FOLSOM ECONOMIC DEVELOPMENT AND INDUSTRY STUDY

Prepared for

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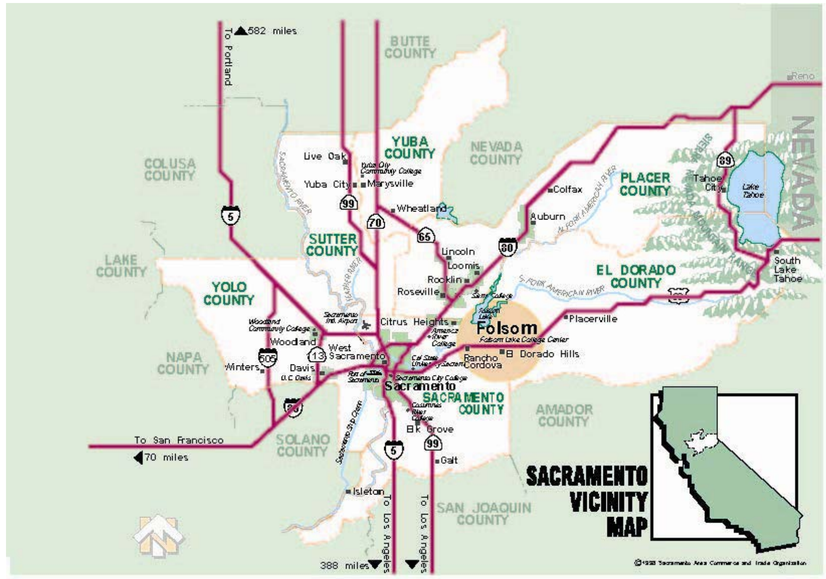
Executive Summary

The Sacramento Region is surfacing as an extended metropolitan area encompassing a number of economic nodes. The Region has developed relatively strong economic vitality based in the central city as well as its economic nodes. The City of Folsom is housed within a key node in the Sacramento Region, Folsom-Rancho Cordova. This node is poised to capture population and business growth and continue to serve as an important economic engine for the Region.



While the City of Folsom has seen strong levels of population and employment growth over the past 10 years, the City has not created employment opportunities at the same level it has been attracting population and the related housing development. Nevertheless, the City of Folsom has become an important employment center within the Sacramento Region, and, as mentioned above, is serving as the core of an extended employment and economic node. Its economic growth has become important to the entire Region, and like the Region, is on the verge of economic structural changes that will determine its economic path for future decades.

This Economic Development and Industry Study provides a strong technical analysis of economic development and industry recruitment potential in the City, but Folsom faces potential external "wild cards" that may directly affect the implementation of many of the findings in the report. These external "wild cards" present both challenges and opportunities for the Folsom-Rancho Cordova node and demonstrate that while the economic node has high development potential, the actual effects within the City of Folsom may be limited and development may flow to areas within Folsom's sphere of influence, other cities in the node, or the extended Highway 50 corridor. The "wild cards" include:

- Health Care. The Sacramento Region has continuously created a demand for health care services especially in the developing areas. This demand requires the development of additional health care facilities throughout the Region. Folsom has already captured some of this potential in Kaiser Permanente's large medical office and hospital expansion plans.
- Higher Education. Higher education presents a key opportunity in the Sacramento Region, which is in a position to develop additional educational institutions to provide services to the growing population and develop the

Region's labor force. Folsom Lake College, part of the Los Rios Community College District, has plans to develop its campus further and increase its course offerings.

- Entertainment. The Sacramento Region is lacking a large entertainment complex that could increase the quality of life of its many residents. The development of entertainment services could take many forms such as recreation facilities, concert halls, or theme parks. Some of the larger economic nodes in the Region present strong opportunities to house large entertainment complexes.
- Limited Available Industrial Land. The City of Folsom is faced with a challenge that could significantly impact its economic development activities and its future economic composition—the limited availability of industrial land.

Folsom's current economic composition is heavy on retail and personal services, which do not bring net new wealth into the City or Region and are limiting Folsom's economic diversity. Additionally, the City's economic base is dominated by three companies, which have experienced relatively limited growth in recent years—Kikkoman Foods, Intel Corporation, and the California Independent Systems Operator. The economic future of the City of Folsom may be significantly different from its current structure.

The Sacramento Regional Research Institute's (SRRI) technical study of economic development potential in the City of Folsom identified 10 key industries with potential clustering effects in many instances. These 10 industry sectors include:

1. Accounting, Auditing, and Bookkeeping
2. Advertising
3. Alcohol and Spirits Manufacturing
4. Business Services
5. Communications Equipment and Apparatus.
6. Computer and Data Processing Services
7. Computer and Electronic Equipment and Devices.
8. Educational Services
9. Medical Equipment and Devices.
10. Water Supply, Refuse, and Wastewater Treatment Systems.

Five of the industries are service-related while the other five are manufacturing-related. Although the analysis of industry employment data demonstrates that these sectors present opportunities for the City, external factors along with the limited availability of industrial land may inhibit the economic development strategies for implementing these findings.

SRRI's survey of businesses in Folsom revealed the following:

- Nearly 66 percent (46 respondents) of the businesses originated in Folsom while just over 34 percent (24 respondents) relocated to the City from elsewhere. The average length of time businesses have been in Folsom is about eight years.

- Approximately 63 percent of the responding businesses' major customer base comes directly from Folsom while about 39 percent have major customers within the Sacramento Region.
- Close to 86 percent of all respondents were very to moderately satisfied with the City of Folsom as a place to do business. None had strong dissatisfaction with the City of Folsom in terms of its business environment. Ratings for the City government's involvement in promoting business demonstrated approximately 9 percent moderately to very dissatisfied with nearly 40 percent having a medium level of satisfaction, and 20 percent of businesses were very satisfied with Folsom's government activities.
- In terms of future business growth expectations within the next 5 to 10 years, the overall feeling among Folsom businesses was positive. Eighty percent stated that they would see moderate to significant product and service expansion in the next 5 to 10 years, just over 67 percent felt they would increase their employee base, and 34 percent could see expanding their businesses' square footage.
- The two most widely stated locational advantages of the City were the community qualities of Folsom and access to markets and customers. Close to 63 percent of the businesses noted the community qualities of the City. These respondents noted the small town atmosphere and values found in the City as well as a high feeling of safety. Access to markets and customers was noted by 57 percent of businesses as one of the reasons for giving Folsom a high business evaluation.

The analysis conducted for this study brought forth a large number of key findings related to economic development in the City of Folsom. These findings are based technical evaluations of data and survey responses; however, there is a compelling need to construct economic development strategies to identify comprehensive and potential implementation plans based on technical information along with other important internal and external factors.

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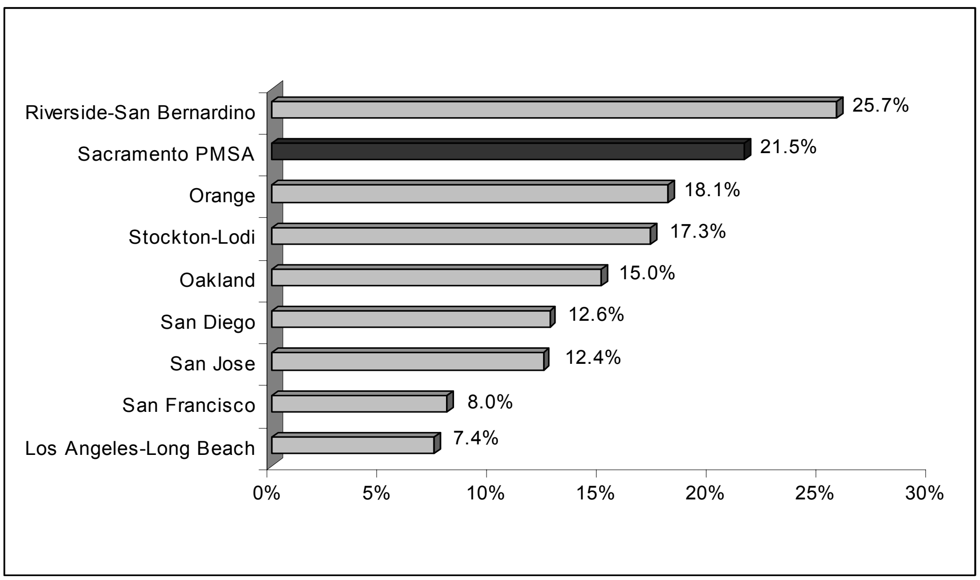
Introduction

Sacramento Region

The Sacramento Region is one of the fastest growing metropolitan areas in California both in terms of population and employment. Its economic nodes, including the City of Folsom, have made major contributions to that growth.

Both Sacramento and Riverside-San Bernardino have been experiencing similar trends over the past decade—a shift in demographic and economic growth from the costal to inland areas of California. This growth has created tremendous opportunities for the Sacramento Region and its major cities. Figures 1 and 2 illustrate the population and employment growth rates within the major Metropolitan Statistical Areas (MSAs) in California and show that, in both cases, the Sacramento PMSA (El Dorado, Placer, and Sacramento Counties) ranks second among the MSAs and falls behind Riverside-San Bernardino.

FIGURE 1
1990 TO 2000 POPULATION GROWTH RATE COMPARISONS
MAJOR CALIFORNIA METROPOLITAN AREAS



Sacramento Regional Research Institute, September 2003
Data Source: US Census Bureau, 1990 and 2000 Census

FIGURE 2
1990 TO 2000 EMPLOYMENT GROWTH RATE COMPARISONS
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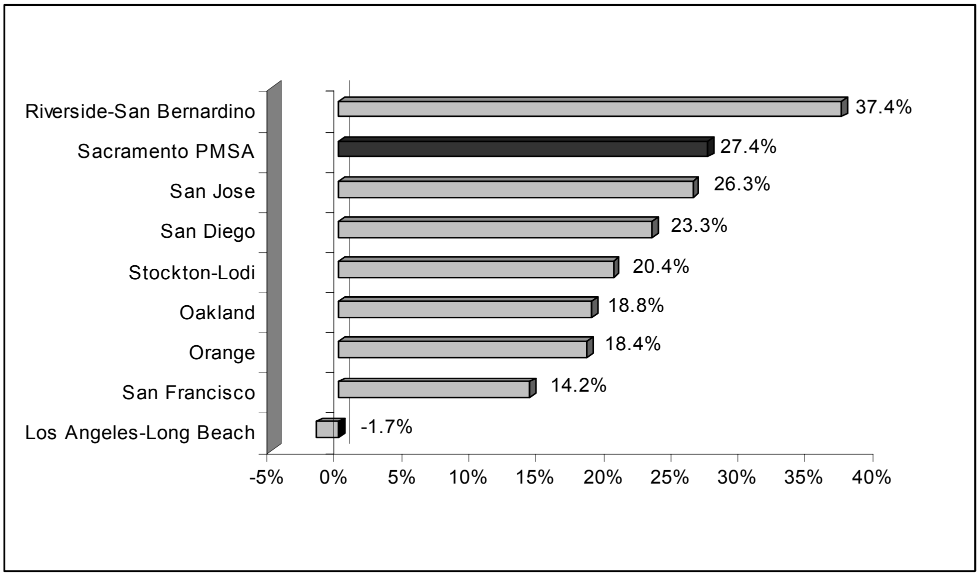
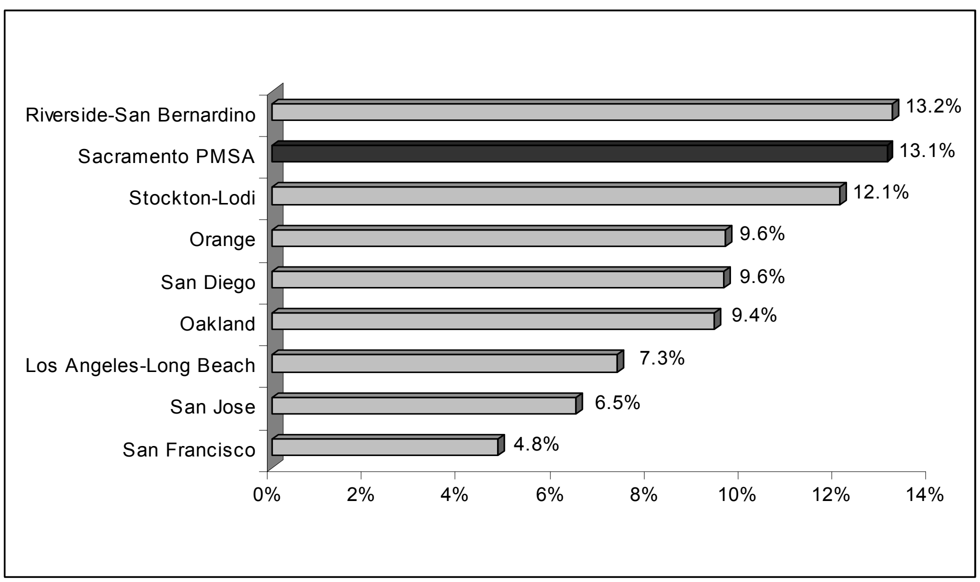


Sacramento Regional Research Institute, September 2003
Data Source: Employment Development Department, Labor Market Information

Similar trends are seen in the most recent five year period (1997 to 2002). The Sacramento PMSA continued to show a strong growth rate in both population and employment, as shown in Figures 3 and 4.

FIGURE 3
1997 TO 2002 POPULATION GROWTH COMPARISONS
MAJOR CALIFORNIA METROPOLITAN AREAS



Sacramento Regional Research Institute, September 2003
Data Source: California Department of Finance, Population Estimates

FIGURE 4
1997 TO 2002 EMPLOYMENT GROWTH COMPARISONS
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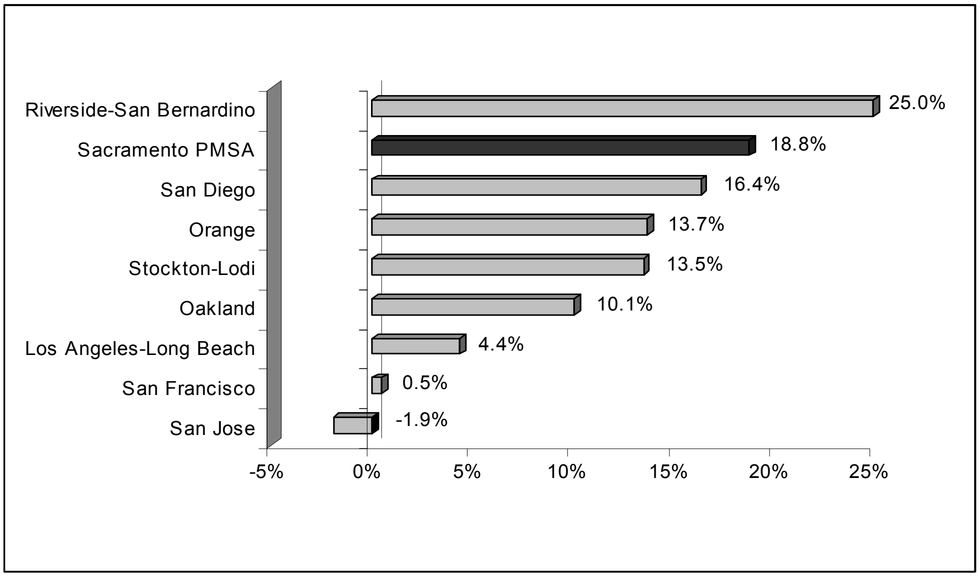
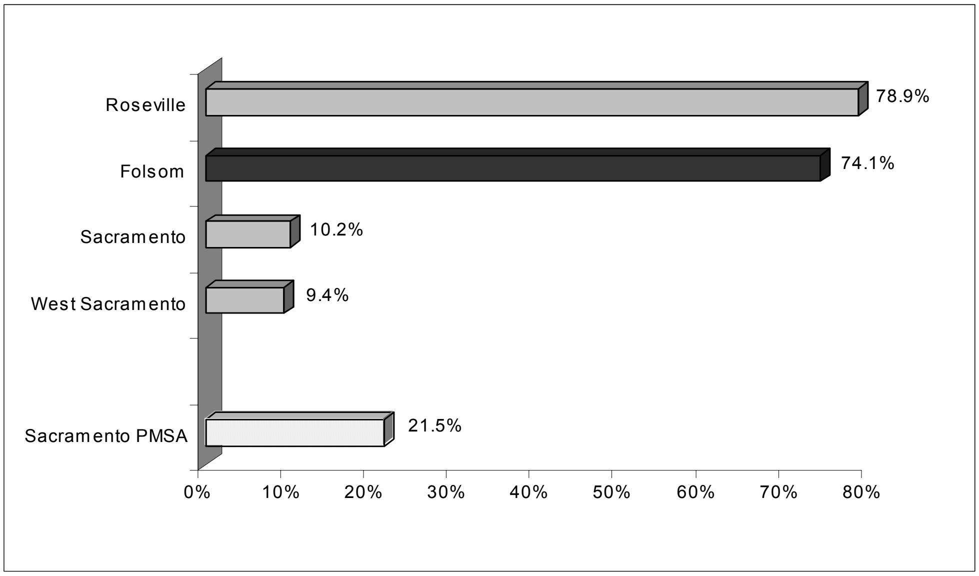


Sacramento Regional Research Institute, September 2003
Data Source: Employment Development Department, Labor Market Information

City of Folsom

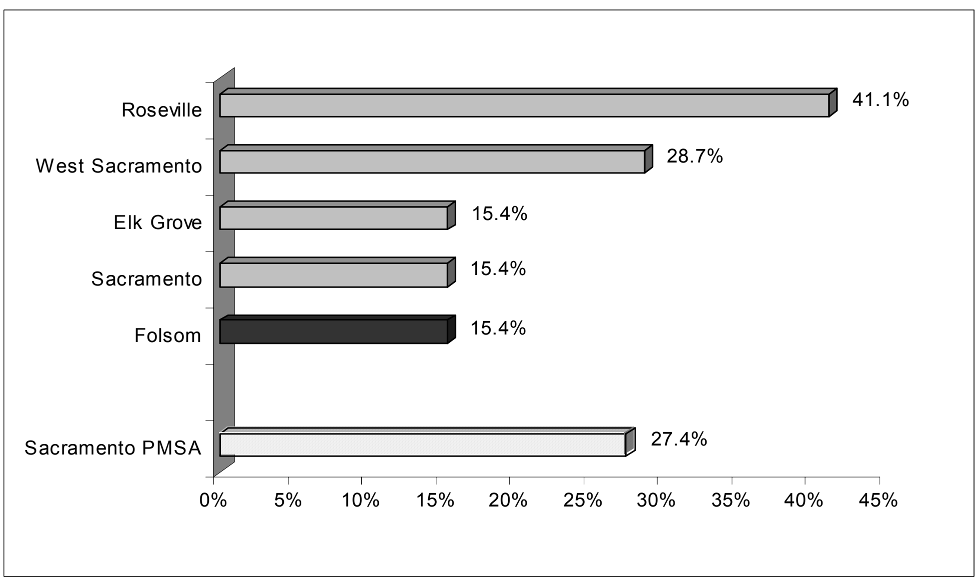
The City of Folsom is emerging as one of the fastest growing cities in the Sacramento Region. The long-term view of the City shows that Folsom has been near the top of the list for population growth rates and near the bottom of the list in terms of employment growth rates when compared to other cities in the Sacramento Region between 1990 and 2000. Figures 5 demonstrates Folsom's population growth rate has exceeded the Sacramento PMSA and ranks second behind Roseville. During the same period Folsom's employment growth rate was significantly smaller than the Sacramento Region and falls below the City of Sacramento, as illustrated in Figure 6.

FIGURE 5
1990 TO 2000 POPULATION GROWTH RATE COMPARISONS
SELECTED CITIES IN THE SACRAMENTO REGION



Sacramento Regional Research Institute, September 2003
Data Source: California Department of Finance, Population Estimates
Note: City of Folsom population data includes the prison population.

FIGURE 6
1990 TO 2000 EMPLOYMENT GROWTH RATE COMPARISONS
SELECTED CITIES IN THE SACRAMENTO REGION



Sacramento Regional Research Institute, September 2003
Data Source: Employment Development Department, Labor Market Information

As shown in Figure 7, Folsom's population growth rate over the last five years is greater than 45 percent and is the highest growth rate relative to other cities in the Region. The City's 2002 population (including the prison population) of nearly 61,000 is projected by the Sacramento Area Council of Governments (SACOG) to increase to over 74,000 by 2010—a growth rate of about 22 percent. The City of Folsom has an official population cap of 69,333 (not including the prison population) which may ultimately affect long term population and employment trends. Figure 8 demonstrates that, unlike the population growth rate, the 16 percent employment growth rate in Folsom between 1997 and 2002 ranks well below Roseville and only slightly below Sacramento. It is important to note that, while other developing cities in the Region have experienced employment growth rates following nearly the same level as population growth rates, Folsom has seen a significantly higher population growth rate compared to the employment growth rate—a trend seen both in the 1990 to 2000 and 1997 to 2002 periods. This demonstrates that the City has not created employment opportunities at the same level it has been attracting population and the related housing development. Nevertheless, the City of Folsom has become an important employment center within the Sacramento Region, and is serving as the core of an extended employment and economic node. Its economic growth has become important to the entire Region, and like the Region, is on the verge of economic structural changes that will determine its economic path for future decades.

FIGURE 7
1997 TO 2002 POPULATION GROWTH RATE COMPARISONS
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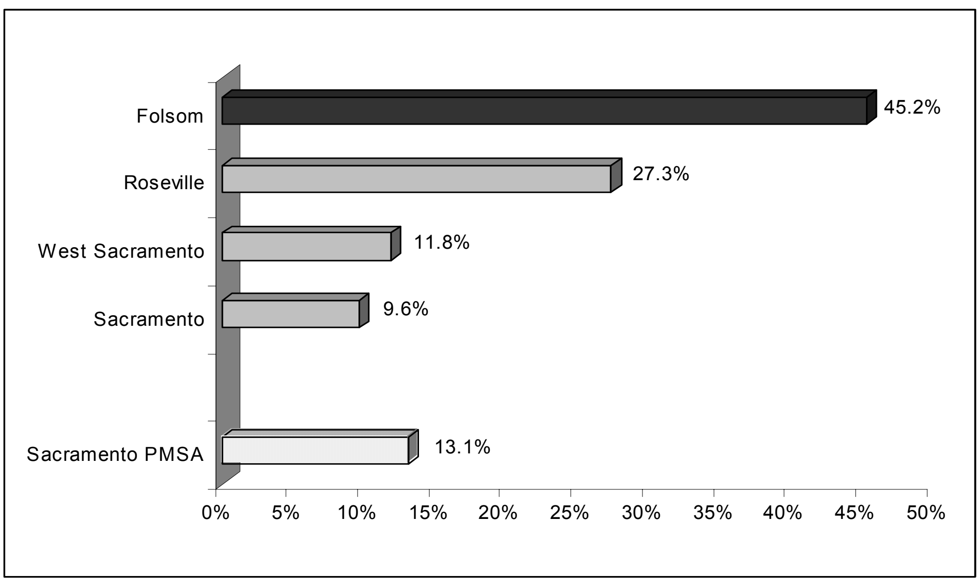
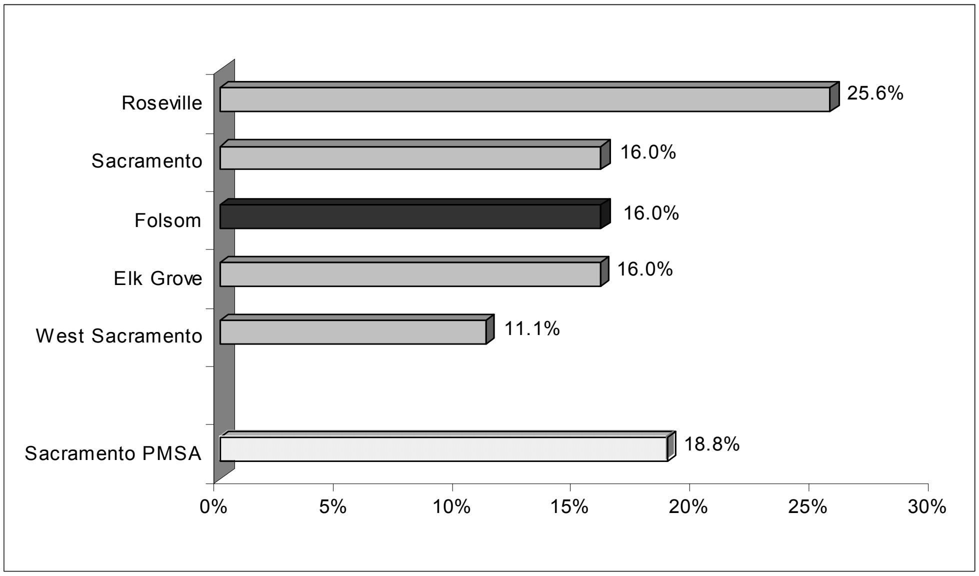


Sacramento Regional Research Institute, September 2003
Data Source: California Department of Finance, Population Estimates
Note: City of Folsom population data includes the prison population.

FIGURE 8
1997 TO 2002 EMPLOYMENT GROWTH RATE COMPARISONS
SELECTED CITIES IN THE SACRAMENTO REGION



Sacramento Regional Research Institute, September 2003
Data Source: Employment Development Department, Labor Market Information

Economic Development and Industry Study

The growth in the Sacramento Region and its impacts on the City of Folsom have created a unique opportunity for Folsom to effectively develop its economy and market its distinct aspects in a way that is both functional and beneficial for the Region and the City itself. Recognizing this potential, the City of Folsom engaged the Sacramento Regional Research Institute (SRRI) to analyze the City's economic structure and create an economic development plan that would identify key growth industries for the City to target in its economic development activities. The economic development plan was designed to be conducted in two phases. The first phase was intended to provide information related to the economic structure and preferred industries within the City, while the second phase was designed to use the information gathered in the first phase and provide additional analysis resulting in the formation of an economic development strategy. This study directly relates to the first phase of the economic development plan and contains economic analysis designed to assess the structure, specialization, and locational advantages of the Folsom economy, and identify the most likely industry sectors and business opportunities.

Economic Analysis

Research Methodology

The purpose of the economic analysis is to identify the economic sectors and clusters which are most likely to play key roles in Folsom's economic future. Inherent in the analysis is the probability that Folsom's future may be different from its present and past, and that important new economic activities will emerge that are not necessarily represented in Folsom at present.

In order to identify the key growth industries, SRRI developed a methodology that takes into account multiple economic factors in assessing specific industry sectors and economic clusters. The economic clusters represent groups of industry sectors which may produce different products and services, but which are linked by some mutual benefit or asset, which may include elements such as similar labor force needs, shared suppliers of intermediate products or business services, and transportation and communications infrastructure.

The analysis was conducted for both the Sacramento PMSA and the City of Folsom, in order to allow comparisons between the City and the larger economic area.

SRRI used the IMPLAN econometric model in order to complete the analysis. The IMPLAN model was developed for the purpose of economic impact analysis and economic development planning, and breaks the economy down into over 500 specific industry sectors—a level of detail which is important when identifying economic clusters and creating economic development strategies to target. This level of data also provides a much more comprehensive definition of the economy because industry sectors are directly comparable across different locations and time periods. The model is based on activities rather than firms, and allows firms to be represented in multiple categories, so it is able to reflect the fact that many existing firms are changing the mix of products and services they produce, such as the shift from manufacturing of durable goods to the production of business and information services.

Key industry sectors were selected for Folsom's economic development based on the overall performance, comparisons between the Sacramento PMSA and the City of Folsom, as well as SRRI's expert knowledge of economic trends in the Region, State, and Nation.

The methodology uses a number of measures of economic performance to create an index for selecting sectors to be included in the analysis. The measures include:

- *Industry sector employment growth*. This measure takes into account employment growth rates between 1994 and 2000. This time period allowed SRRI to use a recent range of historical data as well as the more detailed 2000 Census data.
- *Industry sector composition*. Composition measures the specific industry sector's share of total employment, demonstrating relative importance of each sector.
- *Shift in industry sector composition*. This calculation examines the percentage point change in composition between 1994 and 2000, and identifies trends in economic restructuring which are already underway.
- *Industry sector specialization*. Specialization indicates the degree to which Folsom is specializing in some activities in a way different from the rest of the Region, and is measured by the relative size of an industry sector in Folsom compared to the Sacramento PMSA's average. A measure of specialization above one indicates that Folsom has a greater percentage of total employment in the industry sector compared to the Sacramento PMSA, while a value less than one indicates that Folsom has a below-average amount of the industry.
- *Change in industry sector specialization*. This measure calculates the percent change in specialization between 1994 and 2000.
- *Industry sector economic multiplier*. A multiplier effect is generated when new employment is added to one sector, but also generates additional employment in other sectors which supply goods and services to the new or expanded firm (indirect impact) and consumer services to employees (induced impact). Industries with a relatively large economic multiplier generate a greater amount of employment within the City or the Region. For example, a multiplier of 1.8 indicates that for every one employee added within the specific industry sector, another 0.8 employees are generated in Folsom in indirect and induced industry sectors.

For each specific economic factor (listed above), the industry sectors were ranked in comparison to all other sectors. The industry sector rankings from each specific economic factor were combined and the industry sectors were sorted based on the combined ranking creating a conceptualization of overall performance. The industry sectors with the lowest combined rankings (or highest rated) can be classified as the better performing industries.

Key Industry Sectors

SRRI compiled a list of 10 industry sectors where the City's economic development efforts can be focused based on the multi-factor economic analysis. This list includes sectors which are already important in Folsom, as well as industry sectors likely to emerge as important in coming years. In three cases, a generalized sector was created where a combination of similar industry sectors all had relatively high ranked economic performance.

The 10 industry sectors include:

1. Accounting, Auditing, and Bookkeeping
2. Advertising
3. Alcohol and Spirits Manufacturing
4. Business Services
5. Communications Equipment and Apparatus. This generalized sector contains Telephone & Telegraph Apparatus and Radio & TV Communication Equipment.
6. Computer and Data Processing Services
7. Computer and Electronic Equipment and Devices. Two sector were also combined to create this generalized sector—Electronic Components and Printed Circuit Boards.
8. Educational Services
9. Medical Equipment and Devices. Surgical & Medical Instruments as well as X-Ray Apparatus are included in this generalized sector. This industry sector is often viewed as a key part of the Life Sciences and Medical Devices industry (also known as Biotech).
10. Water Supply, Refuse, and Wastewater Treatment Systems. This particular industry sector relates to private rather than public or city provided services.

Five of the 10 industry sectors are service-related, while the other five are manufacturing-related sectors. It is important to note that Folsom's current environment faces limited industrial land availability and may constrict economic development potential of some of the industries listed above. Each of the industry sectors are discussed in further detail below and information is presented related to their performance on each of the six individual economic factors.

Accounting, Auditing, and Bookkeeping

Accounting, Auditing, and Bookkeeping straddles two industries that both play an important role in the Sacramento Region—Business and Professional Services and Financial Activities. Both of these industries have been among the fastest growing over the past few years and are expected to remain important in the future with growth projected above total employment in 2010. Trends in both these sectors demonstrate a maturing and shift from manufacturing to services that have been taking place in both the Sacramento Region and California economies as well as a rise in outsourcing of activities in both the public and private sectors.

Despite this industry sector's relatively low current level of specialization in Folsom, the results from other economic factors (including a relatively high change in specialization showing that this sector is becoming more like the Region norm) led to a high ranking in overall economic performance for this industry. Figure 9 demonstrates the results of analysis for the Accounting, Auditing, and Bookkeeping industry sector on all economic factors.

FIGURE 9
ECONOMIC FACTORS
ACCOUNTING, AUDITING, AND
BOOKKEEPING INDUSTRY SECTOR

Economic Factor	*City of Folsom*
1994-2000 Growth	283%
2000 Composition	1.21%
1994-2000 Shift in Composition	0.78%
2000 Specialization	0.83
1994-2000 Change in Specialization	91%
2000 Economic Multiplier	1.3

Sacramento Regional Research Institute, September 2003
Data Source: IMPLAN, 1994 and 2000 Coefficients

Advertising

Like Accounting, Auditing, and Bookkeeping, Advertising is a form of Business and Professional Services which have had high growth and play an important role in the maturing Regional and California economies. Additionally, this sector did not demonstrate a relatively high level of specialization in 2000, but the measures on other economic factors placed Advertising high in the ranking of overall economic performance compared to the other 527 industry sectors (Figure 6 lists the measures on all economic factors). Further, this industry sector was one of the top ranking in the Sacramento PMSA based on overall economic performance demonstrating the potential of this activity in the entire Region, including the City of Folsom.

FIGURE 10
ECONOMIC FACTORS
ADVERTISING INDUSTRY SECTOR

Economic Factor	*City of Folsom*
1994-2000 Growth	726%
2000 Composition	0.47%
1994-2000 Shift in Composition	0.39%
2000 Specialization	2.52
1994-2000 Change in Specialization	281%
2000 Economic Multiplier	1.7

Sacramento Regional Research Institute, September 2003
Data Source: IMPLAN, 1994 and 2000 Coefficients

Alcohol and Spirits Manufacturing

The Alcohol and Spirits Manufacturing industry sector involves relatively highly-specialized activities, and since other companies are already present, the potential for a clustering effect exists where advantages are gained by locating operations close to other similar firms. The clustering effect involves three factors—a forward linkage effect where additional producers attract more buyers; a backwards linkage effect where greater demand from buyers increases the locational attractiveness to additional producers; and a complementary linkage where additional producers create an increase in providers of linked goods and services and this increased availability makes the location more attractive to other producers. The clustering effect for this industry in Folsom has great potential due to the existence of an established sake company, water availability, and a growing wine industry in neighboring counties (specifically El Dorado and Amador). However, this industry sector is one whose development potential may be restricted due to the limited amount of available industrial land in the City of Folsom.

Overall, as shown in Figure 11, the Alcohol and Spirits Manufacturing industry sector demonstrated high measures in all six economic factors and was ranked near the top of the industry list based on total economic performance. This industry sector had the highest growth, specialization, and change in specialization of all 10 key industry sectors.

FIGURE 11
ECONOMIC FACTORS
ALCOHOL AND SPIRITS
MANUFACTURING INDUSTRY SECTOR

Economic Factor	*City of Folsom*
1994-2000 Growth	7,100%
2000 Composition	0.21%
1994-2000 Shift in Composition	0.21%
2000 Specialization	20.50
1994-2000 Change in Specialization	205,000%
2000 Economic Multiplier	1.7

Sacramento Regional Research Institute, September 2003
Data Source: IMPLAN, 1994 and 2000 Coefficients

Business Services

Activities within the Business and Professional Services industry are becoming increasingly important in the Sacramento Region as both California and the Region continue to shift from manufacturing to services. While the term business services can relate to a wide variety of services, in this case, this key industry sector includes activities such as consumer credit reporting, mailing, reproduction, commercial art, professional support services, press services, bondspersons, drafting services, notary services, and auctioning. Although this is relatively narrow in terms of business services, efforts could be focused at a large range of activities that provide support services to businesses, governments, and organizations.

Figure 12 shows that Business Services scored well on all measures, and had a relatively high composition demonstrating the prevalence and potential growth for this industry sector.

FIGURE 12
ECONOMIC FACTORS
BUSINESS SERVICES INDUSTRY SECTOR

Economic Factor	*City of Folsom*
1994-2000 Growth	303%
2000 Composition	1.09%
1994-2000 Shift in Composition	0.72%
2000 Specialization	1.38
1994-2000 Change in Specialization	351%
2000 Economic Multiplier	1.6

Sacramento Regional Research Institute, September 2003
Data Source: IMPLAN, 1994 and 2000 Coefficients

Communications Equipment and Apparatus

The Communications industry has been growing in the Sacramento Region in response to increases in both population and business activities. The analysis of overall economic performance for the Sacramento PMSA placed other complimentary industry sectors high in the rank including Magnetic & Optical Recording Media, Radio & TV Broadcasting, and Radio & TV Receiving Sets. The presence and potential growth of specific sectors within the Communications industry may help establish a functioning industry cluster supported by firms within the Communications industry and other linked industries within the Sacramento Region. The City of Folsom may have a role to play in this trend by focusing efforts in the Communications Equipment and Apparatus industry sector and activities related to telephone, wireless, and media communications equipment production.

As illustrated in Figure 13, both industry sectors that were combined to form the Communications Equipment and Apparatus industry scored well on most economic factors. While the Telephone and Telegraph Apparatus industry sector had a relatively low measure for both composition and shift in composition, it had a high change in specialization and the highest economic multiplier of all selected key industry sectors. For every one employee added in the Telephone and Telegraph Apparatus industry sector, and additional 1.8 employees are created within the City of Folsom due to the indirect and induced economic impacts.

FIGURE 13
ECONOMIC FACTORS
COMMUNICATIONS EQUIPMENT AND
APPARATUS COMBINED INDUSTRY SECTOR

Economic Factor	City of Folsom
Telephone and Telegraph Apparatus	
1994-2000 Growth	300%
2000 Composition	0.01%
1994-2000 Shift in Composition	0.01%
2000 Specialization	3.98
1994-2000 Change in Specialization	39,765%
2000 Economic Multiplier	2.8
Radio and TV Communication Equipment	
1994-2000 Growth	143%
2000 Composition	0.22%
1994-2000 Shift in Composition	0.10%
2000 Specialization	13.65
1994-2000 Change in Specialization	26%
2000 Economic Multiplier	2.3

Sacramento Regional Research Institute, September 2003
Data Source: IMPLAN, 1994 and 2000 Coefficients

Computer and Data Processing Services

The Computer and Data Processing Services industry sector ranked high in both the City of Folsom and the Sacramento PMSA based on overall economic performance. Like a few of the other key industry sectors, Computer and Data Processing Services is an activity classified within the Business and Professional Services industry—a sector which has demonstrated increasing importance and growth in the Sacramento Region and California.

Figure 14 shows that this industry sector experienced a negative change in specialization, showing that the percentage of total employment that this sector makes up in the Sacramento Region has increased to a larger extent than in the City of Folsom. However, despite this drop in specialization, the Computer and Data Processing Services industry sector still had a relatively high specialization measure in 2000 and had the highest composition and shift in composition among the selected key sectors.

FIGURE 14
ECONOMIC FACTORS
COMPUTER AND DATA PROCESSING
SERVICES INDUSTRY SECTOR

Economic Factor	*City of Folsom*
1994-2000 Growth	104%
2000 Composition	8.02%
1994-2000 Shift in Composition	2.68%
2000 Specialization	5.31
1994-2000 Change in Specialization	-19%
2000 Economic Multiplier	1.5

Sacramento Regional Research Institute, September 2003
Data Source: IMPLAN, 1994 and 2000 Coefficients

Computer and Electronic Equipment and Devices

Computer and Electronic Equipment and Devices manufacturing is part of a potential electronics-information technology-biotech cluster developing in the Sacramento Region characterized by business and education leadership, a large number of likely public and private consumers, and common workforce elements. Evidence of this cluster is also demonstrated by the high ranking of the Computer Peripheral Equipment, Semiconductors & Related Devices, and Computer Storage Devices industry sectors based on overall economic performance in the Sacramento PMSA. Additionally, the Electronic Components industry sector—one sector that was combined to make up the Computer and Electronic Equipment and Devices industry—also ranked among the top industry sectors in the Sacramento PMSA analysis. The City of Folsom can help develop and take full advantage of this emerging cluster by focusing economic development efforts on the Electronic Components and Printed Circuit Boards industry sectors. As demonstrated in Figure 15, both of these industry sectors saw high scores on all the individual economic factors and ranked high in overall economic performance.

FIGURE 15
ECONOMIC FACTORS
COMPUTER AND ELECTRONIC
EQUIPMENT AND DEVICES
COMBINED INDUSTRY SECTOR

Economic Factor	*City of Folsom*
Electronic Components	
1994-2000 Growth	214%
2000 Composition	0.97%
1994-2000 Shift in Composition	0.55%
2000 Specialization	15.31
1994-2000 Change in Specialization	30%
2000 Economic Multiplier	2.0
Printed Circuit Boards	
1994-2000 Growth	264%
2000 Composition	0.15%
1994-2000 Shift in Composition	0.09%
2000 Specialization	5.55
1994-2000 Change in Specialization	91%
2000 Economic Multiplier	1.3

Sacramento Regional Research Institute, September 2003
Data Source: IMPLAN, 1994 and 2000 Coefficients

Educational Services

In response to the Sacramento Region's employment and population growth, educational demand has risen over the past few years. Higher education has begun to react to this demand by increasing the number of facilities in the Region and exploring opportunities of increasing the offerings and availability of higher education throughout the Region. Folsom Lake College is serving many of the needs of the residents of the City of Folsom as well as an extended service area. However, in addition to higher education and public schooling, population and employment increases also demand a response for other types of educational services. The Educational Services industry sector encompasses a wide range of educational activities such as learning centers, libraries, vocational schools, trade schools, tutoring services, continuing education facilities, and specialized skills training organizations (for example, driving schools, cooking schools, and music schools). These activities serve to address the demand for specific personal services as well as training for the labor force of the City and the Region. Overall, this industry sector performed well on all economic factors and was one of the highest performing sectors (as shown in Figure 16).

FIGURE 16
ECONOMIC FACTORS
EDUCATIONAL SERVICES
INDUSTRY SECTOR

Economic Factor	*City of Folsom*
1994-2000 Growth	525%
2000 Composition	0.37%
1994-2000 Shift in Composition	0.29%
2000 Specialization	1.02
1994-2000 Change in Specialization	236%
2000 Economic Multiplier	1.3

Sacramento Regional Research Institute, September 2003
Data Source: IMPLAN, 1994 and 2000 Coefficients

Medical Equipment and Devices

Like Computer and Electronic Equipment Devices, Medical Equipment and Devices is part of the developing electronics-information technology-biotech cluster in the Region. The labor force serving this industry cluster shares similar skills; educational institutions and business have been paving the way for this cluster; and a growing population and economy containing both public and private demand exist in the Sacramento Region—all factors aiding in the growth of this industry cluster. Additionally, the Sacramento Region exhibits strong potential to develop a Life Sciences and Medical Devices industry supported strongly by the medical devices manufacturing component. Further, in terms of Medical Equipment and Devices, the Sacramento PMSA demonstrated high economic performance in a number of complimentary industry sectors including Electromedical Apparatus, Dental Equipment & Supplies, Laboratory Apparatus & Furniture, and Doctors & Dentists. Based on overall economic performance, the City of Folsom appears to have a role in this cluster and the development of a strong Life Sciences and Medical Devices industry specifically within the Surgical & Medical Instruments and X-Ray Apparatus industry sectors both of which ranked high among Folsom's industry sectors driven primarily by high growth, specialization, and change in specialization (as illustrated in Figure 17).

FIGURE 17
ECONOMIC FACTORS
MEDICAL EQUIPMENT AND DEVICES
COMBINED INDUSTRY SECTOR

Economic Factor	City of Folsom
Surgical and Medical Instruments	
1994-2000 Growth	1,400%
2000 Composition	0.04%
1994-2000 Shift in Composition	0.04%
2000 Specialization	2.62
1994-2000 Change in Specialization	26,170%
2000 Economic Multiplier	1.8
X-Ray Apparatus	
1994-2000 Growth	100%
2000 Composition	**
1994-2000 Shift in Composition	**
2000 Specialization	9.72
1994-2000 Change in Specialization	97,204%
2000 Economic Multiplier	1.9

Sacramento Regional Research Institute, September 2003
Data Source: IMPLAN, 1994 and 2000 Coefficients
**Note: Composition and shift in composition for the X-Ray Apparatus industry sector are insignificant in size.

Water Supply, Refuse, and Wastewater Treatment Systems

Water Supply, Refuse, and Wastewater Treatment Systems ranked high on overall economic performance in both the City of Folsom and the Sacramento PMSA, demonstrating the response in both areas to rises in population and employment that both require specific services from this industry sector. This industry sector relates to private firms which provide waste supply, refuse, and wastewater treatment services as well as conduct research and development new methods and products to provide these services. This sector is not related to the services provided by the City of Folsom to its residents. Establishments within this industry sector are primarily engaged in distributing water for sale, waste disposal, recycling services, sewer waste collection and disposal, and waste treatment processes for domestic, commercial, and industrial use. California has been addressing water supply issues both for public and private use, and this issue and the related services will continue to be important in all areas of California in the future. As population and businesses grow, the Water Supply, Refuse, and Wastewater Treatment Systems industry sector will most likely follow due to the increased demand for these types of services as well as new technologies and methods to address the demand.

Figure 14 shows that employment growth in this industry sector along with the change in specialization and a relatively high economic multiplier provide high overall economic performance despite the low composition, shift in composition, and somewhat underspecialzation. As stated above, this industry sector had high performance in the Sacramento PMSA contributing to the underspecialization in Folsom; however, Water Supply, Refuse, and Wastewater Treatment Systems has seen a large change in specialization demonstrating that this industry sector in Folsom is becoming more like the Sacramento PMSA.

FIGURE 18
ECONOMIC FACTORS
WATER SUPPLY, REFUSE AND
WASTEWATER TREATMENT
SYSTEMS INDUSTRY SECTOR

Economic Factor	*City of Folsom*
1994-2000 Growth	700%
2000 Composition	0.02%
1994-2000 Shift in Composition	0.02%
2000 Specialization	0.92
1994-2000 Change in Specialization	9,195%
2000 Economic Multiplier	2.2

Sacramento Regional Research Institute, September 2003
Data Source: IMPLAN, 1994 and 2000 Coefficients

Folsom Business Survey

Survey Methodology and Summary Findings

SRRI conducted telephone surveys of companies representing a wide variety of businesses within the City of Folsom in September of 2003. The objectives of these business surveys were to identify business expectations and opinions; locational advantages of the City; and regional business growth potential. SRRI also collected and analyzed data pertaining to firm characterization in terms of number of employees, firm origins, and location of customers or clients. A listing of the questions asked during the survey is provided in Appendix A of this report.

SRRI obtained a business listing of 2,302 private businesses located within the City of Folsom. This listing contained industry classifications, number of employees, and contact information for each business listed. This list was used as a basis for identification of Folsom's general business composition both in terms of industry classification and employment.

From the business listing, SRRI selected a sample of 251 businesses (approximately 11 percent of the total firms on the listing). The sample was selected using a methodology to assure a strong representation of industry classification and employment size.

During the month of September 2003, SRRI attempted to contact all 251 selected businesses; however, 69 businesses (28 percent) refused to participate, 110 businesses (44 percent) were unavailable or would not return our call, and 70 businesses (28 percent) participated in the survey.

As Figure 19 shows, the 70 businesses interviewed by SRRI represent a diverse mixture of industry groups. For purposes of analysis, industry classifications that were similar in type were placed into the same industry grouping. The leading surveyed industry was Retail Trade at 30 percent, followed by Business and Professional Services at 10 percent. The industry breakdown of responding firms closely follows the composition found in the total listing of business in the City of Folsom. Interviews were conducted with local business owners, managers, or public relations employees—those with a high degree of competence and knowledge of businesses' plans, expectations, and major concerns or satisfaction factors.

FIGURE 19
RESPONDING BUSINESSES BY INDUSTRY

Industry	Number Of Respondents	Percent of Respondents
Retail Trade	21	30.0%
Business and Professional Services	7	10.0%
Construction	6	8.6%
Real Estate	6	8.6%
Repair Services	5	7.2%
Hotels and Motels	4	5.7%
Manufacturing	3	4.3%
Wholesale Trade*	3	4.3%
Intermediate Care Facilities	2	2.9%
Animal Services	1	1.4%
Public Warehousing and Storage	1	1.4%
Arrangement of Passenger Transportation	1	1.4%
Electric Power Distributor	1	1.4%
Loan Brokers	1	1.4%
Investment Advisors	1	1.4%
Drycleaners	1	1.4%
Portrait Studios	1	1.4%
Adjustment and Collections	1	1.4%
Building Cleaning and Maintenance	1	1.4%
Legal Services	1	1.4%
Educational Services	1	1.4%
Child Care Facilities	1	1.4%

Sacramento Regional Research Institute, October 2003
Data Source: SRRI Folsom Business Survey
*Note: Wholesale Trade indicates firms primarily engaged in selling merchandise to retailers; to industrial, commercial, institutional, farm, construction contractors, or professional business users; or to other wholesalers; or acting as agents or brokers in buying merchandise for or selling merchandise to such persons or companies.

Details of Survey Responses

Overall Results

- *Size of companies*. The survey responses show that businesses within the City of Folsom represent a diverse selection of industries and company sizes. The business sizes range from very small to relatively large—specific employment numbers cannot be reported in order to maintain the anonymity of respondents. Sixty-three percent of the businesses responding to the survey were small in term of employee size. The average employee size of respondents was about 39.

- *History of companies*. Nearly 66 percent (46 respondents) of the businesses originated in Folsom while just over 34 percent (24 respondents) relocated to the

City from elsewhere. The average length of time businesses have been in Folsom is about eight years.

- *Customer base.* Approximately 63 percent of the responding businesses' major customer base comes directly from Folsom while about 39 percent have major customers within the Sacramento Region.

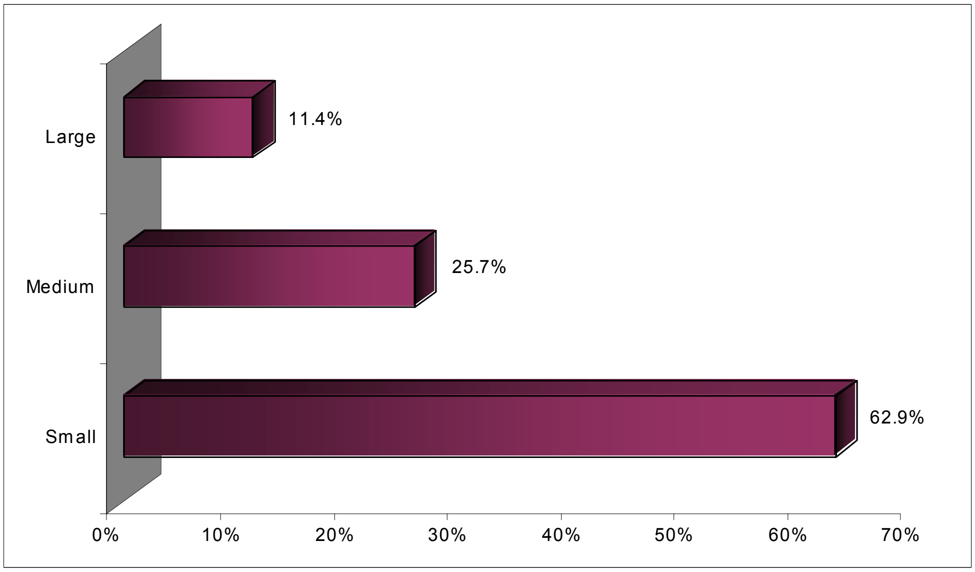
- *Level of satisfaction*. Close to 86 percent of all respondents were very to moderately satisfied with the City of Folsom as a place to do business. None had strong dissatisfaction with the City of Folsom in terms of its business environment. Ratings for the City government's involvement in promoting business demonstrated approximately 9 percent moderately to very dissatisfied with nearly 40 percent having a medium level of satisfaction, and 20 percent of businesses were very satisfied with Folsom's government activities.

- *Growth expectations*. In terms of future business growth expectations within the next 5 to 10 years, the overall feeling among Folsom businesses was positive. Eighty percent stated that they would see moderate to significant product and service expansion in the next 5 to 10 years, just over 67 percent felt they would increase their employee base, and 34 percent could see expanding their businesses' square footage.

Folsom Business Characteristics

Figure 20 illustrates the company size breakdown by number employed for responding firms. For the purpose of analysis, SRRI denoted a small business as having one to nine employees, a medium business having 10 to 99 employees, and a large business having 100 or more employees. The average size of the responding businesses was about 39 employees. Small business make up the largest portion of responding business at 63 percent followed by medium and large business at 26 and 11 percents, respectively.

FIGURE 20
BUSINESS SIZE DISTRIBUTION BY NUMBER EMPLOYED



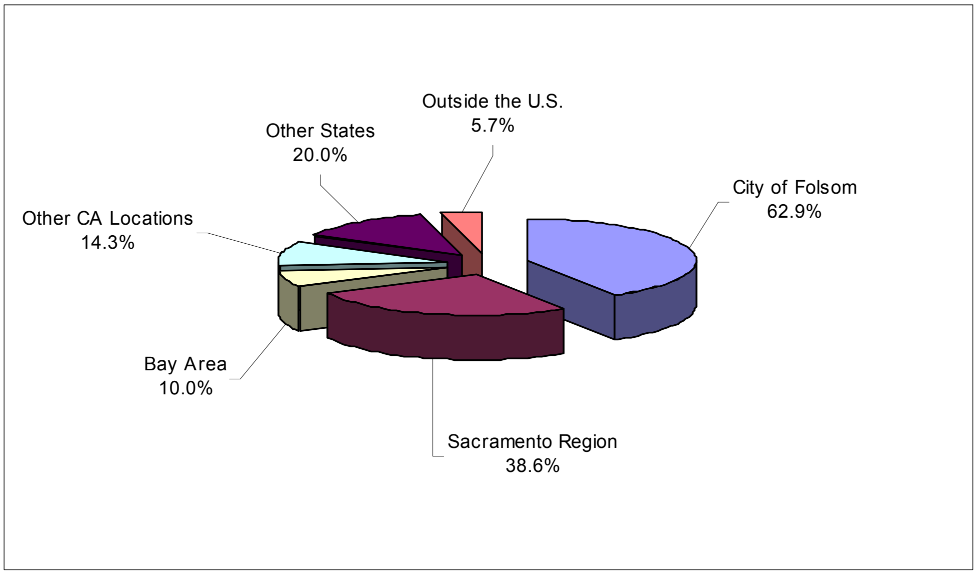
Sacramento Regional Research Institute, October 2003
Data Source: SRRI Folsom Business Survey

Most of the surveyed businesses (66 percent) began their business in the City of Folsom. For those businesses who relocated to Folsom, 17 percent relocated from other areas in the Sacramento Region, four percent moved from the Bay Area, seven percent moved from other areas in California, and six percent moved from states other than California. This information demonstrates that the City has seen a limited inflow of business especially from outside the Sacramento Region, presenting an opportunity for economic development efforts to bring business to the City.

The most cited locational advantages businesses stated for the attractiveness of Folsom was the high growth and development rate in the City, followed closely by those who simply liked the geographic location. Some businesses stated they moved to Folsom to lower their operating costs. The average length of time all of the surveyed businesses have been in Folsom is about 8 years with 40 years being the longest. For those who started their businesses elsewhere, the average time since they move to the City is approximately seven years.

Figure 21 gives a breakdown of the location of the responding businesses' customer bases. Many of the responding business had customer bases in multiple locations, but the response cited by 63 percent of business was that their customer base comes from Folsom itself. This information also demonstrates that businesses in the City of Folsom have a diverse reach with 39 percent serving customers in the Sacramento Region, 20 percent serve states other than California, and six percent reach customers outside of the United States. Many of the best performing industry sectors in the City of Folsom are characterized by products and services that reach a wide variety of locations. The information from the survey and the economic analysis show that the City has the opportunity to recruit businesses serving customers outside Folsom itself.

FIGURE 21
LOCATION OF LARGEST FOLSOM BUSINESS CUSTOMER BASE



Sacramento Regional Research Institute, October 2003
Data Source: SRRI Folsom Business Survey
Note: Totals in the chart add up to greater than 100 percent because many businesses serve multiple customer bases.

SRRI also analyzed the customer base within some of industry classifications that had a large enough sample size to appropriately evaluate and Figure 22 shows a breakdown of some of these industry classification groups. This analysis helps to determine which industries are serving customers from outside of the City of Folsom (a key aspect of economic development activities) and what industries have a strong customer base within the City. Companies serving customers outside Folsom and the Sacramento Region represent the economic base generating net new wealth for the City and the Region.

FIGURE 22
CUSTOMER BASE OF SELECTED RESPONDING INDUSTRIES

	Location of Customer Base					
Industry	*City of Folsom*	*Sacramento Region*	*Bay Area*	*Other CA Locations*	*Other States*	*Outside the U.S.*
Retail Trade	90.5%	38.1%	4.8%	4.8%	4.8%	0.0%
Hotels and Motels	75.0%	25.0%	25.0%	0.0%	25.0%	50.0%
Wholesale Trade*	66.7%	66.7%	0.0%	33.3%	33.3%	0.0%
Real Estate	66.7%	33.3%	16.7%	33.3%	0.0%	0.0%
Construction	16.7%	66.7%	0.0%	16.7%	33.3%	0.0%
Manufacturing	0.0%	0.0%	0.0%	33.3%	66.7%	33.3%
Business and Professional Services	0.0%	28.6%	14.3%	0.0%	85.7%	0.0%
Business Started in Folsom	76.1%	37.0%	4.3%	15.2%	13.0%	4.3%
Business Relocated to Folsom	37.5%	41.7%	20.8%	12.5%	33.3%	8.3%

Sacramento Regional Research Institute, October 2003
Data Source: SRRI Folsom Business Survey
Note: Totals in the table add up to greater than 100 percent because many businesses serve multiple customer bases.
*Note: Wholesale Trade indicates firms primarily engaged in selling merchandise to retailers; to industrial, commercial, institutional, farm, construction contractors, or professional business users; or to other wholesalers; or acting as agents or brokers in buying merchandise for or selling merchandise to such persons or companies.

As expected, the Retail Trade industry, which included 21 surveyed businesses, had the strongest customer base in the City of Folsom with nearly 91 percent of its largest customers located there. The Hotels and Motels industry (4 surveyed businesses) had the second highest at 75 percent. There were two industries with none of its largest customers within the Folsom—Manufacturing (3 surveyed) and Business and Professional Services (7 surveyed) both serving customers mostly within other states. Industries with their largest customers located in the Sacramento Region were Construction (6 surveyed) and Wholesale Trade (3 surveyed), both at close to 67 percent.

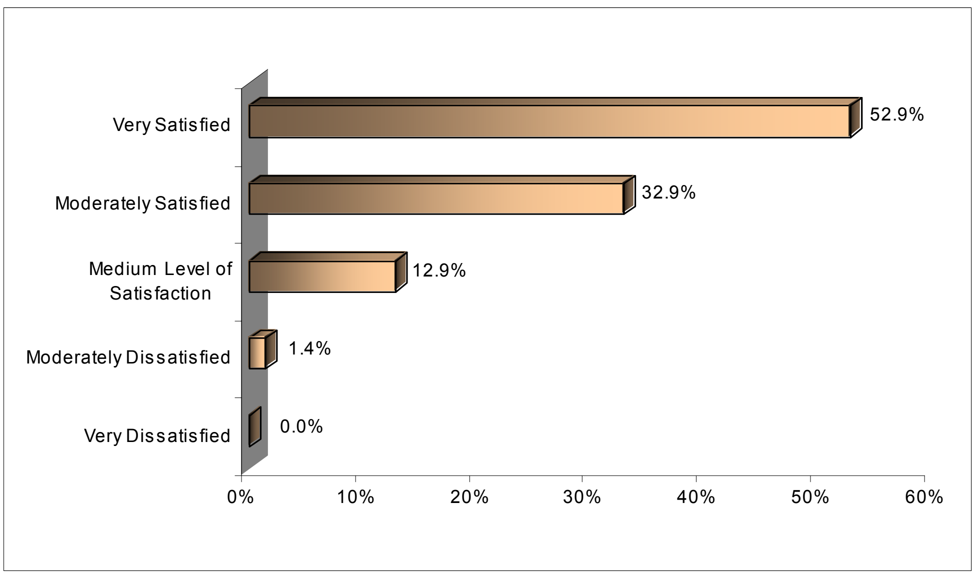
Responding businesses that were started in Folsom have a greater local customer base at 76 percent compared to businesses that relocated to Folsom from elsewhere which had only 38 percent. Relocated businesses also have stronger ties to the Bay Area and other states. Having a strong customer base that covers a wider area than the City itself is important in promoting economic development and growth. A customer base that is tied to other areas also creates more economic stability as fluctuations within Folsom's economy can be counteracted by income from other regions. Continuing to promote businesses to relocate to Folsom will help create a more diverse customer base.

Business Satisfaction Level with the City of Folsom and its Government

To gain an understanding of the locational advantages of the City of Folsom, SRRI asked the surveyed businesses to evaluate the City as a place to do business as well as to evaluate the city government's involvement in promoting business growth. Both areas showed strong positive responses from most of the 70 respondents.

SRRI asked businesses to give a rating in a range from "Very Dissatisfied" to "Very Satisfied" on the general city business environment. Total responses from all industries were overwhelmingly positive. Figure 23 shows the ratings businesses gave the City of Folsom as a place to do business and demonstrates that nearly 53 percent of businesses were very satisfied, and almost 33 percent were moderately satisfied. Combined, close to 86 percent had moderate to high levels of satisfaction and none of the respondents felt very dissatisfied with the City.

FIGURE 23
SATISFACTION RATINGS OF
FOLSOM'S BUSINESS ENVIRONMENT



Sacramento Regional Research Institute, October 2003
Data Source: SRRI Folsom Business Survey

Some discrepancies in these ratings did come from businesses that have relocated to Folsom from other locations. Only 38 percent of the relocated firms were very satisfied while 42 percent felt moderately satisfied. A much higher percentage, 30 percent, felt only a medium level of satisfaction as compared to all businesses. Percentages by other cross tabulations revealed only slight changes among singular industries or by firm size as compared to the total.

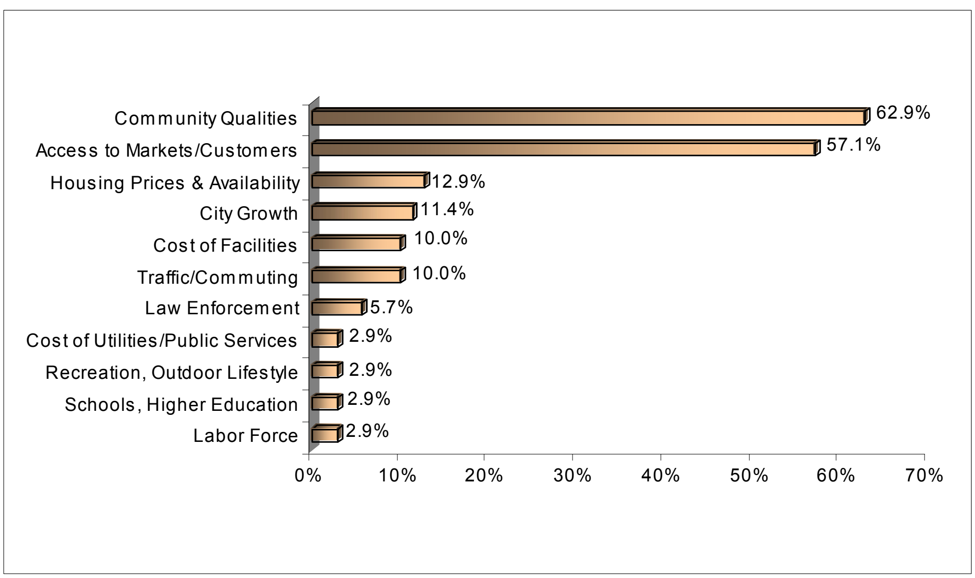
In order for SRRI to further evaluate Folsom's overall business environment, firms were also asked to give some specific reasons (including any negatives) for the ratings they chose for the City's business environment.

Figure 24 shows the breakdown of the most noted positive factors that were given. By far, the two most widely given locational advantages were the community qualities of Folsom and access to markets and customers. Close to 63 percent of the businesses noted the community qualities of the City. These respondents noted the small town atmosphere and values found in the City as well as a high feeling of safety. Large businesses actually gave a response rate of 88 percent in this category, far higher than any other industry or group.

Access to markets and customers was noted by 57 percent of businesses as one of the reasons for giving Folsom a high business evaluation. Again, these percentages were similar across company sizes, industries, and origins, with the exception of larger businesses with only 25 percent noting this factor. These larger businesses also noted the labor force as a positive factor 25 percent of the time, much higher than the average for all businesses which only mentioned this as a positive factor three percent of the time. The top factors listed by Folsom's business can be viewed as its locational advantages and economic development activities can highlight these advantages.

Firms that have relocated to Folsom noted Community Qualities and Customer Access as their top two factors, but 13 percent (3 respondents) of relocated firms also noted the Cost of Facilities in the city as a strong locational advantage.

FIGURE 24
FOLSOM'S LOCATIONAL ADVANTAGES



Sacramento Regional Research Institute, October 2003
Data Source: SRRI Folsom Business Survey
Note: Community Qualities refer to general community characteristics, small town atmosphere, and level of safety. Labor Force indicates ability to attract quality employees, level of education/skills/experience, reliability, wage requirements, and turnover.

There were several negative factors that businesses felt lowered their ratings of the City, two of which stood out above the rest—traffic and city government. The Folsom Dam Road closure and related traffic problems was noted by close to 16 percent of businesses. Negatives factors were also noted when businesses have dealt directly with the city government, which was cited negatively by 13 percent of those surveyed. Specific reasons for many of the negative city government responses were the difficult permitting processes, signage restrictions, favoritism to larger businesses, and that the building department is overwhelmed and backed-up.

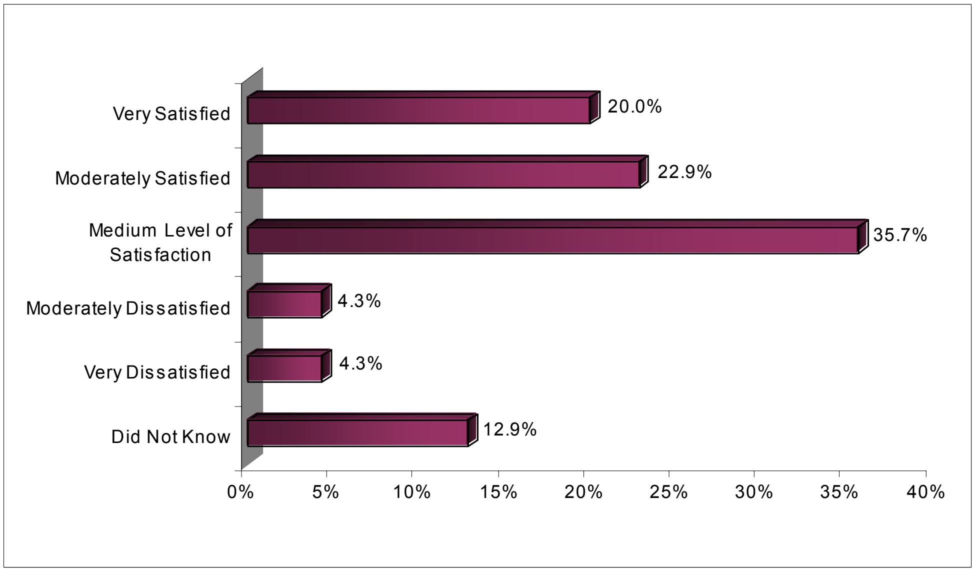
Generally, across all categories and industry types the negative responses were similar. The two exceptions came from large businesses once more and also from the Retail Trade industry. None of the large businesses thought traffic problems were an issue in their evaluation of the city's business environment, while 25 percent thought that dealing with the city government affected their rating negatively. Twenty-four percent of respondents in the Retail Trade industry gave negative responses related dealing with the city government, which is almost twice as high as the rate for all businesses.

As a whole, the City appears to be doing a good job in creating a living and working environment conducive to business needs and growth. Two areas that may need some attention and may affect economic development activities are traffic issues and the paperwork processes businesses must go through when dealing directly with the city government.

A city trying to grow positively must attract and promote business. With this in mind it is important to gauge businesses ratings of city government activities such as permitting (which was noted previously in factors affecting businesses' overall satisfaction rating), economic development, and taxes. In Figure 25 the ratings of all surveyed businesses are broken down by level of satisfaction with city government activities. Nearly 43 percent of businesses gave the city government a moderate to very satisfied rating in this category. Thirty-six percent had a medium level of satisfaction and only four percent were very unsatisfied with the city government. About 13 percent of businesses did not know how to rate the government in this category since they were not familiar with policies or actions that had been taken to promote business. Smaller businesses appeared to have a lower satisfaction rating with the city than other cross-tabulated categories. Nearly seven percent of the smaller businesses had a very dissatisfied rating for the city government, and seven percent were moderately dissatisfied. Much of this can be attributed to their unhappiness with traffic issues. Only 16 percent of respondents felt very satisfied or moderately satisfied with city government activities.

All of the industry classifications as well as medium and large firms gave strong positive marks for Folsom's promotion of business growth. A weakness for the city is with small businesses that make up a majority of the businesses in Folsom and gave the city government the lowest overall business promotion ratings. Interaction between small business and the city government is an area potentially needing more attention in order to improve the overall business environment.

FIGURE 25
SATISFACTION RATINGS OF FOLSOM'S CITY GOVERNMENT



Sacramento Regional Research Institute, October 2003
Data Source: SRRI Folsom Business Survey

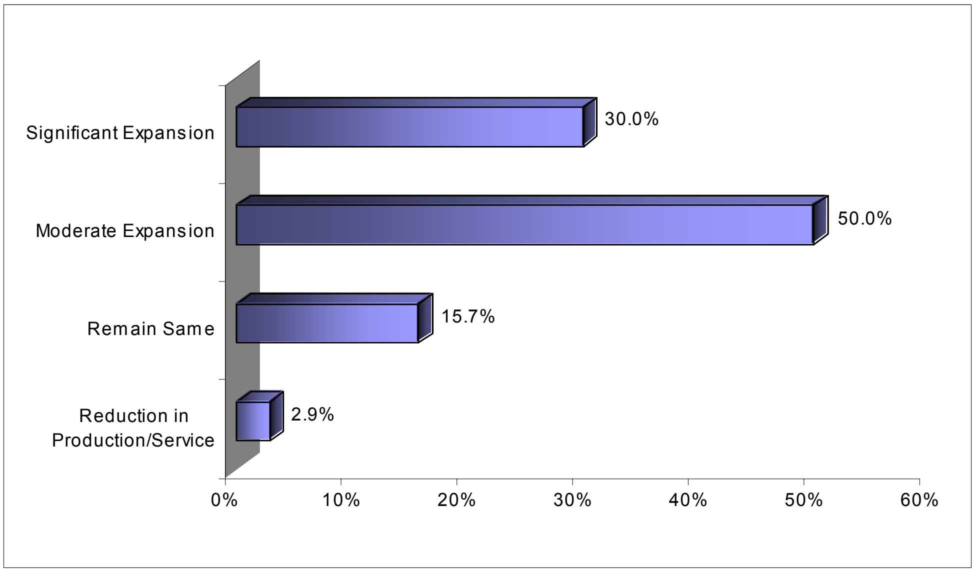
Future Regional Business Growth Expectations

Business growth outlooks are important to any economy whether national or local. The benefit of knowing what economic development businesses expect in the future is important in a city's own planning to meet its regional growth potential. In order to gauge business outlook in the City of Folsom, SRRI collected information on business expectations for a time period of 5 to 10 years in the future as they related to several key growth factors.

Product and Service Growth Expectations

Product and service growth expectations are the basis of any economic growth. To generate expectation data, businesses were asked to look ahead 5 to 10 years and give their expectation of products and service growth. They were given choices of: a reduction, no change, a moderate expansion, or a significant expansion. Figure 26 shows the percent business response levels for each of these choices and demonstrates that 80 percent of businesses expect some increase in products and services. Thirty percent of businesses expect to see significant expansion of products and services, while another 50 percent were looking for moderate expansion rates. Only 16 percent felt their products and services would see no increase in the foreseeable future while three percent expected negative growth.

FIGURE 26
FUTURE PRODUCT AND SERVICE GROWTH EXPECTATIONS



Sacramento Regional Research Institute, October 2003
Data Source: SRRI Folsom Business Survey
Note: Totals in the figure do not add up to 100 percent because some companies did not answer this question.

Firm size seems to have some bearing on outlook as 50 percent of large firms see significant growth compared to 44 percent for medium sized businesses and only 21 percent of small businesses. Large firms also see no reduction possibilities, while about 11 percent of medium sized firms believe this is a possibility. Economic development activities and future development plans can be partially guided by an understanding of expected growth within large and medium firms and how this will affect the environment of the City.

Firms that have relocated to Folsom expect higher levels of product and service expansion. Nearly 42 percent expect to see significant expansion, which is a level almost twice as high as businesses that started in the city, and another 33 percent expect moderate levels of expansion.

Some industry groups anticipate larger product and service growth in the future than others, and Figure 27 shows these expectation breakdowns by industry classification. Over the next 5 to 10 years, 71 percent of businesses in the Business and Professional Services industry anticipate a significant expansion of products and services followed by with 67 percent and Real Estate with 50 percent. All of the businesses in the Wholesale Trade industry see moderate future product and service expansion and 67 percent of Retail Trade businesses expect moderate expansion as well. One third of the responding Manufacturing businesses see future reductions in output, though only three firms in this industry responded to the survey.

FIGURE 27
PRODUCT AND SERVICE GROWTH EXPECTATIONS
OF SELECTED RESPONDING INDUSTRIES

	Product and Service Growth Expectations			
Industry	*Significant Expansion*	*Moderate Expansion*	*No Change*	*Reduction in Output*
Business and Professional Services	71.4%	14.3%	14.3%	0.0%
Construction	66.7%	0.0%	33.3%	0.0%
Real Estate	50.0%	33.3%	16.7%	0.0%
Hotels and Motels	25.0%	50.0%	25.0%	0.0%
Retail Trade	19.0%	66.7%	9.5%	4.8%
Manufacturing	0.0%	33.3%	0.0%	33.3%
Wholesale Trade*	0.0%	100.0%	0.0%	0.0%

Sacramento Regional Research Institute, October 2003
Data Source: SRRI Folsom Business Survey
Note: Some totals in the table do not add up to 100 percent because some companies did not answer this question.
*Note: Wholesale Trade indicates firms primarily engaged in selling merchandise to retailers; to industrial, commercial, institutional, farm, construction contractors, or professional business users; or to other wholesalers; or acting as agents or brokers in buying merchandise for or selling merchandise to such persons or companies.

A large percentage of firms in several industries foresaw no change in future output for their industry. One-third of the firms in the Construction industry expected no change and one quarter of businesses in the Hotel and Motel industry also foresee no future change and as well as 17 percent of businesses in the Real Estate industry.

Overall product and service expectations from business in Folsom is strong as 80 percent expect some measure of growth. Large firms have the highest expectation for regional output increases in products or services. These are led by the Construction and Business and Professional Services industries. If the high growth expectations for these industries come to fruition, they should create additional jobs and increased revenue for the City. High growth performance within these industries may also raise the attractiveness of Folsom for other businesses in these industries.

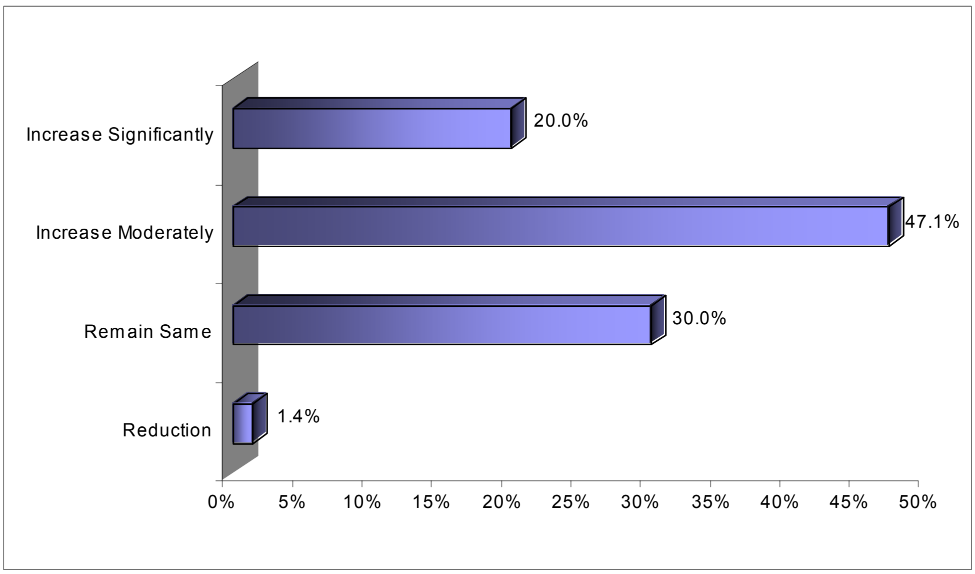
Employment Growth Expectations

To generate data on future hiring, businesses were asked to look ahead 5 to 10 years and relay their expectations about employment growth. They were given choices of: a reduction, remaining the same, a moderate increase, or a significant increase. In Figure 28 the breakdown of the percent of firms responses are illustrated. Over 67 percent of respondents anticipate growth in employment. Twenty percent of all businesses expect to hire a significantly larger number of employees over the next 5 to 10 years and only one percent anticipate a decrease in their current employment levels. In general, nearly all of the responding businesses expect to keep or hire more employees in the future.

Smaller firms have lower future employee growth expectations. Only 14 percent expect significant future employment growth, while medium and large businesses expect between 25 and 33 percent. Medium sized firms were the only respondents expecting future reductions in employee numbers as six percent stated that this may be a possibility.

Businesses that started in Folsom also have lower expectations for future employee expansion when compared to businesses that have relocated. Fifteen percent of businesses that were started in Folsom expect significant increases in employment compared to 29 percent of firms that relocated to the City.

FIGURE 28
FUTURE EMPLOYMENT GROWTH EXPECTATIONS



Sacramento Regional Research Institute, October 2003
Data Source: SRRI Folsom Business Survey
Note: Totals in the figure do not add up to 100 percent because some companies did not answer this question.

Figure 29 shows employment expectation breakdowns of selected industry classifications. As expected, industries that anticipate significant product and service growth also expect similarly large increases in employee growth. Both the Business and Professional Services and Construction industries led the output and employment growth expectations. Real Estate had a high percent of firms expecting significant future output growth at 50 percent, but only 17 percent of businesses in this industry expected to see significant employment increases (although 50 percent do foresee moderate increases). Ten percent of businesses in the Retail Trade industry expect significant employment increases and another 57 percent expect moderate, while five percent anticipate a reduction (the same number that expected output reductions). Retail Trade businesses were the only responding firms that expect a reduction in employment. Nearly 67 percent of businesses in the Manufacturing and Wholesale Trade industries see no change in future employment numbers.

FIGURE 29
EMPLOYMENT GROWTH EXPECTATIONS OF
SELECTED RESPONDING INDUSTRIES

	Employment Growth Expectations			
Industry	*Significant Increase*	*Moderate Increase*	*Remain the Same*	*Employment Reduction*
Business and Professional Services	71.4%	14.3%	14.3%	0.0%
Construction	50.0%	16.7%	33.3%	0.0%
Hotels and Motels	25.0%	25.0%	50.0%	0.0%
Real Estate	16.7%	50.0%	33.3%	0.0%
Retail Trade	9.5%	57.1%	28.6%	4.8%
Manufacturing	0.0%	0.0%	66.7%	0.0%
Wholesale Trade*	0.0%	33.3%	66.7%	0.0%

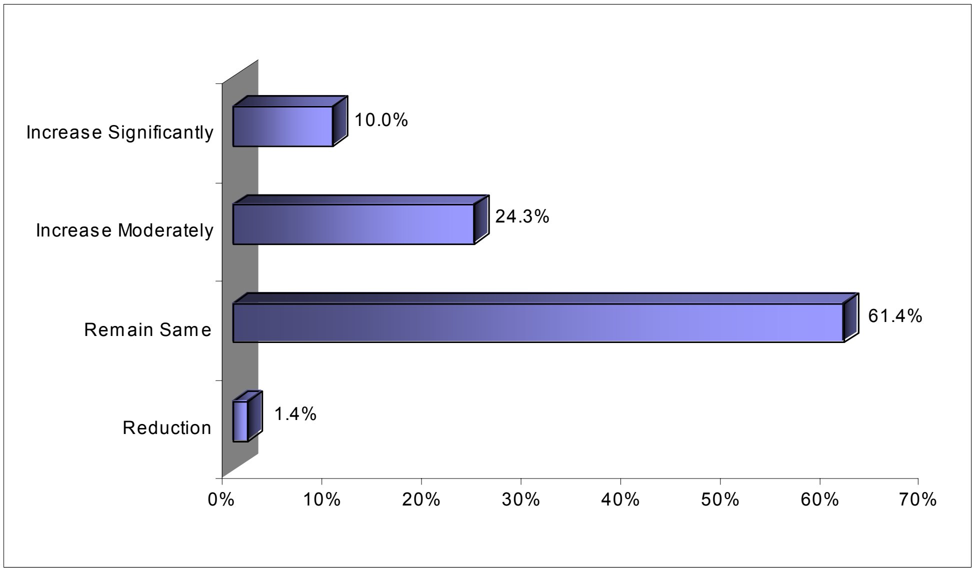
Sacramento Regional Research Institute, October 2003
Data Source: SRRI Folsom Business Survey
Note: Some totals in the table do not add up to 100 percent because some companies did not answer this question.
*Note: Wholesale Trade indicates firms primarily engaged in selling merchandise to retailers; to industrial, commercial, institutional, farm, construction contractors, or professional business users; or to other wholesalers; or acting as agents or brokers in buying merchandise for or selling merchandise to such persons or companies.

Regional growth potential in terms of employment is being led by larger businesses that have relocated from areas outside Folsom. Business and Professional Services leads this list (this is an industry that contains many of the higher performing industry sectors discussed earlier in the Economic Analysis section of this report). Smaller firms do not expect the level of future employee hiring that medium and larger firms do, which is something to consider in planning for any increases in a City's labor force.

Square Footage Growth Expectations

Expected growth in a businesses square footage can be a marker for businesses or industries expecting the largest combined output and employee growth increases. Increases in building and office size over current levels will generate increases in construction activity and demand for current building space. To generate square footage expectation information, businesses were again asked to look ahead 5 to 10 years and relay their expectations about possible growth. They were given the same choices of: a reduction, remaining the same, a moderate increase, or a significant increase. Figure 30 illustrates the responses for all surveyed firms and demonstrates that a majority of firms think actual growth in space will not occur—about 62 percent stated that it would remain the same. Only 10 percent of firms anticipated significant increases in square footage. None of the large businesses that took part in the survey saw significant square footage increases while medium sized firms were the only to foresee a reduction in square footage (6 percent of medium respondents).

FIGURE 30
FUTURE BUSINESS SQUARE FOOTAGE EXPECTATIONS



Sacramento Regional Research Institute, October 2003
Data Source: SRRI Folsom Business Survey
Note: Totals in the figure do not add up to 100 percent because some companies did not answer this question.

Figure 31 demonstrates the percent of business responses in each category broken down by industry group. Only three industry classifications relayed any significant expectations for square footage increases. Twenty-nine percent of firms in the Business and Professional Services group expect significant increases, while 25 percent in the Hotels and Motels industry, and 17 percent in Real Estate also foresee large expansions. The majority of businesses in nearly all of the industries expect the square footage of their firm to remain the same over the next 5 to 10 years, although several managers and owners cited the lack of space in the City of Folsom as reasons for these expectations. This anecdotal information is important to note when planning economic development activities to attract businesses to the City.

In this growth expectation category, like the others, Business and Professional Services leads the other industry classifications in terms of increasing firm square footage in the future. However, a large majority of businesses in Folsom do not expect any future growth over their current physical size and large firms seem least likely to expand their space.

FIGURE 31
SQUARE FOOTAGE EXPECTATIONS OF
SELECTED RESPONDING INDUSTRIES

	Square Footage Growth Expectations			
Industry	*Significant Expansion*	*Moderate Expansion*	*Remain the Same*	*Will Be Reduced*
Business and Professional Services	28.6%	28.6%	28.6%	0.0%
Hotels and Motels	25.0%	0.0%	75.0%	0.0%
Real Estate	16.7%	33.3%	50.0%	0.0%
Construction	0.0%	33.3%	66.7%	0.0%
Manufacturing	0.0%	0.0%	66.7%	0.0%
Wholesale Trade*	0.0%	33.3%	66.7%	0.0%
Retail Trade	0.0%	14.3%	81.0%	4.8%

Sacramento Regional Research Institute, October 2003
Data Source: SRRI Folsom Business Survey
Note: Some totals in the table do not add up to 100 percent because some companies did not answer this question.
*Note: Wholesale Trade indicates firms primarily engaged in selling merchandise to retailers; to industrial, commercial, institutional, farm, construction contractors, or professional business users; or to other wholesalers; or acting as agents or brokers in buying merchandise for or selling merchandise to such persons or companies.

Industries Established Business Would Like to See in Folsom

Finally, SRRI asked business managers and owners what other types of industries or businesses they would like to see within the City of Folsom in the future. These responses provide important insight into what industries established businesses feel are lacking in the City both at a business and personal level. Over 31 percent of respondents stated that they did not feel Folsom was lacking any type of industry or business, or that no new types were necessary, while nearly 13 percent had no opinion. The two highest responses, at 13 percent, showed that businesses wished to see increases in the number of restaurants (both fast food and standard) and high-tech industries. Nearly six percent wanted more retail stores, and four percent hoped for more grocery stores.

With the Business and Professional Services a leader in all of the future growth expectation areas, and with current Folsom businesses choosing this as one category of industry classification that they would like to see better represented in the city, it is evident that the Business and Professional Services industry area is one with high growth expectation and as well as strong local demand. This is also supported by the high economic performance that many of the industry sectors in this category demonstrated. Clearly, this is an area where the City should focus its economic development efforts.

Conclusions

The overall business environment in the City of Folsom is positive. Business representatives by far had many more positive things to say about Folsom than negative. Most of the negative responses had to do with traffic problems (due mostly to the Folsom Dam Road closure) and issues in dealing directly with the city government on business-related activities such as permitting. While economic development activities can focus on the positive aspects of the City of Folsom, the negative aspects must somehow be addressed in order to improve and maintain a positive business environment.

The locational advantages of locating a business in the City of Folsom overwhelmingly outweigh any negative aspects. Folsom has a business friendly environment that businesses see as community oriented with an emphasis on safety. Businesses are very happy with the market and customer access they have, which is aided by Folsom's location within the Sacramento Region and close to the Bay Area. Only traffic problems and some issues in dealing directly with the city on business issues dampen the high ratings businesses have given the city for factors they have identified as necessary for their business success.

Businesses that have relocated to Folsom from elsewhere have lower satisfaction levels than do those that started in the City. This is an important insight because the firms that have relocated have the strongest customer base located outside of the City and are one of the groups expecting some the strongest growth in products and services and employment. The relocated businesses identified Folsom's community, customer access, and cost of business facilities as the main locational advantages. These are the advantages that may be most attractive to businesses that economic development efforts are often focused on. Additionally, due to the ties to customers outside of Folsom, these play an even more import role in Folsom's growing economy.

The future economic development and business growth outlook for the City is strong. A majority of firms are forecasting growth in output and employment above moderate levels. Large businesses have the brightest outlook for growth, while small firms have a relatively lower level of expectation. This information shows that Folsom's continued growth will be aided by the established firms. However, these growth expectations highlight another concern that economic development activities must address—land use planning and availability. Anecdotally, respondents expressed concerns for the limited availability of space in the City and many of the responding large firms anticipated the need for additional square footage.

For future growth, two industries are positioned to play an important role in Folsom—Manufacturing and Business and Professional Services. Both of these industries encompass many of the high performing industry sectors highlighted in the Economic Analysis section of this report. The economic importance to Folsom of these industries is illustrated by their strong growth expectations and broad customer bases that extend beyond the City itself. Taking these industries as a combined unit, half of the surveyed businesses see significant future product and service and employee expansion. Over 57 percent of the businesses in these two industries have their largest customers in states other than California, while 14 percent have their largest customers in other countries or in the Sacramento Region. None of the companies surveyed in these two industry classifications listed any of their biggest customers as coming from Folsom. Twenty percent of these firms wish to see more high-tech industries move to the area to support their business expansion needs. This supports the concept of the electronics-information technology-biotech cluster that is developing in the Sacramento Region. The desire of firms to see more high-tech industries in Folsom demonstrates the potential Folsom has in helping to develop this cluster.

Overall, locating industries with high future economic growth expectations and strong ties to a customer base outside of Folsom is important for the planning of Folsom's economic future.

Appendix A—Listing of Survey Questions

1. On a scale of 1 to 5 with 5 being very satisfied and 1 very dissatisfied, in general, how do you rate the city of Folsom as a place to do business?

   a. 5—very satisfied
   b. 4—moderately satisfied
   c. 3—medium level of satisfaction
   d. 2—moderately dissatisfied
   e. 1—very dissatisfied

2. Can you identify some of the major factors affecting your evaluation of the City of Folsom as a place to do business? (Open ended categories listed only as typical responses)

   a. Access to markets, clients, customers
   b. Cost of facilities: rent, building an land costs, etc.
   c. Cost of utilities and public services
   d. Telephone and other communications
   e. Housing prices and availability
   f. Recreation, outdoor lifestyle
   g. Community qualities, safety, small-town values
   e. Schools, higher education
   f. Traffic, commuting
   g. Labor force, ability to attract quality employees, level of education/skills/experience, reliability, wage requirements, turnover
   h. Other:

3. On a scale of 1 to 5 with 5 being very satisfied and 1 very dissatisfied, how would you rate the city government's involvement in promoting business growth (such as permitting, economic development, taxes)?

   a. 5—very satisfied
   b. 4—moderately satisfied
   c. 3—medium level of satisfaction
   d. 2—moderately dissatisfied
   e. 1—very dissatisfied

4. What other industries or business would you like to see locate to the City of Folsom in the future?

5. What are the primary products or services your firm produces?

6. Over the next 5 to 10 years, do you expect your firm's products and services to see:

   a. Significant expansion
   b. Moderate expansion
   c. No change
   d. Reduction in size

7. Over the next 5 to 10 years, do you expect the number of employees at your firm to:

   a. Increase significantly
   b. Increase moderately
   c. Stay the same
   d. Be reduced

8. Over the next 5 to 10 years, do you expect the square footage your firm now occupies to:

   a. Increase significantly
   b. Increase moderately
   c. Stay the same
   d. Be reduced

9. Including the owner and yourself, how many are employed by your firm?

10. How long has your company been located in the City of Folsom?

11. Did your firm:

    a. Start up in the City of Folsom? (SKIP TO Q.15) OR
    b. Move to the City of Folsom from somewhere else? (ASK NEXT Q.)

12. From which city and/or state did your firm move?

13. Which month and/or year did your firm move?

14. Why did you move to the city of Folsom?

    a. Lower cost of doing business
    b. Closer to customer base.
    c. Better transportation services/opportunities
    d. Lower cost of housing/living expenses
    e. Liked the geographic location
    f. Other:

15. Are your biggest customers located in:

a. City of Folsom only
b. Sacramento region
c. Bay Area
d. Other California locations
e. States/territories outside California
f. Countries other than the United States

16. (ASK TO GET FOLLOWING INFORMATION IF DO NOT ALREADY HAVE)

a. Name of Respondent:
b. Title of Respondent:
c. Name of Company:
d. Telephone Number:

17. May we contact you again if we have any follow-up questions? What is the best way to reach you (e-mail, telephone, etc.)?