Bay and Marina Coast Water District.

**City of Seaside** – completed the multi-agency property exchange to enable improved access, security, opportunity and operations for a combined Army, City, State Parks and FORA effort. The end result will be workforce and market rate housing for the military and others, increased commercial opportunities for the City of Seaside and a Youth Hostel to serve interNational visitors. The City also completed plans for additions to the golf course resort project.

A retail center (currently referred to as “The Strand” will include between 491,000 and 559,500 square feet of retail space (including 61,000 square feet of restaurant space and a multi-screen cinema or department store) on 48.46 acres. The retail center, effectively described as an open-air “lifestyle center”, is anticipated to include specialty retailers such as, bookstores, sporting goods, house wares, clothing stores, market/specialty foods, a multi-screen cinema (or alternatively, a department store anchor) and other entertainment uses. The hotel/spa and conference center includes a planned hotel of up to 250 rooms, spa facilities, hotel restaurant, and conference facilities. This component of the project is currently proposed as a 9-story building located on a separate 7.75 acre parcel.

**County of Monterey** – the East Garrison Planning Area was converted as remnant wood buildings were removed to make way for an affordable-by design village. East Garrison Partners received property conveyance and completed infrastructure and site work earlier this calendar year. The County’s Redevelopment Agency solicited qualifications for a 50-acre commercial-industrial park along Inter-Garrison Road. The Agency entered into an exclusive negotiating/reimbursement agreement for the Monterey Equestrian Center - the County’s flagship development in the Parker Flats Planning Area. Also, Laguna Seca County Park and Raceway will be expanded onto former Fort Ord property.

**City of Monterey** – looks forward to the property transfers of their parcels during the coming year and completed plans for using its acreage on Fort Ord for workforce housing in support of the City’s initiatives.

**City of Del Rey Oaks** – refined site and project design of a 300+ acre resort/housing/commercial project at the intersection of General Jim Moore Blvd. and South Boundary Road. The project is slated for review and approval during FY ‘09.

**Castroville** – Cynara Court, a two-part affordable rental housing and commercial project backed by Mid Peninsula Coalition and Ausonio Apartments LP will be on a 1.55 acre site on the west side of highway 183, consisting of a 40-unit apartment and townhouse development for renters earning 40 to 60 percent of the area’s median income, a community center and a 950 square foot commercial center. The project will also include 18 rental apartments for renters making 35 to 60 percent of the area’s median income, a playground and a 4,413 square foot commercial center.

**Mustard Seed as Alternative Energy** – The mustard seed harvest is in! Monterey-Salinas Transit (MST) has successfully cultivated approximately 3,000 pounds of Pacific Gold mustard seed, which will be transformed into biodiesel this fall to fuel Monterey County’s public bus fleet. On February 14, MST entered the testing phase of the project by planting two varieties of mustard seed, Pacific Gold and Wild California on 30 acres of land owned by San Bernabe Vineyards in south Monterey County. The mustard seed is being prepared for the pressing and refining process by the BioEASI refinery in Gonzales. It is believed that MST will be the first public transit agency in the country – and perhaps the world – to sustainably produce biodiesel for fleet operations. The crop requires little to no irrigation or tending, in contrast to other higher-maintenance biofuel crops such as corn. Mustard seed is a



fully sustainable product in that the “spicy” mustard meal created as a byproduct after the oil is extracted can then be used as a biopesticide for crops, including the many local organic farming operations in Monterey County. And, the chaff that remains after harvesting the seeds is plowed under to return nitrogen to the soil to maintain and enhance its fertility. The value of the barley control crop that was planted alongside the mustard varieties will be measured against the revenue that is generated by selling the mustard meal-based bio-pesticide to organic farmers. If the test project proves financially viable, it is hoped that local farmers and land owners would plant mustard seed instead of other cover crops during the winter rainy season to produce biodiesel for use in MST buses as well as in other farm and vehicle engines throughout the County. This mustard seed biofuel initiative is a project of Competitive Clusters: C2 – a public/private partnership for economic development in Monterey County, sponsored by the County of Monterey and the Monterey County Business Council. Through this project, MST hopes to further reduce vehicle and coach emissions with the goal of operating buses using biodiesel in 2008. (Source: MST)

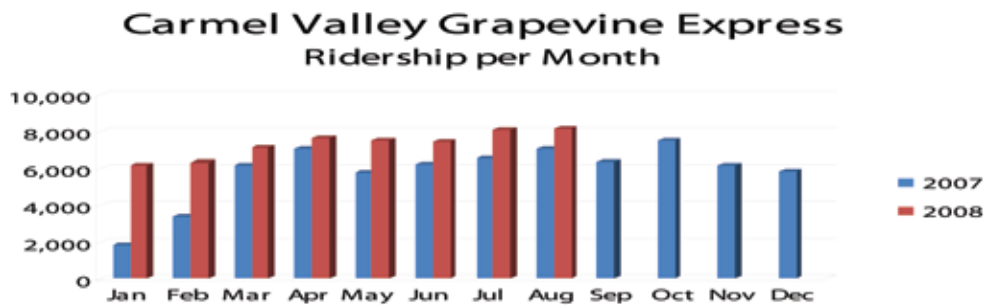
**California Homeland Security** – With the assistance of Congressman Sam Farr, the Naval Postgraduate School secured a \$2M grant to establish the California Homeland Security Consortium. The objective of the Consortium is to develop a model National resource hub in the Monterey Bay area to 1) promote undergraduate program focused on National security; 2) conduct research on critical issues in homeland security; 3) conduct field trials of technology and operational process, policies and doctrines among participating agencies; 4) facilitate planning among communities and organizations to prevent or mitigate the effects of homeland security incidents; 5) create a “hot” backup capability to remediate the effects of major incidents and 6) work with local community colleges to develop a robust Transportation Security Administration (TSA) training program leading to an Associate of Arts Degree.

**Cease & Desist Order** – Testimony before the State Water Resources Control Board finished late this summer. In 1995, the State board ruled that Cal-Am did not have legal rights to nearly 70 percent of the water consumed by its customers in Monterey and surrounding communities. In January of this year, the State Board decided progress on a new water project was not being made fast enough and proposed a cutback schedule that would require reductions of up to 50 percent by the year 2012. The board will hear closing arguments in October. A final decision on drastic cutbacks for the Monterey Peninsula is expected by the end of the year.

**Congress Sam Farr assists Monterey County in Receiving \$60M** – Naval Postgraduate School (NPS) - \$18M – to fund the homeland security master’s degree program, the only such program in the United States; \$9.99M – to build a graduate school of business and public policy; \$5.6M – for Center for Defense Technology and Education for the Military Services, funding research programs, including the Center for Stabilization and Reconstruction Studies and the Total Force Education Initiative; \$1.6M – to allow enrollment of special operations officers returned from deployment.

California Homeland Security Consortium - \$2M ;Defense Language Institute - \$15M – for a new classroom at the, Presidio of Monterey; Fort Hunter Liggett - \$3.95M – to build the Modified Record Fire Range; Monterey Institute for InterNational Studies - \$1.6M for translation- interpretation skills; and \$1.2M – for the Center for Nonproliferation Studies; Defense Manpower Data Center - \$800,000 and RPG Airbag Protection System - \$800,000 –to fund an enhancement program.

**Carmel Valley Grapevine Express** – The Grapevine Express -- A whole new way to “taste” Carmel Valley – is a Competitive Cluster project, developed and implemented by Monterey Salinas Transit for a two-month demonstration project. Due to its success, it was made permanent in May 2006. The Express allows customers the freedom to pace themselves and stay as long or as short as they wish at the various locations for only \$4.50 per day. The Carmel Valley Grapevine Express won an award from the Transportation Agency for Monterey County and won second place as one of two projects nominated for the California Transportation Foundation “TRANNY “ Award for Transit Management Program of the Year. As shown from the below chart, ridership has continued to increase. (Source: MST)





---

## Summary - 2008 Public-Private Economic Development Awards

The Monterey County Business Council annually recognizes successful public-private partnerships

**Project:** Castro Plaza (General Category)

**Partners:** Ausonio Incorporated, Friends of the Castroville Library, Monterey County Free Libraries, Monterey County Resource Management Agency, Nova Partners, Inc., Paul Davis Partnership

The Castro Plaza project involved construction of a library, a child & family resource center, and a central fountain plaza. Ausonio Incorporated partnered with Monterey County Resource Management Agency and the Monterey County Free Libraries as the prime public sector partners. Ausonio worked with Friends of the Castroville Library, a private non-profit group, to raise much of the funding for the project by private doNations. The Paul Davis Partnership provided architectural design, and Ausonio provided construction management in conjunction with Nova Partners.



Castro Plaza, Castroville

**Project:** Energy Efficiency Partnership (Green Category) UC-CSU-IOU (Investor Owned Utility) (IOU partners are PG&E, Southern California Edison, Southern California Gas and San Diego Gas and Electric.

**Partners:** CSUMB – PG&E

The Energy Efficiency Partnership is a partnership to fund energy efficiency projects on UC and CSU campuses. Projects implemented at CSUMB between 2005 and 2008 include lighting retrofits, heating and ventilation retrofits and control upgrades. These projects resulted in annual savings of 1,900,000 kwh of electricity, and 60,000 therms of natural gas or 16% and 11% of CSUMB's annual consumption respectively. This reduction in electricity alone is equivalent to the annual usage of 275 homes. Reducing this energy use also moved the campus closer to its President's Climate Change Commitment goal of climate neutrality by eliminating 1,014 of carbon dioxide emissions associated with the campuses energy use. Between 2005 and 2008 the total value of the projects implemented by the Partnership was \$835,000. These funds were expended locally, approximately \$740,000 with local contractors, suppliers and engineers and \$90,000 to accelerate the hiring of one employee to the University's maintenance staff.

**Project:** EnviroSmart Program (Green Category)

**Partners:** Hayward Lumber – The Sustainability Academy

Hayward Lumber first became interested in promoting the value of green products between 1993 and 1997. EnviroSmart products were launched into the market and they continue to add to them. The products have been chosen because they are the best in their class. A team evaluates the products and based on their recommendations, Hayward adds them to the list of recommended products. Hayward works in conjunction with The Sustainability Academy in Monterey to evaluate and review the criteria of current listings of environmentally preferred building products. The Sustainability Academy works with vendors to determine how to expand the product line. The Academy will be verifying current product information and reviewing products as they relate to any green building certification system (LEED, Build It Green, NAHB) inquiring about new product lines and assessing how they fit in with Hayward's EnviroSmart criteria. Hayward anticipates that the benefits derived from the process will help build product EnviroSmart awareness. The strength of the Hayward and The Sustainability Academy partnership will help grow the line and allow them to offer more environmentally preferred building products. As more and more builders are being asked to build to the LEED standard (Leadership in Energy and Environmental Design), Hayward is uniquely positioned with expertise to help builders achieve those goals. Because of expertise in these areas they have recently helped some of our local commercial builders win LEED commercial projects from larger, National commercial builders who were not aligned with a supplier that understands LEED and has a reputation for leadership in this area. Hayward not only understands LEED but has also built their Truss Plant to the LEED Standard.



### **What Is the Monterey County Business Council**

A membership only 501© (6) organization comprised of a diverse group of members representing all industries and geographic areas of Monterey County who are interested in shaping the future of Monterey County and have a vested interest in the economic vitality of our community.

### **Why Is There A Business Council**

To provide a voice for business that reminds our community and the elected and appointed officials of the value of our businesses and how their decisions impact the ability of businesses to remain competitive and viable.

### **Mission Statement**

To serve business and local government by providing collaborative leadership, promoting sustainability and global competitiveness of existing and emerging businesses, while reflecting our organization’s strong commitment to economic vitality, the environment and quality of life.

### **MCBC Board Members**

AT&T	First National Bank	Petersen & Ramistella, Inc.
Ausonio Incorporated	Granite Rock Company	PG&E
Bestor Engineers, Inc.	Growers Express	Rabobank
Bianchi, Lorincz, Huey & Hudson	Language Line	RBF Consulting
Blue Pacific Computer	Lexus/Victory Toyota	RCA Enterprises
California American Water Company	Lostrom & Company, Inc.	Salinas Valley Memorial Healthcare
Cannery Row Company	Monterey Jet Center	Scudder Roofing
Carmel Media Corp, Inc.	Monterey Peninsula Airport District	Thomas Bateman Hood Architecture
Community Hospital of Monterey Peninsula	Noland, Hamerly, Etienne & Hoss	Wells Fargo Bank, Salinas
Delicato/San Bernabe Vineyard	Pebble Beach Company	
Fenton & Keller		

### **2008 Goals**

- Identify and secure alternative revenue sources of \$100,000 or more
- Increase membership by 25%
- Continue current five competitive cluster groups and add Technology / Creative Cluster
- Develop stronger relationship with Small Business Development Centers to enhance assistance to businesses
- Continue to identify workforce needs of businesses and develop partnerships that will result in improved or additional programs that promote a high quality workforce
- Identify and support policies that create additional workforce housing
- Continue to compile & distribute Economic Report semi-annually
- Continue Eggs & Issues Forum - Hold four topical issue forums
- Develop referral process for technical & financial resource assistance to small businesses
- Create partnerships with chambers that support and further MCBC’s mission
- Work with the cities and County to develop a seminar for planners / building officials, etc

**MCBC Membership Levels**

<b><u>Board Member - \$2,000</u></b>	<b><u>Associate Member - \$1,000</u></b>
Voting Member	Non-voting
<b><u>Partner - \$500</u></b>	
Public Agency - Non Profit	

**To get information or join the Business Council, call 831-883-9443.**

**Executive Committee**

President

Mary Ann Leffel  
CA Homeland Security  
Consortium

Vice-President

Claude Hoover  
San Bernabe Vineyard

Secretary

David Gill  
Growers Express

Treasurer

Wendy Sarsfield  
PG & E  
  
Linda Coyne  
MCBERI  
  
Hunter Harvath  
Monterey-Salinas Transit

Myron "Doc" Etienne  
Noland, Hamerly  
Etienne & Hoss

Tom Greer  
Monterey Peninsula  
Airport District

Richard Rudisill  
RCA Enterprise

Bettye Saxon  
AT&T

**Staff:**

Mary Claypool  
Executive Director

Bob Rice  
Director of Education

Kim Ha  
Director of Competitive  
Clusters

Carol Lancaster  
Administrative Assistant



BIANCHI, KASAVAN & POPE, LLP  
*Certified Public Accountants & Business Consultants*



*California Orchard Company*



PEBBLE BEACH  
COMPANY



*Above & Beyond Banking<sup>SM</sup>*



**SALINAS LAND COMPANY**



SAN BERNABE  
A DELICATO FAMILY VINEYARD



at&t



CALIFORNIA COASTAL  
RURAL DEVELOPMENT CORPORATION



Rabobank



MONTEREY COUNTY  
BUSINESS  
COUNCIL



Design - Brandi Briscoe  
Text - Mary Claypool