

Economic Outlook 2011: Non-profits at the nexus of changing private and public markets

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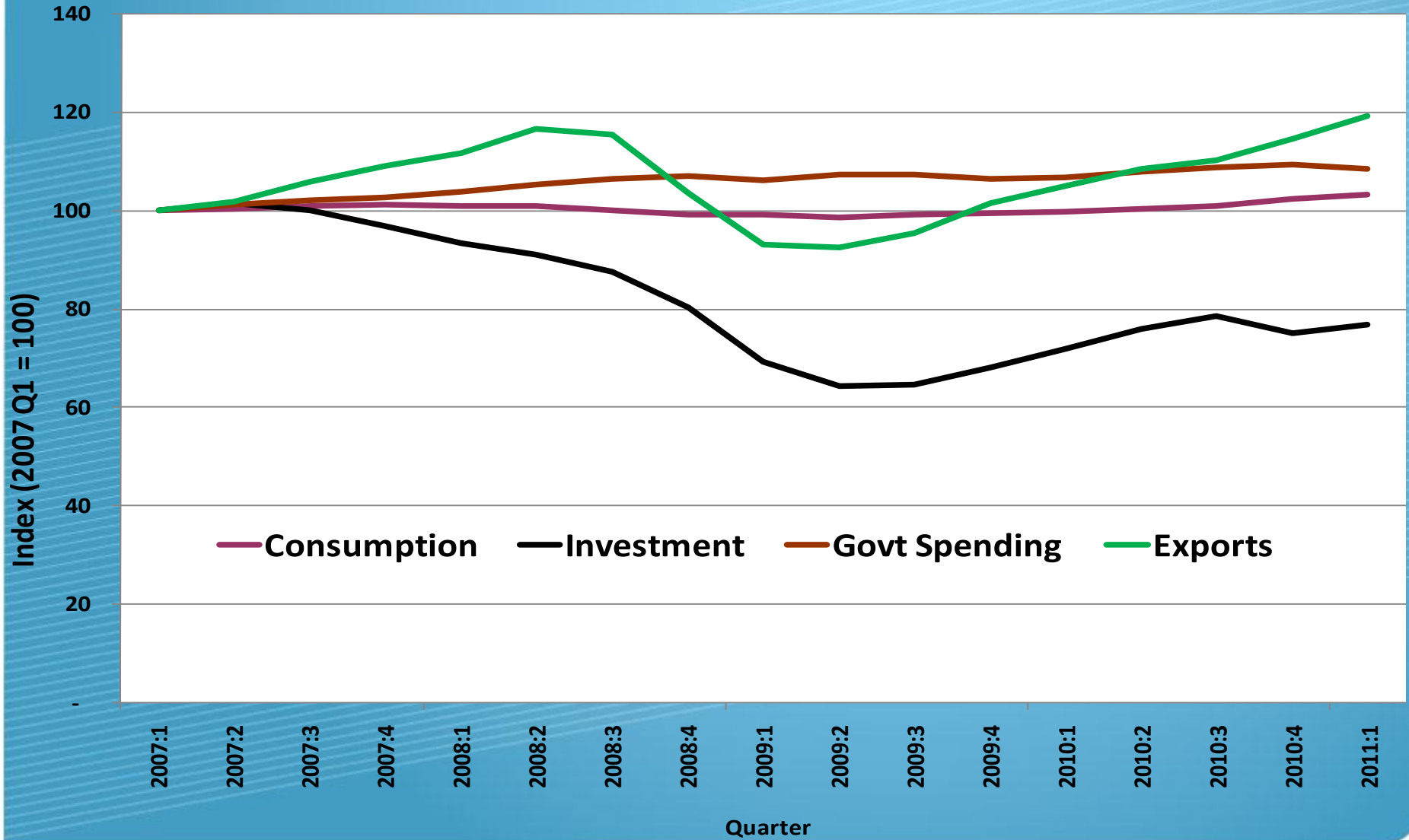
In Recovery: Changes Coming

- Recovery continues at national level
 - Labor markets continue to be the problem
 - Non-profits likely to see rising demand and potentially supply
- California challenges and opportunities
 - Budget issues at all level of government in CA
 - Labor force has public and private sector challenges
- Sonoma County and North Bay
 - Industries growing but remain vulnerable
 - Public sector contractions starting

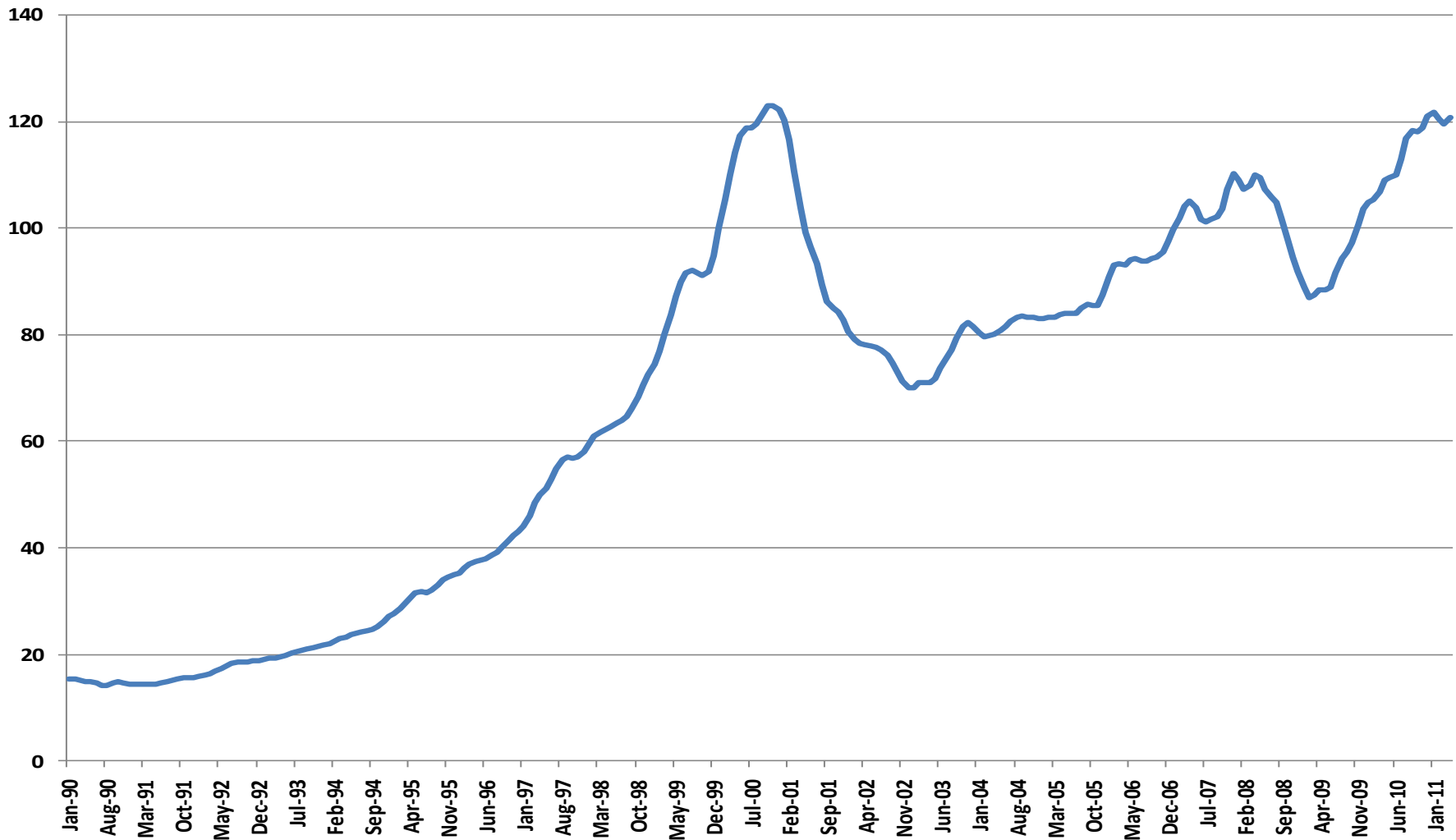
Domestic National Economy

- International economics and geopolitics an issue
- Continued slow movement at national level
 - New industries have not shown their face as leaders
 - Technology companies gearing up for major M&A activity
 - Commercialized science the long-term play for the US
 - **Biggest challenge is job matching: can we avoid another jobless recovery?**
- Recovery under way, but may be slowing down
 - Must watch how price pressures change consumers
 - Labor markets are generating a wait-and-see financial market

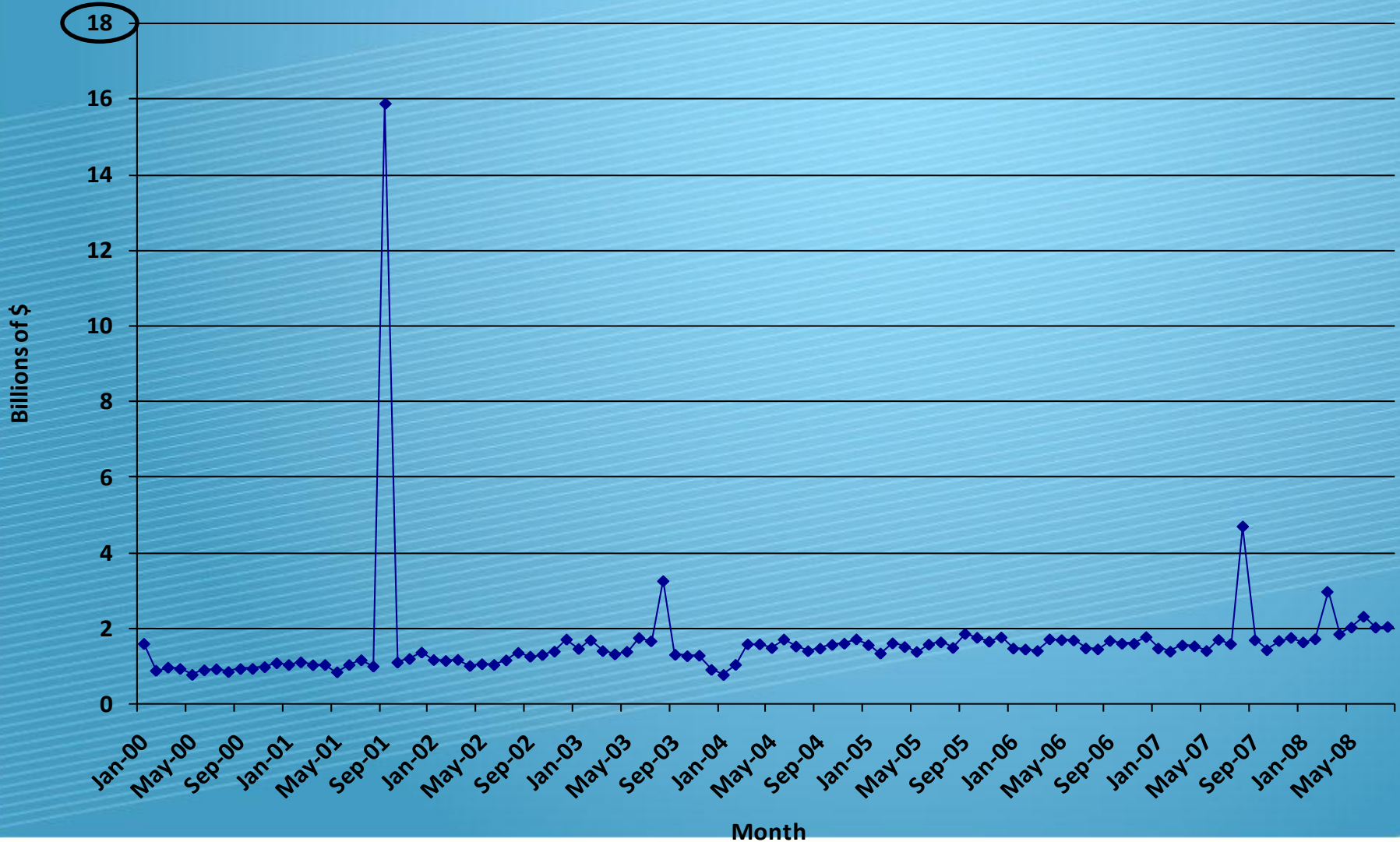
Comparison of GDP Components, US, 2005\$, 2007 - Present



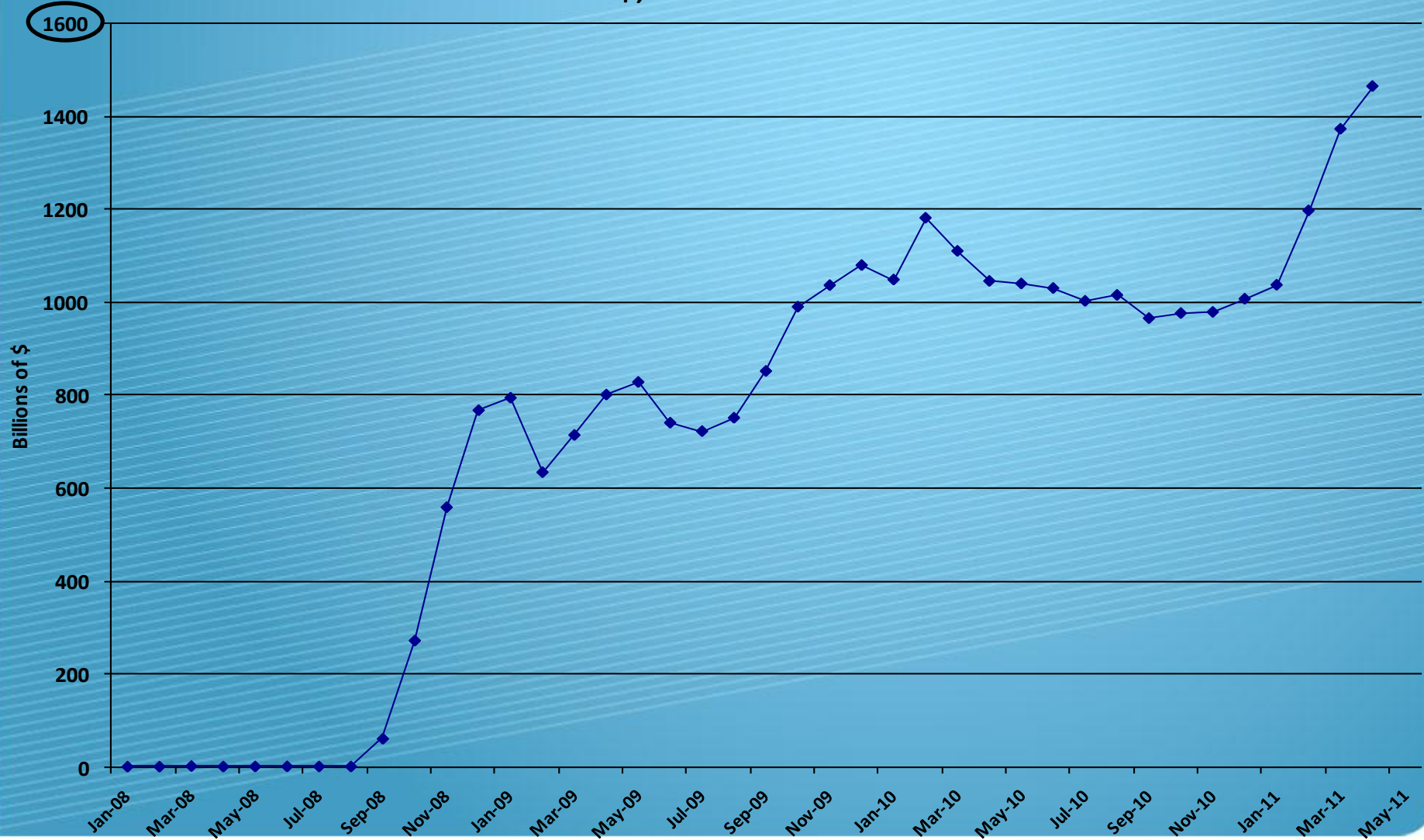
High Tech Activity (Tech Pulse), Index, Jan 2001 = 100



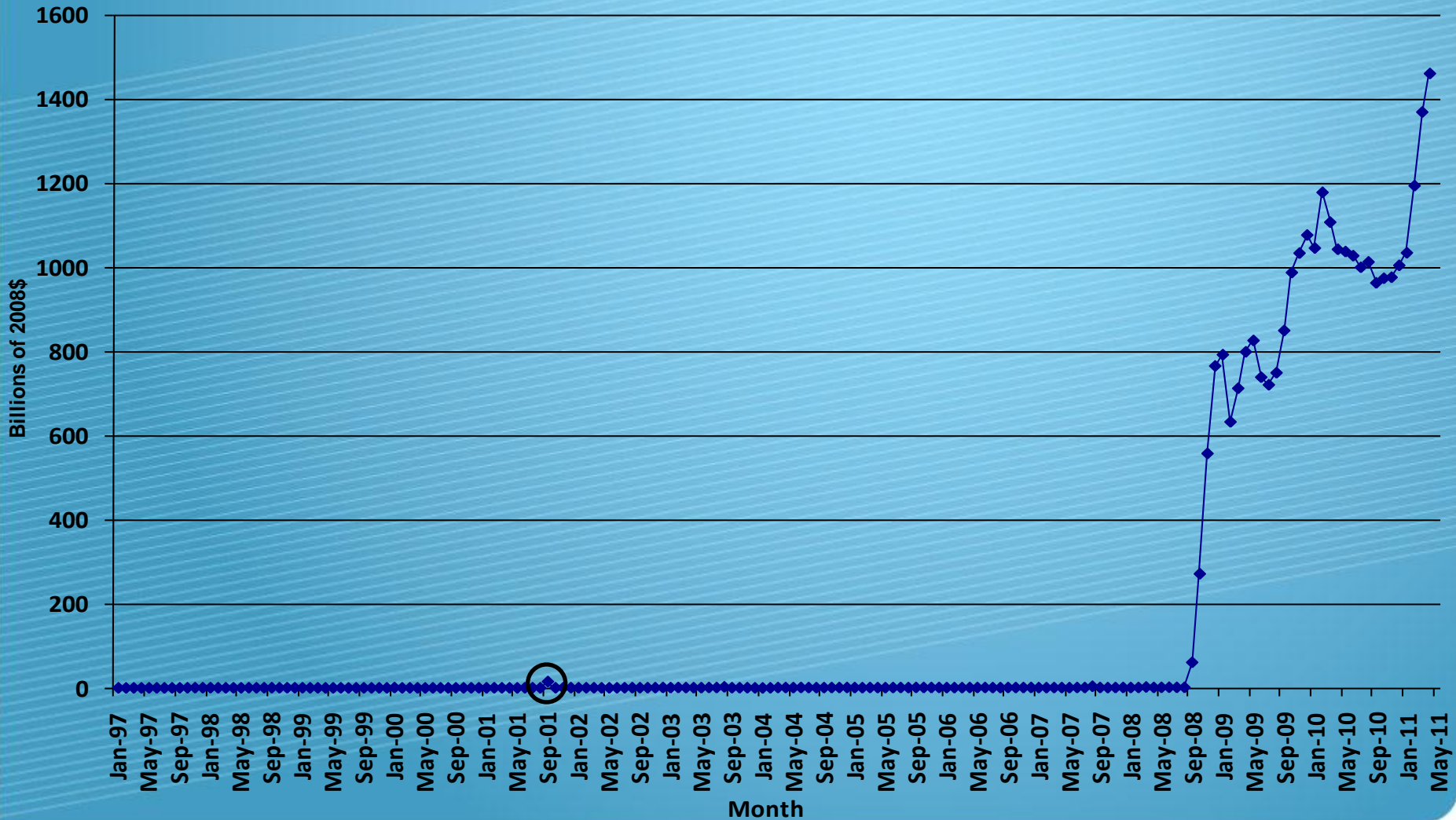
Excess Reserves at U.S. Depository Institutions (Loanable Funds Not Lent), 2008\$, Jan 2000 - Aug 2008



Excess Reserves at U.S. Depository Institutions (Loanable Funds Not Lent) 2008\$, Jan 2008 - Present



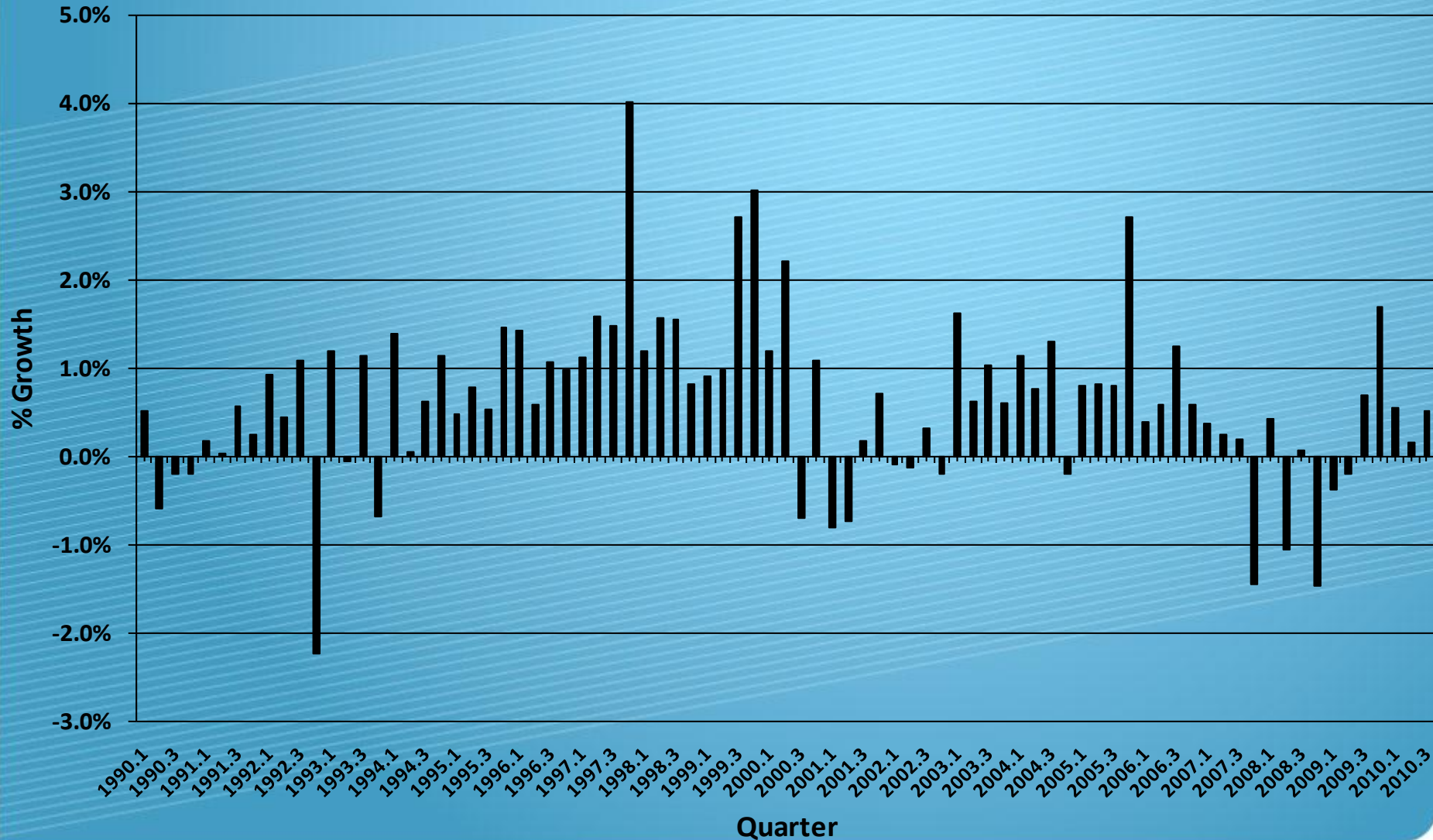
Excess Reserves at U.S. Depository Institutions (Loanable Funds Not Lent) 2008\$, Jan 1997 - Present



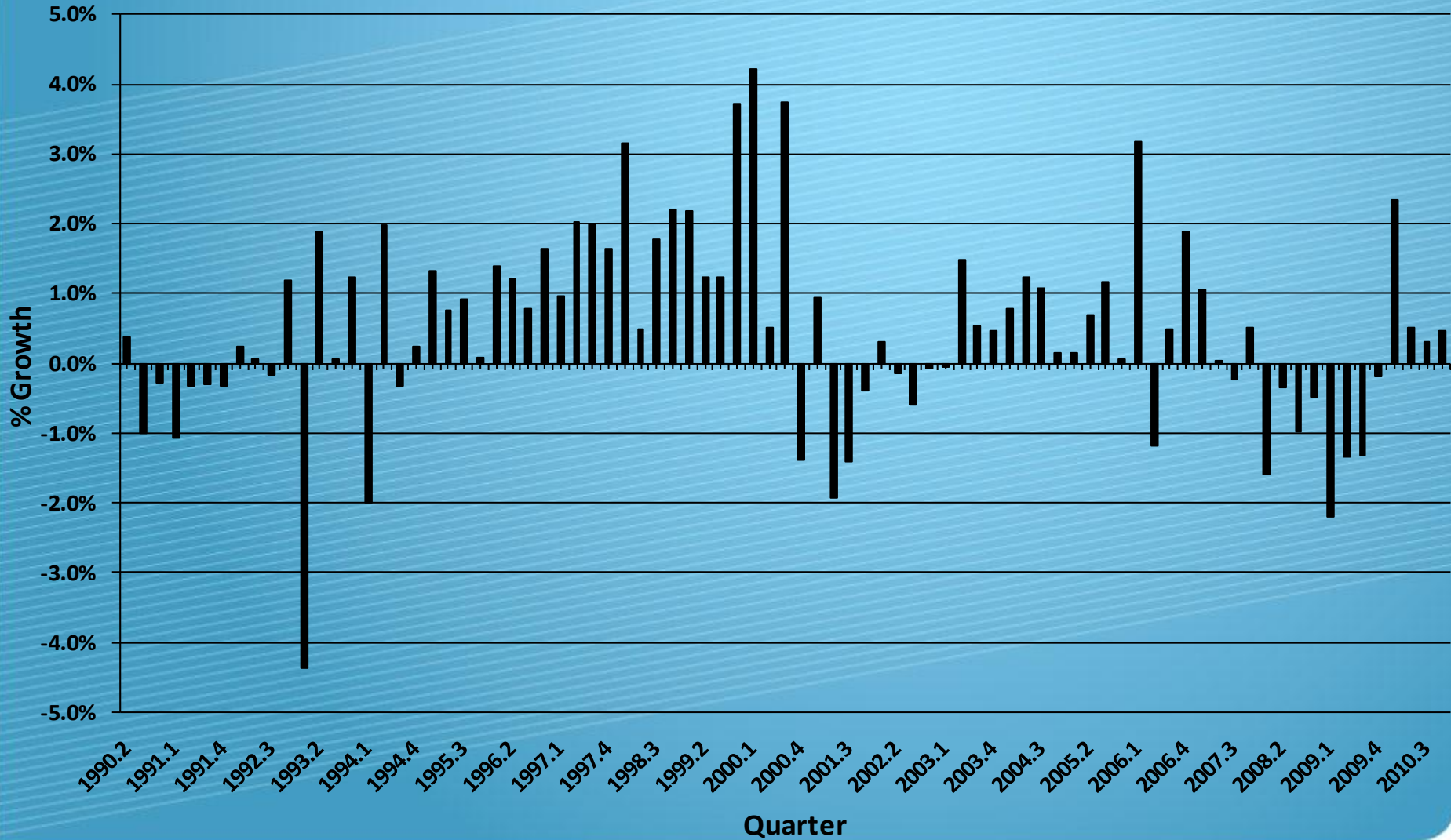
California

- A wild paradox: innovation and inaction
- Still the world leader in frontier technology
- Two major issues with California labor force
 - Retiree bubble coming: private and public
 - Government staffing for state, county and city workers likely to change: where will these folks find work
- Recovery is underway in California, but geographic
 - Personal income gains, and wage/salary gains now part of that
 - Bay Area doing well, North Bay a little less so, inland valleys still suffering

CA Personal Income Growth, 2003\$, 1990-2010



CA Wage and Salary Growth, 2003\$, 1990-2010



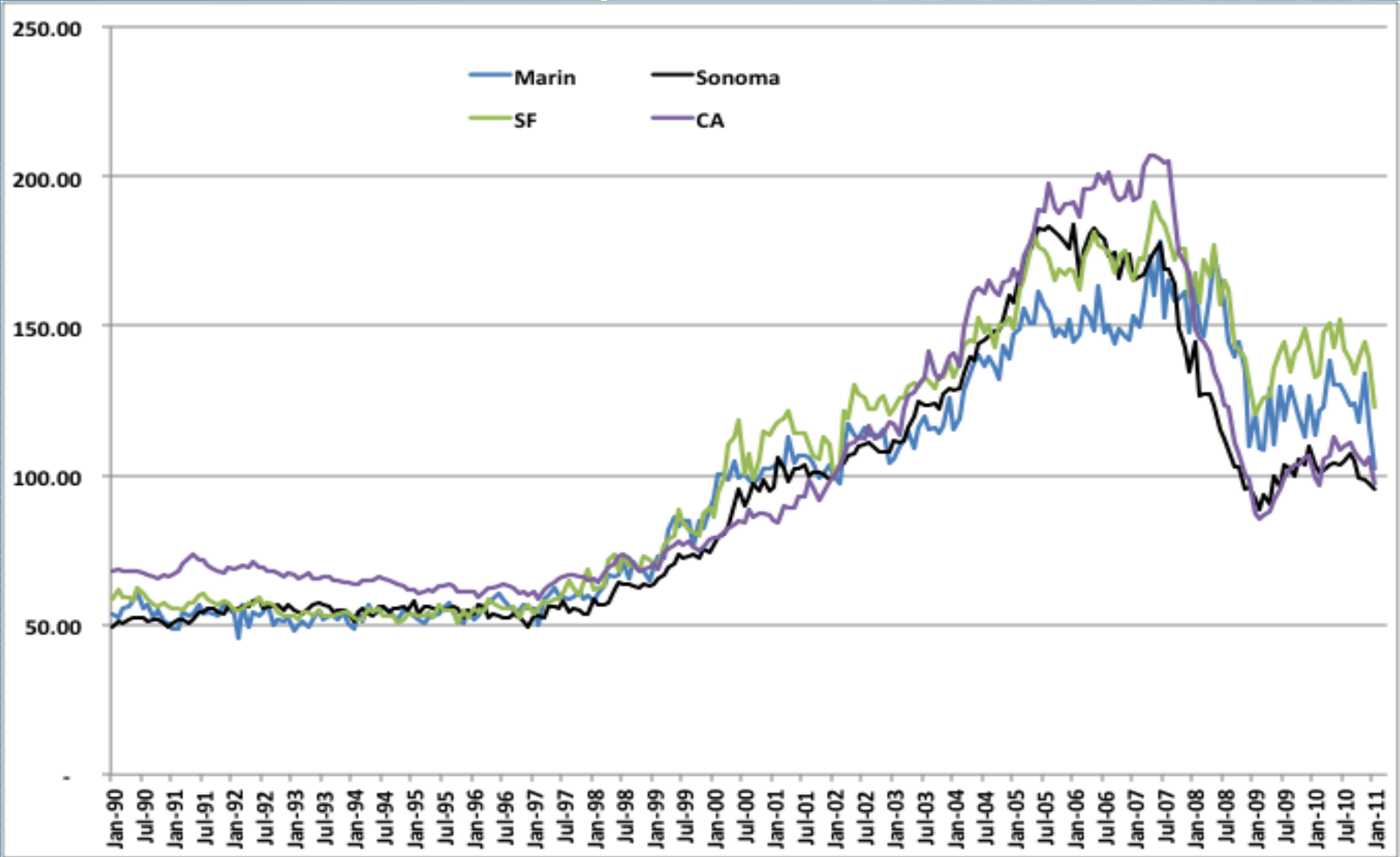
Sonoma County

- Emerging from recession
 - Lagging national recovery, but recovering
- High tech emerging in North Bay
 - Biotech, software, core tech: can we keep these firms?
 - Where is green tech in this mix?
- Wine and tourism: cannot be outsourced
- Real estate in 2011 looks slightly better than 2010
 - Sonoma County still in demand, need job growth
 - General recovery, as well as local recovery, still tied to this industry and its markets

Real Estate: Simple Thoughts

- Unemployment puts both supply and demand pressures on market
 - Slow movement a function of buyer tentativeness, banking regs and lack of labor market recovery
 - Who will demand real estate here through 2015?
- Commercial new construction likely to be project-specific rather than anticipatory
 - Vacancies starting to fall

Median Home Price Comparisons, 2002 = 100, 1990-Present



Public Sector Opportunities

- Local cuts are coming to public workers
 - More unemployed
 - Larger need for transition services
 - Increased time for public services provision
- Pensions and slow economic recovery the culpable parties
 - Pensions a difficult problem to solve without cooperation
 - Slow economic recovery exposes

Non-Profit Sector as Beneficiary

- Challenges similar to the public sector due to funding sources
 - Can more private donations be found?
 - What about more partnerships (public-private)?
- Need to recognize the size of the non-profit sector in Sonoma County
 - Approximately 4,000 workers and 2% of economy
- Need to recognize demand expansion to come
 - Slow recovery means more socioeconomic pain

Connections

- As public sector contracts, non-profits may be asked to do more
 - Directly or indirectly: find direct ways
- More volunteers and workers
 - Retirements provide pensioned volunteers
 - New workers trained in working with public sector coming out into work force
 - Non-profit sector (through WIB) will be asked to provide retraining and retooling also
- Think regionally: need to consider efficiencies

Recovery through 2011 ... 2012?

- Labor market recovery slow
 - Fuels consumer confidence and business forecasts
- State economy will lag national
 - Recovery has started, needs to seize opportunities
 - Expect some labor market shifts for state and local gov't
- Commercializing science long-term recovery key
 - Targeted industry work needs to focus on tech/science
- Recognize regional connections and economies