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SCHOOL OF BUSINESS AND PUBLIC ADMINISTRATION

# KERN ECONOMIC JOURNAL

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*KERN ECONOMIC JOURNAL* is a quarterly publication of California State University, Bakersfield. Its purpose is to track local trends and analyze regional, national, and global issues that affect the economic well-being of Kern County. The journal provides useful information and data that can help the community make informed economic decisions.

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## *Econ Brief*

### Water Use in California

Californians spend 1.4 percent of their annual income on water and wastewater use. On average, their annual payment of $720 consists of $467 (or 65 percent) on water and $253 (or 35 percent) on wastewater use.

Of the major areas listed below, residents of the San Joaquin Valley have the lowest water and wastewater bill of $527 (or 1.3 percent) of their annual income. On average, their annual payment of $527 includes $321 (or 61 percent) on water and $206 (or 39 percent) on wastewater use. Interestingly, the San Joaquin Valley has the highest rate of water use in California. Required by its extensive and productive agriculture, the San Joaquin Valley uses an average of 0.63 acre-feet (or 205,286 gallons) of water per year.

California's demand for water is expected to continue to rise as its population will increase by 9.4 million (or 24.3 percent) over the next 20 years. In the meantime, the state has a large portfolio of cost-effective options for expanding its water supply by 2030. These sources include underground water storage in groundwater basins, recycled municipal water, and desalination. In addition, conservation by urban dwellers can help alleviate the demand for water and wastewater use.

| | Average Annual Water Use (af) | Median Household Median | Average Annual Water Bill | Average Annual Wastewater Bill | Average Annual Water & Wastewater Bill | Water & Wastewater Bill as Share of Household Income |
|---|---|---|---|---|---|---|
| California | 0.52 | $52,451 | $467 | $253 | $720 | 1.4% |
| San Francisco Bay Area | 0.37 | $68,783 | $412 | $326 | $738 | 1.1% |
| Southern Coast | 0.58 | $51,965 | $535 | $239 | $774 | 1.5% |
| Central Cost | 0.38 | $57,232 | $661 | $305 | $966 | 1.7% |
| Inland Empire | 0.59 | $47,150 | $413 | $192 | $605 | 1.3% |
| San Joaquin Valley | 0.63 | $41,497 | $321 | $206 | $527 | 1.3% |
| Sacramento Metro Area | 0.49 | $52,250 | $362 | $281 | $643 | 1.2% |
| Rest of State | 0.47 | $36,660 | $390 | $263 | $653 | 1.8% |

Source: *California Water Myths* and *Water Supply and Quality*, Public Policy Institute of California (http://www.ppic.org)

# Economy at a Glance!

*Abbas P. Grammy*
Professor of Economics, CSUB

The Gross Domestic Product (GDP) increased at an annual rate of 5.7 percent in the fourth quarter of 2009 according to the "advance" estimate released by the Bureau of Economic Analysis. This rapid growth followed a modest expansion of 2.2 percent in the previous quarter. Such consecutive expansions indicate that economic recovery is in progress. The increase in GDP in the fourth quarter primarily reflected positive contributions from personal consumption expenditures, international trade, private inventory investment, and non-residential fixed investment. These positive effects were partly offset by a negative contribution from federal government spending.

In California, the unemployment rate remained unchanged at 12.1 percent. The state lost 114,600 jobs, but supported 4,500 less unemployed workers. While the farm labor market lost 69,700 jobs, non-farm industries added 46,200 paid positions. A wide-range of industries cut jobs, including construction, manufacturing, wholesale trade, transportation and warehousing, real estate and rental and leasing, leisure and hospitality, the federal government (excluding Department of Defense), and city and county governments and special districts. In contrast, the following industries added jobs: retail trade, utilities, information, finance and insurance, professional, scientific and technical services, educational services, health-care and social assistance, Department of Defense, and public education.

In Kern County, households continued to become less pessimistic about employment and financial conditions of their families and relatives as the *Consumer Sentiment Index* gained 3 points to reach 82. In the meantime, businesses turned slightly more optimistic about their employment and financial conditions as the *Business Outlook Index* rose one point to reach 110.

In the meantime, the county's economy contracted at an annual rate of 1.5 percent. Kern's economy generated $15.33 billion in personal income, $65 million less than the previous quarter. By and large, the loss of personal income was offset by a sizable decline of the labor force growth. As a result, personal income per worker increased by $100, to attain $40,500.

Kern County's labor market conditions were mixed. Compared with the previous quarter, the county's workforce declined by 2,900 members. In the meantime, 5,800 less workers were employed and 2,900 more workers were jobless. The gain of 3,500 nonfarm jobs was offset by the loss of 8,000 farm jobs. While the public sector added 3,800 more jobs, private enterprises cut 400 paid positions. A wide-range of industries cut jobs, including construction, manufacturing, leisure and hospitality, federal government, and city and county governments. In contrast, wholesale and retail trade, transportation, warehousing and utilities, health-care services and social assistance, professional, scientific and technical services, financial activities, and public education added jobs.

The rate of unemployment climbed 0.9 percent from 13.8 to 14.7. Still below the county average, the rate of unemployment averaged 10.6 percent in Bakersfield, 11.9 percent in California City, 8.7 percent in Ridgecrest, and 10.2 percent in Tehachapi.

Kern County's housing market continued to improve. The median sales price for all residential units appreciated $2,300 (or 1.79 percent) from $132,200 to $134,300. In Bakersfield, the median housing price climbed $2,300 (or 1.7 percent) from $137,200 to $139,500. However, the number of housing units sold decreased from 3,290 to 3,190 in Kern County and from 2,400 to 2,295 in Bakersfield. The number of building permits issued for the construction of new privately-owned dwelling units declined from 432 to 358. The housing affordability indicators improved from 28.0 to 28.3. The county's foreclosure activity slowed from 3,166 to 2,602. As a result, 564 less homeowners received notices of loan default from their mortgage bankers. Of the homeowners receiving default notices, 1,777 lost their homes to foreclosure.

In commodity markets, the average price of San Joaquin Valley heavy crude was up $8.01 (or 15.2 percent) per barrel from $60.18 to $68.19. In the Bakersfield metropolitan area, the average retail price of regular gasoline per gallon fell 20¢ (or 7.5 percent) per gallon from $3.08 to $2.88. The unit price of California's Class III milk edged up $2.87 (or 28.1 percent) from $11.09 to $13.96. The index of prices farmers received for their outputs rose 6 point to reach 135,

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# Local Businesses More Confident

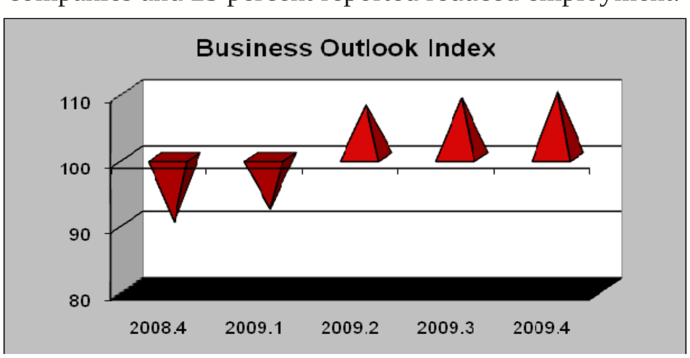
*Abbas P. Grammy*
Professor of Economics, CSUB

Data from our recent survey indicate that Kern County businesses have turned slightly more optimistic about local economic conditions. In the fourth quarter (October through December) of 2009, the *Business Outlook Index* improved one point. The index stood at 110 compared to 109 in the previous quarter and 90 four quarters ago. The survey data are somewhat encouraging because the index value remained in the range of optimistic perceptions.

Kern County's *Business Outlook Index* is compiled from telephone surveys administered to a random sample of local business managers listed in various telephone directories. Index values above 100 indicate optimism, while values below 100 suggest pessimism. The intent of the survey is to help business managers make more informed decisions given local economic trends. Survey results also enable investors to assess the potential for local economic growth based on the degree of business confidence.

To make an in-depth analysis of business confidence, we disaggregated the *Business Outlook Index* into two sub-indexes relating to recent and future business perceptions. The *Current Conditions Index* remained unchanged at 107. However, the *Future Conditions Index* gained one point to reach 112. Such an improvement indicates that local business managers are slightly more optimistic about future economic conditions than the previous quarter.

**Employment Outlook:**
Fifty percent of interviewees reported that the number of jobs in their companies stayed constant this quarter, while 25 percent said more jobs were available in their companies and 25 percent reported reduced employment.




Likewise, 59 percent perceived that the number of jobs would stay constant next quarter, whereas 23 percent expected their companies to hire more workers. The remaining 18 percent anticipated a smaller workforce.

**Financial Outlook:**
Sixty percent of survey respondents reported that the financial conditions (sales and profits) of their companies were constant this quarter, whereas 22 percent indicated increased profits and sales and 18 percent stated lower profits and sales.

Similarly, 59 percent expect financial conditions of their companies to remain constant next quarter. However, 30 percent anticipate increased sales and profits and 11 percent predict lower sales and profits.

**Industry Outlook:**
Sixty percent of survey respondents perceived that the employment and general business conditions of their industries remained the same as the previous quarter, while 25 percent felt these conditions improved and 15 percent felt crumbling business conditions.

Sixty-one percent anticipate that the employment and general business conditions of their industries will be unchanged next quarter. However, 26 percent expect progress and 13 percent feel otherwise.

**Economic Outlook:**
When asked about Kern County's economy, 55 percent of interviewees perceived no improvement this quarter. Nevertheless, 30 percent felt conditions improved and 15 percent said conditions worsened.

| | Current Quarter | Previous Quarter | Four Quarters Ago |
|---|---|---|---|
| **Index of Business Outlook** | **110** | **109** | **90** |
| Index of Current Conditions | 107 | 107 | 89 |
| Index of Future Conditions | 112 | 111 | 91 |

*(Continued on page 5)*

# Consumer Sentiment Continues Inching Upward

***Mark Evans***
Associate Dean, School of Business and Public Administration
Professor and Chair of Economics, CSUB

Bakersfield's Index of Consumer Sentiment inched forward from 79 in the third quarter to 82 in the fourth quarter, the third consecutive modest increase after bottoming out at 73 in the first quarter 2009. The local index had declined for eight consecutive quarters from a peak of 125 in first quarter 2007 prior to its turnaround in the second quarter. Nationally, the University of Michigan's consumer sentiment index also inched forward from 68 in the third quarter to 70 in the fourth quarter.

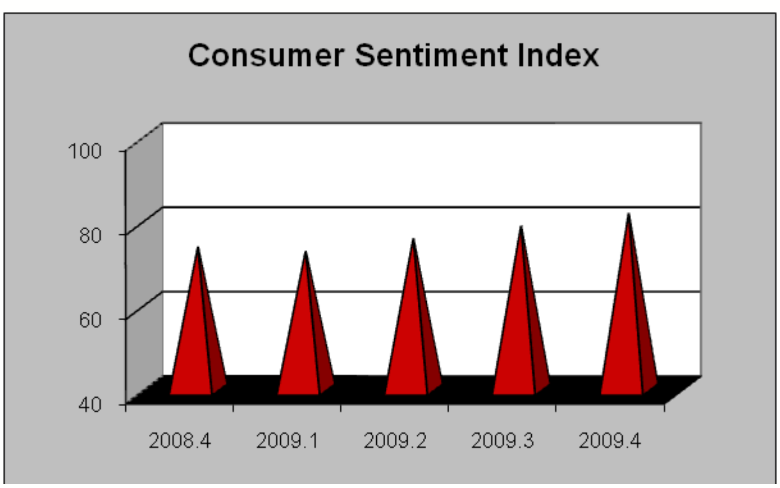
Although the Bakersfield index is conceptually similar to the University of Michigan's national index of consumer sentiment, their magnitudes cannot be directly compared. They have different base years and are tabulated from different questions using different formulas. Their relative performance is similar in that both the national and local indexes remain in their "bottom ten percent" of readings since CSUB began tabulating the local index in 1999.

CSUB compiles the Bakersfield index from telephone interviews of a random sample of households. The index is constructed to help local businesses compare national and local trends and to provide insight into whether a Bakersfield company's sales trajectory reflects industry trends or shifts in market share.

The Bakersfield index is disaggregated into sub-indexes reflecting financial outcomes over the previous 12 months and expectations for the coming year. The increase in the composite index resulted from small increases in both sub-indexes.

The sub-index measuring recent financial trends increased from 80 in the third quarter to 81 in the fourth quarter. The increase was attributable to a two percent increase in the percentage of households reporting their situation had improved (increase from 14 to 16 percent) and a four percent decline in the percentage reporting their acquaintances in Kern County became worse off in the past 12 months (decrease from 39 to 35 percent). Little else changed.

The sub-index reflecting expectations for the coming year increased from 77 to 83. The increase was attributable to less bearish attitudes toward borrowing or drawing down savings for consumer purchases. The percent who thought this is a safe time to borrow or draw down savings increased from nine to 13 percent, while the percent who indicated this is a risky time decreased markedly from 49 to 38 percent. There was little change in expectations for the coming year.




*(Continued on page 5)*

*Consumer Sentiment* *(Continued from page 4)*

| Table 1: Index Values | | | |
|---|---|---|---|
| | **Most Recent Quarter** | **Previous Quarter** | **One Year Ago** |
| **Bakersfield Consumer Sentiment Index** | **82** | **79** | **74** |
| Sub-index: Current Conditions | 81 | 80 | 62 |
| Sub-index: Future Expectations | 83 | 77 | 87 |

| Table 2: Recent Buying and Financial Trends | | | |
|---|---|---|---|
| | **More than usual** | **Same as usual** | **Less than usual** |
| Your recent spending on discretionary items (dining out, weekend outings, entertainment). | 18 % | 51 % | 31 % |
| | **Better off** | **Same** | **Worse off** |
| How your family is doing financially compared to one year ago. | 14 % | 53 % | 33 % |
| How your acquaintances in Kern County are doing financially compared to one year ago. | 12 % | 49 % | 39 % |

| Table 3: Future Expectations | | | |
|---|---|---|---|
| | **Better or more stable** | **About the same** | **Worse or more risky** |
| The most likely financial situation of your family one year from now | 17 % | 51 % | 32 % |
| | **Optimistic** | **Neutral** | **Fearful** |
| How your acquaintances in Kern County view the coming year. | 16 % | 55 % | 29 % |
| | **Safe time to buy** | **Neutral response** | **Risky time to buy** |
| Is now a safe or risky time for most people to use savings or incur debt to buy expensive goods? | 9 % | 42 % | 49 % |

*Businesses Confident* *(Continued from page 3)*

Likewise, 56 percent feel that economic conditions will be unchanged next quarter. However, 28 percent anticipate for the economy to get better and 16 percent feel conditions are likely to get worse.

Factors Affecting Business Outlook:

We asked business managers to identify factors that have affected employment and financial conditions of their companies. They felt several factors brightened the business outlook:

- The economy is improving
- Business sales are stabilizing
- Federal stimulus funds benefit the local economy

However, survey respondents expressed the belief that several factors darkened the business outlook:

- Unemployment is still high
- Credit continues to be tight
- The housing market is in a slump and foreclosure activity is high

# THE CEO PROFILE!

**Introduction**

Ed Taylor is the Community Banking President of the South Valley for Wells Fargo. He has been working in the financial sector for thirty years. He started with Bank of America, where he gained a foundation for understanding the operations side of the bank and working with tellers. He then moved to the relationship side and began working with customers that required financial counseling. In the late 1980s, he took on the role of Branch Manager with Guarantee Savings and, through mergers and acquisitions, he landed at Wells Fargo as a Business Banker. Shortly after joining Wells Fargo, he became a Branch Manager of a small branch office and was promoted to one of the larger offices in Fresno. Training, developing, and coaching teams about relationship banking led Ed to the position of Sales Manager and then a district manager of 5 banking offices. In 2003, he relocated to Bakersfield where he became the District Manager of 13 offices with over 200 team members and an asset base of $742 million. In 2005, he became the Community Banking President of the South Valley market which includes 3 districts, 314 team members, and an asset base of $1.3 billion. In 2009, his territory expanded to Kings County, Tulare County, Kern County, and East Los Angeles County. Ed's community involvement includes serving as the Board President of Foundation for Success, Board President of Senior Serve, and a board member on the Bakersfield Homeless Center, as well as serving on the CSUB President's Advisory Board.

**Interview**

**Could you give us a brief history of Wells Fargo?**

In 1852 Henry Wells and William Fargo founded Wells, Fargo & Co. to serve the West. The new company offered banking services (buying gold, selling paper bank drafts as good as gold) and Express Delivery of the gold and valuables using our Stagecoach system to "come through" for our customers. Wells Fargo opened for business in the gold rush port of San Francisco, and soon Wells Fargo's agents opened offices in the other new cities and mining camps in the West. Wells Fargo & Co. experienced their first bank merger in 1905 with Nevada National Bank of San Francisco and has merged throughout its history with banks like Crocker, First Interstate, Norwest, and most recently Wachovia. Helping our customers succeed financially has been the mainstay philosophy that has been consistent throughout our history.

**What are the major activities of Wells Fargo?**

Wells Fargo is a financial services company. From checking to lending, consumer to corporate, the bank helps its customers with a variety of financial needs. At Wells Fargo, we are a firm believer that building relationships and profiling our customer's to understand their financial needs; we can package products and services to meet those needs. They include mortgage lending, consumer credit, on-site and on-line banking, insurance services, and wealth management.

**How has Wells Fargo responded to the credit market crisis that banks have faced in recent years?**

Wells Fargo has continued to grow its market share and earn more customers, while undertaking the largest merger integration in U.S. banking history despite the challenging economy. Wells Fargo's average products per retail and commercial customer are at record highs. At the end of the third quarter of 2009, the bank recorded retail bank household cross-sell of products of 5.90 products per household, and one out of every four retail households had 8 products with the bank. Wachovia maintained its very high customer experience levels and had retail bank household cross-sell of Wachovia products of 4.65 products per household. Since October 2009, when Wells Fargo received its investment from the U.S. Treasury, Wells Fargo has extended more than $640 billion of credit to U.S. consumers and businesses – more than twenty-five times the amount of the investment in Wells Fargo.

"For the fourth quarter of 2009 and for the full year, Wells Fargo Bank delivered significant value for its customers, communities, shareholders, and country," said Chairman and CEO John Stumpf. "We thank our team of 281,000 [employees] for their dedication and steadfast focus on customers in 2009 as we continued the important integration of Wachovia into Wells Fargo. This merger, which essentially doubled the size of our company, has already generated tremendous synergies as we expand the time-tested Wells Fargo model to more cus-

*(Continued on page 11)*

# UNDERSTANDING OLDER WORKERS

*CRAIG W. KELSEY*
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PROFESSOR OF PUBLIC POLICY AND ADMINISTRATION, CSUB

The American workplace is experiencing significant change not only due to recession trends but the impact of the economy on the attitudes of the current work force. This is particularly true of the older worker. Current research by both the U.S. Bureau of Labor Statistics (www.bls.gov) and the Pew Research Center (www.pewsocialtrends.org) have revealed substantial shifts in the attitude and behavior of those workers age 55-plus.

Perhaps most startling is the expected percent of increase of workers 55-plus in the work force. Currently18.7 percent of the labor force is age 55-plus but will increase to 22.7 percent by the year 2016. The results from these studies indicate that 92.8 percent of the growth in the U.S. labor force from the year 2006 to 2016 will be workers age 55-plus.

There appears to be two reasons for this shift. The first is a matter of the population demographics in America today. The effect of the baby boomer generation (people born between 1946 and 1964) is starting to impact the retirement age group of the traditional age 65. There are simply more people in the population in that age bracket. The second reason is directed more at work related issues. For many in this age group there is a great need or desire to continue to work. These studies indicate that workers age 16-64 remain in the workforce due to need more than the 65+ age group. However, the older worker desires to continue to work compared to the traditional aged work force.

More than half of the workers age 65-plus desire to remain in the work force as opposed to a financial need. Of those older workers who need to remain working for financial reasons, women (25 percent) nearly double the need factor of men (12 percent). However, for those older workers who want to remain working, men (63 percent) have a greater interest than women (43 percent).

| AGE | NEED $ | DESIRE | BOTH |
|---|---|---|---|
| 16-64 | 49% | 20% | 31% |
| 65+ | 17% | 54% | 27% |

A large sample of American workers age 65-plus was asked to indicate their primary reason for remaining in the workforce. The following table presents the most common reasons given in descending order. Of the eight reasons the majority of workers considered being productive, independent, occupied, with others and to support themselves as the key reasons. Only in two categories did women feel stronger about the reason then men. That is in the areas of being with people and making a difference in society. When asked about the effects of the current economic recession on their retirement plans, the younger worker felt that to be a more significant reason to delay retirement. Sixty-three percent of the workers age 50-61 were thinking about a delay while 38 percent of workers 62-plus felt that a delay in their plans would occur. Women (72 percent) were more concerned than men (54 percent).

| Reason | Percent |
|---|---|
| Be useful/productive | 68 |
| To live independently | 59 |
| For something to do | 57 |
| To be with others | 56 |
| To support self/others | 53 |
| To improve society | 40 |
| To qualify for retirement | 35 |
| To qualify for health benefits | 24 |

For those workers who moved into retirement, the majority did so by their own decision. About one-third of the work force went into retirement due to health reasons. Approximately the same percent felt they were forced to retire or a combination of reasons required their retirement. An interesting note is that those workers, who

*(Continued on page 11)*

# Problems Facing California - Part 2

***Brandon Boggs***
Economics Student, CSUB Hawk Honors Program

If a person envisions California as portrayed in the movies, then perhaps they think clear skies, sunny beaches, enjoying a cold glass of water underneath the sun, and even all those California cars. However, movies are just movies. California is notorious for their fast cars and the abundance of makes and models that can be seen on the many freeways stretching across the state, but the truth is the number of cars in use is a direct factor to California housing some of the worst air quality in the nation. Transportation in the state is also the largest source of green house gas emissions, contributes the most smog-forming pollutants to the air, and causes high rates of respiratory illnesses.[1] California is by no means ignoring this problem. Upon implementation, the Global Warming Solutions Act of 2006 (GSWA) demands immense changes in the transportation sector.

As the state's population increases, vehicle miles traveled will continue to accumulate. The rise in vehicle miles traveled is expected to outstrip the rate of population growth. Between 1980 and 2006, the number of state highway lane miles grew 6 percent, contributing to increased congestion in metropolitan areas.[2] Increasing congestion is a huge financial and environmental cost to the state, leading to lost time, increased fuel consumption, and higher emissions.

The declining state budget and smaller revenues from taxes have impeded California's ability to make proper advances in transportation networks. While examining other issues facing California such as climate change, water issues, and population, it is clear that the state needs to reduce environmental effects of transportation, while improving mobility at the same time. To obtain these concurrently, innovations in technology, organization, and funding are needed.

To meet needs in growing transportation demand, California needs additional investments in roads and transportation alternatives. Exploration into alternative fuel and transportation technology requires new infrastructure as well. The state budget is in deficit and transportation funding is insufficient. Situations, in the short-run, can be resolved with general obligation bonds and federal stimulus funds, but new funding strategies are desperately needed in the long-run. Large cities are congested and densely populated. If more severe measures are not taken to improve congestion and public transportation does not catch on, then serious consequences are going to come in the form of shorter life expectancy and faster environmental decay.

Continuous increases of greenhouse gases from ever-increasing fossil fuel consumption would lead to climbing temperatures in the air and water. Global warming can have serious consequences on California. Increasing temperatures will result in more rain and less snow, which will diminish the reserves of water in the Sierra Nevada snowpack.[3] California is leading the way in efforts to retain water reserves by reducing emissions. The Global Warming Solutions Act of 2006 requires the state to reduce greenhouse gas emissions to 1990 levels by the year 2020. Such reductions are needed on a global level in order to alleviate the changes in the earth's climate. The state faces the challenge of finding the least expensive ways of reducing emissions and preparing for the climate changes already in progress.

The California Air Resources Board (CARB) is responsible for the GWSA of 2006. They have accepted a Scoping Plan, which will identify problems and the solutions needed in order to reach the 2020 goal. Many others are looking to California for examples of how to solve the global problems. However, some analysts have made strong criticisms against the Scoping Plan, because CARB has failed to realize the costs of many emission reduction actions and is not accounting for uncertainty. CARB has continued to take steps towards eliminating effects caused by transportation and emissions by setting new standards for passenger vehicles, creating partnerships to develop cap and trade programs, adopting new bills, and encouraging local governments to take action.

Due to the fact that climate change is a very slow process, California needs to begin preparing for the effects now. Effects of climate change are being seen all over the state. Animals that normally reside in southern California have been seen migrating to the upper regions of the state due to warmer temperatures. Sea levels have begun to rise as a result of melting snow. Sea level is projected to rise by 12 to

*(Continued on page 9)*

[1]Bedsworth, 26.
[2]Bedsworth, 26.
[3]Bedsworth, 6.
[4]Bedsworth, 7.

**Problems** *(Continued from page 8)*

55 inches by 2100. [4] This means that at the higher level of this range more than 1,700 miles of highways and homes are at risk of being swallowed by the ocean. The decreasing snowpack is reducing water storage and increasing the risk of flooding in the valley. The inconsistency of rainfall adds to the already pressing water problems that the state is facing. California is especially at risk of droughts and the destruction of Delta levees, which are needed for the state's water supply. The unstable climate change will result in many challenges to public health, such as the prolonged heat wave in 2006 resulting in 140 deaths.[5] More directly, plants and animals can become extinct and air quality is sure to worsen in the San Joaquin Valley and Los Angeles areas. This condition could bring about more regulations affecting the population, water, and transportation sectors of the economy.

As mentioned previously, the climate change makes certain aspects of the economy difficult to control, water management being one of them. California relies on a vast network of storage and conveyance facilities to provide water from the wetter parts of the state to areas with larger populations and intensive farming. While the population continues to increase, the amount of water available continues to be idle. Demand for water is predicted to increase even if efforts to reduce per capita use are successful. One pressing issue is the conflict between human water uses and that which is necessary to maintain fish and other wildlife.

The effects of climate change on the rising sea level threaten the weak delta levees that keep salt water from rushing into the Bay Area, Southern California, and the San Joaquin Valley. New environmental concerns continue to affect water supplies, as the collapse of some species has led to court-ordered cutbacks of pumping from the southern delta. These cut backs have greatly affected the San Joaquin Valley. Their water supply has been decreased greatly meaning less availability for agriculture, which then results in higher unemployment and rising prices. The San Joaquin Valley is the core for agricultural development and supplies in the state and even the country. However, with these new environmental restrictions, they are now forced to retrieve their water from further away. This means farmers are now paying more for less.

Many suggestions have been presented to deal with the current problems. Some believe that a peripheral canal would solve the problem by tapping water upstream on the Sacramento River and moving the water around the delta pumps. This type of system would be better for the fish, leaving them free from being trapped in the delta pumps. Along with this new canal, safeguards would be needed to guarantee that the canal is managed for environmental benefits. Fish managers are proposing they get a share of canal capacity as part of those safeguards.

California is lucky to have many options for meeting new demands with water conservation. The state has been building a portfolio of approaches rather than focusing on one single idea. California has the ability to choose between water marketing, underground storage, expanding surface storage, and investments in ground breaking ideas. While law makers and farmers are looking for ways to retrieve and maintain water, California has only just begun to address the extreme flood risk facing them. Since 2003 the state is considered liable for damages from failure of most Central Valley Levees, even those maintained by local agencies.[6] A legislature package passed in 2007 also requires that locals make landscaping decisions that will reduce flood risk to their homes.

Looking ahead, many steps are imperative in order for California to come out on top in 2025. The state has begun taking steps in implementing toll based express lanes in order to raise funds to address transportation problems that are directly affecting climate changes, which lead to our current water problems. Policy makers are suggesting increased gas prices, creating win-win policies for controlling emissions, and design policies to encourage innovation. Incentives are needed to encourage facilities to come up with creative innovations. New methods are needed to aid the efforts in reducing emissions and preparing for climate change. Near-term emission reductions need to be met, because climate change effects will not be seen until years down the road. If the state waits any longer, then the improvements won't be seen for even more time. Policies need to tap into local enthusiasms for undertaking climate action and continue to develop information to reduce policy uncertainties. As a result of the emissions affecting climate change, measures need to be made now in the water sector. The Delta crisis needs to be resolved, water efficiency incentives need to be implemented to encourage less water use, groundwater management needs to be strengthened, incentives need to be increased to lower flood risk exposure, and improvements need to be made in the state's response to the ever changing climate.

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[5]Bedsworth, 9.
[6]Bedsworth, 32.

# California's Green Economy

*Anastasiya Skirpnik*
Far Eastern National University, Vladivostok, Russia

When hearing the phrase *green economy*, not everyone understands what it implies. Often our knowledge of the *green economy* is limited to recycling of cans and bottles and to seeing windmills along the hills of California while driving from one city to another. Most of us associate this term with usage of environmentally-friendly products that do not generate pollution. However, the *green economy* requires a much broader understanding. It is a new approach to efficient usage of resources for prosperous development of the economy. Green is any activity or service that performs at least one of the following:

- Generating and storing renewable energy: *Green* jobs fueled, in part, by government policies supporting energy efficiency and adoption of alternative energy generated by wind, water, solar, biofuel, biomass, hydrogen fuel cells, and geothermal
- Recycling existing materials: Collecting and processing recyclable materials; running a recycling or wastewater plant; and organizing clean-up and remediation activities
- Energy efficient production manufacturing, distribution, construction, installation and maintenance: Companies involved in research, development, and manufacturing of products such as solar panels, energy efficient light bulbs, and vehicles. Construction companies that install and repair these products in new or existing residential or commercial real estate, as well as those which are involved in real estate planning and land development
- Education, compliance and awareness: Developing curricula for such activities as solar panel installation, energy auditing, sustainability management, and environmental careers, environmental consulting, governmental or legislative compliance, conservation and wildlife programs, trading and offsets and social assistance
- Natural and sustainable product manufacturing: Companies that supply products using natural materials and businesses that produce safe, nontoxic products and products made out of previously-recycled materials; and agricultural firms that practice sustainable farming

The goal of California's *green economy* is to achieve a cleaner, more sustainable environment, in terms of both producers and users of green or sustainable technology and energy. For this purpose in May 2009, the California Employment Development Department launched the Green Economy Survey, in which 51,100 employers representing all industries and regions took part. The survey objectives were to gather information on the number of green jobs; identify business practices applicable for this new policy; classify resources; and develop strategies to assist businesses in cutting costs by reducing fossil-fuel usage.

The green-job growth puts California at the forefront of a wide range of green technologies. Many regions are developing green-job clusters off existing strengths. The San Francisco Bay Area leads in alternative energy generation, mostly solar. San Diego is strong in co-generation technologies, such as turning waste heat into energy. Los Angeles and Orange counties excel in transportation, including electric vehicle. The Central Valley offer best practices in sustainable farming and renewable energy usage.

According to a study published by The Pew Charitable Trusts, California leads the nation in the number of *green* businesses and jobs and in the amount of venture capital investment in the *green economy*. In 2007, California's 12,209 *green* businesses supplied 125,390 jobs. In the state's *green economy*, job growth averaged 7.7 percent in 1998-2007 and venture capital investment totaled $6.6 billion in 2006-2007. California's *green economy* accounted for 15 percent of *green* businesses nationwide, 16.3 percent of jobs, and 52.4 percent of venture capital investment.

Sources:
California Labor Market Information, http://labormarketinf.edd.ca.gov
Julie Schmit, "California leads with 36% growth in 'green' jobs," *USA Today*, 12/0/2009
The Pew Charitable Trusts, "The Clesn Energy Economy: Repowering Jobs, Businesses and Investments Across America," 2009

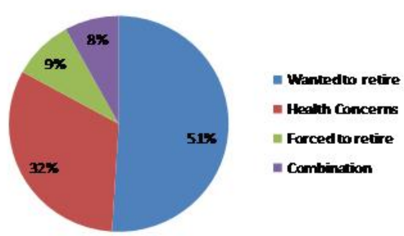

*(Continued on page 11)*

***Green Economy*** *(Continued from page 10)*

| | Investment in the Green Economy | | | |
|---|---|---|---|---|
| | Businesses | Jobs | Job Growth | Venture Capital |
| | 2007 | 2007 | 1998-2007 | 2006-2008 |
| California | 10,209 | 125,390 | 7.7% | $6,582,427,000 |
| Texas | 4,802 | 55,646 | 15.5% | $716,894,000 |
| Florida | 3,831 | 31,122 | 7.9% | $116,980,000 |
| New York | 3,323 | 34,363 | -1.9% | $209,590,000 |
| Pennsylvania | 2,934 | 38,763 | -6.2% | $232,897,000 |
| Ohio | 2,513 | 35,267 | 7.3% | $74,224,000 |
| Illinois | 2,176 | 28,395 | -2.5% | $108,519,000 |
| New Jersey | 2,031 | 25,397 | -9.6% | $282,568,000 |
| Washington | 2,008 | 17,013 | 0.5% | $635,109,000 |
| Michigan | 1,932 | 22,674 | 10.7% | $55,099,000 |
| | | | | |
| Rest of U.S. | 32,444 | 356,355 | - | 3,555,803,000 |
| U.S. | 68,203 | 770,385 | 9.1% | $12,570,110,000 |
| California / U.S. | 15.0% | 16.3% | - | 52.4% |

***Older Workers*** *(Continued from page 7)*

stay in the work force, are more satisfied with working than the workers of the traditional age group. There could be a number of reasons for this not the least of which is the quality of the work experience brought on by seniority




The American work force is graying in part due to natural demographic age shifts and in part due to the recession. For those workers who stay in the workforce it is more out of desire than need but this is more so for men than women. In general, older workers are satisfied with work and find their life more productive and meaningful. For those who retire it is generally out of choice but the recession is impacting decisions about delaying retirement.

.

| AGE | SATISFIED |
|---|---|
| 16-64 | 29% |
| 65+ | 54% |

***CEO Profile*** *(Continued from page 6)*

tomers and team members over a broader geography, including additional businesses that help customers succeed financially.

**How does Wells Fargo contribute to the community of Kern County?**

Wells Fargo follows the philosophy of giving back to the community. Wells Fargo Foundation dollars has supported many nonprofit organizations. Over the past five years that I have been the Community Bank President of the South Valley Market, I have helped distribute over $1.5 million to support organizations like Bakersfield Homeless Center, United Way of Kern County, Court Appointed Special Advocates, Community Action Partnership of Kern, and CSU-Bakersfield Foundation. The bank has also supported the Entrepreneurial Program with the Hispanic Chamber of Commerce with a large grant to educate and train young Hispanic business owners.

**What is the vision of Wells Fargo with respect to small business banking in Kern County?**

Our vision and values guide us. And, along with our time-tested business model, we believe – now more than ever – this provides us with a competitive advantage. Small business banking will be a focal point that can be great support in helping small businesses relaunch the growth needed in Kern County. The bottom line that we believe in is to focus on what we can control: satisfying all our customers' financial needs to help them succeed financially.

## Book Review

# Joseph M. Marshall, III, *The Power of Four: Leadership Lessons of Crazy Horse*

***Reviewed by Emerson D. Case***
Associate Professor of English, CSUB

**A special note:** Joseph M. Marshall, III, whose book *The Lakota Way* will serve as the 2009 CSUB *Runner Reader* selection, will give a talk on Wednesday, November 4th, 2009 in CSUB's Icardo Center. The event, which will also include a question-and-answer session and book signing, is free and open to the public.

In his previous books, such as *Walking with Grandfather* and *The Lakota Way*, noted Native-American writer Joseph M. Marshall, III turned for inspiration to the wisdom taught to him by tribal elders, especially his maternal grandparents, during his upbringing on the Rosebud Indian Reservation in South Dakota. In his latest book, *The Power of Four*, Marshall once again turns to Native American culture for insight, focusing his attention here on the important question of "What makes a leader?" Through an interesting and persuasive case study of the life of Crazy Horse, both on and off the field of battle, Marshall proposes a new vision of leadership, a provocative vision where "we must reassess our priorities in terms of what we expect from our leaders by redefining our idea of leadership altogether." Taken as a whole, *The Power of Four* has broad implications for those in politics, business, and education.

Marshall uses the first two sections of *The Power of Four* to establish the basis for his far-reaching vision, providing the reader with the historical and cultural background on which Lakota leadership was based. Traditional Lakota leadership, Marshall claims, was "leadership by example." Marshall urges us to separate leadership from simple "authority," a word which did not exist in the Lakota language. "Part of redefining leadership, then," Marshall argues, "is to divest ourselves of the notion that the only leaders are people in positions of authority, especially in public service." Marshall's vision is also one of the collective working together for the betterment of everyone. "The lesson here," he states "is that in order for societies, cultures, and nations to function and thrive, we must all aid and abet leadership on the side of morality, fairness, equality, and justice." It is here that Marshall is perhaps at his strongest, having examined Lakota society extensively in previous books.

In the main body of the book, Marshall works to establish four guiding principles of leadership. Under the first principle, *Know Yourself*, Marshall argues that effective leaders must be brutally honest with themselves about their strengths and weaknesses. "If we are honest with ourselves," he maintains, " we sooner or later realize that no matter what image we try to project to the rest of the world, we can only act and function from what we truly are." To help readers achieve this goal, Marshall has interspersed exemplifying stories and anecdotes, some of them traditional Native American tales that Crazy Horse himself would have heard many times as a young man, throughout *The Power of Four*. Thus, Marshall's intention is not to be directive. Rather, the author obviously sees his principles as developing organically, with readers' understanding developing naturally out of the examples and stories that he supplies. Marshall is fully aware that times have changed since the age of Crazy Horse; he argues, however, that these stories can still serve as "object lessons." The end result of this segment, then, becomes less a lesson on leadership than one on character development. It is clear that Marshall really sees these two aspects as flip sides of the same coin.

In the second and third principles, Marshall suggests that good leaders should *Know Your Friends* and *Know Your Enemies*. Contrary to what the titles would suggest, however, Marshall is not merely advocating figuring out who is or is not a friend/enemy. Rather, his intention is to get modern readers, who are often trapped in a world of "sealed off cubicles," to see the value of taking the time to assess the strengths and weaknesses of those around them. Marshall sees adversarial relationships as a natural part of life. "To survive and thrive," he writes, "we must

*(Continued on page 13)*

**Book Review** *(Continued from page 12)*

'know our enemies for what they are'." As in the previous section, it appears that Marshall's true intention is to advocate that we avoid making simple, first-impression assumptions about people; rather, we should take the time to get to know the underlying characters of those we works with or lead, to look for "common denominators" that can provide areas of strength, and to look for those who can readily adapt.

In the fourth principle, *Take the Lead*, Marshall attempts to answer the simple question "how?" Unfortunately for the reader, this ends up being the weakest facet of *The Power of Four*. For Marshall, the easy answer is "by example." What this naturally precipitates, however, since every situation requiring leadership is different, is a lack of specificity and detail. For Marshall's larger theory to work, though, it must grow organically out of the first three principles. While the initial principles do indeed grow fairly well out of the examples and stories he provides, his ideas do not come so readily out of the examples given in the final section, leaving the reader wanting more. Given how Marshall has developed his argument, however, this is somewhat understandable, and perhaps even unavoidable.

While comprehensive and well-thought out, Marshall's vision of "What makes a leader?" is unlikely to become foundational to the study of leadership or management. For that to happen, the world would need to undergo an extensive cultural shift, a reversion really, back to a time when people lived in "villages" and everyone knew everyone else (and by extension, everyone else's business). To his credit, Marshall is the first to admit that that is not likely to happen in this age of "complex technocracies" and "geographically splintered" families.

Still, Marshall cogently makes the argument that the principles that formed the foundation of Crazy Horse's leadership abilities continue to be applicable today, especially on the basis of the development of individual character. Indeed, it is the individual who will find this book the most beneficial, especially those just beginning to develop their own personal theories of leadership, as well as those looking to round out their understanding of what it takes to be a leader through the examination of alternative and/or more culturally-inclusive visions.

Concise and articulate, *The Power of Four* is without a doubt a call to action. That call to action, however, is neither aggressive nor demanding. Rather, Marshall seems to be practicing what he preaches, consciously "demonstrating" his principles of leadership through examples and stories. "Real leaders," the author writes, "say 'Follow me'." In the end, taking that journey with Marshall is worth the effort.

**At a Glance** *(Continued from page 2)*

and the index of prices farmers paid for their inputs climbed 1 point to arrive at 177. As a result, the parity between output prices farmers received and input prices farmers paid narrowed 3 points to reach 76.

The composite price index (2008.4 = 100) of the top five locally traded stocks declined 1.7 points from 88.0 to 86.3. Relative to four quarters ago, the composite price index of stocks for these *market-movers* edged 13.7 points lower. Average stock prices rose for Chevron Corporation U.S., Tejon Ranch Company, Wells Fargo Company, but fell for Granite Construction, and Sierra Bancorp.

## *Econ Brief*

### Local Economy Improving

The economy of the Bakersfield metropolitan area improved slightly, according to *MetroMonitor* of the Brookings Institute. That report focused on the nation's 100 largest metropolitan areas. Bakersfield was one of 66 metropolitan areas that saw output and employment decline at a slower rate in the third quarter of 2009 than in the second quarter. Bakersfield was also one of 56 metropolitan areas where automobile and transportation equipment manufacturing output grew at a faster rate in the third quarter than in the second quarter.

Relative to the national average, however, the Bakersfield metropolitan area recorded a faster employment loss, higher employment rate, and larger housing price depreciation rate.

In California, Fresno, Modesto, Ventura, Riverside/San Bernardino, Sacramento, San Jose, and Stockton were identified as the "Weakest Metros," while Bakersfield, Los Angeles, San Diego, and San Francisco were included in the "Second Weakest Metros" list.

# The Quality of Life in Kern County: An Update

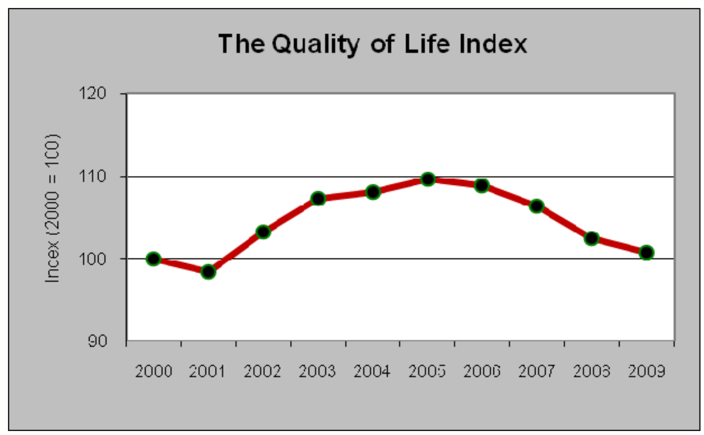
*Abbas Grammy*
Professor of Economics, CSUB

To measure the quality of life in Kern County, I collected data on twenty economic, social, and environmental indicators:

- **Per Capita Income**: Personal income per person in constant dollars
- **Economic Growth**: Percentage growth rate of total personal income
- **Housing Price**: Median sales price of all single-family homes in constant dollars
- **Taxable Sales**: Total taxable transactions in constant dollars
- **Labor Force Growth**: Percentage growth rate of the labor force
- **Nonfarm Employment Growth**: Percentage growth rate of nonfarm employment
- **Unemployment Rate**: Average annual rate of civilian unemployment
- **Class Size**: The pupil-to-teacher ratio
- **College Preparation**: Total score on the Scholastic Aptitude Test
- **Family Environment**: Percentage of mothers with "some" college education
- **Language Proficiency**: Enrollments with limited English proficiency per 10,000 students
- **Medical Services**: Number of physicians per 10,000 persons
- **Infant Survival**: Percentage of live births reaching first birthday
- **Drug Use**: Number of admissions for drug and alcohol treatment per 10,000 persons
- **Public Assistance**: Family assistance per capita in constant dollars
- **Public Health**: Percentage of population eligible for Medi-Cal
- **Crime Rate**: The FBI crime index
- **Air quality**: Number of days that the ozone level exceeds the federal 8-hour standard
- **Public Safety**: Expenditures on police and fire protection per capita in constant dollars
- **Road conditions**: Average number of accidents per year divided by the segment length in miles

I have chosen the year 2000 as the *base-year*, for which the index value is 100. For the years following 2000, I adjusted the base-year value by the percentage *change* relative to 2000. To correct for missing data points, I adjusted the previous year index value by its *average change* for the available data. I converted individual indicators into index values with special care because the ascending-order of the data measures improvement for some indicators, but deterioration for others. Then, I averaged values of these indices to construct a composite Quality of Life Index (QLI).

In the brief recession of 2001, the QLI fell from 100 to 98. In the ensuing expansion, however, the QLI gradually climbed to 110 in 2005. As the expansion turned into a contraction, the QLI showed a falling trend, reaching 101 in 2009.




The key to achieving and sustaining economic development for Kern County requires policies of economic, social, and environmental investment including:

- Accelerate economic growth and discourage population growth
- Support business investment including retention and relocation
- Invest in labor force development
- Improve high school graduation and college preparation
- Advance female education, child care, and immunization
- Invest in drug and alcohol abuse education and prevention
- Support welfare-to-work transition
- Invest in crime prevention and after school education
- Encourage recycling and invest in pollution abetment
- Secure sufficient funding for public safety
- Invest in road maintenance and improvement

# Tracking Kern's Economy

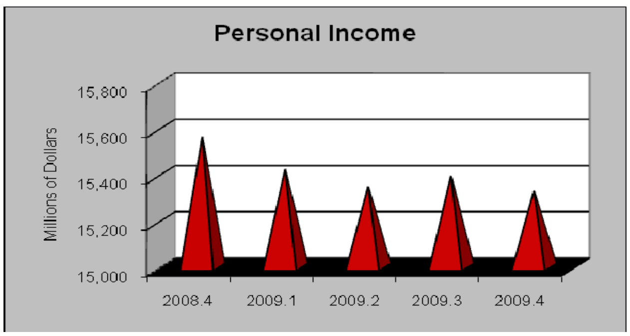
2009 Fourth Quarter

*Abbas P. Grammy*

Professor of Economics, CSUB

## Economy

**Personal Income -** Kern County's personal income (in constant 1996 dollars) declined from $15.39 billion in the third quarter to $15.33 billion in the fourth quarter of 2009. The county's economy lost nearly $65 million of income this quarter. This quarter's personal income was $235 million lower than that of four quarters ago.




**Growth of Personal Income -** Because of an unexpected loss of jobs, rise in unemployment, and large number of homes lost to foreclosure, Kern's personal income fell at an annual rate of 1.5 percent this quarter, which was 2.7 percent less than the previous quarter. However, the rate of economic growth was up 2.7 percent compared with four quarters ago.

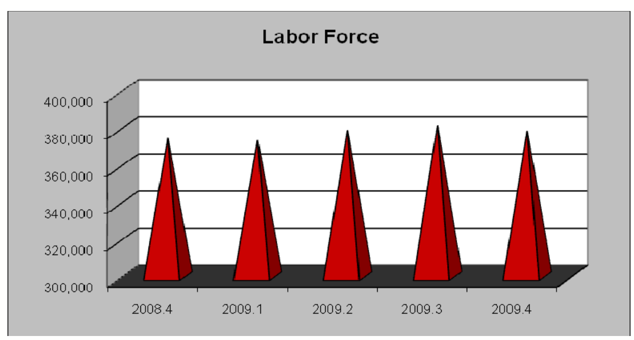

**Personal Income Per Worker -** By and large, the loss of personal income was offset by a sizable decline of the labor force. As a result, personal income per worker increased $100 from $40,400 in the third quarter to $40,500 in the fourth quarter of 2009. Nevertheless, personal income per worker was down $1,100 relative to that of four quarters ago.


## Labor Market

We have adjusted labor market data for seasonal variations and report the quarterly changes for major labor market indicators below:

| Labor Force | Total Employment | Total Unemployment | Farm Employment | Nonfarm Employment | Private-sector Employment | Public-sector Employment |
|---|---|---|---|---|---|---|
| -2,900 | -5,800 | 2,900 | -8,000 | 3,500 | -400 | -2,900 |

**Labor Force -** The civilian labor force decreased by 2,900 workers from 381,400 in the third quarter to 378,500 in the fourth quarter of 2009. However, the labor force has increased by 4,000 workers since the fourth quarter of 2008.

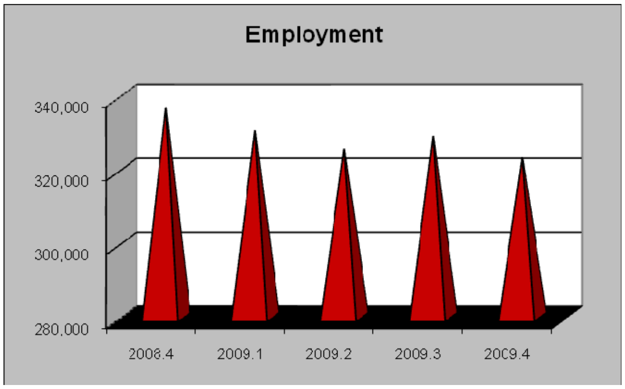


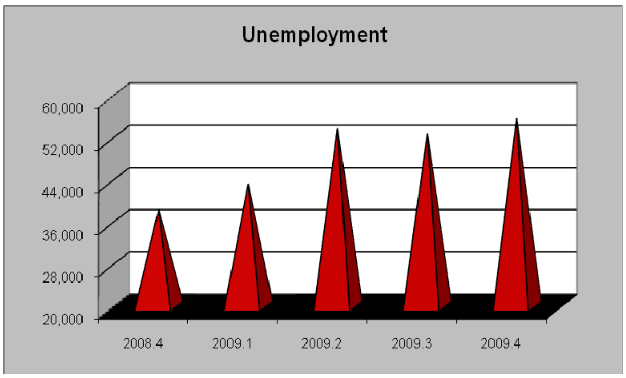

**Employment -** In the fourth quarter of 2009, Kern County's economy lost 5,800 jobs as total employment declined from 329,200 to 323,400. Likewise, the county employed 13,500 less workers relative to the fourth quarter of last year.

**Unemployment -** The number of jobless workers increased by 2,900 as unemployment rose from 52,800 in the third quarter to 55,700 the fourth quarter of 2009. Similarly, 17,500 more workers were unemployed this quarter than four quarters ago.

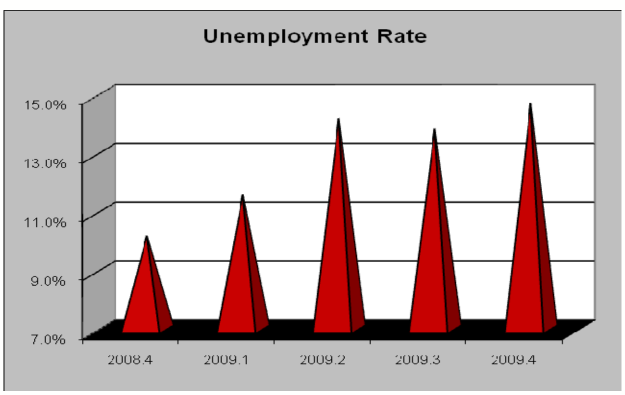
*(Continued on page 16)*

***Tracking*** *(Continued from page 15)*



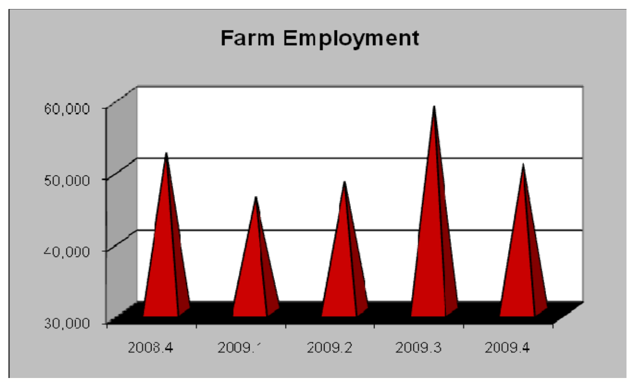

**Unemployment Rate -** The rate of unemployment climbed 0.9 percent from 13.8 in the third quarter to 14.7 in the fourth quarter of 2009. Relative to four quarters ago, this quarter's unemployment rate was 4.5 percent higher.




Using non-seasonally-adjusted data, the rate of unemployment varied considerably across cities. It ranged from 6.3 percent in Kernville to 37.2 percent in Arvin. In Bakersfield, the rate of unemployment was 10.6 percent.

| Unemployment Rate of Cities | | | |
|---|---|---|---|
| Location | Unemployment Rate (%) | Location | Unemployment Rate (%) |
| Kernville | 6.3 | Oildale | 15.8 |
| Lebec | 6.8 | Lake Isabella | 18.0 |
| Ridgecrest | 8.7 | Mojave | 18.6 |
| Tehachapi | 10.2 | Shafter | 25.8 |
| Inyokern | 10.3 | Lamont | 26.0 |
| Bakersfield | 10.6 | Wasco | 26.8 |
| California City | 11.9 | McFarland | 29.9 |
| Rosamond | 12.3 | Delano | 36.4 |
| Frazier Park | 13.2 | Arvin | 37.2 |
| Taft | 14.7 | | |
| Note: City-level data are not adjusted for seasonality. | | | |

**Farm Employment -** In the fourth quarter of 2009, Kern County lost 9,000 farm jobs as employment decreased from 58,900 to 50,900. Likewise, the county's farm employment this quarter was 1,500 less than that of four quarters ago.




**Nonfarm Employment -** Kern County gained 3,500 jobs in the market for nonfarm labor. The number of jobs in this market increased from 237,700 in the third quarter to 241,200 in the fourth quarter of 2009. However, nonfarm industries have employed 5,400 less workers this quarter relative to that of the fourth quarter of 2008.

A wide range of industries added jobs this quarter including wholesale trade, retail trade, transportation, financial activities, professional and business services, health care and social assistance, and public education. In the meantime, the following industries reduced employment: construction, manufacturing, leisure and hospitality, and state, county, and city governments.

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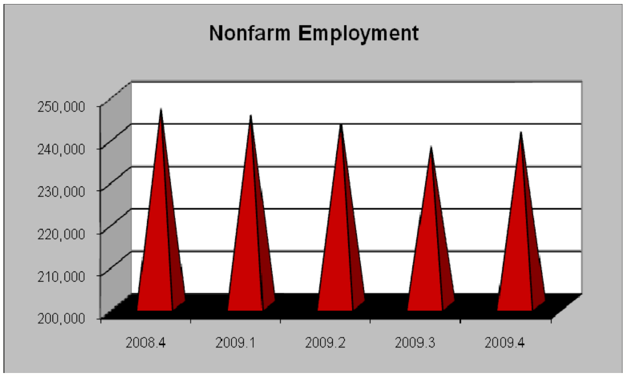
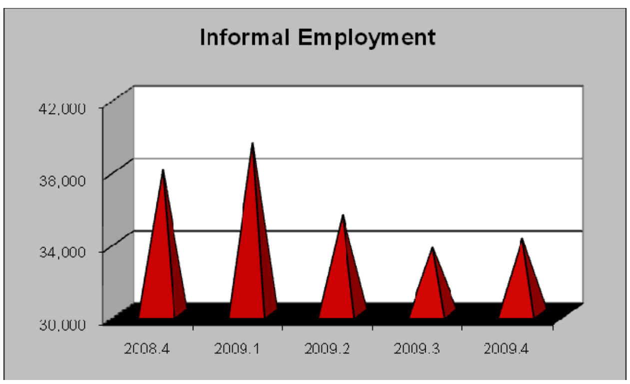
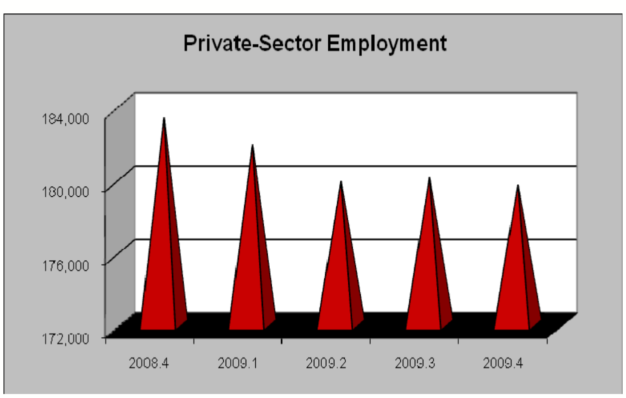


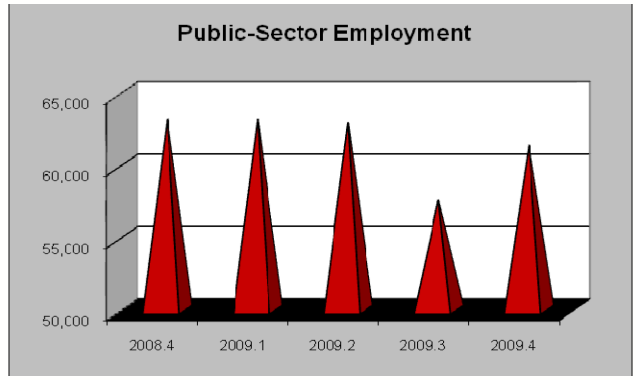

**Informal Employment -** Informal employment is the difference between total employment and industry employment. It accounts for self-employed workers and those who work outside their county of residence. In the fourth quarter of 2009, the number of workers engaged in this market increased by 500 from 33,710 to 34,210. Nonetheless, the informal labor market had 3,800 less jobs relative to the fourth quarter of last year.




**Private-sector Employment -** Nonfarm employment is comprised of private-sector employment and public-sector employment. In the fourth quarter of 2009, private companies cut 400 jobs as their employment fell from 180,100 to 179,700. Likewise, the private sector offered 3,700 less jobs than that of four quarters ago.

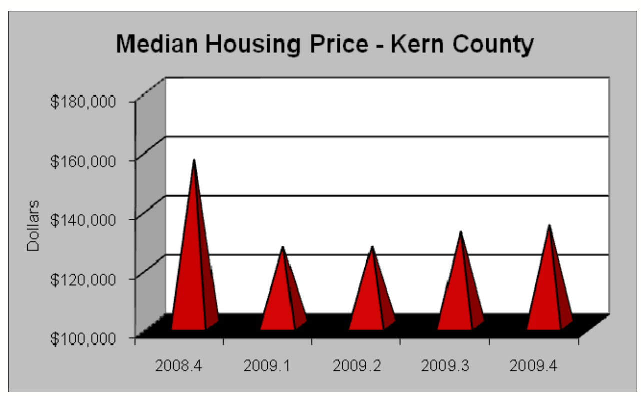



**Public-sector Employment -** The public sector consists of federal, state, and local government agencies. The local government labor market includes county and city agencies and public education. In the fourth quarter of 2009, government agencies added 3,800 jobs as their employment inclined from 57,600 to 61,400. However, the public sector employed 1,800 less workers relative to four quarters ago.




## Housing Market

**Housing Price -** In the fourth quarter of 2009, Kern County's housing market continued to improve. The median sales price for all residential units appreciated $2,300 (or 1.7 percent) from $132,000 to $134,300. Still, the county's median housing price was $22,200 (or 14.2 percent) lower than that of four quarters ago.

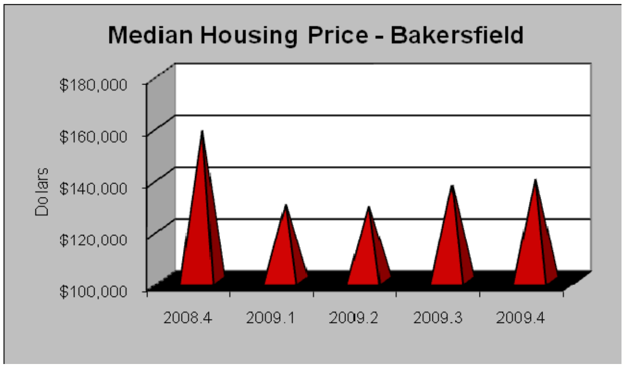



Likewise, the median housing price appreciated $2,300 (or 1.7 percent) from $137,200 to $139,500 in Bakersfield. Nevertheless, the city's median housing price was $18,800 (or 11.9 percent) lower than that of four quarters ago.

Housing price changes varied across the county. Among selected locations shown below, the median sales price appreciated in Bakersfield, Delano, Ridgecrest, Rosamond, and Tehachapi.

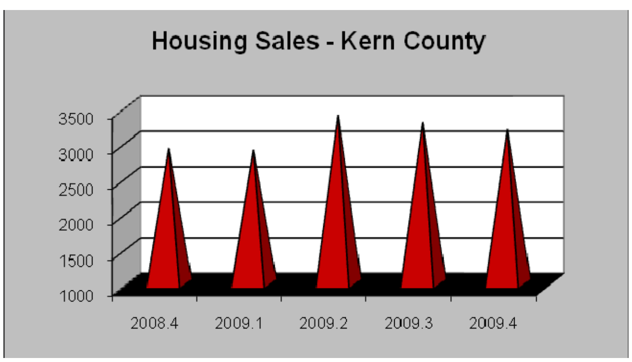
*(Continued on page 18)*

***Tracking*** *(Continued from page 17)*

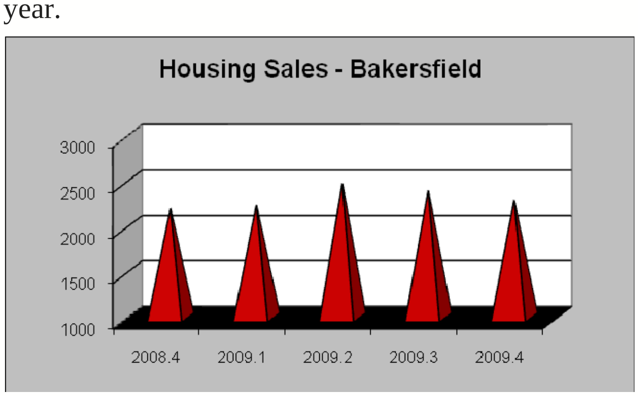



| Location | Median Price 2009.3 | Median Price 2009.4 | Price Change | Price Change |
|---|---|---|---|---|
| Kern County | $132,000 | $134,300 | $2,300 | 1.7% |
| Bakersfield | $137,200 | $139,500 | $2,300 | 1.7% |
| California City | $73,500 | $59,600 | -$13,900 | -18.9% |
| Delano | $98,500 | $126,700 | $28,200 | 28.6% |
| Ridgecrest | $141,800 | $151,100 | $9,300 | 6.6% |
| Rosamond | $118,200 | $125,500 | $7,300 | 6.2% |
| Taft | $165,500 | $186,200 | $20,700 | 12.5% |
| Tehachapi | $184,300 | $165,500 | -$18,800 | -10.2% |

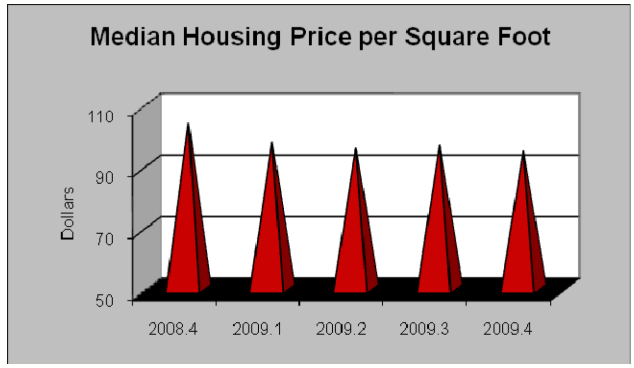
**Housing Sales -** In Kern County, 100 less homes were sold as the number of residential units sold declined from 3,290 in the third quarter to 3,190 in the fourth quarter of 2009. However, 269 more homes were sold this quarter relative to the fourth quarter of last year.



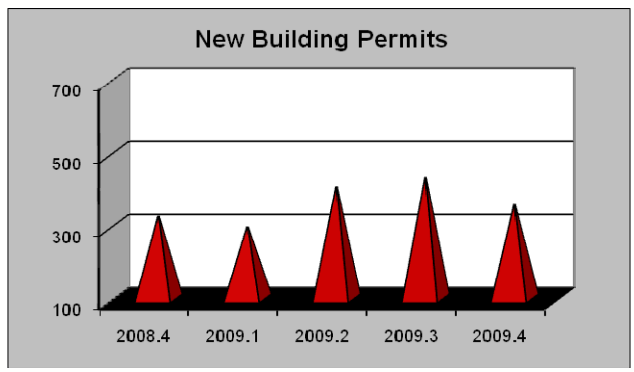

In Bakersfield, 105 less homes were sold as sales of all residential units fell from 2,400 in the third quarter to 2,295 in the fourth quarter of 2009. Still, 93 more homes were sold this quarter relative to the fourth quarter of last year.



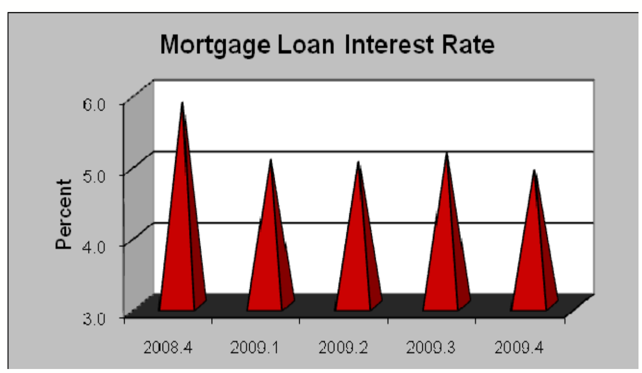

**Median Housing Price per Square Foot -** The median sales price per square foot of housing area declined $2 from $97 in the third quarter to $95 in the fourth quarter of 2009. Similarly, the median housing price per square foot has dropped $9 since the fourth quarter of last year.




**New Building Permits -** In the fourth quarter of 2009, the number of building permits issued for the construction of new privately-owned dwelling units declined by 74 from 432 to 358. However, 32 more building permits were issued this quarter relative to four quarters ago.



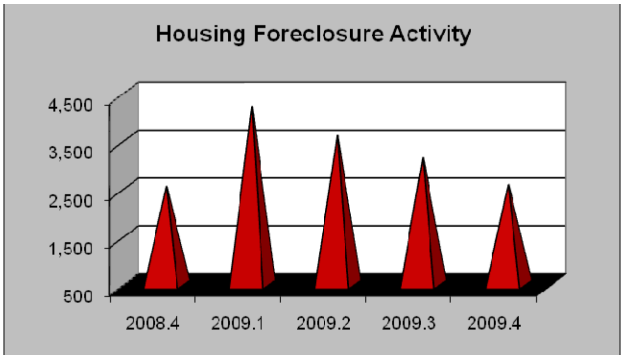

**Mortgage Interest Rate -** In the fourth quarter of 2009, the interest rate of thirty-year conventional mortgage loans decreased from 5.16 to 4.92 percent. The mortgage loan interest rate has fallen 0.95 percent since the fourth quarter of last year.




**Housing Foreclosure Activity -** In the fourth quarter of 2009, the county's foreclosure activity slowed from 3,166 to 2,602. As a result, 564 (or 17.8 percent) less homeowners received notices of loan default from their

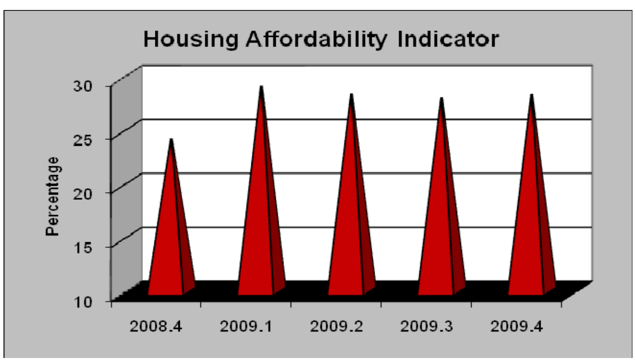
*(Continued on page 19)*

mortgage bankers. However, the number of default notices was up by 36 (or 1.4 percent) relative to the fourth quarter of last year.




Of these 2,602 homeowners receiving loan default notices 1,777 (or 68.3 percent) lost their homes to foreclosure. The number of homes lost to foreclosure declined 4.2 percent from 1,855 in the third quarter to 1,777 in the fourth quarter of 2009. Nevertheless, 265 more homes were lost to foreclosure this quarter relative to the fourth quarter of 2008.

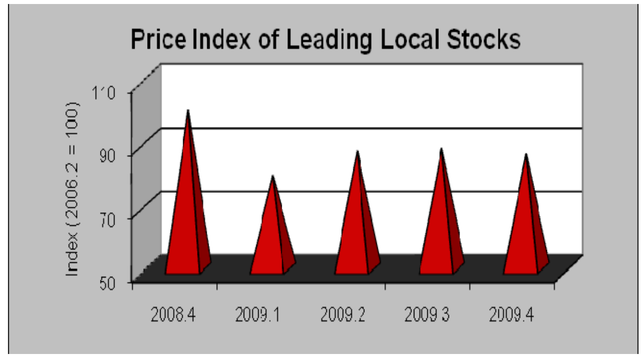
**Housing Affordability -** The housing affordability indicator improved from 28.0 percent in the third quarter to 28.3 percent in the fourth quarter of 2009. Likewise, the indicator was up 4.1 percent this quarter relative to four quarters ago.

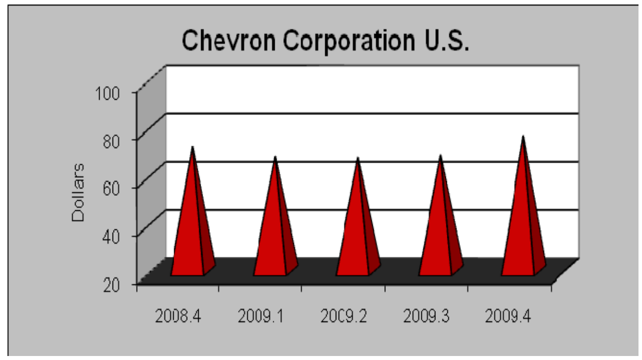



## Stock Market

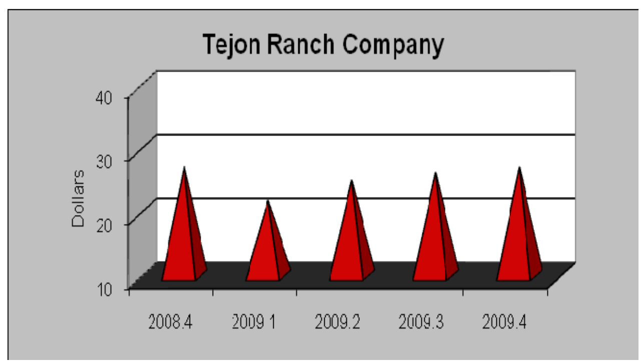
In the fourth quarter of 2009, the composite price index (2008.4 = 100) of the top five locally traded stocks declined 1.7 points from 88.0 to 86.3. The index was 13.7 points lower than that of four quarters ago. These top five local *market-movers* are Chevron Corporation, Tejon Ranch Company, Granite Construction, Wells Fargo Company, and Sierra Bancorp.

**Chevron Corporation US**: CVX gained $8.08 (or 11.8 percent) per share as its price jumped from $68.50 in the third quarter to $76.58 in the fourth quarter of 2009. However, CVX has lost $4.42 (or 6.1 percent) since the fourth quarter of 2008.

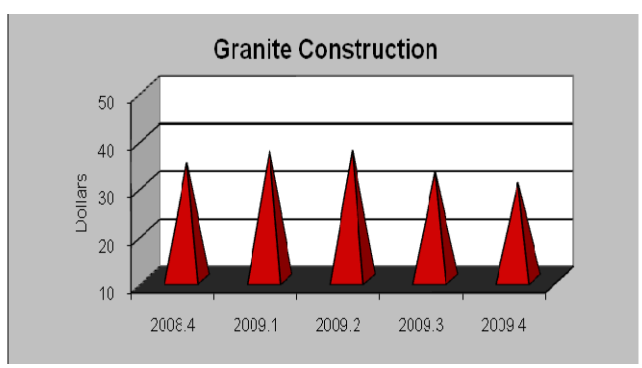



**Tejon Ranch Company:** TRC made 84¢ (or 3.2 percent) per share as its stock value rose from $26.22 in the third quarter to $27.06 in the fourth quarter of 2009. However, TRC was down 12¢ (or 0.4 percent) relative to the fourth quarter of 2008.




**Granite Construction:** GVA lost $2.27 (or 6.9 percent) per share in the fourth quarter of 2009 as its stock price fell from $32.77 to $30.50 per share. Likewise, GVA has gone down $4.20 (or 12.1 percent) since the fourth quarter of 2008.

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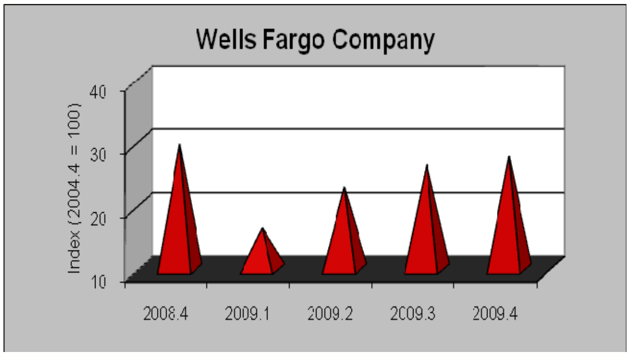
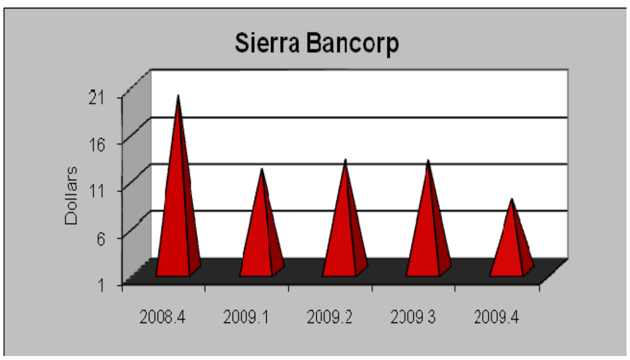
**Tracking** *(Continued from page 19)*

**Wells Fargo Company:** WFC gained $1.34 (or 5.1 percent) per share as its stock price rose from $26.49 in the third quarter to $27.83 in the fourth quarter of 2009. However, WFC has gone down $1.84 (or 6.2 percent) since the fourth quarter of 2008.

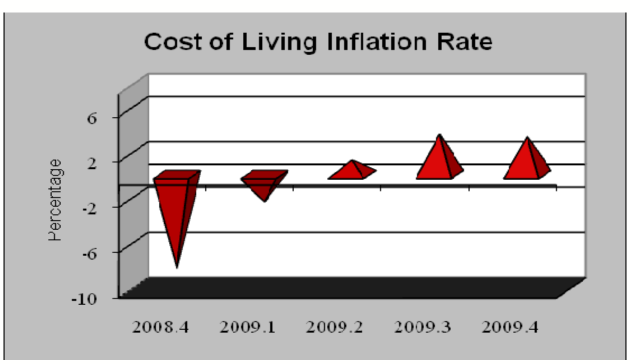



**Sierra Bancorp:** BSRR lost $4.15 (or 32.2 percent) per share as its price fell from $12.88 in the third quarter to $8.73 in the fourth quarter of 2009. Similarly, BSRR has gone down $11.11 (or 56.0 percent) since the fourth quarter of 2008.

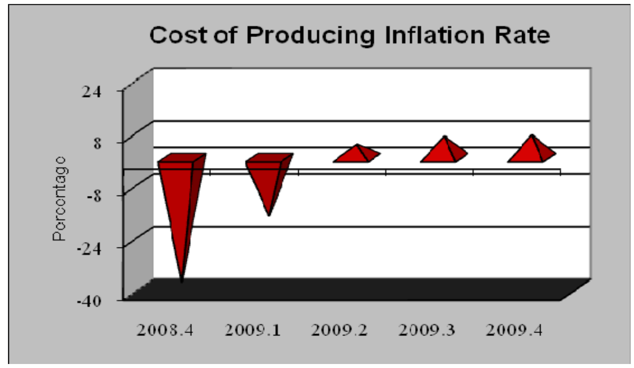



## Inflation

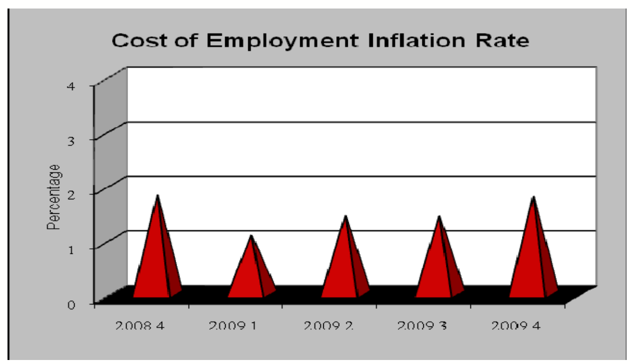
**Cost of Living -** The Consumer Price Index for all urban areas (1982-84 = 100) inclined from 215.2 in the third quarter to 217.1 in the fourth quarter of 2009. As a result, inflation for the cost of living accelerated at an annual rate of 3.4 percent. Nevertheless, the cost of living inflation rate was 11.7 percent higher than that of four quarters ago.




**Cost of Producing -** The Producer Price Index for all commodities (1996 =100) climbed from 174.1 in the third quarter to 177.0 in the fourth quarter of 2009. The inflation rate for cost of producing accelerated at an annual rate of 7.1 percent. The cost of producing inflation rate was 44.9 percent higher than that of four quarters ago.




**Cost of Employment -** The Cost of Employment Index (December 2005 = 100) increased from 110.7 in the third quarter to 111.2 in the fourth quarter of 2009. The inflation rate for the cost of employment rose at a rate of 1.8 percent, 0.4 percent higher than the previous quarter. Likewise, the employment cost inflation rate was 1.6 percent higher than that of four quarters ago.




## Commodity Prices

**Price of Oil -** The average price of San Joaquin Valley heavy crude was up $8.01 (or 15.2 percent) per barrel from $60.18 in the third quarter to $68.19 in the fourth quarter of 2009. Likewise, the average price of crude oil was up $23.11 (or 21.9 percent) per barrel this quarter relative to the fourth quarter of 2008.

**Price of Gasoline -** In the Bakersfield metropolitan area, the average retail price of regular gasoline per gallon fell 20¢ (or 7.5 percent) per gallon from $3.08 in the third quarter to $2.88 in the fourth quarter of 2009. Compared with the fourth quarter of last year, however, the average gasoline price was up 46¢ (or 11.3 percent).

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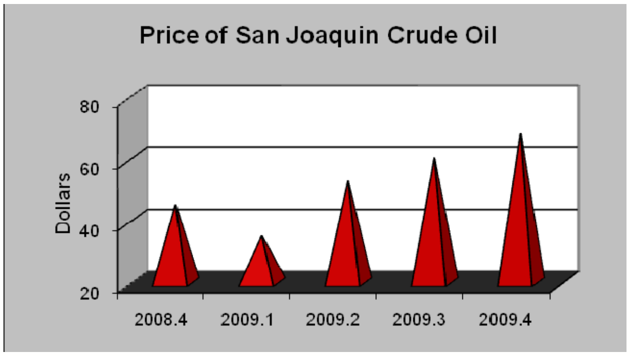
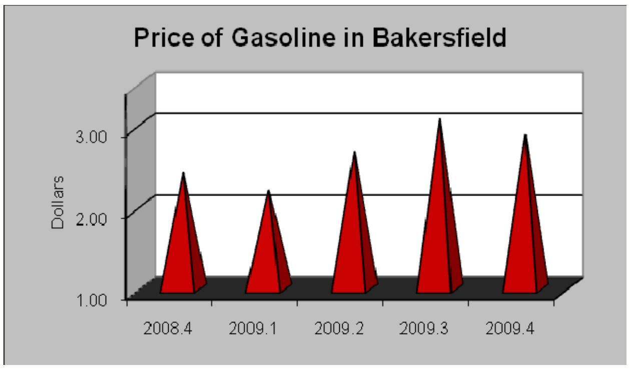
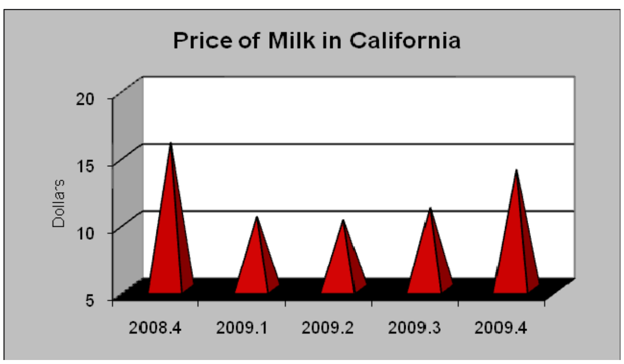
*Tracking* *(Continued from page 20)*

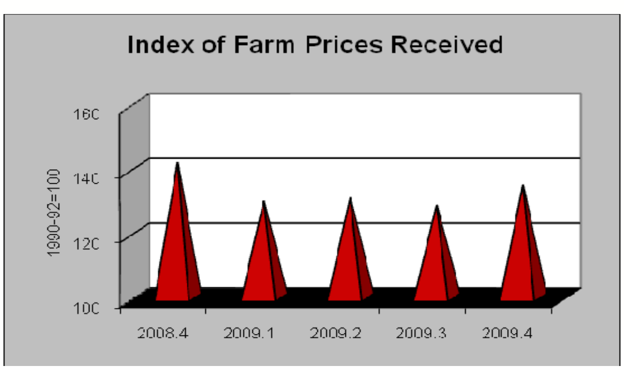


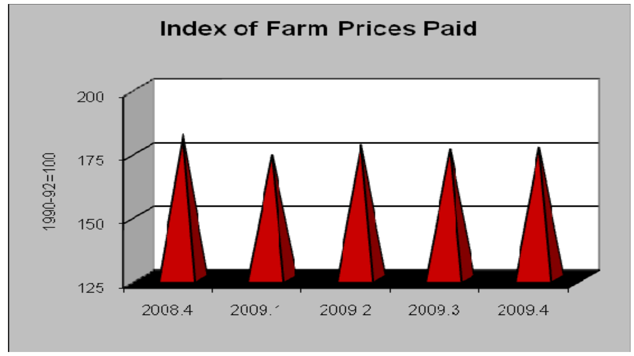

**Price of Milk -** The average price of California's Class III milk increased $2.87 per cwt (or 28.1 percent) from $11.09 in the third quarter to $13.96 in the fourth quarter of 2009. However, the unit price of milk has gone down $1.99 (or 11.5 percent) since the fourth quarter of 2008.



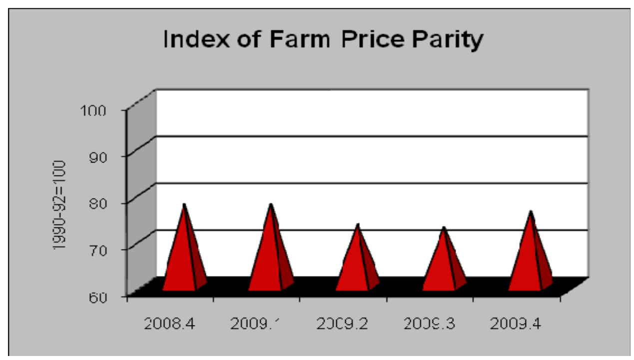

**Farm Prices -** In the fourth quarter of 2009, the national Index of Prices Received by Farmers for all farm products (1990-92 = 100) climbed 6 points to arrive at 135. However, this index was 7 points lower than that of four quarters ago.




The national Index of Prices Paid by Farmers for commodities, services, interest, taxes, wages, and rents inclined 1 point to reach 177. Nevertheless, the index has lost 5 points since the fourth quarter of last year.




The Index of Farm Price Parity is the Index of Prices Received by Farmers as a percentage of the Index of Prices Paid by Farmers. In the fourth quarter of 2009, the Index of Farm Price Parity improved 3 points from 73 to 76. However, the gap between prices paid and prices received by farmers widened 2 points since the fourth quarter of 2008.



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