

# The Economy of Mendocino County:

Economic Base Industries, Trends, and  
Forecasts

November 17, 2008

**Special thanks for  
substantial research and  
information:**

Dr. David Gallo, CSU Chico

Workforce Investment Board (WIB)

Dennis Mullins, State EDD

# Economic Base Industries

# Economic Base Industries

- Any industry that brings dollars from outside the area
- An economic base industry can involve:
  - The production and outside sales of goods or services (agriculture, timber, wine, etc)
  - Activities that draw in outside spending (Car Dealerships, DMV offices, SSI, etc)
  - Outside spending drawn to the area by the quality of local amenities (tourism, retirees, etc)

# 2006 Output for Economic Base Industries in Mendocino County

- **Agriculture**
  - Logging: \$95.14 million
  - “Fruit Farming”: \$53.41 million
- **Manufacturing**
  - Sawmills: \$147.52 million
  - Wineries: \$279.65 million
  - Seafood Preparation and Packaging \$62.33 million
- **Government**
  - State and Local Non-educational: \$261.12 million
  - State and Local Educational: \$84.34 million
  - Federal Non-Military: \$12.64 million

# Local Retail and Service Income Are Not Part of the Economic Base

- The size of the economic base determines the amount of local retail, services, and construction
- These activities cannot be expanded locally without an increase in the economic base
- Exception:
  - Sales to non-residents of retail, services, and most residential construction are economic base activities

# Regional Economic Growth: How Much Remains in the Bucket?



# Methods for Expanding the Economic Base and Growing our Economy

- Increase injections
  - Expansion of local economic base industries
  - Attract retirees or tourists
- Reduce Leakages
  - Establish or expand businesses that supply inputs to economic base industries
  - Locally produce more of the goods and services purchased by residents

# Cluster Development...

## Economic “Smart Growth”

- Increased production and sales of products complementary with existing base industries increases demand for products of the cluster
- Increased local production of inputs for the economic base industry reduces leakage

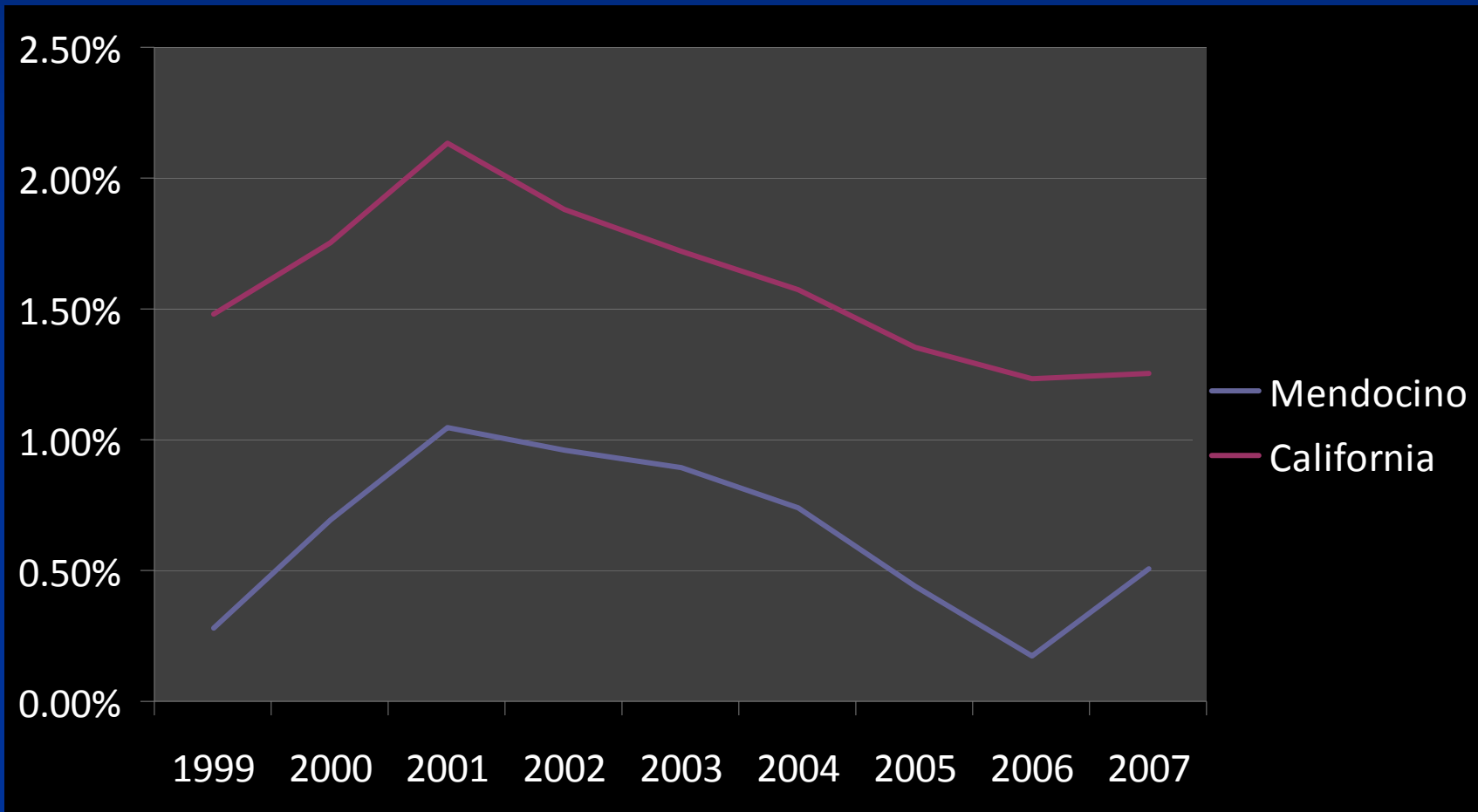
# Cluster Example (Tourism Industry)

- Mendocino County Promotional Alliance (MCPA) schedules local events, drawing additional visitors to the County
- Sales increase for locally produced wine, produce, seafood, etc

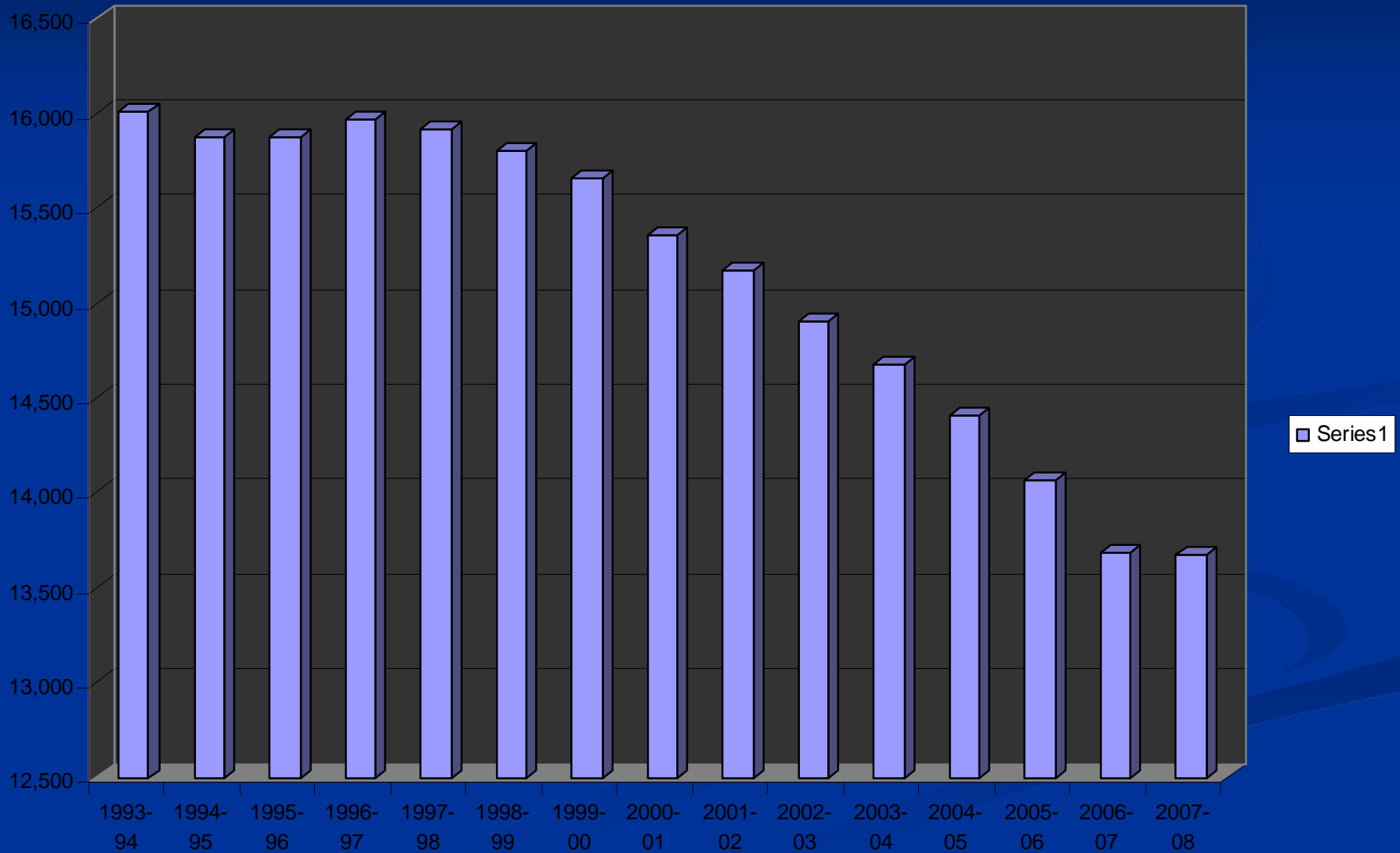
# Trends and Forecasts

- Population growth
- School enrollment
- Personal income
- Unemployment rate
- Building permits
- Housing prices

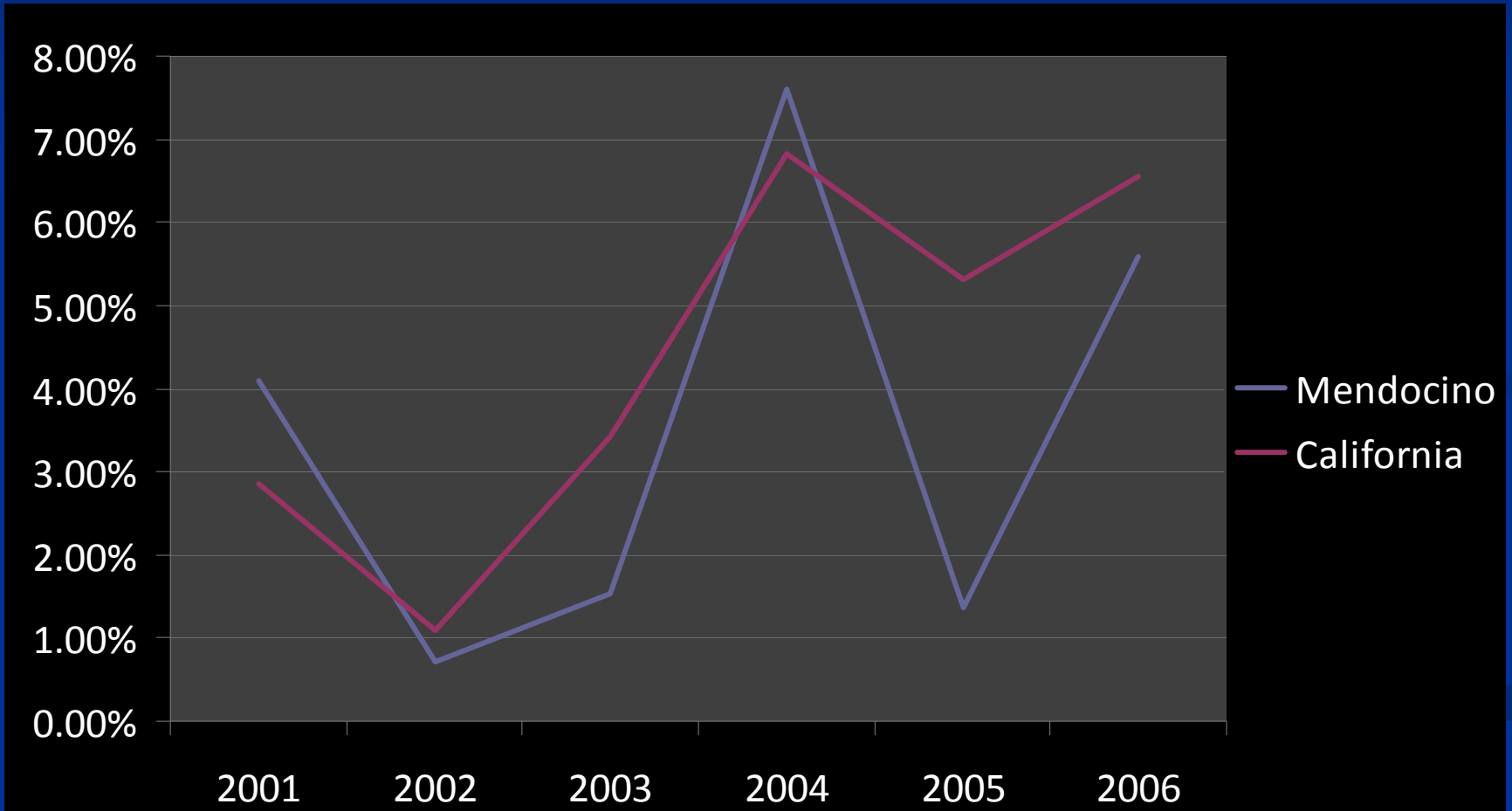
# Population Growth Rate: 1999-2007



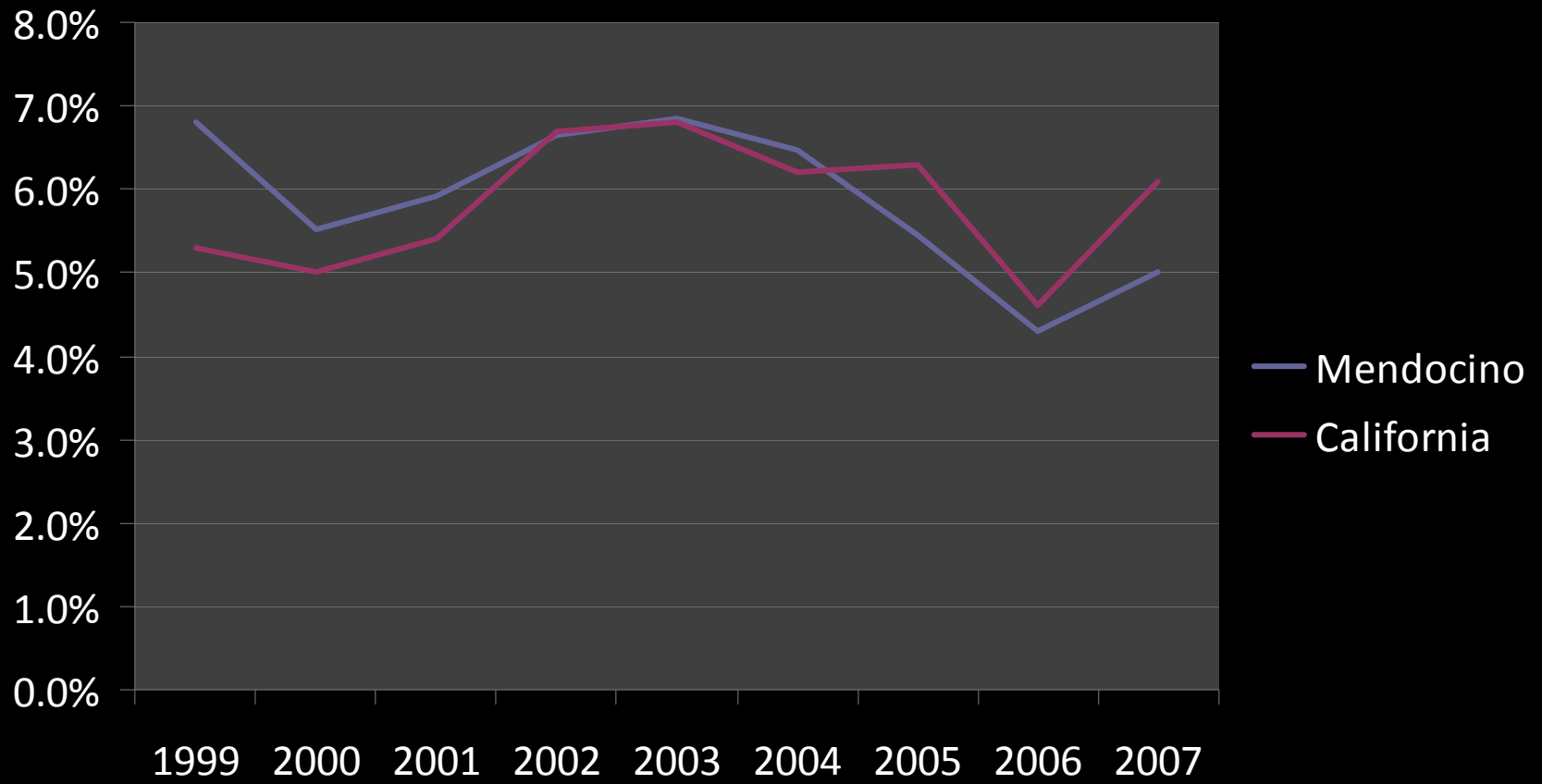
# K – 12 School Enrollment



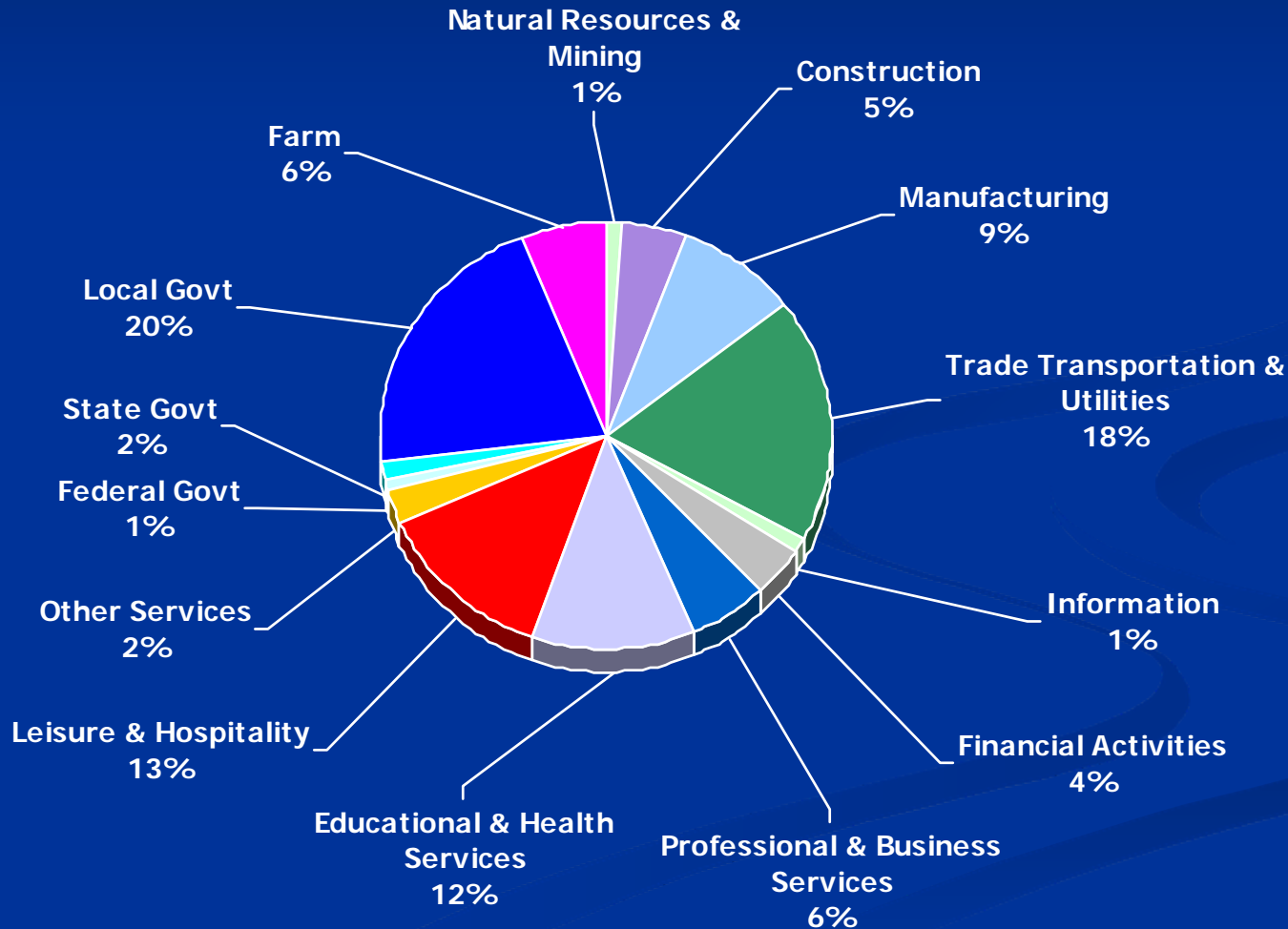
# Personal Income Growth: 2001-2006



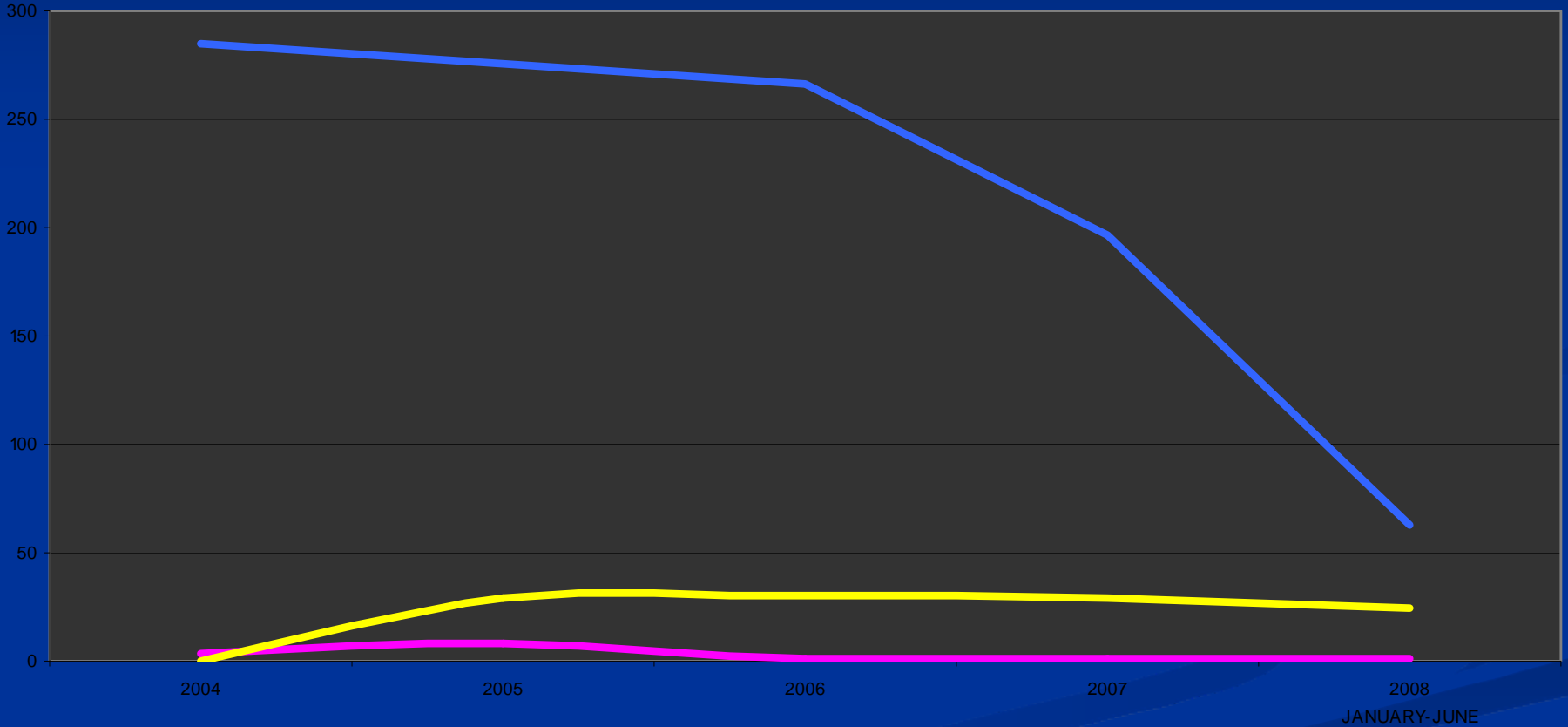
# Unemployment Rate: 1999-2007



# 2007 Industry Employment Distribution

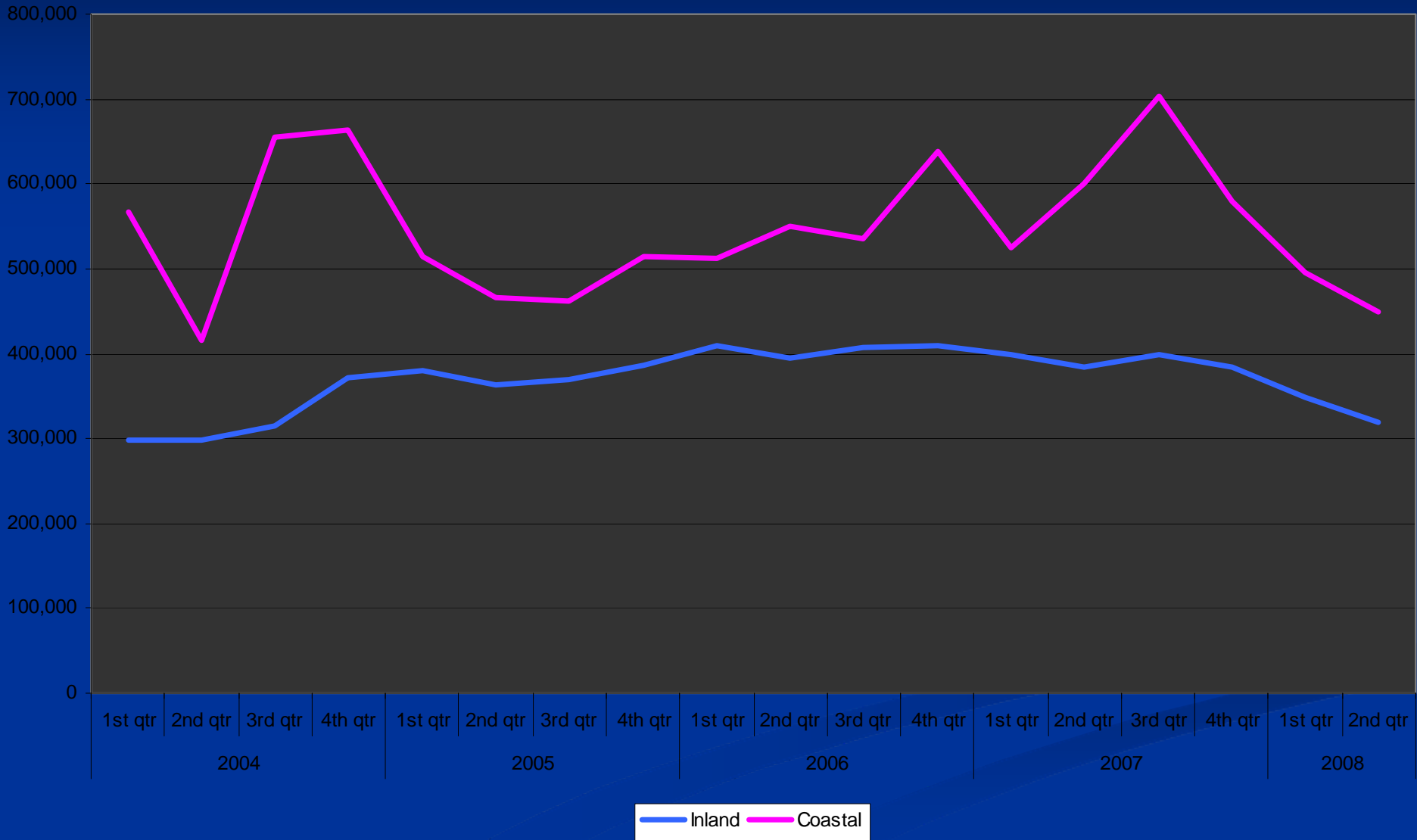


# Building Permits

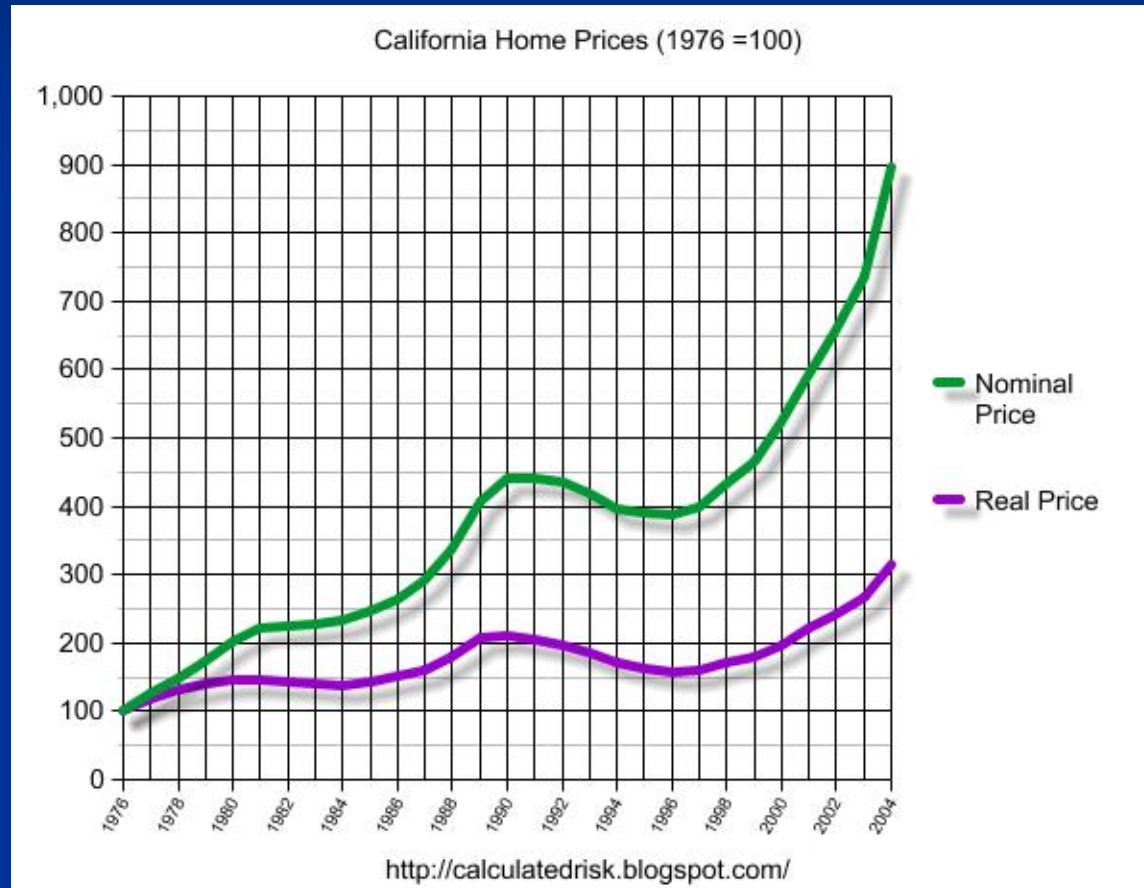


— SINGLE FAMILY — 2-FAMILY — COMMERCIAL

# Housing Prices



# How Long Will The Housing Downturn Last?



# Impacts on Our Economy

What does this all mean?

# Multipliers

- Multipliers are calculated as the total impact divided by the direct impact
- They can be calculated for output, income, or employment
  - The income multiplier for a sawmill is 2.11
  - The income multiplier for a winery is 1.93

# Wealth Effect

Every \$100 reduction in housing values  
reduces annual retail spending by \$6

# Mendocino County's Shrinking Economic Base

- Sawmill closures
- Declining timber sales
- Drastically decreased commercial fishing opportunities
- Declining school enrollment
- Probable loss of trucking businesses, due to Air Quality Regulations
- Reduced State and Federal government spending

# In Summary

- Economic growth is achieved through development of economic base industries
- Focusing on industries where local production of inputs is feasible will generate the greatest impact on local income and employment
- Additional focus should be on complementary industries (clusters) where products and services are used together

# Final Thoughts

- Leverage State and Federal dollars wherever possible
- Emphasize utilization of local goods and services
- Encourage and promote tourism
- Foster and encourage business
- Develop Infrastructure