

Orange County Economic Forecast

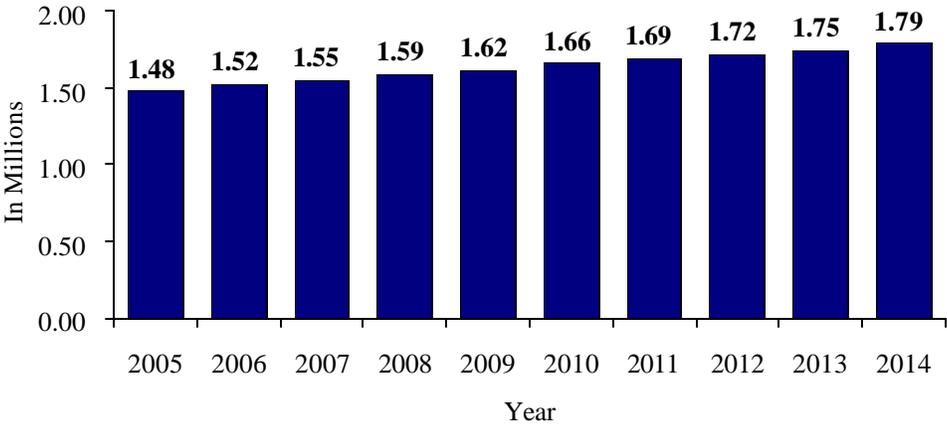
This section provides a summary of the projected outlook of the Orange County economy. The summary is based on a U.S. and Orange County economic report produced by the A. Gary Anderson Center for Economic Research at Chapman University in Orange County, California. The Chapman economic report serves as a basis for developing the Orange County General Purpose Revenue Forecast.

ORANGE COUNTY ECONOMY

Many factors contribute to the character of the Orange County economy. Geography, infrastructure, climate, demographics, educational resources, and industrial and employment diversity are among the factors that combine to produce an economic foundation that, relative to other municipalities throughout the U.S., is strong, dynamic and resilient to many of the economic downturns at the national and international level. The following section provides an overview of the projected trends in the local economy as reflected by three local economic indicators (payroll employment, building permit valuations, and taxable sales). These local economic indicators show the following: (1) even though the local economy is strong relative to other municipalities throughout the U.S., various national and local factors have had a definite negative impact on economic growth in Orange County; (2) the recovery of the weakened local economy will continue to be slow but steady for the foreseeable future.

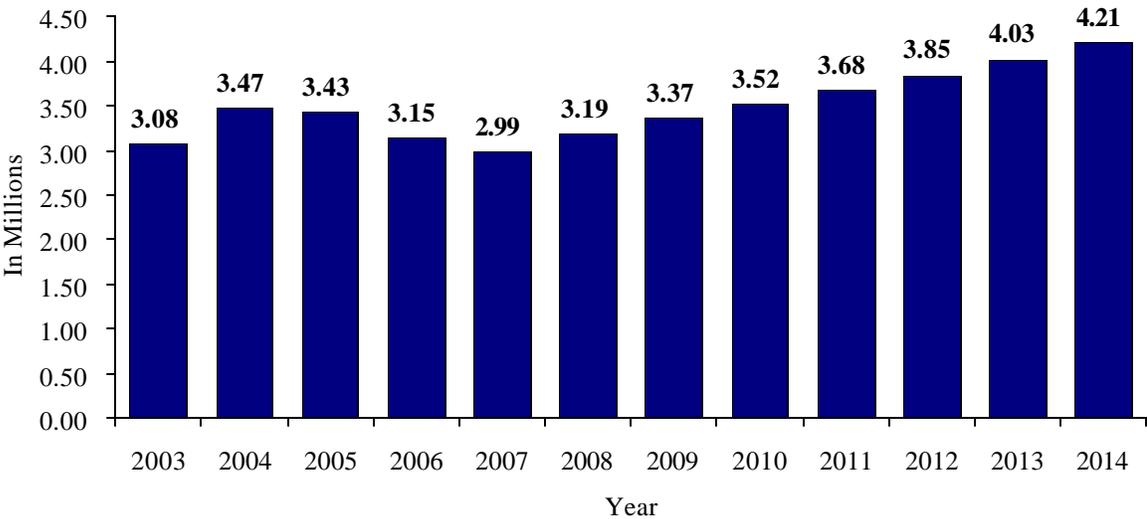
Payroll Employment. The Chapman forecast calls for a slow but steady increase in job growth through fiscal year 2014. Specifically, payroll employment is expected to reach 1.483 million by the end of fiscal year 2005, 1.521 million in FY 2006, 1.552 million in FY 2007, and 1.586 million in FY 2008 continuing a slow but steady increase to an anticipated 1.786 million in FY 2014 (Figure 1). Manufacturing continues to be the weakest link in job growth in Orange County but is showing signs of recovery.

Payroll Employment



Building Permit Valuations. During the forecast period, residential and nonresidential building permit valuations are expected to decline from \$3.5 billion in 2004 to \$3.0 billion in 2007 but rebound to \$4.2 billion by 2014. The real growth levels (i.e., after adjusting for inflation) will be approximately 0.4% per year through fiscal year 2014 (Figure 2). The lack of available land for housing construction continues to be a major challenge for the County of Orange. This has resulted in an anticipated growth in the commuter workforce from the Inland Empire.

Building Permit Valuation



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Taxable Sales. Taxable sales are expected to increase from \$48.9 billion in 2004 to \$79.5 billion in 2014. This represents an average growth rate of about approximately 5.0% per year during the forecast period (Figure 3). This relatively weak sales growth rate reflects, in part, the anticipated increase in the commuter workforce from the Inland Empire, caused by the slowdown in available and affordable housing in Orange County and the corresponding decrease in the resale base and taxable sales revenues generated within Orange County.

Taxable Sales

