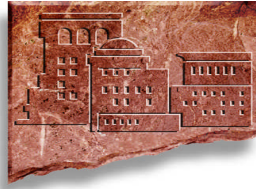


Development Management Group, Inc.

economic development ■ fiscal & economic analysis ■ development management



SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

Project: 12-043-C09-T05

(Imperial County, California)



Economic Forecast 2015

Draft Report

November 11, 2014

Task Order Information

The Southern California Association of Governments (SCAG) has contacted with Development Management Group, Inc. (DMG) to provide a 2015 Economic Forecast for Imperial County (SCAG Task Order Number 12-043-C09-T05: 2015 Economic Forecast for Imperial County, California). The forecast will provide key data points and analysis in a number of areas. This information is used in concert with similar research and analysis to better determine the potential for economic growth across Southern California.

Economic Brief

The last year has seen significant changes in the Imperial Valley economy. First, agriculture production (livestock and crop) topped \$2.0 billion for the first time in the history of the region. Unfortunately, this success may be short-lived. About 26% of agriculture production in 2013 came from feeder cattle (beef) (\$552 million). This was driven by demand from National Beef that operated a processing facility in Brawley. In May, 2014 National Beef ceased operations and moved out of the State of California. This resulted in the complete elimination of beef-livestock production and over 1,300 direct jobs (approximately \$40 million annually in direct wages). The full impact of the closing of National Beef and the elimination of the cattle industry will be reflected in 2015, as the industry continued to operate at some capacity during the first portion of 2014.

A new \$78 million privately operated federal detention center opened near Calexico (781 beds) while a smaller (544 bed) and older facility closed. There was a net job loss of about 255 jobs as the new facility is more modern and efficient, thereby eliminating the need for as many security guard positions. Overall the new facility has an estimated economic impact on the regional economy of \$23.6 million while the previous facility had an impact of \$69.3 million. This is a net loss to the region's economy of \$45.7 million annually. This may be mitigated long-term as the new facility has the ability to double its size within its existing land footprint and development entitlements.

Solar energy development continues in the region. Over the past five (5) years, some 18,000 acres have been entitled for solar from about one-dozen different projects. At current, about 1/2 of these projects have been built and come online. Thus far in 2014, the County has received three (3) additional applications for solar projects. These are undergoing environmental review.

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1. Introduction to Imperial County

Imperial County is located in the southeast corner of California and shares borders with San Diego County, Riverside County, Yuma County (Arizona) and Mexico (and the region and City of Mexicali). The County has a population of approximately 180,666. This represents an increase of 6,038 from 174,528 (or 3% since 2010). The private sector economy has historically been based on agriculture and geothermal energy generation. In more recent years, there has been increased economic activity in the areas of logistics (to support both the agriculture industry and the maquiladora industry in Mexico) and additional energy production (geothermal, solar and wind).

As with most agriculture dominated regions, unemployment rates in Imperial County are higher than the national average. One of the core questions facing Imperial County is how or when will it develop additional core industry categories that provide year-round employment opportunities at wages that appropriately support families.

2. Status of Economic Recovery

Imperial County has historically struggled with a high rate of unemployment. As of September, 2014 (the latest number available), the unemployment rate in Imperial County was 23.9%. This figure is down from 26.3% at this time in 2013 and from historic highs of as much as 32% during the "Great Recession". Puzzling in the analysis is that while the rate of unemployment remains high, the actual number of persons employed has steadily increased over the last few years. This is a statistical anomaly when compared to many other regional or sub-regional economies throughout Southern California. In fact, the September, 2014 data shows 60,100 persons employed (out of a total labor force of 79,100). This is 3,900 MORE jobs than in 2008 (the previous high for the region was 56,200). This also means that when comparing constant periods (September 2013 to September 2014 to allow for the seasonality found in Imperial County employment), 4,300 more people are employed in the region today than just one year ago.

Exhibits A-D provides trend data regarding the labor force, employment, total persons unemployed and the unemployment percentage. Our analysis is that unemployment rates have "topped out" and are likely to stay in the mid 20% range. This said, while the regional economy survived two (2) major employment adjustments in 2014 (National Beef and replacement of a federal detention facility), the resiliency of the Imperial County region can ill-afford to be tested further in the near future.

It also appears as though the number of persons in the labor market is increasing again, after peaking a few years ago. We continue to believe that this is based on the number of persons "re-entering" the workforce in Imperial County whom had previously returned to Mexico (namely Mexicali) during the economic downturn.

SCAG has often posed the question to regional economist, "When will the County recover the jobs lost in the economic meltdown of 2007-2009?" In the case of Imperial County, the jobs lost were restored two (2) years ago. Today, there are 3,900 MORE jobs in the Imperial Valley than there were in 2008 (the previous peak). The question that should continue to be asked is, "When and how will the Imperial County economy be such that unemployment rates, general economic opportunity and poverty rates are at the statewide average?"

Exhibit A: Total Available Labor Force (Including 2015 Projection)

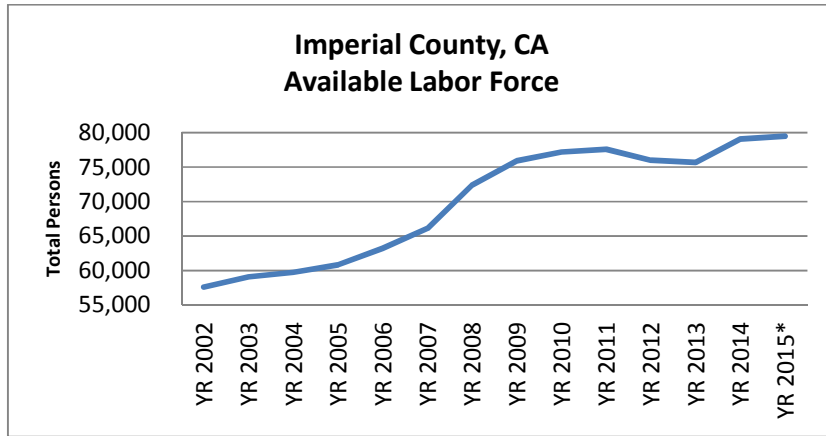


Exhibit B: Total Persons Employed (Including 2015 Projection)



Exhibit C: Total Persons Unemployed (Including 2015 Projection)

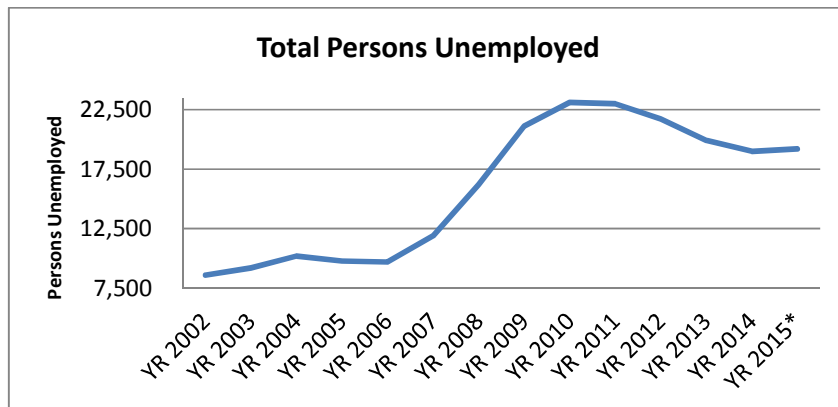
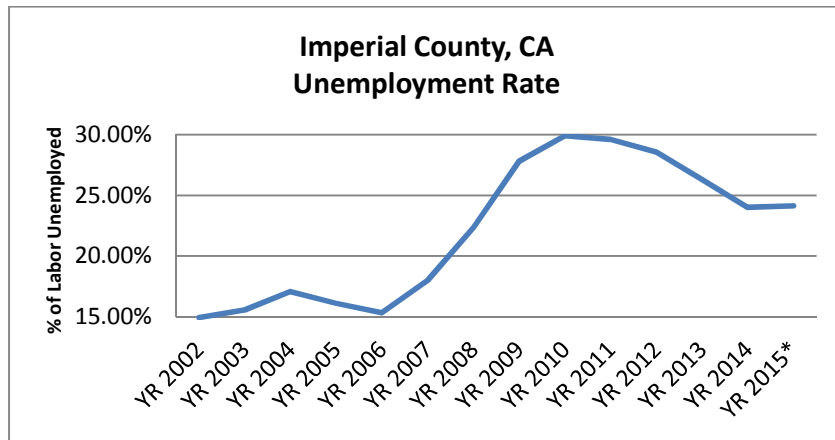


Exhibit D: Unemployment Rate



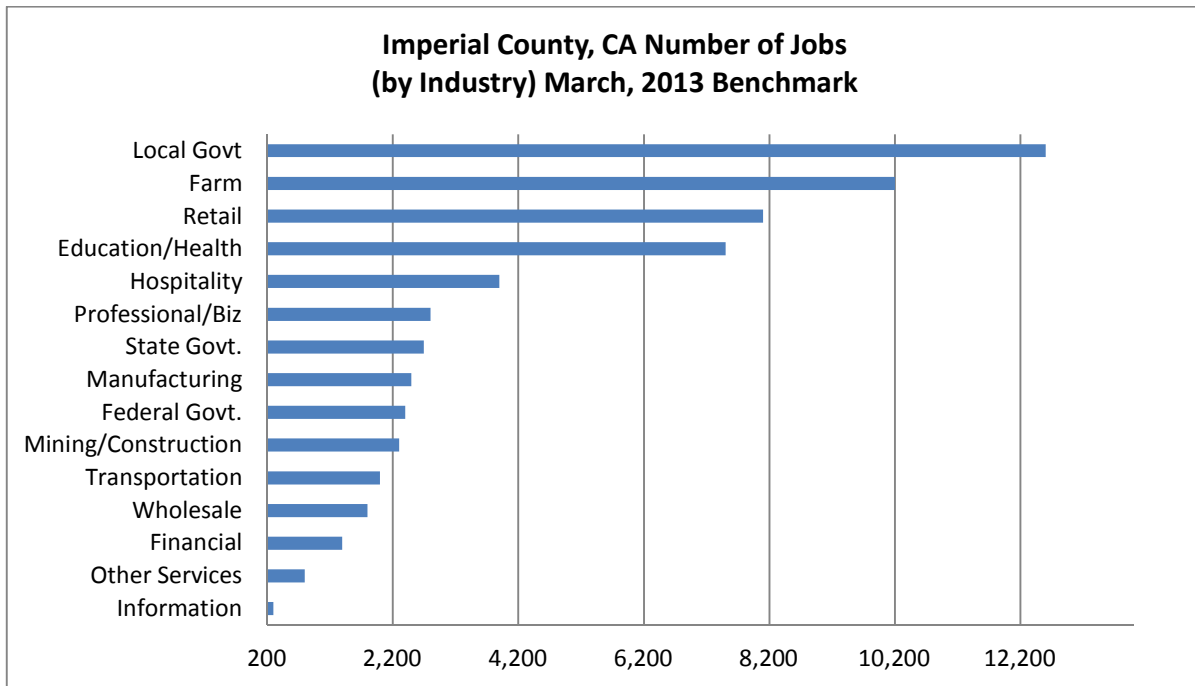
3. Industry & Occupational Analysis

Economist note: the graphs and analysis that follow in this section are based on minimum current employment of 150 persons within a specific category (position). While this sounds low in terms of pure numbers, consider that the population of Imperial County is about 180,000. Scaled in comparison to Los Angeles County where the population is almost 10 million people, the same minimum requirement would be more than 8,000 positions for a particular job category to qualify for inclusion.

Approximately 30% of the total jobs in Imperial County are within government agencies (local, state and federal). The seven incorporated cities along with the school and utility districts account for local jobs while state jobs are driven by the presence of state prisons and Federal jobs are predominately by border security (Department of Homeland Security). The greatest numbers of private sector jobs are in the agriculture and retail sectors. Exhibit E provides a breakdown of the number of jobs by industry for the most recently available time period.

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Exhibit E: Distribution of Jobs by Industry



In terms of professional with anticipated growth, Exhibits F provides the total new positions anticipated between 2010-2020. Only those positions in which 150 or more total jobs are anticipated to be generated are included.

Exhibit F: Professions with Anticipated Growth by Total Number of New Positions (2010-2020)

**Imperial County Job Growth Projection
(150+ New Jobs from 2010-2020)**

Other Personal Care & Service Workers	1430
Retail Workers	990
Personal Care Aides	830
Preschool, Elementary/Middle School Teachers	680
Agriculture Workers	670
Farmworkers and Laborers	640
Retail Salespersons	550
Childcare Workers	540
Building Cleaning/Pest Control	480
Food Beverage Service Workers	470
Business Operation Specialists	420
Law Enforcement Workers	410
Cashiers	380
Maids & Housekeepers	350
Combined Food Prep/Service (Fast Food)	310
Material Moving Workers	300
Motor Vehicle Operators	290

Food Processing	280
Detectives and Criminal Investigators	270
Health Diagnosing/Treatment	250
Nursing/Psychiatric Health Aides	220
Cooks/Food Prep	220
Information Record Clerks	220
Compliance Officers	210
Other Office/Admin Support	210
Other Production Occupations	210
Home Health Aides	200
Material Recording/Dispatching/Distribution	200
Construction Trades	200
Registered Nurses	190
Office Clerks, General	190
Other Repair/Installation Occupations	190
Supervisor of Sales Workers	180
Counselors/Social Workers	170
Vehicle Repair	170
First Line Supervisors of Retail	150
Laborers/Material Handlers	150

Unfortunately, the very jobs which hold the greatest growth potential are also the lowest paying. Below is "Median Pay by Sector (October 21, 2013) State of California Employment Development Department. The figures in parenthesis show the total number of positions held within the region (in thousands) at current (for example there are about 6,800 persons directly employed in labor-farming). Sixty-one percent (61%) of jobs held within these occupational categories pay less than \$30,000 annually, while 65% pay less than \$40,000 annually.

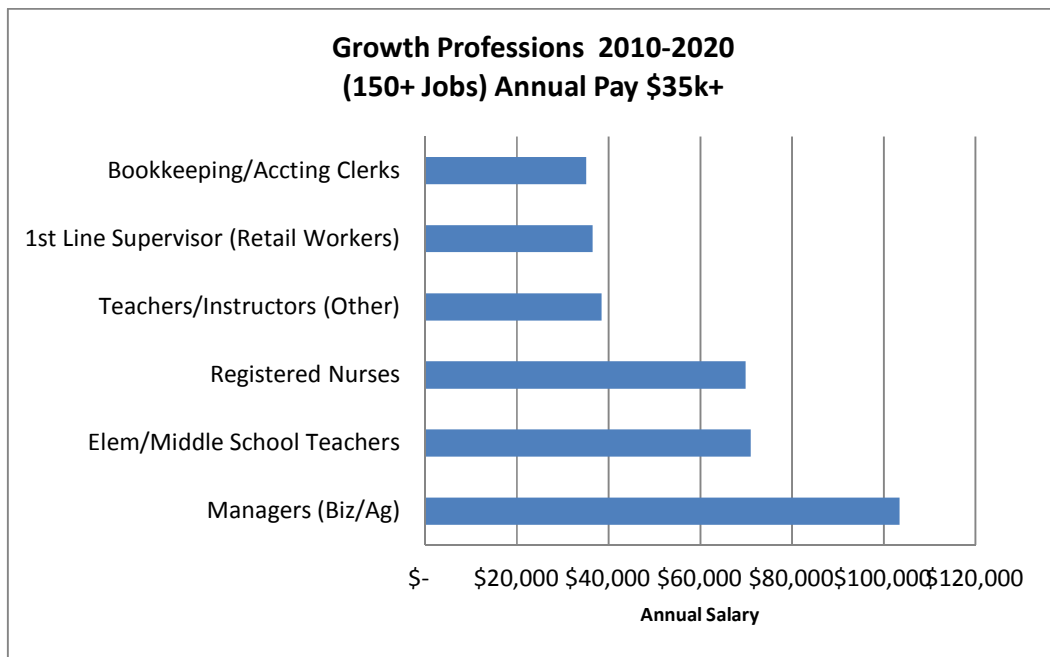
Exhibit G: Median Pay by Sector (2013) with Total Jobs in Parenthesis (in thousands)

Median Pay by Sector		
Management (5.5)	\$	91,025
Legal (.2)	\$	90,099
Protective Service (3.9)	\$	72,526
Computer & Mathematical (.7)	\$	71,435
Life/Physical/Social Sciences (.3)	\$	69,707
Architecture & Engineering (.4)	\$	65,424
Health-Professional (1.9)	\$	63,481
Business & Financial (2.2)	\$	58,080
Education/Training (3.8)	\$	56,381
Community/Social Service (1.1)	\$	49,199
Construction (1.5)	\$	45,479
Arts/Design/Entertain/Media (.4)	\$	39,102
Install/Maint/Repair (2.1)	\$	38,749
All Occupations (63.1)	\$	30,592

Production (2.8)	\$	30,483
Office/Admin (7.7)	\$	29,976
Transportation (3.5)	\$	25,336
Health-Support (.8)	\$	25,315
Building/Grounds Cln/Main (3.8)	\$	22,328
Sales/Related (5.7)	\$	21,194
Food Prep/Serving (3.5)	\$	19,117
Personal Care/Service (4.6)	\$	18,932
Farming (6.8)	\$	18,611

In terms of employment opportunities that are expected to generate at least 150 jobs and provide an income of at least \$35,000 annually, there are only five categories. Shown below (Exhibit H) they include business/agriculture managers, school teachers, registered nurses, first-line retail supervisors and bookkeeping/accounting professions.

Exhibit H: Median Pay for Occupations of \$35k+ Annually (High Growth Occupations)



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4. Agriculture Production as a Leading Industry

Agriculture the largest private sector industry in the Imperial Valley. While the jobs associated with the industry are traditionally low pay, agriculture supports many families in a variety of occupations (direct farming, professional/business (including accountants) and transportation. Since many of the agriculture related companies are family owned, the “private” wealth within the region is often rooted in agriculture. For these reasons, additional analysis is provided on this specific industry.

Exhibit I provides the total agriculture production for Imperial County. In 2013, agriculture production reached 2.158 billion, an all-time high for the region. The overall increase was led by the livestock industry that produced \$617.4 million in production value. Of this amount, \$552 million was specific to feedlot cattle. As stated above, this industry has all but disappeared due to events that occurred earlier in 2014 when National Beef (a beef processing facility in Brawley, CA) moved their operations outside the State of California. It is likely that for 2014, livestock production will fall to between \$200 to \$250 million. In 2015, this amount is likely to be less than \$100 million.

In looking at future economic prospects for the agriculture industry, the water crisis in California may result in a change in the complexion of the crops produced. As the Imperial Valley is one of the few regions that has a (relatively) stable water source and allocation, higher value crops that historically have been grown in the Central Valley (from Bakersfield to Sacramento) may make their way into the Imperial Valley. If this were to occur, lower value crops (mostly hay/grass crops) would likely decrease production.

Exhibit I: Total Agriculture Production (in billions of \$) by Year

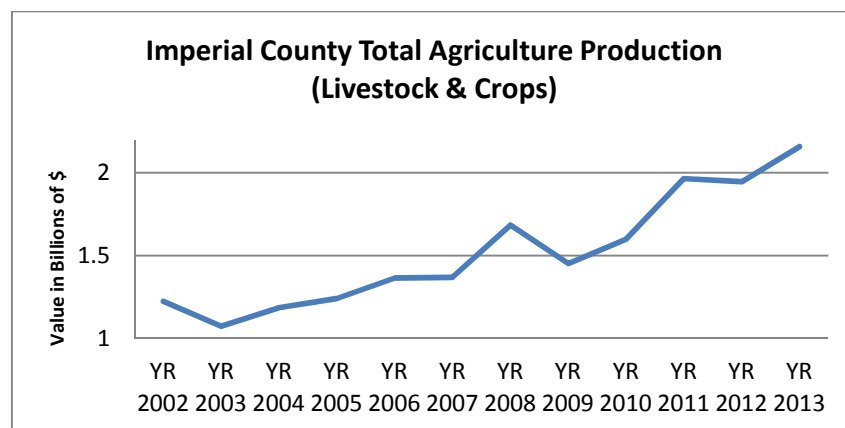
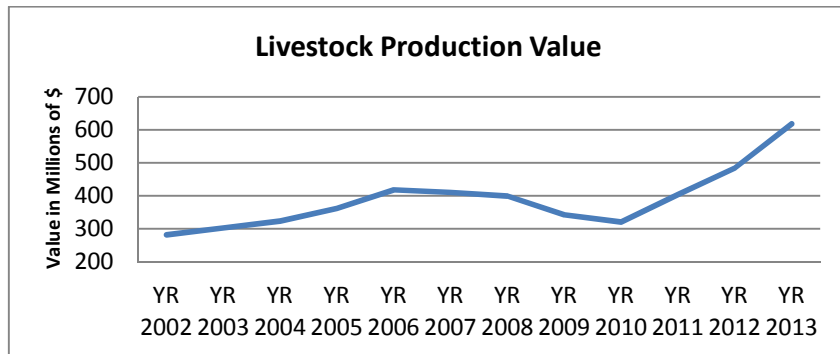


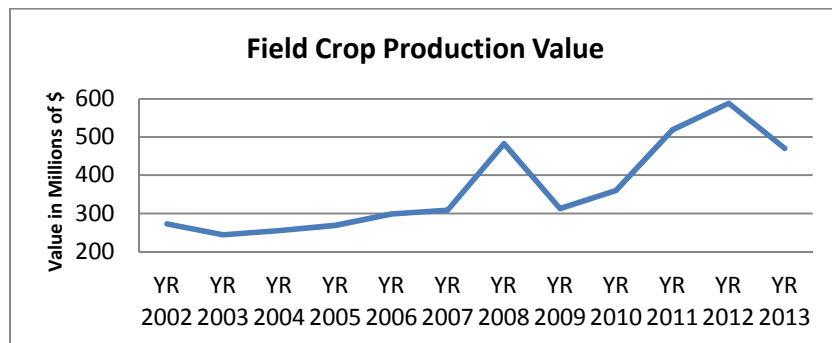
Exhibit J provides historic production numbers for livestock. Much of the livestock production is specific to “feeder beef” which is the raising of calves to prepare them for market. During this time an individual animal may consume approximately 3 tons of feed. Therefore the profit (value) in a particular animal is a function of both market price and the cost of food. In general the value of livestock in Imperial County has increased over the last four years. This is a factor of increased domestic and international demand for cattle (beef) as the world economy has continued recovery. As noted previously in this report, the industry has essentially collapsed in the Imperial Valley as National Beef ceased operations earlier in 2014. Outside of beef, there is a small amount of aquatic-fish farming (\$14.8 million in 2013) and feedlot sheep (\$4.6 million in 2014) produced in the region.

Exhibit J: Total Livestock Production (in millions of \$) by Year



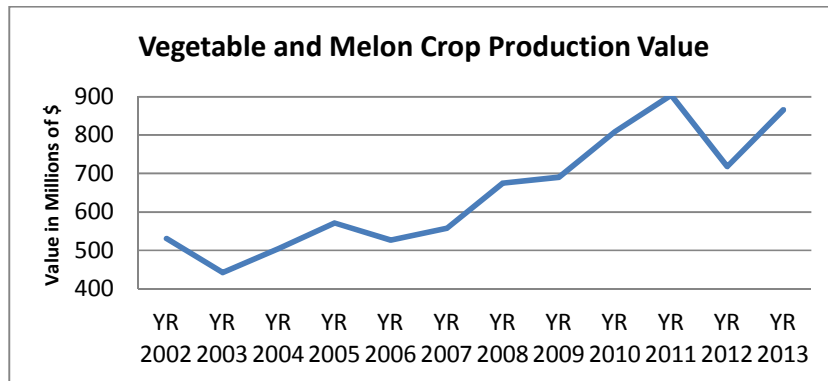
Field crop production within the region continues to be strong (\$470.5 million in 2013), but is down from their historic highs found in 2012 (\$587.9 million). Leading the way for the region was production of alfalfa hay and Bermuda grass, between them accounting for about half of all field crops (in terms of value). For the year 2013, 322,727 acres were farmed for field crops (504 square miles) By comparison the City of Los Angeles is 486 square miles. Exhibit K provides a historical chart of field crop production in Imperial County.

Exhibit K: Field Crop Production (in millions of \$) by Year



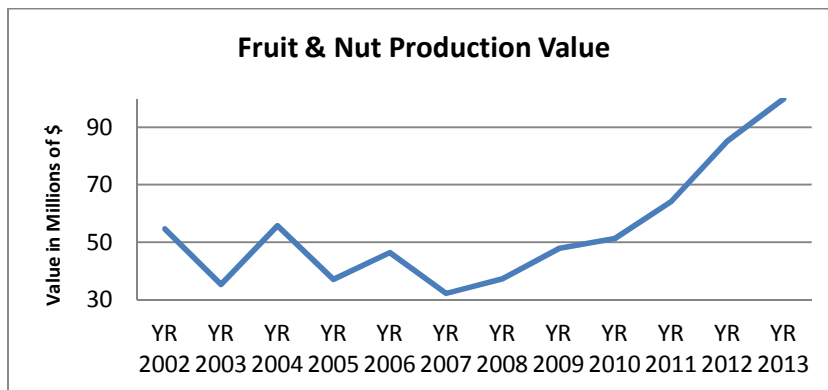
Vegetables and melons accounted for \$865 million of production value in 2013, up from \$718 million in 2012. Broccoli, carrots, cauliflower, onions and various lettuce varieties comprise much of the overall production for this category. These crops are considered higher value and will likely see increased production if the water crisis in the balance of the state worsens as production moves toward regions that have a more stable water supply. Exhibit L reflects the historic production values for Vegetable and Melon crops.

Exhibit L: Total Vegetable and Melon Crop Production (in millions of \$) by Year



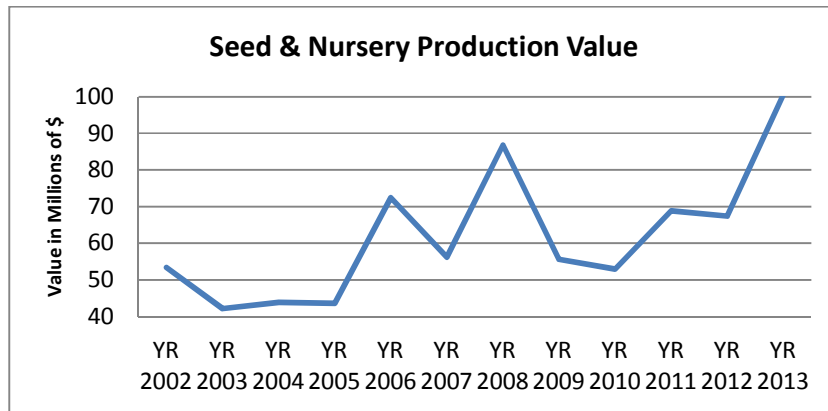
The Imperial Valley is one of the largest producers of dates in the world. In 2013, over \$52 million of dates were produced in the region. Other fruit and nut production within the region includes lemons, oranges and grapefruit. 2013 production for the entire category was \$100 million an increase of \$15 million from 2012 when total production was only \$85 million. This category of agriculture has doubled in production in just four (4) years. Exhibit M below shows the substantial increase in production in a short period.

Exhibit M: Total Fruit & Nut Production (in millions of \$) by Year



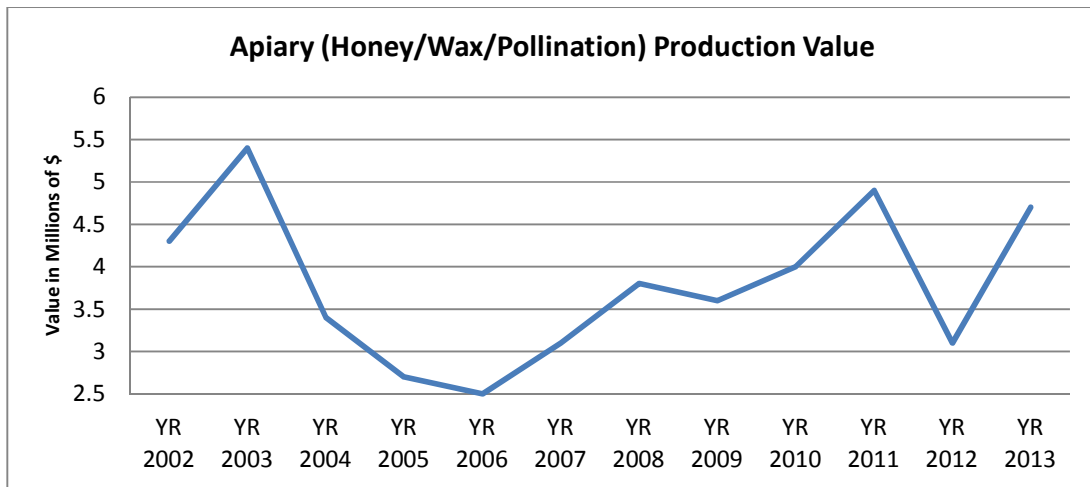
Seed production is a vital component to the agriculture economy. There are farming entities that specialize in the generation of seed that is used locally, domestically and internationally. Further, primary research (interviews) with those in this segment of the industry shows that there is significant technology and testing involved in creating seeds that provide for higher production, greater drought tolerance and overall hardiness. In 2013, some \$100 million of seeds were produced, up from \$67 million in 2012. Much of the production was specifically for alfalfa and bermuda grass (finished crop in these categories is predominately used for animal feed).

Exhibit N: Total Seed & Nursery Production (in millions of \$) by Year



The final segment of agriculture production analyzed was that of apiary which includes honey, wax and pollination (bee) production and use. While this industry only accounted for about \$4.7 million of production in 2013 (up from \$3.1 million in 2012) the need for pollination and therefore the potential production of honey and wax continue to be of extreme importance to the overall agriculture economy of the region. Exhibit O provides a history of apiary production.

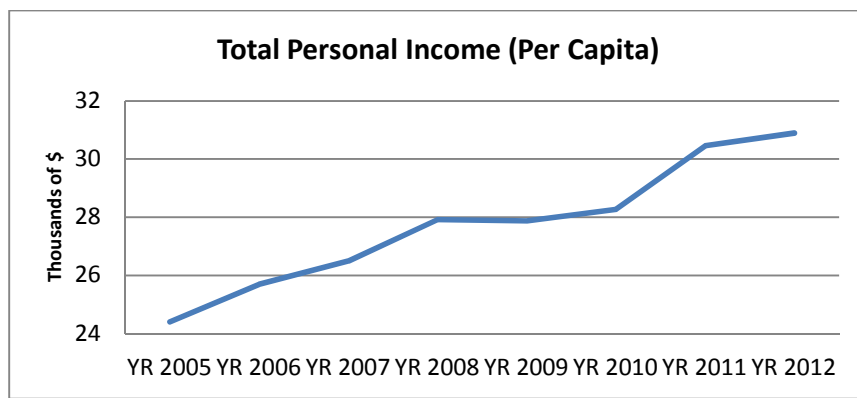
Exhibit O: Total Apiary (Honey/Wax/Pollination) Production (in millions of \$) by Year



5. Income/Poverty Statistics

An important benchmark in economic advancement is whether personal incomes are growing. Exhibit P provides information from 2005-2012 regarding total personal income (all sources) in Imperial County. Note that incomes continued to rise during the recession (2008-2009) but did decline by about 3% in 2010. Real Per Capita Personal Income (from all sources) for 2012 topped \$30,000. It is noted that the economy of the Imperial Valley is such that per capital personal incomes are not a true statistic in understanding standard of living or poverty as there are a large number of persons with substantial incomes that skew per capita statistics.

Exhibit P: Real Personal Income Per Capita (All Sources)



In many ways, the Imperial Valley is a region of the "have's and have-not's". As shown in Exhibit Q, almost 1/2 of all households exist on an annual income of less than \$35,000. At the same time, about 15% of households have an income of over \$100,000. This leaves a "middle class" of only about 36% of the households in the region.

Exhibit Q: Household Income Distribution

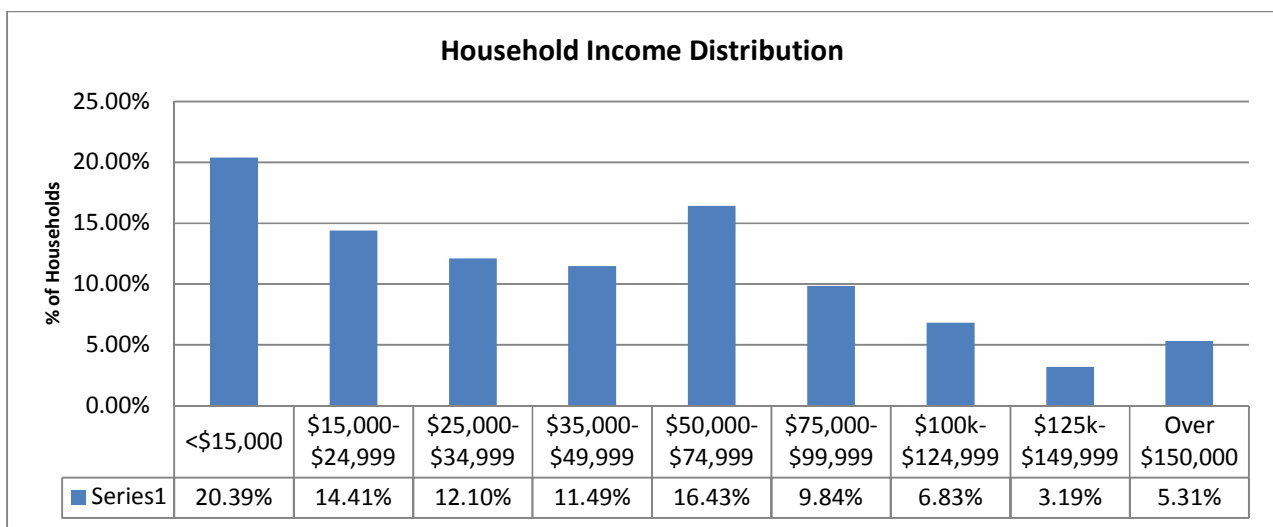
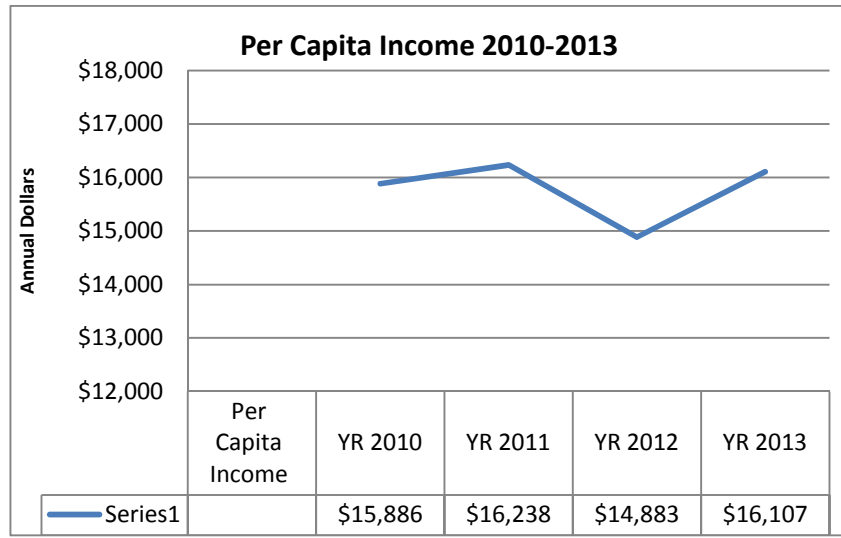


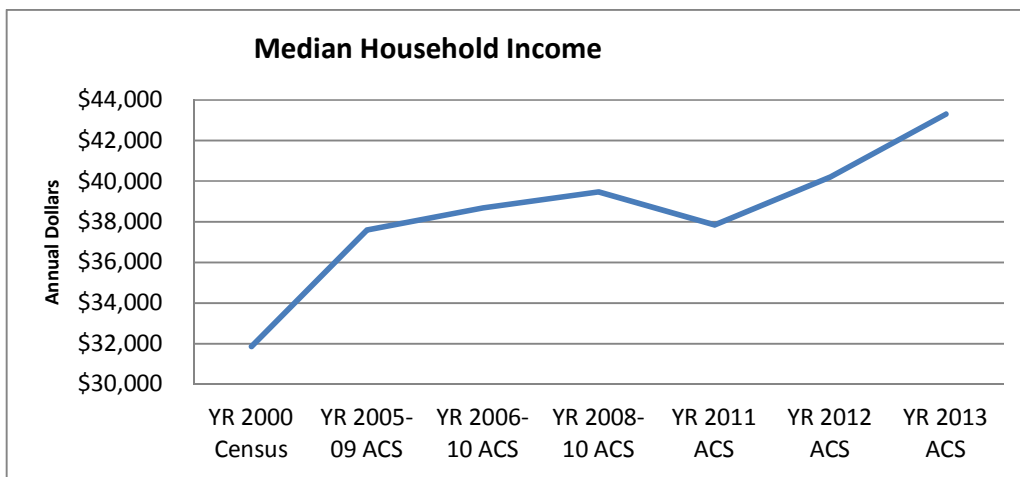
Exhibit R provides recent data on per capita incomes. The purpose of this exhibit is to show that per capita incomes from the period of 2010-2013 are essentially flat. Meaning, that even as the United States economy is reportedly to have recovered (and specific to the Imperial Valley that has 3,900 MORE jobs today than during a previous peak in 2008), it is not translating into higher per capita income.

Exhibit R: Per Capita Income 2010-2013



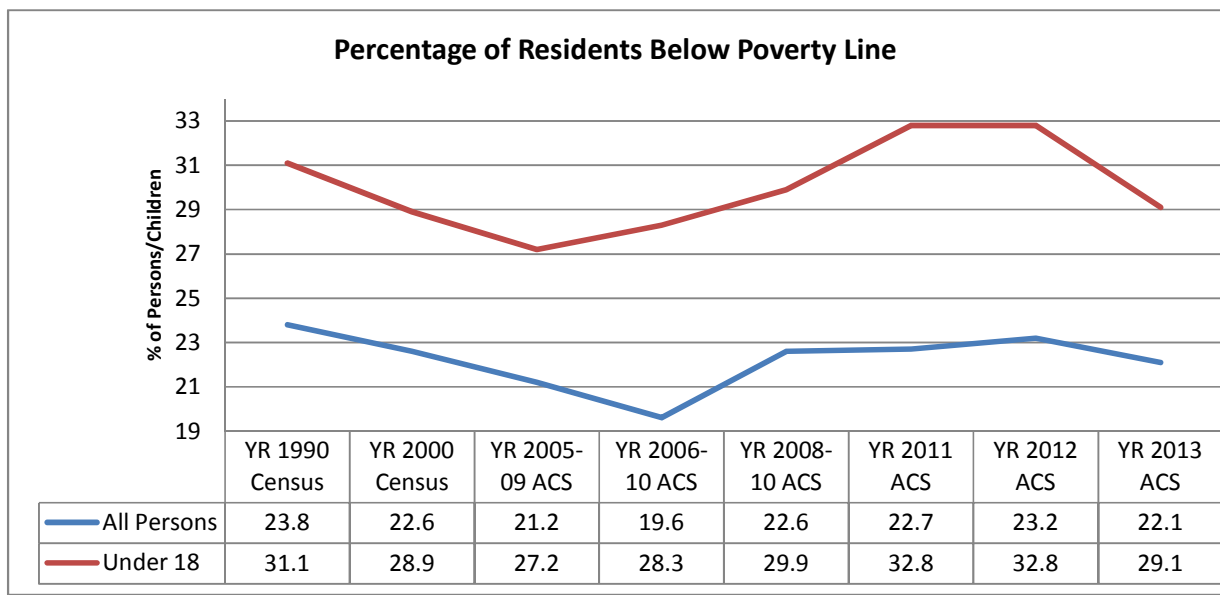
Median household income in Imperial County is approximately \$43,310 in 2013. Exhibit S shows that the median household income has risen since the "Great Recession".

Exhibit S: Median Household Income



The greatest social issue in the region is poverty. In the United States the federal definition of poverty is a household income for a family of four that is less than \$23,850. Certainly there are additional families of all sizes that have incomes just above the poverty line that have substantial issues providing for the most basic of family needs (housing, food, medical care and transportation). Exhibit T shows that just over 1 in 5 persons of all ages and about 3 in 10 children under 18 within the region live in poverty. In both cases, the poverty level declined from 2012. Overall, poverty is down about 5% and for children under 18, poverty decreased about 13% year over year from 2012-13.

Exhibit T: Percentage of All Residents and Children <18 Living in Poverty

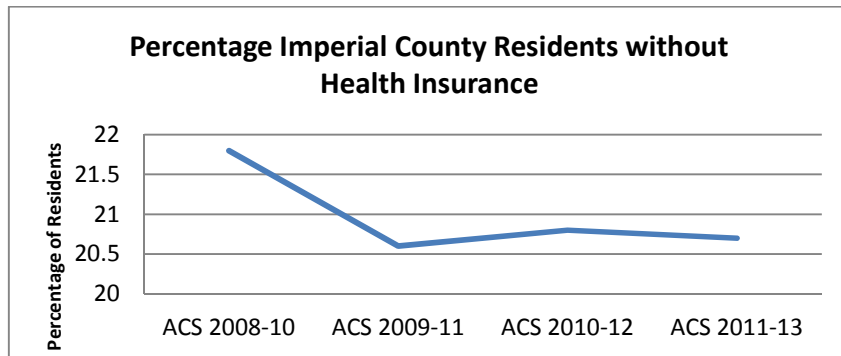


Healthcare and Coverage

Since 2008, data new data has been kept on the percentage of persons with and without healthcare insurance. For the population as a whole between 20-22% of the population is currently without health insurance. For those under 18, the percentage is between 28-30%. For persons over 65 only about 10-12% are without health insurance. These figures are likely to change as the Affordable Care Act is implemented. Exhibit U shows the currently available data.

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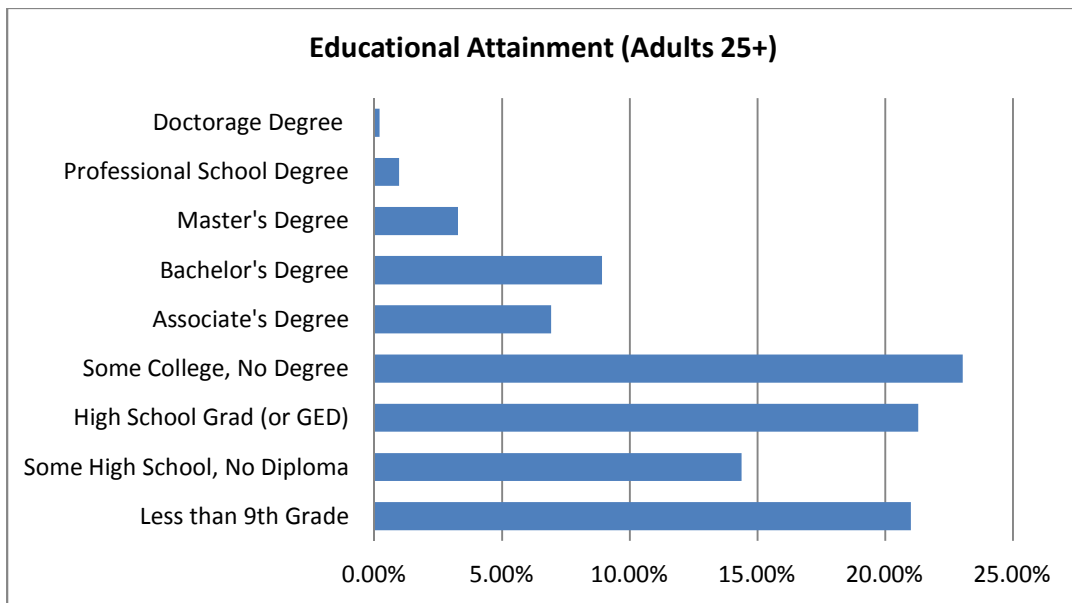
Exhibit U: Percentage of Residents without Health Insurance



6. Educational Attainment and Earnings

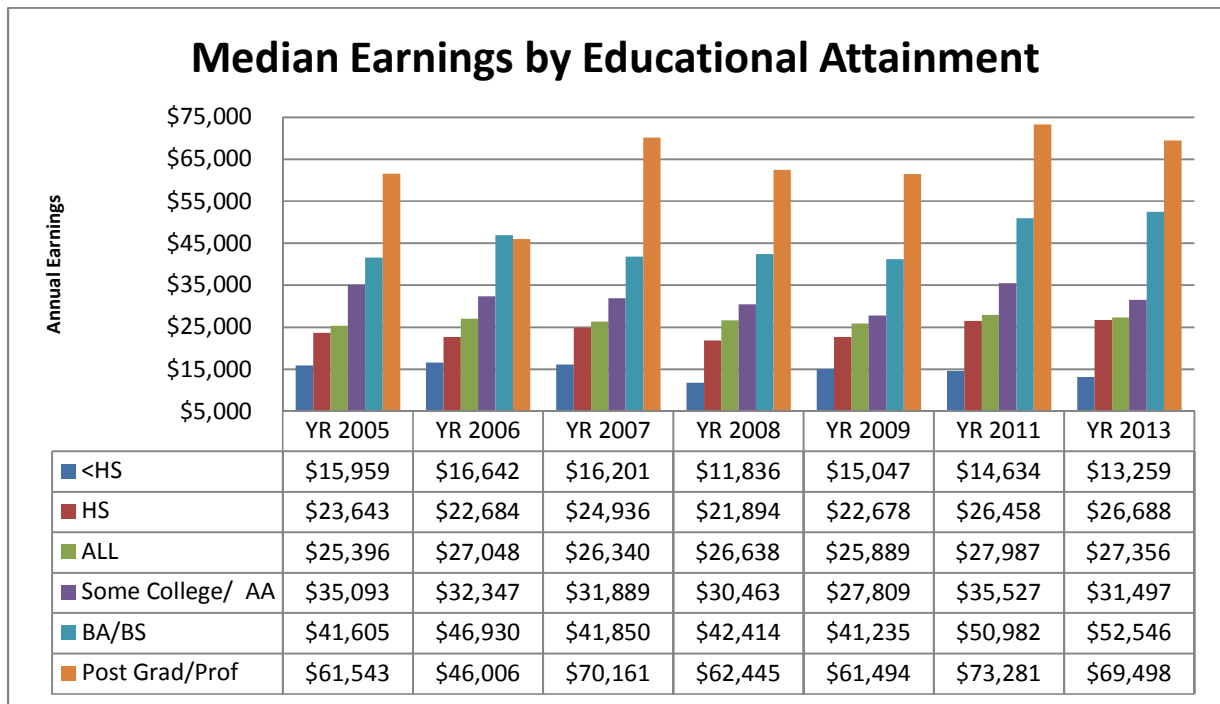
Economic opportunity in the United States has long been tied to education. The Imperial Valley has some of the lowest levels of education attainment by adults 25+ in both California and nationwide. Exhibit V provides an understanding of the highest level of education achieved by adults within the region. Thirty-five percent (35%) of adults lack a high school diploma or equivalent. An additional 21% only have a high school diploma. Only about 13% of adults 25 and over have a bachelors degree or better. As the United States works to complete in a more global economy where technology has been introduced and plays a role in almost every industry sector, the lack of education directly impacts the employability of over one-half of adults within the region.

Exhibit V: Educational Attainment (Adults 25+)



Education impacts earnings. Exhibit W shows earnings of various levels of adults based on education for selected years from 2005-2013. While almost all persons saw their income impacted (in average) by the economic downturn, it remains that persons with a high school diploma make twice as much as a person without. College graduates (on average) make twice that of someone with only a high school diploma and four-times as much as someone that dropped out of high school.

Exhibit W: Median Earnings of Adults 25+ by Educational Attainment



7. Residential Real Estate & Assessed Valuation

Exhibit X shows the number of new home sales over a ten year period. Note that the region saw about 1,800 homes sold in 2006. Scaling this figure to that of Los Angeles County for comparison purposes, it is tantamount to 100,000 new homes being built and sold during the same time period. New home sales appear to be stabilized in the 175-200 homes per year range from the period 2010-2014. At current, there are about ten (10) active tracts of new housing being built in the region, most of which are in El Centro, Imperial and Brawley.

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Exhibit X: Imperial County, CA Total Home Sales by Year

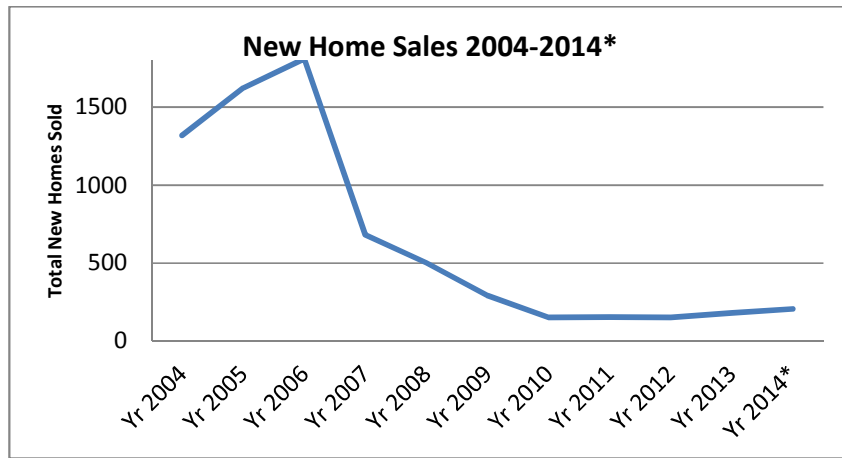


Exhibit Y provides a representation of median home prices. Again, home prices began to stabilize in 2010 and have risen over the last two (2) years. Thus far in 2014, the median home price is about \$169,000. What is impactful about the rise of median price, is that the sale price per square foot (approximately \$110) is nearing a number in which new home builders can deliver product to the marketplace, which will generate addition economic investment and job opportunities to the region.

Exhibit Y: Median Home Prices (Residential Real Estate)

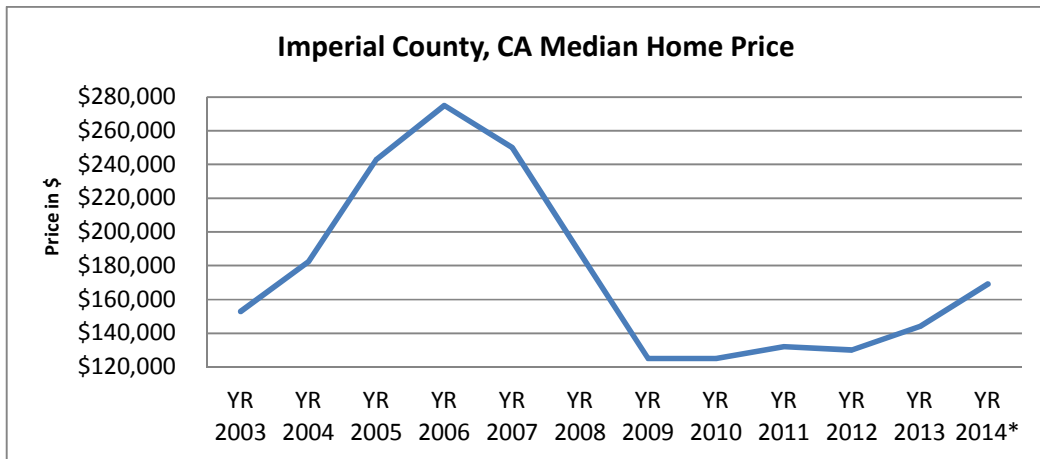
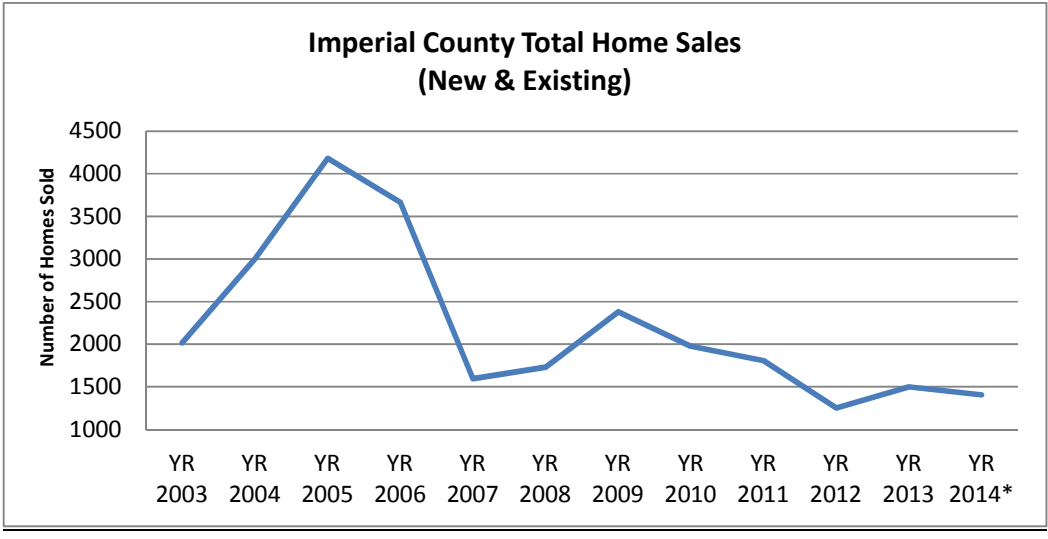


Exhibit Z further shows the decline in the availability of foreclosed homes for sale as total home sales (new and existing) are down from both pre-recession and early recovery time periods. In fact, for the first time since 2010, this economic forecast does not include default or foreclosure figures as they have become insignificant in terms of their impact on the regional economy. Therefore the home sales occurring (and reported) are largely market priced transactions. By all accounts, while the housing market is far from booming, it is stable.

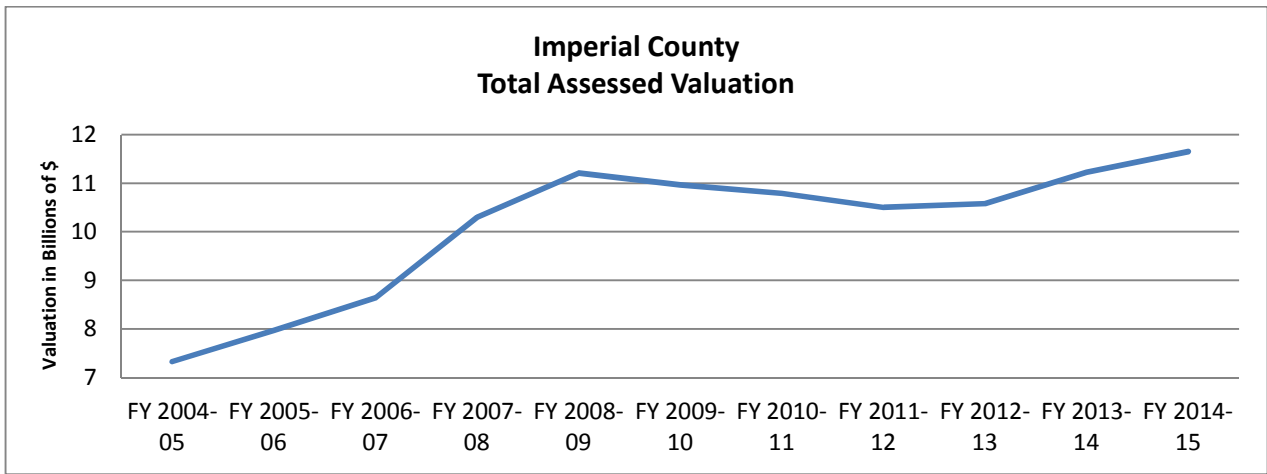
Exhibit Z: Total Homes Sold (New & Existing)



Assessed Valuation

Imperial County experienced a boom in housing and commercial construction in the early-mid 2000's. This was reflected in assessed valuation that grew by over \$5 billion in just 5 years. As the recession took hold, the County did see a correction in assessed value, but the overall change was minimal and represented only a 5% or so decrease. Today, increased valuation is again increasing. There are three factors for this. First, home values in general are increasing so Proposition 8 appeals and assessments are both declining and reversing. Second, there is some new construction (both residential and commercial) that is adding to the tax rolls. Finally, as wind and solar energy projects come on-line in the region, the tax rolls increase. It is noted that wind is subject to property tax in its entirety. Solar does have a State Revenue & Taxation Code Section 73 exemption for the panels and posts, but ancillary improvements are subject to property tax (including substations, fencing, and interior roads). Finally, the new Sunrise Powerlink which has the ability to move over 1,000 MW of power from Imperial Valley to San Diego County is now on the tax rolls. For FY 2014-15, the tax rolls show assessed valuation of about \$11.6 billion, an increase of about \$415 million from FY 2013-14. Exhibit AA provides a historic look at total assessed valuation for Imperial County.

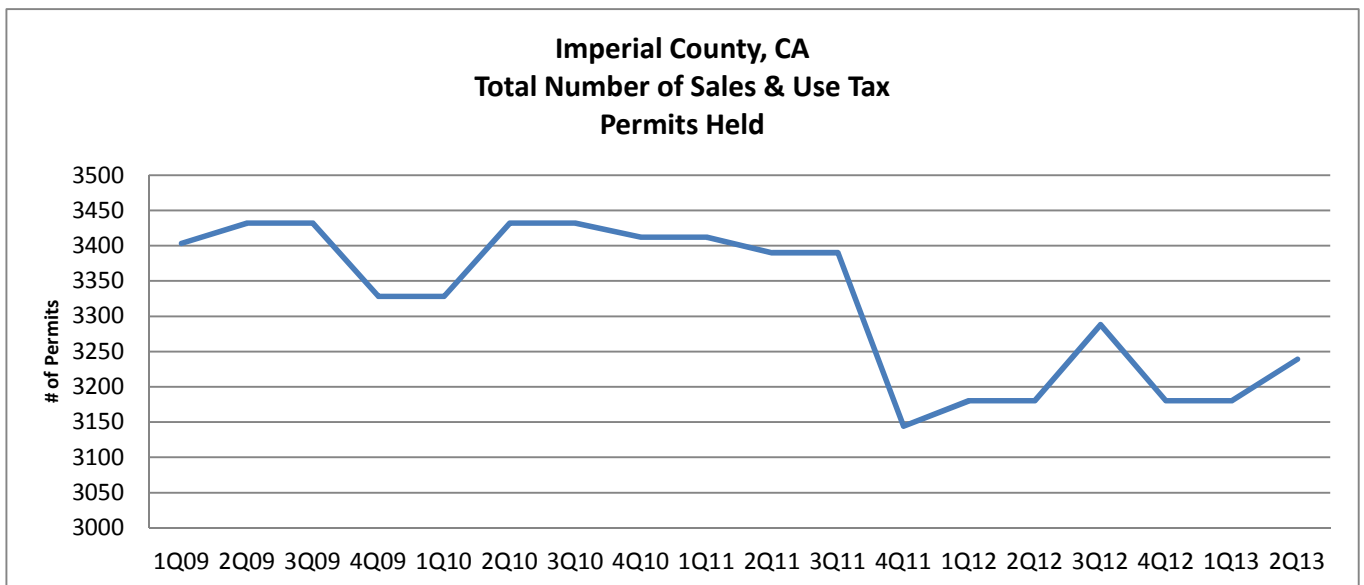
Exhibit AA: Total Assessed Property Valuation



8. Consumer Confidence (Retail Spending)

Economists look to consumer spending as a key factor in understanding confidence in the economy. First, we look at the number of Sales & Use Tax Permits held within a community or region. This shows the number of persons and companies engaged in retail sales. During the economic downturn, the Imperial Valley saw a decrease of over 800 permit holders within a 1 year time period (about a 20% decline). For a three year period from late 2008 to late 2011, the number of permit holders was stable. In more recent times, the number of retailers is beginning to increase showing that there is renewed interest in the Imperial County economy. For the latest period available (2Q13) there were about 100 additional Sales & Use Tax Permit holders than there were one year prior (Exhibit BB).

Exhibit BB: Sales & Use Tax Permits Held in Imperial County



Taxable sales in Imperial County have seen the largest increases in the State of California from 3Q12 to 4Q13. This is largely a function of wind and solar projects that are under construction in the region. Under State Board of Equalization Publication 28, Exhibit A, the "Point of Sale" for construction materials associated with the construction of wind and solar projects has been Imperial County. This election provides for significant tax revenue to the County, but will also cause for large swings in taxes collected as they are one-time events. For quarters in which projects are actively under construction, taxable sales within the region almost double. Exhibit CC shows historic taxable sales from 2010 through 2Q2014.

Exhibit CC: Taxable Sales in Imperial County by Quarter

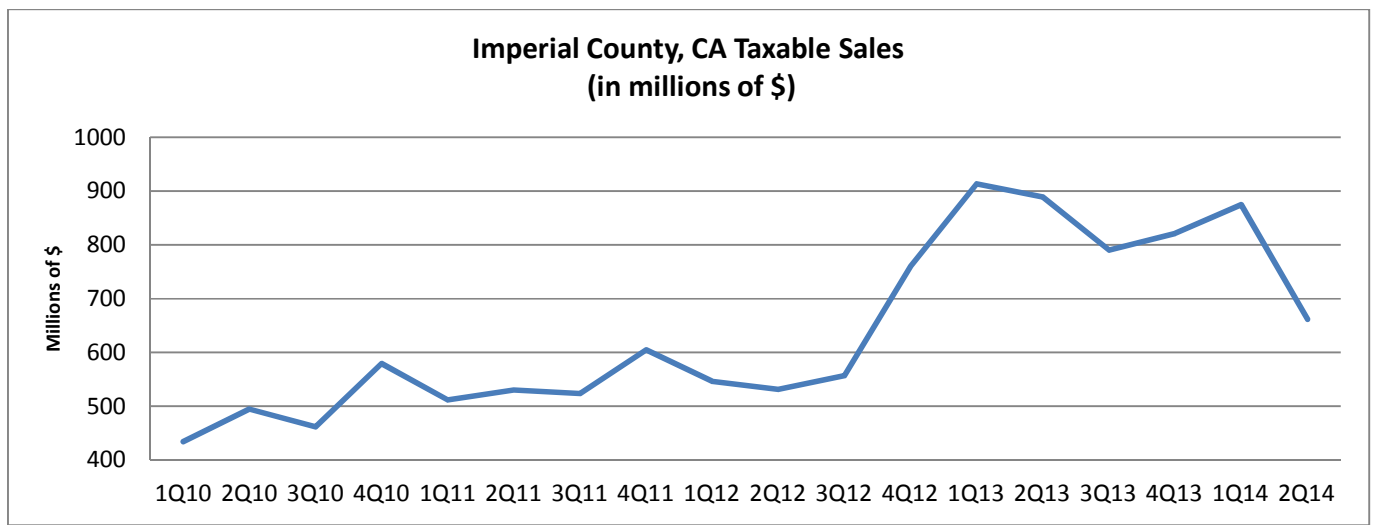
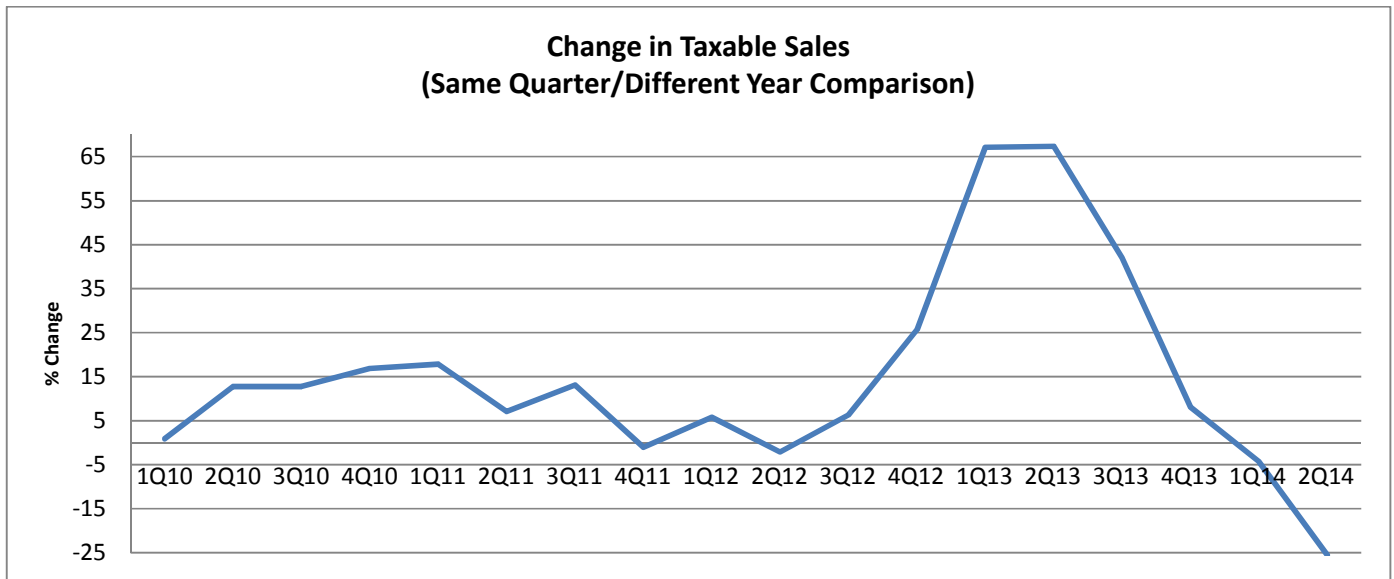


Exhibit DD shows the change in taxable sales from 2009 through the most current period (2Q14). Sales & Use Tax is up over 65 percent year over year for the most recent quarters, again this is largely due to the Publication 28, Exhibit A election for wind and solar energy generation projects. Again, the large fluctuations are based on whether the region has solar or wind projects actively under construction.

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Exhibit DD: Change in Taxable Sales (Same Quarter/Different Year Comparison)



9. Education Test Scores

A new section in the 2015 Imperial County Economic Forecast focuses on academic achievement (test scores) for selected grades. For purposes of this report, DMG Economics is focusing on 2nd, 6th and 10th grade test scores. The charts that follow provide information regarding academic achievement in the core subjects of English/Language Arts and Mathematics. The charts provide the percentage of students that test at either advanced or proficient. Additionally, the total number of those that tested at advanced or proficient are combined and compared to other counties within Southern California.

With respect to 10th grade mathematics, it is noted that not all students take the same test. 10th grade math students take the test that they are prepared to take (based on the math class they are taking) which is largely Algebra or Geometry. Finally, only students enrolled at public schools take the Standardized Testing and Reporting (STAR) exam. Overall, achievement by students within the County lag behind other counties, but not by a great margin. These statistics will be tracked in greater detail in future years to determine if student achievement in K-12 translates to higher graduation rates and attainment of a college education.

Exhibit EE: 2013 Star Test: 2nd Grade English/Language Arts

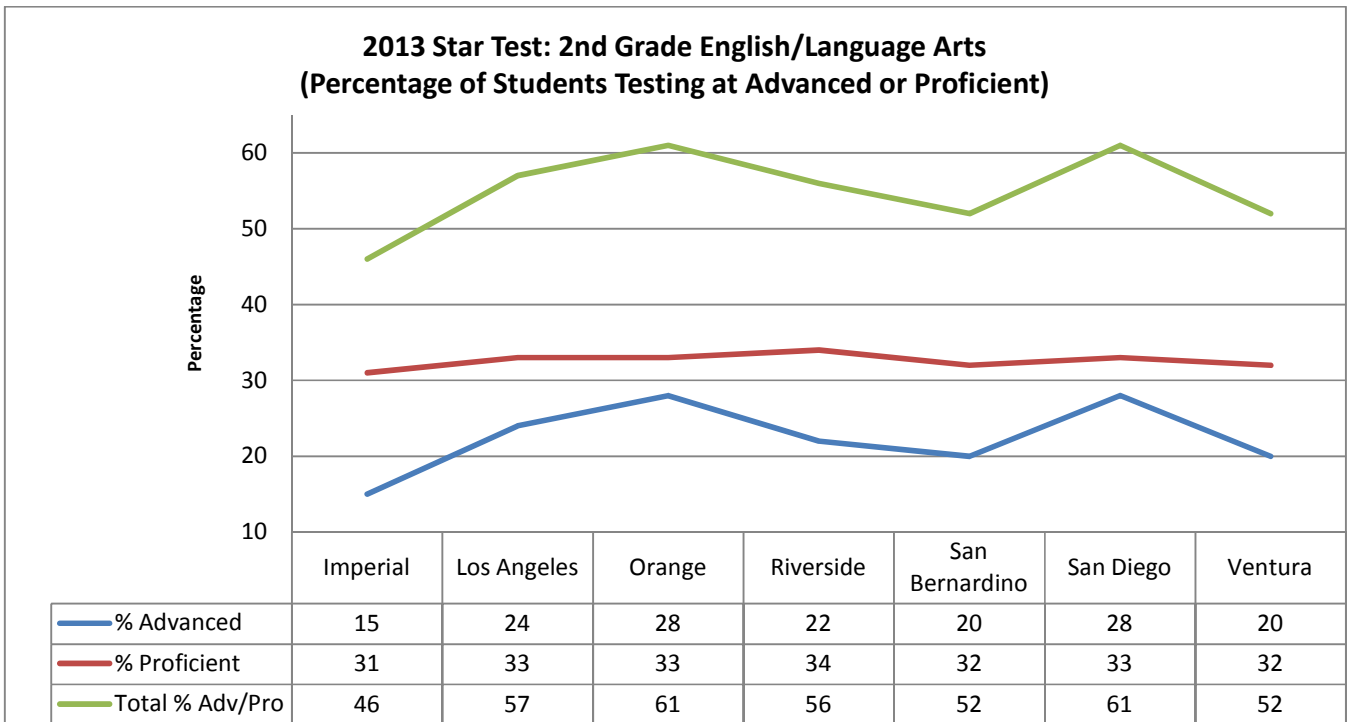


Exhibit FF: 2013 Star Test 2nd Grade Mathematics

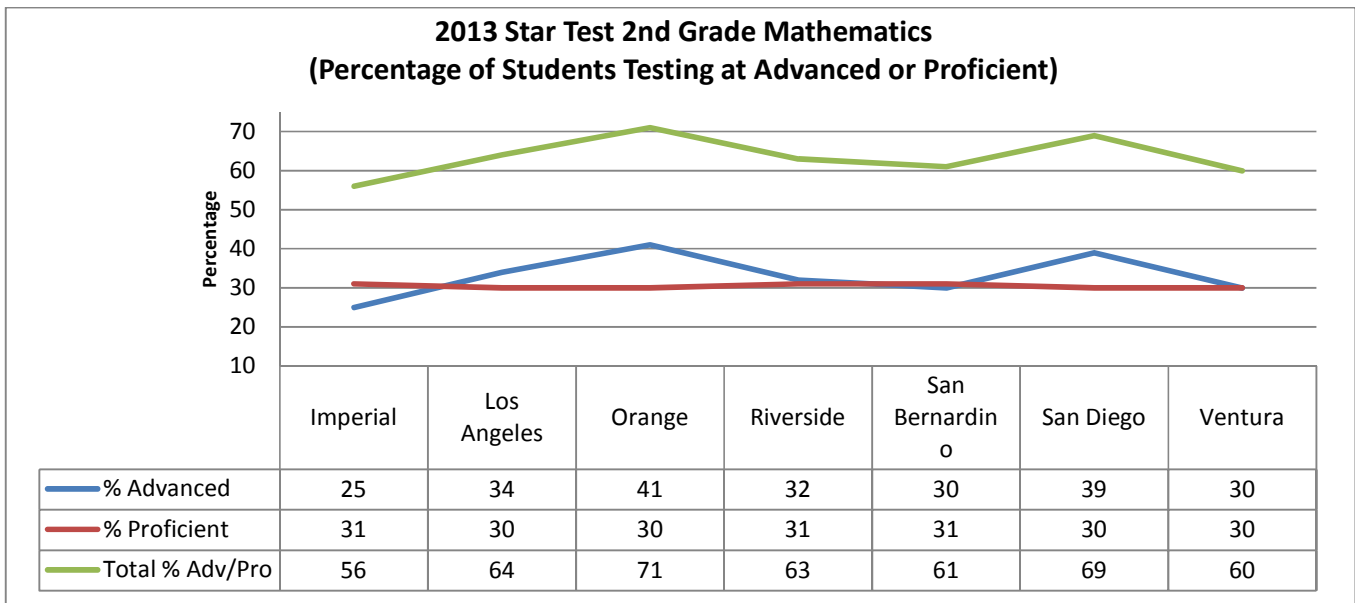


Exhibit GG: 2013 Star 6th Grade English/Language Arts

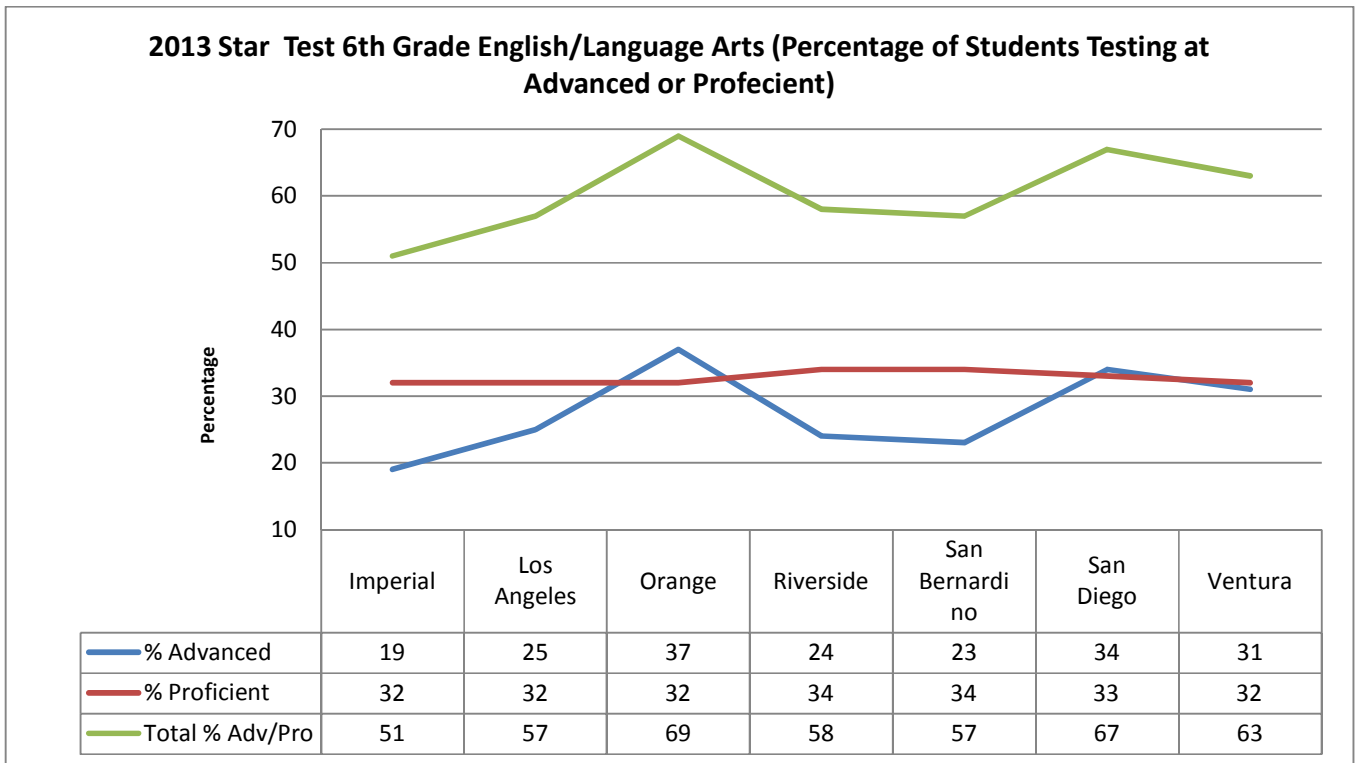


Exhibit HH: 2013 Star 6th Grade Mathematics

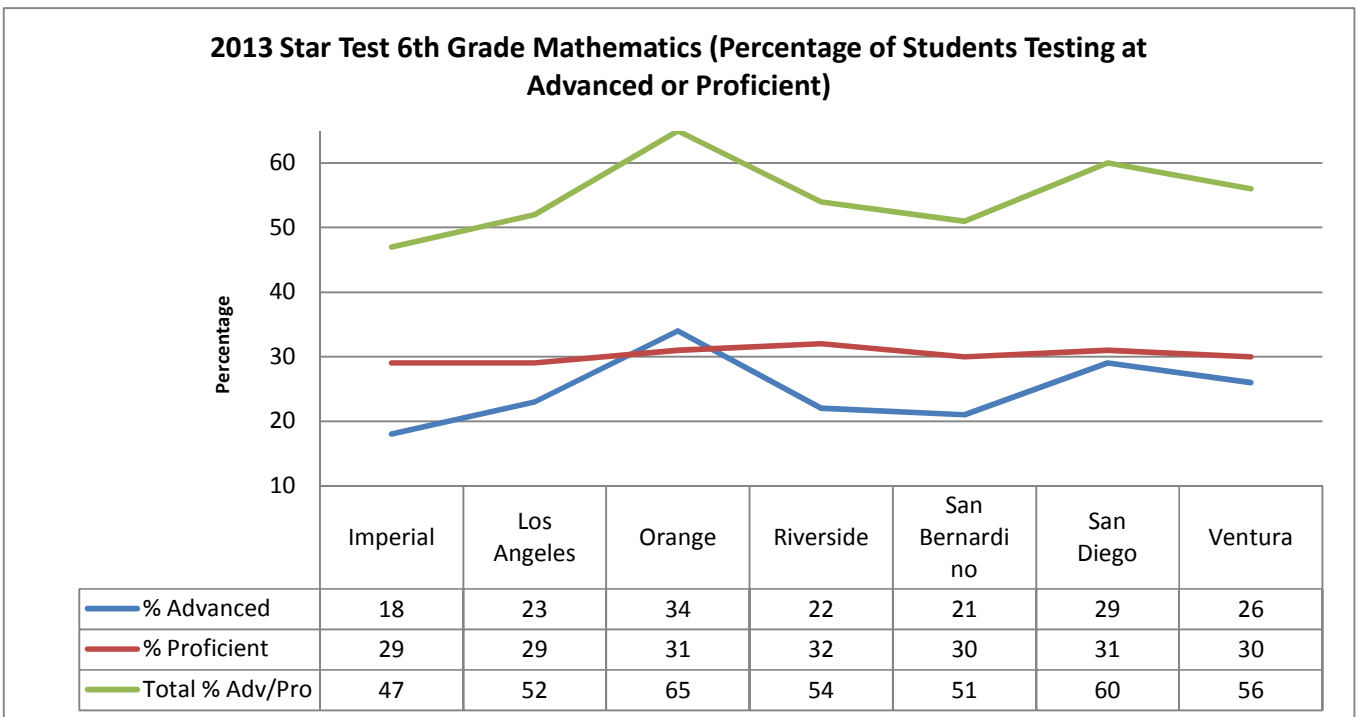


Exhibit II: 10th Grade English/Language Arts

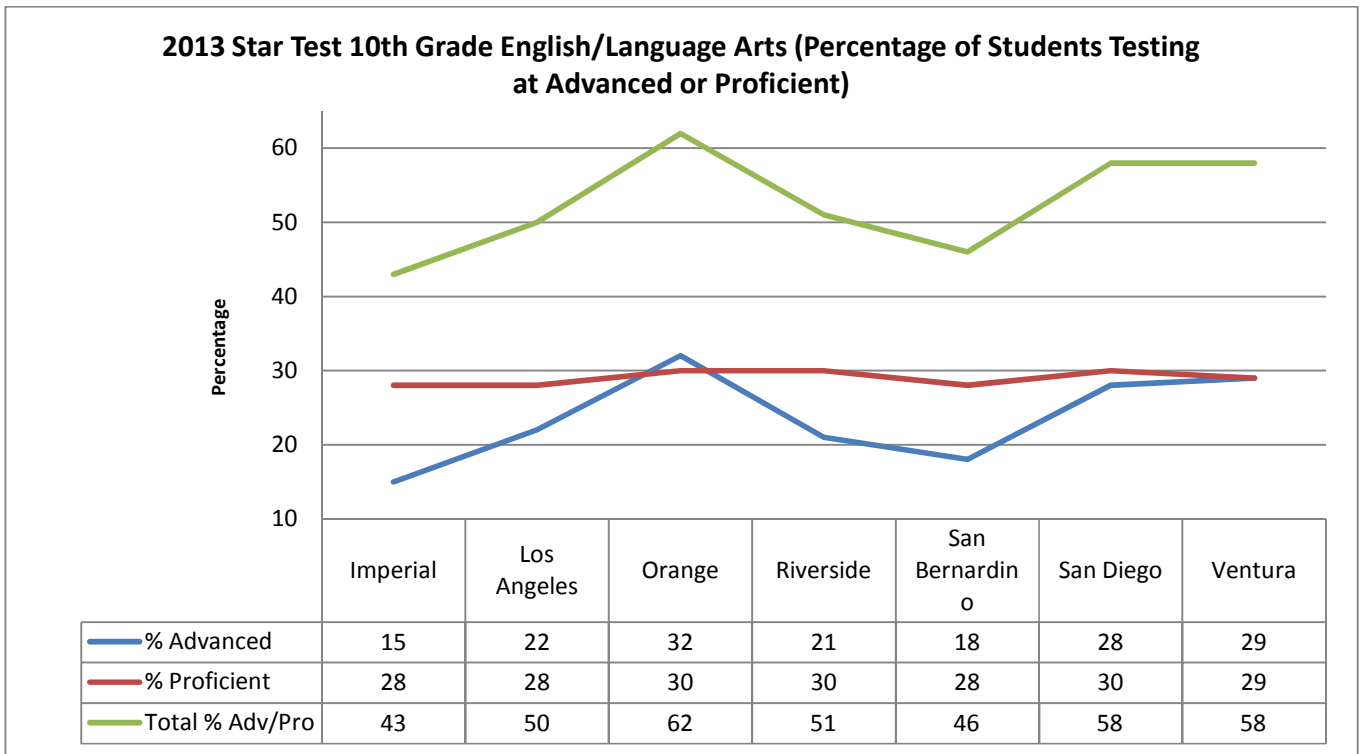


Exhibit JJ: 2013 Star 10th Grade Math-Algebra

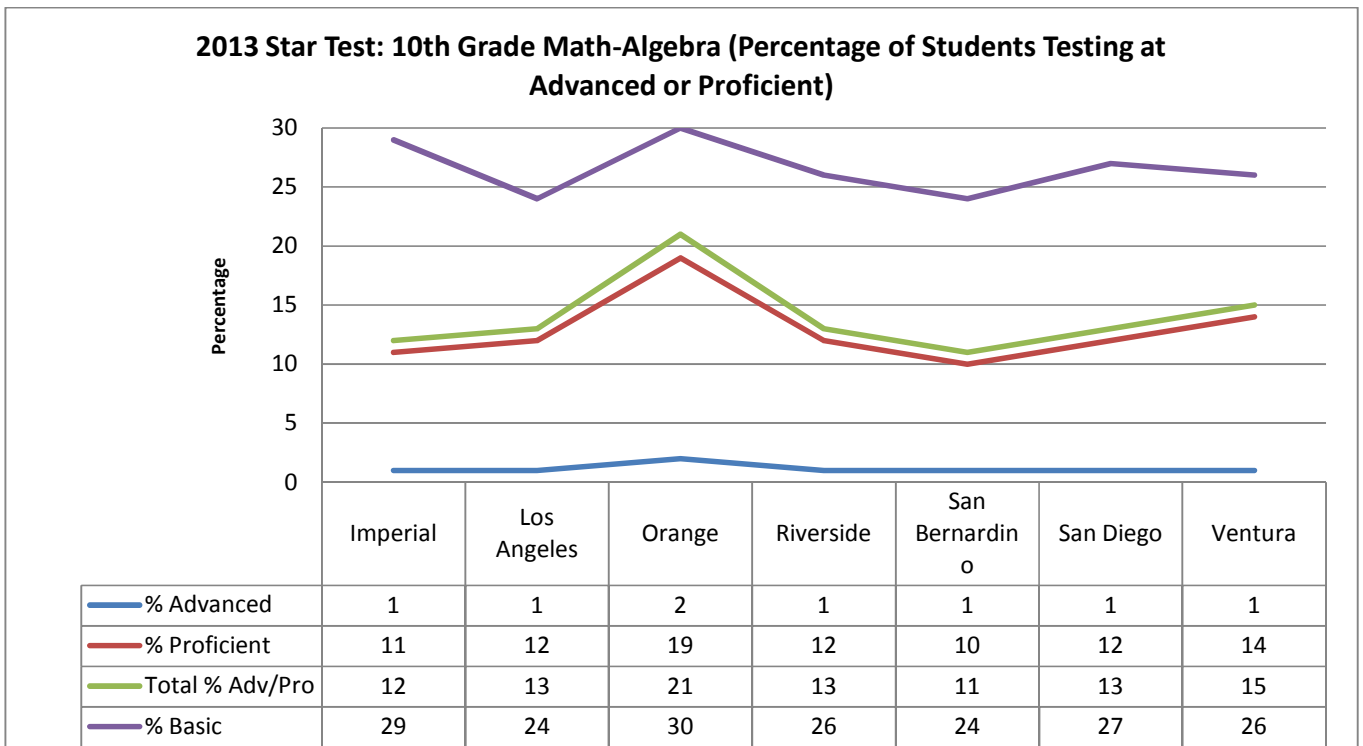
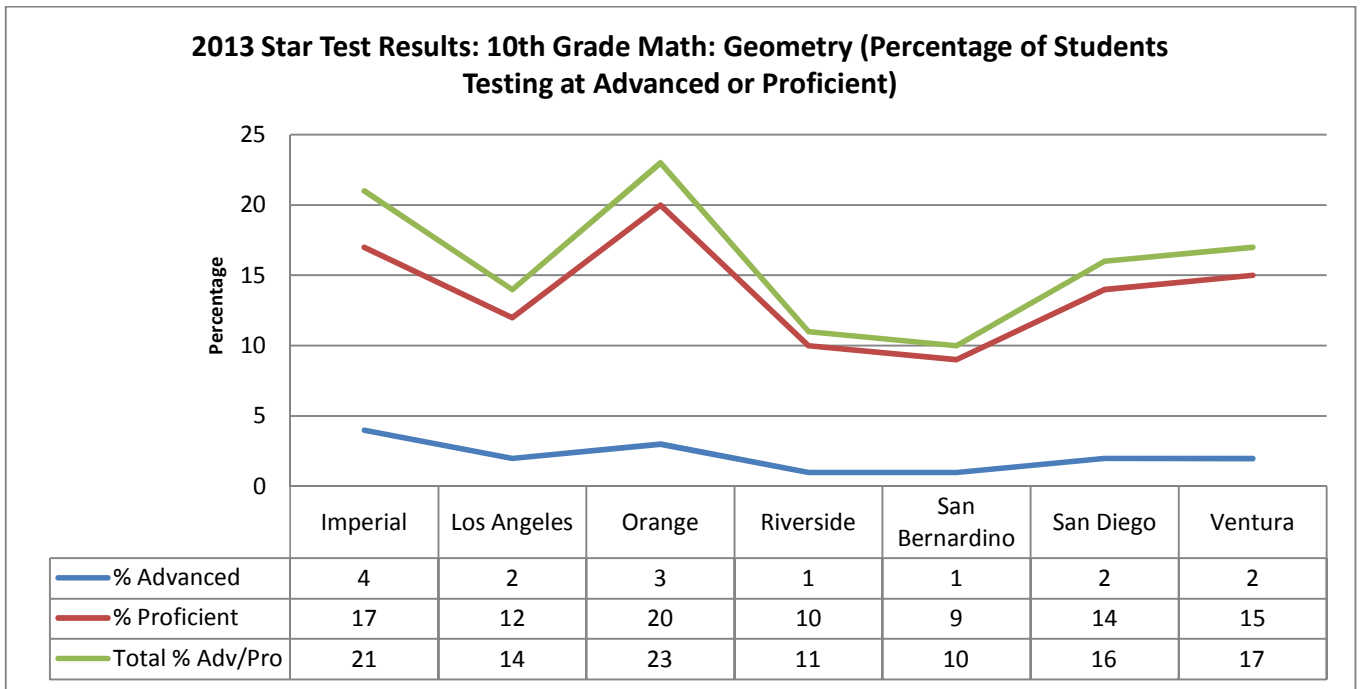


Exhibit KK: 2013 Star 10th Grade Mathematics-Geometry



10. Economic Outlook for 2015

Overall, the economy of the Imperial Valley is stable. This is in spite of two (2) major economic events in 2014 including the closing of National Beef (1,300 jobs) and the replacement of an older federal detention facility (net loss of 255 jobs). The total number of jobs within the region is 3,800 more than it was at its previous peak (2008) and 4,300 more than just one year ago (September, 2013).

Agriculture production hit an all time high in 2013 with over \$2 billion in total production. Housing has stabilized and there has been an overall increase in median home prices by about \$25,000 in the last year. Further, the region will see the construction of about 200 new homes in 2014.

Retail sales remain stable (for traditional retailers) and the County has seen significant one-time tax revenue as a result of the construction of about a dozen wind and solar projects. The overall number of Sales & Use Tax Permit Holders is up by about 100.

This all said, there are no signs of a coming economic boom. Outside of energy production, which provides a very short term boost to the regional economy, there are no growing industries that will provide significant investment or job creation.

Threats to the regional economy are as follows:

- A. Government regulation specifically such items as mobile and stable source air quality that may impede the growth and sustainability of the agriculture industry.
- B. Availability and stabilization of supply of water supply.
- C. Attracting new investment into the region that can effectively employ a semi-skilled blue collar workforce at a wage \$15 per hour or more (what is typically needed to support families).
- D. Impact of increased minimum wage on the agriculture sector

Unfortunately, the region has larger socioeconomic issues that need to be addressed. One in five adults (22%) and three in ten (29%) of children live in poverty. Educational attainment is among the worst in the State of California and employment prospects are grim at best with the job outlook being limited to retail, fast-food, lower paying healthcare positions and some goods movement/transportation jobs.

The region must find solid long-term sustainable growth inducing industries in order to reverse what appears to be multi-generational economic struggle and poverty. Education must become a core value among residents, business and political leaders as college graduates are able to earn a median wage over the \$35,000 a year barrier.

The development of renewable energy facilities has been and will continue to be a short-medium term economic driver. There is some construction jobs attached to these projects (though they do not show up in any of the statistical matrix available through government sources). The County of Imperial has done a yeoman's job of insuring that these projects are not a burden on governmental resources through a combination of the Publication 28, Exhibit A election and Public Benefit Agreements which provide for both short-term and long-term financial resources for the region.

Based on the statistical analysis contained and an overall understanding of the Imperial Valley economy, it is predicted that 2015 will provide for similar economic results as 2014 for the regional economy.

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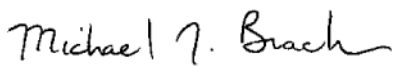
11. References

- A. American Community Survey
- B. California Department of Transportation
- C. California State Board of Equalization
- D. County of Imperial Assessor
- E. County of Imperial Agriculture Commission
- F. Dataquick
- G. Development Management Group, Inc.
- H. Imperial Valley Economic Development Corporation
- I. Nielsen/Claritas
- J. State of California Department of Finance
- K. State of California Employment Development Department
- L. United States Census Bureau
- M. Unnamed Agriculture Professionals (Primary Research) (Three)*
- N. Unnamed Home Building Professional (Primary Research) (Two)*

*Often times business owners/operators will provide information for primary research under agreement that their names are not specifically mentioned. Interview information is available for SCAG audit/verification purposes only.

12. Certification

I certify that my engagement to prepare this report was not contingent upon developing or reporting predetermined results. The statements of fact contained herein and the substance of this report are based on public records, data provided by the Southern California Association of Governments and other sources as described in the reference section of this report. This report reflects my personal, unbiased professional analyses, opinions and conclusions. If any of the underlying assumptions related to this report change after the date of this report (November 11, 2014), then the undersigned reserves the professional privilege to modify the contents and/or conclusions of this report.



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