

ECONOMIC ADJUSTMENT STRATEGY FOR GRANT COUNTY, NEW MEXICO

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PROJECT PURPOSE

The goal of this project is to develop a strategy for Grant County, New Mexico to adjust not only to economic downturns, but also to mobilize resources to take advantage of economic opportunities as they arise. The tasks undertaken included evaluating the area's current state, its potential to diversify and its preparedness to react to economic changes together with the identification of specific target industries that represent recruitment opportunities. As part of this evaluation, specific recommendations are made to recast a more contemporary approach for an economic recovery and adjustment strategy and to set the table with more understandable and realistic expectation.

In addition, because of SIGRED's role as the area's primary economic development organization, specific recommendations are included in Appendix A to enhance this capacity and means of implementing the strategies.

GOALS AND OBJECTIVES

The recommendations of this economic adjustment strategy are presented within a framework that strives to:

- create a broader and more diverse economic base;
- market the area's attributes to the external world;
- complete projects that visibly and substantively change the capabilities of the region to promote, nurture and sustain a diverse economy;
- encourage a common focus for multiple, collaborative, parallel, but not duplicative economic development efforts in the County; and,
- contribute to the development of the area's leadership capacity.

BACKGROUND INFORMATION

Grant County has experienced severe economic dislocations during the last four decades, including a significant number of business closures, downsizings, layoffs and relocations. The County's economic base has dramatically shifted away from mining and industrial activities. Like dominoes, the closures of mines and smelters throughout the area have cascaded into Grant County's communities; eroded its small business base; and, forced employable families to migrate out of the area.

As a result, Grant County has been characterized as severely distressed. Prospects for improving the economy hinge upon a complex array of special interests, that are often in conflict, both inside and outside the community. Subsequently, the County has appeared, to the eyes of many business and institutional decision makers, as an area that warrants additional caution prior to new investment and job creation actions.

As a direct result of these economic woes, Grant County has been the subject of many studies, reports, and other analyses to quantify, define and articulate its relative strengths and weaknesses (as listed in Appendix B). In order to establish a framework for this economic adjustment strategy, it is important to recognize the community's strengths and weaknesses in a context to facilitate the implementation of recommendations and to bolster continued efforts to reverse these negative trends.

The effects of certain negative environmental, social, political and economic forces are factors that influence the County's residents. However, it is clear to the project team that these stereotypical characterizations are not universally applicable. Grant County leaders talk of "Mining interests" versus "Ranching interests", or Hispanic versus Anglo, or the high level of "Green" activism in the community. Further, they voice concern for or against Silver City's image as a tourist destination for reasons other than wilderness activities. None of these concepts is substantiated by socio-economic data or the community's business base, but they persist.

When close examination is made of the physical infrastructure and the state of the County's overall education system, however, the region is perceived in a more negative light than the data show. General adverse factors include:

- 1) areas of high contrast in physical appearance;
- 2) a lack of broad based financial support for economic development;
- 3) a history of economic dislocations and downsizing;
- 4) a lack of community cohesiveness;
- 5) a declining or underdeveloped physical infrastructure;
- 6) a fragmented sense of economic development priorities;
- 7) north and south county disputes;
- 8) underperformance in some aspects of the County's education and training systems; and,
- 9) a lack of recognized, communitywide leadership.

Countering these negative factors are the following strengths and positive attributes:

- 1) an extraordinary natural environmental setting and highly attractive lifestyle setting;
- 2) Interstate Highway 10 crossing Grant County's southern reaches with moderate access via U.S. Highway 180;
- 3) ready access to Mexican markets and trans-border operations;
- 4) low to moderate local tax bills and near middle of the road State tax burden;
- 5) access to recreational facilities and opportunities;
- 6) prospects for increasingly competitive energy rates within the Southwest;

- 7) a diverse, moderately sized labor supply which contains a concentration of experienced workers able to perform industrial equipment installation, maintenance and repair duties; mechanical functions; healthcare and medical services; office administrative, computer applications and data processing responsibilities; call center and customer service tasks; computer operations and information technology services; as well as an available unskilled labor force which appears to be trainable and reliable;
- 8) the presence of Western New Mexico University and its lifestyle, education and training assets; and
- 9) evolving connectivity which increasingly enables remote, high-speed telecommunications.

From the project team’s perspective, Grant County must achieve a degree of separation from national and regional competitors in order to gain the attention of business and industry seeking to expand or relocate to new communities. While it is important to recognize that not every area of the County is suitable for large-scale commercial development, Grant County offers an appealing setting for a mix of business investments. In fact, although the County may not present a wealth of “unique” attributes, the strengths cited above present a solid foundation on which to build a consistent and sustainable economic recovery program. The missing ingredient in this recipe for job creation and wealth enhancement is an aggressive business development effort.

RESEARCH METHODOLOGY

As part of this process, the project team reviewed a considerable amount of information (a list of which will be found in the Appendix to this report). Additionally, extensive interviews with SIGRED staff, Board members, local elected officials and administrative staff, interested local citizens, business and industry representatives, and regional economic development professionals were completed for the purpose of delineating areas of conflicts, strengths, weaknesses, and future opportunities. There were 5 public meetings held (Cliff, Hachita, Mimbres Valley, the Mining District and Silver City) to solicit public input to the strategies. These public meetings were bolstered by specific presentations to numerous local community groups, three opinion surveys, roughly 100 meetings with individuals throughout the County and multiple presentations to SIGRED's Board and related economic development entities.

Grant County has been studied numerous times. It is in the process of updating its comprehensive plan and setting its community development priorities through the Coalition for Progress. Accordingly, the project team believes that the area does not need a rehash of historic trends and current conditions. Therefore, the project team has attempted to determine possible actions that the area's constituent communities and partners should undertake to combat negative trends, attitudes, and performance.

For the purpose of this report, the project team defines economic development as fundamentally different from economic growth. Economic growth is something that happens to you, typically as a result of external forces beyond your control; whereas economic development is something you do for yourself by enhancing environmental factors over which you may exercise some influence.

ISSUES IDENTIFICATION

1. Grant County lacks a clear vision of its economic development priorities and objectives and one of economic development's greatest challenges is the necessity to concentrate upon elemental functions that often get submerged in a sea of demands.
2. The prevailing community perception is that Grant County is not a desirable business location. (This is especially prevalent in the local market and tends to overshadow the area's positive attributes.)
3. Available resources for economic development are limited, and key organizational investors increasingly demand quality results and greater self-sufficiency.
4. Significant company closings and job losses have occurred for a variety of reasons, most of which were beyond the community's control.
5. Varying perspectives on economic development from community leadership constrain the County's development efforts and have virtually prevented marketing efforts. Local leaders must find consensus on their priorities for job creation endeavors.
6. Lack of acknowledged economic development leadership contributes to the area's negative self-perception and, to some extent, its economic performance.
7. Area economic development entities will benefit by increased, purposeful coordination.

STRATEGIC ACTIONS

In Grant County, many elements for a successful revitalization strategy are in place. Care should be taken not to move away from the basics of economic development, further fragment current job creation efforts or reduce the support of organizations already present. The first priority for Grant County economic development is to create jobs that will bring economic betterment and stability to the region. All decisions to invest public economic development monies should be benchmarked to that goal.

Many communities spend a considerable amount of time and resources trying to find the magic wand that will solve all of their economic development needs. Grant County should resist any attempt to embark on that search. Rather, the emphasis needs to address those weaknesses identified in this report and capitalize on the area's strengths in a consistent manner over time.

Strategic actions are presented within the following major categories:

- Physical Development
- Human Capital
- Destination Development
- Foreign Trade Development
- Information Services
- Existing Business Development
- Business Recruitment
- Business Startups

A. Physical Development

For the past decade, the increasing challenge has been to change the fundamental character of the County's economy in part through infrastructure improvements and targeted physical development. Acquisition, demolition, clean up, site development and physical infrastructure improvements will lead to significant enhancement in the County's market appeal and livability. While much remains to be done, sharpened focus on support infrastructure, industrial/commercial/distribution business center development, transportation improvements, telecommunications modernization and related activities will contribute measurably to the County's ability to attract job-creating private and institutional investments.

***Strategy:** Investments in physical improvements should be focused on those projects without which economic development, job generation or retention, and new investment will become increasingly difficult.*

***Strategy:** Physical development projects should include developed business, commercial and industrial parks and essential support infrastructure in the Santa Clara-Bayard-Hurley-Grant County Airport areas; distribution center development at I-10 in southern Grant County; a technical training center in northern Grant County; transportation and telecommunications systems improvements to facilitate movement of goods, services, people and information; and, related conversion and redevelopment of existing, underutilized facilities and sites that will contribute to the area's overall economic development.*

B. Human Capital

Not every job created through economic development efforts provides opportunity for growth and enhancement. Growth opportunities are provided to individual workers through training, skill upgrading, and overall workforce preparedness demanded by value-added employers. To create those enhanced job opportunities, above the entry level, and upgrade the area's per capita income, a combined strategy of targeted job creation and workforce skill development based on input from local employers and market targets must be implemented.

Most current national research concludes that the jobs for this century will require a two-year degree or technical certification. Western New Mexico University offers a few two-year or certificate programs, but not enough to support a diverse, future-oriented economy. Local employers have expressed a desire for University programs that will provide skills enhancement and entry-level training.

***Strategy:** Enhance and utilize Western New Mexico University's facilities for adult vocational training and Western Works while focusing on linkages with employers on a regional or market-wide basis. Work to provide necessary skill upgrading programs targeted to future job opportunities.*

***Strategy:** Enhance coordination between targeted area businesses, Western Works, the Western New Mexico University and area secondary schools to provide basic skills development for the unemployed and underemployed by designating a lead organization and/or establishing a coordinating action committee.*

C. Destination Development

Grant County is fortunate in its secluded location and proximity to many other natural resources and potential tourism opportunities. While there is some local recognition that the tourism industry is a critical segment of the County's economy, a gap exists between traditional economic development programming, workforce preparation and tourism and convention/visitor bureau plans and activities.

The attraction of destination developments – whether theme accommodations, corporate retreats, conference and training facilities, hunting/fishing/birding/hiking lodges in the wilderness, fitness/health retreats and others - will serve to alleviate many long term socio-economic difficulties and strengthen the region's tourism industry. Expanding and capitalizing on the festivals and events can create more permanent economic benefits than these weekend events now produce. Opportunities include retail development, tourist recruitment and even locating facilities of event sponsors or equipment manufacturers.

Grant County plays only a marginal role as a regional retail center today – far smaller than the region's population base might suggest. The enhancement of existing tourist destinations and addition of more commercial mass will help pull in more outside dollars. This will also create employment or entrepreneurial opportunities for spouses.

The Silver City Grant County Chamber of Commerce is largely responsible for promoting tourism throughout the County (with a supporting role by SIGRED). Care should be exercised in this strategy to avoid duplication of effort and confusion of the various roles played in destination development.

Further, the area should focus on efforts to attract service-related employers that will attract more outside dollars and provide entry-level, service-related jobs both for residents who do not seek to take advantage of more skilled positions and for youth as summer employment. These actions will not only attract visitors who might choose to experience the area's

recreational activities, but also those who may consider the area for possible commercial or industrial development opportunities.

***Strategy:** Focus on those efforts that lead to the recruitment and development of physical facilities that may enhance the ability to attract tourists such as year-round recreational/entertainment draws.*

***Strategy:** Link traditional economic development activities with quality-of-life pieces produced by the Chamber, SIGRED and the State of New Mexico to enhance the region's image and identity.*

***Strategy:** Use annual tourist/sports events, like the Tour of the Gila, to recruit business investment, repeat tourist visits and job creation.*

D. Foreign Trade Development

Grant County's proximity to the US/Mexico border and the resources of Western New Mexico University have fostered the NAFTA Institute's development and International Business Accelerator programs. Though the County has one town, Hachita, and Interstate Highway 10 frontage close to the border, no development or business opportunities have been promoted there in a meaningful way. Nor have business opportunities related to maquiladoras been fully exploited.

***Strategy:** Enhance funding for the International Business Accelerator and expand international trade consultant training to broaden international business investment attraction efforts beyond Mexico, increase staff availability and attention to international business opportunities.*

Strategy: Evaluate the potential for strategic distribution of Mexican-market products and a multi-modal transportation link at I-10 (e.g., rail, and truck transportation tied to industrial development in the surrounding area).

Strategy: Continue support for expanded commercial traffic through regional border crossings like Antelope Wells and focus resources to support infrastructure development that would provide services to support this traffic.

E. Information Services

Grant County has responded favorably to the challenge of meeting prospects' needs for information on a timely basis. The presentation packages, which the project team reviewed, are comprehensive, professional, and informative to someone seeking an overview. Some concern has been expressed regarding availability of information on industrial and commercial sites. It is essential, as this report's recommendations are implemented, that Grant County presents a unified, single voice for marketing its assets to potential job creating investors.

Strategy: Grant County should ensure sufficient resources are devoted to the compilation and maintenance of a current, consistent and comprehensive database of all the area's sites in a format common to the entire region and tied to the existing State and county system. A similar program should address available buildings.

Strategy: Grant County should develop an Internet presence that provides current, relevant information about industrial and commercial business opportunities for potential investors.

Strategy: Grant County should develop print marketing materials to support the Internet presence that markets sites and buildings to potential investors.

F. Existing Business Development

New business attraction and existing business development (retention and expansion) are inextricably linked. A successful business support program is fundamental to Grant County's ability to attract new industrial and commercial investment. Such a program produces a clear understanding of the realities of doing business in Grant County and establishes effective relationships that may be drawn upon during marketing activities. It identifies impediments and opportunities about which economic development professionals may be unaware and enlists support and guidance from business leadership in the area's economic development program. Finally, maintaining the integrity of and stimulating growth in the existing business base are fundamental to positioning the area as a preferred location.

Multiple community/economic development groups in Grant County have expressed an interest in conducting an in-depth retention survey of their businesses and industries.

***Strategy:** Form a partnership of local stakeholders and key organizations, link with the State of New Mexico (including the New Mexico Partnership) account representatives, identify the lead organization, pool resources, and undertake a coordinated, comprehensive retention survey of existing businesses.*

***Strategy:** Professional business/small business development services must work to collaborate and target specific sectors and regions of the County where small business success rates are low, financial assistance is lacking and technical assistance is requested. Services to support and improve existing business operations need to be developed and offered through a concerted marketing effort.*

Further, the area should concentrate its existing business attention on those firms who are export-based. The term "export-based" addresses those companies operating in the area that export the majority of their products and services beyond the boundaries of the regional marketplace and that create wealth by importing new money into Grant County. That new money supplements dollars currently in circulation to create additional prosperity and

demands for multiplier employment. Similarly, growth in export-based production tends to stimulate upstream and downstream demands for locally produced goods and services.

Attention to export-based companies presents a series of additional benefits. Managers of such companies usually understand market forces occurring in other regions of the country (and world for that matter), and are well situated to advise on the structure of local economic development programs. Those managers are intimately aware of the area's operating and lifestyle characteristics and can provide pointed advice with respect to the area's business climate. Similarly, such firms are typically parts of larger networks that gather intelligence on business mobility plans throughout the domestic and international markets.

Often, those businesses are sources of financial and technical support for marketing efforts and provide a credible backdrop against which the area's business climate may be measured. Every company that considers Southwestern New Mexico as a location for new investment will interview existing business managers to determine their experiences. Accordingly, it is critical to understand their perspectives and to utilize their expertise in crafting marketing and sales messages.

Existing businesses that are export-based encounter forces beyond the area's control. Further, those export-based businesses whose headquarters are located elsewhere are subject to monitoring, analysis and interpretations that occur at some distance.

In that context, Grant County must work diligently to cement relationships between the local business locations and their out-of-area headquarters. At the very least, such activities must sustain close working relationships with site managers and operations managers in core businesses throughout Grant County. Further, such relationships should lead to an ongoing program to meet, at reasonable intervals, with headquarters personnel (local managers in attendance) especially charged with oversight responsibility for local operations.

Such actions will impress headquarters personnel with the area's appreciation for the local operation and contribute to improving communications between the remote plant, the headquarters and area economic development officials. Such communications are typically imperfect and, often, a parent company undertakes plans and programs that affect field operations without the plant personnel's initial knowledge.

***Strategy:** SIGRED should encourage each major export-based company to appoint a staff member as a "Corporate Coordinator for Economic Development" to provide a specific point of entry into the company for local officials. Furthermore, it will assign responsibility for sharing with local officials business development intelligence that flows from the company's internal and external, domestic and international, network of contacts. The ultimate goal is to report on potential prospects for Grant County. That individual, moreover, will lend the company's broader experience to business development and customized marketing approaches to prospective companies.*

G. Business Recruitment

To identify logical targets for Grant County recruitment efforts, the project team has examined the County's business operating climate and conducted a target market evaluation. By examining shift share analysis; current business expansion and branching patterns; existing industry base; and, unemployment and training information, a select few readily-identifiable, traditional-sector targets appear applicable to Grant County. They include:

- back office, telemarketing, customer service and financial services support operations;
- institutional tourism, entertainment and recreation services;
- processed agricultural products and processed specialty and ethnic foods;
- wood products including decorative, construction and furnishings products;

- strategic distribution, transportation and logistics; and,
- software development and testing including video entertainment products and wireless features.

Upon further examination of Grant County's successes, several observations arise.

- Y Significant relocations have been made by companies that are forming joint ventures and have a strong sense of community responsibility as part of their corporate culture. The theme that fits the area is the identification of companies that are committed to growing their own workforce and molding it as they build and refine their new ventures and attempt to address new markets.
- Y With the School-to-Work educational enrichment and enhanced training programs, the local labor market can develop a higher level of skill and familiarity with technology over time. Companies who have more immediate needs for refined and trained workforce will have to draw employees into the Grant County area from outside or attract them from existing firms. Accordingly, the objective should stress the need to prepare students and prospective employees now by training for and reacting to advanced industrial/business skills and applications needs for future workers.
- Y Comments from companies who have chosen not to locate in the Grant County area quietly voice concern that the community's attitudes were factors to prevent them from experiencing the necessary levels of local support and encouragement essential for their long-term success. Steps must be taken to improve Grant County's image by focusing on those positive attributes such as natural features, small town atmosphere, openness to new business investment and community connectivity.
- Y Another means to identify prospects is to develop productive and reciprocal working relationships with other economic development organizations in the southwestern portion of New Mexico, particularly Alamogordo, Deming, Las Cruces, Lordsburg and Truth or Consequences. Such relationships should entail mutually-supportive activities

such as advertising, marketing, and trade shows, while making these sister economic development organizations aware that facilities and resources exist within Grant County for some of the spin offs which may not fit due to tight labor markets or other limitations in those other areas. Equally, the Area will be better positioned to share its intelligence with nearby organizations in a strong regional presentation. The Area could provide an alternative to keep the jobs in New Mexico rather than losing them to outside competition.

- Y Another target that arose in many conversations with existing companies, as well as in terms of overall economic preparedness, involves the transportation and logistics and strategic warehousing sectors. These services are growing in greater importance as more and more companies seek to outsource their logistics and transportation needs. Similarly, business interrelationships with Mexico and the 20-mile strip of I-10 that traverses southern Grant County call greater attention to these opportunities.

In attempting to qualify the types of companies and industries that would be attractive to the region, several observations were made by the project team.

- Y First, the relative strengths of Grant County correlate only loosely to growth industries either nationally or in the targets that the State of New Mexico has identified for its focus.
- Y Likewise, in looking at our targeting analysis, few compelling new targets emerged.
- Y For that matter, some of the best companies for any community to target may very well be those types of companies which have already demonstrated a willingness to consider locating within that community: a market horizontal in function, but vertical in interests.

Strategy: *Grant County should continue to ensure that the basics required by a target industry or site selector are in place. At minimum, the following must be addressed in order for any attraction effort to expect to be successful:*

1. *In addition to a detailed sites and building inventory, accurate information on community resources such as major employers, labor availability, utilities, infrastructure, telecommunications, accessibility, community incentives and relevant local contacts must be packaged and readily available for distribution and discussion with incoming prospects;*
2. *Timely, accurate and focused answers to client questions must be provided before, during and after any visit to the Area: and,*
3. *Staff funded and dedicated to business development, prospect handling and the promotion of Grant County must be available and unencumbered by nonessential duties.*

Taken in combination, Grant County's airport services, telecommunications technology, transportation and logistics advantages and geographic location may open new aspects to targeted market efforts.

A pertinent example is what many communities have done in conjunction with their local general aviation and minor commercial airports. Not only have companies located at such facilities as a result of available, developed infrastructure, but they have also recognized that proximity to a small regional airport with state-of-the-art telecommunications services presents a powerful mix of location attributes.

In today's business world, competition is fierce--individuals compete for jobs, communities compete for businesses, and businesses are competing for top talent. Successful businesses and communities are easily recognized. They have a way of describing themselves that also acts as a marketing tool to attract people to their community. Many cities are identified by their community description, such as Chicago the "Windy City" or New York the "Big

Apple.” These communities have a clear and clever description, a way of identifying themselves, which makes it easier from them to market themselves.

The purpose of a community description and branding statement is to create a common identity that a variety of smaller communities can use to market the entire region and an identity that can be recognized with little explanation. The statement should present the community or region in a unified manner that will reach a variety of audiences.

***Strategy:** Develop a well-conceived area description and branding statement, which highlights efforts to improve the area’s quality of life, which may encourage companies on the target list to examine the area’s potential to accommodate their additional requirements.*

H. Business Startups

Grant County’s location, climate and ambiance have been strong attractants for retirees, young professionals, affluent persons escaping urban pressures and people who love the amenities of a wilderness resort town. With the growing hospitality sector and the County’s position as a regional health care center, many opportunities for business creation exist. A cursory analysis of retail sales indicates that Silver City, the County’s retail center, does not draw sales levels commensurate with the town’s location and population. This retail leakage is another clue to the potential for business development – not only in Silver City, but throughout the County.

***Strategy:** Support creation of relevant school to work programs, alternative secondary programs and drop-out prevention programs to engage and motivate youth for career opportunities in the region.*

***Strategy:** Encourage the development of new business ventures, bolster existing businesses through a variety of business assistance strategies and develop stronger coordination among the entities that serve entrepreneurial development, including SIGRED, Main Street and the Chambers of Commerce.*

SUMMARY OF RECOMMENDATIONS AND ECONOMIC ADJUSTMENT STRATEGY

The project team believes an economic adjustment strategy must focus local resources and attention on attracting new jobs and new investments while encouraging existing companies and businesses to expand. This attraction will not result in success unless the County engages in the development of infrastructure to attract, support and sustain this growth. The following is a listing of all the recommended strategies:

Strategy: *Investments in physical improvements should be focused on those projects without which economic development, job generation or retention, and new investment will become increasingly difficult.*

Strategy: *Physical development projects should include developed business, commercial and industrial parks and essential support infrastructure in the Santa Clara-Bayard-Hurley-Grant County Airport areas; distribution center development at I-10 in southern Grant County; a technical training center in northern Grant County; transportation and telecommunications systems improvements to facilitate movement of goods, services, people and information; and, related conversion and redevelopment of existing, underutilized facilities and sites that will contribute to the area's overall economic development.*

Strategy: *Enhance and utilize Western New Mexico University's facilities for adult vocational training and Western Works while focusing on linkages with employers on a regional or market-wide basis. Work to provide necessary skill upgrading programs targeted to future job opportunities.*

Strategy: *Enhance coordination between targeted area businesses, Western Works, the Western New Mexico University and area secondary schools to provide basic skills development for the unemployed and underemployed by designating a lead organization and/or establishing a coordinating action committee.*

Strategy: *Focus on those efforts that lead to the recruitment and development of physical facilities that may enhance the ability to attract tourists such as year-round recreational/entertainment draws.*

Strategy: *Link traditional economic development activities with quality-of-life pieces produced by the Chamber, SIGRED and the State of New Mexico to enhance the region's image and identity.*

Strategy: Use annual tourist/sports events, like the Tour of the Gila, to recruit business investment, repeat tourist visits and job creation.

Strategy: Enhance funding for the International Business Accelerator and expand international trade consultant training to broaden international business investment attraction efforts beyond Mexico, increase staff availability and attention to international business opportunities.

Strategy: Evaluate the potential for strategic distribution of Mexican-market products and a multi-modal transportation link at I-10 (e.g., rail, and truck transportation tied to industrial development in the surrounding area).

Strategy: Continue support for expanded commercial traffic through regional border crossings like Antelope Wells and focus resources to support infrastructure development that would provide services to support this traffic.

Strategy: Grant County should ensure sufficient resources are devoted to the compilation and maintenance of a current, consistent and comprehensive database of all the area's sites in a format common to the entire region and tied to the existing State and county system. A similar program should address available buildings.

- a) Grant County should develop an Internet presence that provides current, relevant information about industrial and commercial business opportunities for potential investors.
- b) Grant County should develop print marketing materials to support the Internet presence that markets sites and buildings to potential investors.

Strategy: Form a partnership of local stakeholders and key organizations, link with the State of New Mexico (including the New Mexico Partnership) account representatives, identify the lead organization, pool resources, and undertake a coordinated, comprehensive retention survey of existing businesses.

Strategy: Professional business/small business development services must work to collaborate and target specific sectors and regions of the County where small business success rates are low, financial assistance is lacking and technical assistance is requested. Services to support and improve existing business operations need to be developed and offered through a concerted marketing effort.

Strategy: SIGRED should encourage each major export-based company to appoint a staff member as a “Corporate Coordinator for Economic Development” to provide a specific point of entry into the company for local officials. Furthermore, it will assign responsibility for sharing with local officials business development intelligence that flows from the company’s internal and external, domestic and international, network of contacts. The ultimate goal is to report on potential prospects for Grant County. That individual, moreover, will lend the company’s broader experience to business development and customized marketing approaches to prospective companies.

Strategy: Grant County should continue to ensure that the basics required by a target industry or site selector are in place. At minimum, the following must be addressed in order for any attraction effort to expect to be successful:

- a) In addition to a detailed sites and building inventory, accurate information on community resources such as major employers, labor availability, utilities, infrastructure, telecommunications, accessibility, community incentives and relevant local contacts must be packaged and readily available for distribution and discussion with incoming prospects;
- b) Timely, accurate and focused answers to client questions must be provided before, during and after any visit to the Area: and,
- c) Staff funded and dedicated to business development, prospect handling and the promotion of Grant County must be available and unencumbered by nonessential duties.

Strategy: Develop a well-conceived area description and branding statement, which highlights efforts to improve the area’s quality of life, which may encourage companies on the target list to examine the area’s potential to accommodate their additional requirements.

Strategy: Support creation of relevant school to work programs, alternative secondary programs and drop-out prevention programs to engage and motivate youth for career opportunities in the region.

Strategy: Encourage the development of new business ventures, bolster existing businesses through a variety of business assistance strategies and develop stronger coordination among the entities that serve entrepreneurial development, including SIGRED, Main Street and the Chambers of Commerce.

Strategy: SIGRED and Grant County should seek out locally-conscious companies that have the best interests of their surroundings as well as their shareholders in mind as they make strategic and operating decisions.

Strategy: *SIGRED should continue to develop and operate an effective, focused economic development program that contains at least the following elements:*

1. A Committee/Steering organization
 - a. With Authority
 - b. Vested by Local Governments
 - c. Financed
 - d. All-inclusive of communities, rural and urban
 - e. Accountable to its Board, and its funding sources (including local governments), for its performance
2. Does the following activities
 - a. Business Attraction
 - b. Existing business retention and support
 - c. Business start up
 - d. Fosters positive financial climate with links to financial resources
3. Establishes and addresses Strategic goals
 - a. Community SWOT (goals and objectives for each)
 - b. Target Industries (fit and demand)
4. Conducts marketing and recruitment efforts
 - a. Marketing materials
 - b. Trade shows
 - c. Prospect recruiting visits
5. Creates alliances and strong collaboration with other community based organizations
6. Links Grant County's economic development to the State and other professionals

The project team further recommends the above strategic actions be undertaken within the context of a realignment of focus, resources and staffing of SIGRED, as described in Appendix A of this report.

The project team strongly believes that the Grant County Area has the potential to diversify and strengthen its economy, improve its competitive position, and greatly enhance its quality of life by implementing this economic adjustment strategy.

ECONOMIC DEVELOPMENT OPERATIONS STRATEGY

The field of economic development often suffers from fuzzy origins and unclear definitions of terms. Virtually every economic development professional has witnessed the blank stare that occurs after telling a lay person at a social gathering that his or her job is economic development. Even more surprisingly, a lack of understanding of economic development often exists even among community leaders. After all, economic development is a field apart from most traditional government functions and its conduct often in confidence so that understanding its purposes and activities presents special challenges. Accordingly, a working definition of economic development is essential as a starting point for this strategic planning process.

In consideration of the tasks here, economic development is defined as fundamentally different from economic growth to the extent that economic growth is something that happens, typically, as a result of external forces beyond the community's control. Economic development, however, is something that a community does for itself by enhancing environmental factors over which it may exercise influence (e.g., workforce preparation, education, taxation, available sites and buildings, business climate, quality of life, infrastructure, community support and cooperation and so forth).

In this regard, economic development is the qualitative improvement in an area's economic circumstances which results from the purposeful, coordinated and consistent application of resources over time to stimulate investment which evokes economic base diversification; net real income growth; net employment growth; net real gross-area-product growth; and, value added to human and community resources.

The activities commonly labeled economic development may be more appropriately characterized here as business development. Business development is that subset of economic development that seeks qualitative improvement via the attraction of new, established firms; the retention and expansion of existing firms; and the nucleation of new firms. Such firms provide singular opportunities for near term jobs for an area's qualified workers.

Optimally, the business development activities will focus upon those firms that are export-based in their operations to the extent that they sell their goods and services beyond the borders of the local economy. This creates wealth through the importation of money with which, in part, to purchase fundamental local inputs such as utilities, labor, infrastructure, governance, and basic services. To achieve true clarity in establishing strategic priorities, a further narrowing of the business development function is appropriate so that it focuses on those export-oriented sectors and firms for which the resources available in the area present the greatest appeal.

In developing this economic development strategy for Grant County, numerous interviews were conducted with existing business operations in the area, as well as with utilities suppliers, transportation providers, local leaders and government and regulatory officials. Existing published data was reviewed and, importantly, similar evaluations were conducted of selected competitive locations for comparative purposes.

The comparative analysis that follows in a subsequent section should be utilized as a benchmark to evaluate the area's overall competitive position and as the basis for community self-improvement. The comparative analysis is similar to that which would be presented to management by a site-selection team considering the area as a location for a business facility.

It is important for the reader to note that the comparisons are simply to allow the reader to see that the Grant County area will fare better than some competitors and worse than others. However, each prospect will place differing levels of importance on different factors. For a glass manufacturer, for example, the cost of natural gas is a critical factor but the cost of labor is relatively unimportant. Just the opposite is true for a back office operation, in which gas is only used for ambient heating but labor represents a major portion of costs.

In that regard, community leaders may find an overview of the site-selection process and a description of the dynamics of the location decision process informative and useful as a prologue to the recommended strategies presented herein.

THE SITE-SELECTION PROCESS

In the effort to bring new business to Grant County, consideration must be given to the location decision process. A firm's site location processes may be viewed as a series of three related decisions. First, the firm must recognize the need for additional space. Second, the firm must determine where it will acquire that space - from an existing facility or a new location. Third, once corporate management has decided to relocate or branch its operations, the firm must determine where the new facility will be located. Local communities, often impatient for business recruitment results, must recognize that this process is commonly undertaken over a period of two to three years. Once the decision is made to acquire or establish new facilities, the selection of a location often takes a year.

The Pathfinders organization has conducted numerous site searches to determine the optimum location for new facilities for both publicly-held and privately-held companies. From the perspective of the team conducting the search, it begins as a process of elimination rather than selection.

Whether the site-search team is comprised of in-house staff, an outside consultant, or, more commonly, a combination of the two, the first step is to establish the site-search criteria and to identify the geographic scope of the search.

A real-time example of such a search in which The Pathfinders organization was recently involved was for a plastic products plant in which the geographic scope was defined as the mid-west portion of the United States. The initial screening criteria included:

- A community size of from 25,000 to 100,000
- A community within a 1_-hour drive of a commercial airport with jet service, or within a _-hour drive to an airport with commuter service
- A college or university in or near (_ hour) the community
- Location on an interstate highway

- A community with rail-served sites
- A community with a 100,000-square foot available facility, on at least ten acres of land, rail-served
- A community with reasonable electric costs
- A community with an absence of strong union influences or activity

It is apparent that missing from these criteria at this stage in the search is any reference to incentives or facilities cost, and that is not uncommon.

Initially, we identified all communities which met the population requirements and which were located on an interstate (quality) highway. There were over 80 of those within the geographic scope of the search, and the objective at this stage was quickly to reduce that universe to a more manageable number by applying the other criteria.

Using utilities companies and railroads as resources and through direct contacts with local economic development agencies (by fax, regular mail, e-mail, and telephone), inquiries were made of each of those to determine:

- Nearest college or university
- Nearest commercial air service and type
- The cost of electricity
- The availability of a rail-served, 100,000-square foot building

The point of this is to note that, under time pressures imposed by the client company, the objective was only to reduce that universe from 80 to 25 or so. If communities failed to respond promptly, they were eliminated, and 10 of the 80 were for that reason. Also, those that failed to meet any of those four baseline requirements were immediately eliminated. The smart salesman responding to our inquiry would recognize that labor, taxation, etc. were of no concern at this stage, but demonstrating that his community could meet each of those baseline requirements would keep it “in the hunt” and allow the submission of subsequent data.

Once that universe was reduced to a list of 20 or so, the second step was to reduce it further to a list of 6 to 10 for an on-site visit. At this point, further inquiries were made of the remaining candidates to determine such factors as:

- Tax rates
- Typical labor rates
- Workforce size
- Shipping times to specific markets
- Government cooperation
- Specific detailed data on the available building

At this stage in a site search, the process is still one of elimination, and an economic development organization must be prepared to respond in detail, promptly and to the point. We are constantly amazed that many communities are unable to do so. It is a concern to the site-selection team that eliminating a community that might have been the best location but which fails to respond adequately will result in the second-best location being selected, but typically time constraints leave no other choice.

The real sales job on the part of the community comes when it is selected as one of the six to ten to receive an on-site visit. Detailed sales and promotional materials that are unsolicited and, frankly, not welcomed prior to this stage, are now critical, sought-after materials to help in the location decision.

The process at this stage typically involves selecting the two or three finalists for a second visit by the site-selection consultant and the representatives of the client company. Incentives may become a factor at this point, but other community cooperation indicators clearly are factors as well. Most importantly, the local sales effort should, at this point, discern what the most important locational issues are and focus heavily on those.

The purpose of this dissertation on the site-selection process is to point out the imperative for being prepared. It is also to point out that when dealing with privately or closely-held companies, the most important locational issues may lean toward quality of life and incentives, whereas those are less important to the executives of Fortune 1000 companies who will make the location decision but will not move to the new location. Those executives tend to take a strategic view and are less swayed by the immediate benefits afforded by incentives packages.

In addition to specific business sector requirements, all companies consider a group of common factors in the location decision process. In response to a recent survey by The Pathfinders, 491 manufacturing firms noted the following factors as most frequently influencing their site-selection decision:

**Percent of Companies Specifying the Most Important Factors for
Selecting Industrial Plants' Locations
(The Pathfinders' Client Survey, 2003)**

Government Attitudes	91%
community receptivity	70%
reasonable corporate tax structure	68%
tax/financial incentives	49%
positive environmental controls	48%
quality of area development program	47%
extent of regulation	45%
industrial training program	33%
fiscal health of government	32%
attitudes toward multi-national firms	27%
confidential site-selection process	20%
Workforce	90%
cost of labor	74%
availability of skilled workers	64%
extent of unionization	64%
availability of unskilled or semi-skilled	50%
availability of technical or professional	35%
Transportation	89%
easy access to trucking	79%
easy access to rail	40%
efficient transportation for people	40%
easy access to airport	34%
easy access to water transportation	19%

Accessibility	89%
easy access to domestic markets	74%
easy access to international markets	40%
proximity to support companies	35%
facilitates access to prospective clients	30%
proximity to other company facilities	27%
proximity to high-tech company	7%
Site	89%
ample area for expansion	73%
fair-market property costs	67%
fair-market construction costs	61%
availability of raw land	43%
availability of improved land	25%
diversified industrial base	22%
industrial/office park	20%
existing site in-place	18%
Supply Resources	82%
easy availability of electricity	71%
stable energy rates	61%
availability of water	58%
availability of natural gas	55%
ample public waste treatment	51%

Quality of Life	81%
reasonable taxes	57%
cost of living	54%
stable political climate	37%
low crime rate	34%
Location	74%
small town or rural	43%
suburban	34%
urban/metropolitan	13%

COMPARATIVE ANALYSIS

The Pathfinders staff has employed its experience in site searches for corporate clients to evaluate Grant County, New Mexico as a location for business. The conclusion drawn from that evaluation is that Grant County can act from a competitive position in the business development marketplace for the targets identified herein. Further, this assessment has led to the recommended strategies noted above.

The consideration of the strengths and weaknesses of Grant County as a location for business and industry was undertaken from the perspective of a site-selection team that might evaluate Grant County as a candidate for the location of a business operation. It uses the same methodology employed in site searches for corporate clients.

The factors by which the competitive advantages or disadvantages of Grant County are judged are those factors most commonly considered by prospect companies seeking locations for new business units. The reader should be cautioned about placing too much value on those factors where Grant County enjoys an advantage or being too concerned about those factors where a disadvantage exists. The purpose of the comparative analysis is to determine if radical advantages exist or where disadvantages would be so radical as to be “deal killers”.

The information generated from this assessment provides an overview of the most marketable attributes of Grant County that can be immediately communicated to corporate investors.

This report addresses the following site-selection factors:

- A. Labor and workforce issues
- B. Taxation

- C. Utilities
 - electricity
 - natural gas
 - water
 - wastewater treatment
- D. Existing Facilities
- E. Transportation
- F. Quality of life

The attitudes of the elected and appointed officials in Grant County do not present a constraint to business expansions or business attraction. While exhibiting appropriate concerns about environmental and quality-of-life issues, the local government would be considered to be pro-business.

The comparative analysis that follows should be utilized as a benchmark to evaluate the area's overall competitive position and as the basis for community self-improvement. The comparative analysis is similar to that which would be presented to management by a site-selection team considering the Grant County area as a location for a business facility.

A. LABOR AND WORKFORCE ISSUES

In developing a profile of existing workers in the Grant County region, The Pathfinders considered such factors as labor availability, productivity, unionization, attitudes, costs, and education. The analysis was based upon interviews conducted by The Pathfinders with senior management and human resources professionals from companies located in the Grant County area. Each of these companies operated in the industrial, commercial, or service sectors. The interview sampling was sufficiently large to make valid workforce judgments.

The Pathfinders asked those employers interviewed to provide subjective views of their workers, in addition to objective and quantitative measurements of labor productivity, availability, attitudes, and costs. Employers with operations in other regions of the United States were asked to compare their experiences in those other areas with their experiences in the Grant County region.

The Grant County area workforce received good marks for productivity. That is consistent with the fact that many of the companies interviewed stated that their local operation compared favorably with operations in other locations in terms of profitability and production, indicative not only of good management but also of a very productive workforce.

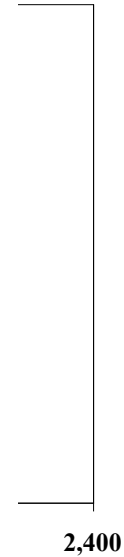
Based upon the experience of The Pathfinders in evaluating labor forces in numerous locations, a definite correlation between productivity, absentee rates, tardiness rates, and turnover appears to exist. That correlation goes beyond the fact that an absent worker is obviously unproductive. Rather, those factors are indicative of an employee's attitude toward the job. Overwhelmingly, companies in the Grant County region judged absenteeism, tardiness and turnover to be manageable. Most stated that substance abuse incidence is manageable. Equally, most expressed some concern over the extent of literacy and numeracy among workers throughout the region.

The Pathfinders has employed its experience in workforce assessments for corporate site-selection clients and a methodology developed for U.S. Department of Defense projects in assessments of the civilian workforce in locations where military installations were scheduled for closure to produce an assessment of the Grant County, New Mexico area workforce. The findings include:

- The Grant County, New Mexico area (Grant, Catron, Hidalgo and Luna Counties) has an estimated total civilian labor force of approximately 27,800 people.
- In addition to the unemployed in the Grant County region, a new employer will be able to attract employees from an additional pool of about 6,250 UNDEREMPLOYED, available workers.
- Those workers possess the skills, experience, and education to qualify them for the pay rates at which they would take a new job, ranging from less than \$7.00 to over \$25.00 per hour.
- About 25% of those workers would take a new job for \$9.16 per hour or less. At the upper end, the 25% most qualified and experienced will command more than \$17.82 per hour. 50% of the underemployed workers would take a new job for \$12.40 per hour or less.

The results of this assessment determined that approximately 6,250 workers could be defined as UNDEREMPLOYED: those individuals who would take a better job if offered by a new or existing employer and who possess the skills, education, and experience to qualify them for a better job. Further, those underemployed currently hold down positions that underutilize their workplace experience and skills; under compensate them for the positions that they occupy; or, require them to work less than full time. Over 25% of the 6,250 underemployed individuals have some college experience and more than 20% have earned college degrees. As these data relate solely to those individuals in the Grant County area who are UNDEREMPLOYED, they will vary from data representative of the population as a whole.

DESIRED WAGE RATES (per hour)
The Grant County, New Mexico Area Labor Shed



NUMBER OF UNDEREMPLOYED WORKERS AVAILABLE (rounded)
AT SPECIFIC HOURLY PAY RATES
The Grant County, New Mexico Area Labor Shed

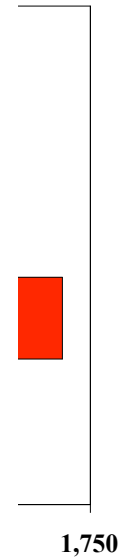
<u>\$ 7.00 - \$ 7.99</u>	<u>\$ 8.00 - \$ 8.99</u>	<u>\$ 9.00 - \$ 9.99</u>	<u>\$ 10.00 - \$ 10.99</u>
740	710	670	685
<u>\$ 11.00 - \$ 11.99</u>	<u>\$ 12.00 - \$ 12.99</u>	<u>\$ 13.00 - \$ 13.99</u>	<u>\$ 14.00 - \$ 14.99</u>
165	375	275	300
<u>\$ 15.00 - \$ 15.99</u>	<u>\$ 16.00 - \$ 16.99</u>	<u>\$ 17.00 - \$ 17.99</u>	<u>\$ 18.00 - \$ 18.99</u>
500	120	175	145
<u>\$ 19.00 - \$ 19.99</u>	<u>\$ 20.00 - \$ 24.99</u>	<u>\$ 25.00 - \$ 29.99</u>	<u>\$ 30.00 or More</u>
240	540	265	345



CHARACTERISTICS OF UNDEREMPLOYED WORKERS

The Grant County, New Mexico Area Labor Shed

CURRENT PAY RATES (per hour)



CURRENT SPECIFIC PAY RATES (per hour)

<u>\$ 7.00 - \$ 7.99</u>	<u>\$ 8.00 - \$ 8.99</u>	<u>\$ 9.00 - \$ 9.99</u>	<u>\$ 10.00 - \$ 10.99</u>
1,538	635	638	406
<u>\$ 11.00 - \$ 11.99</u>	<u>\$ 12.00 - \$ 12.99</u>	<u>\$ 13.00 - \$ 13.99</u>	<u>\$ 14.00 - \$ 14.99</u>
270	306	125	240
<u>\$ 15.00 - \$ 15.99</u>	<u>\$ 16.00 - \$ 16.99</u>	<u>\$ 17.00 - \$ 17.99</u>	<u>\$ 18.00 - \$ 18.99</u>
206	240	175	125
<u>\$ 19.00 - \$ 19.99</u>	<u>\$ 20.00 - \$ 24.99</u>	<u>\$ 25.00 or \$ 29.99</u>	<u>\$ 30.00 or More</u>
150	570	282	344



The Grant County labor shed offers comparatively attractive wage rates. The table below shows that 25% (lower quartile) of the underemployed, available workers in the labor shed merit and would take a new job for \$9.16 per hour or less. In Western U. S. locations surveyed over the past eighteen months (50+ labor sheds in the mountain time zone and west), the lowest desired pay rate in the lower quartile of underemployed workers was \$8.35 per hour or less, the median \$10.25 or less, and the highest desired pay rate was \$12.99 per hour or less.

DESIRED WAGES (per hour) – LOWER QUARTILE

Desired Wage Labor Shed	Lowest Desired Wage Locations Surveyed Past 18 Months	Median Desired Wage Locations Surveyed Past 18 Months	Highest Desired Wage Locations Surveyed Past 18 Months
\$ 9.16 or Less	\$8.35 or Less	\$10.25 or Less	\$12.99 or Less

Those underemployed, available workers in the upper quartile have more education, better skills, and greater experience. In the Grant County labor shed, the underemployed individuals in the upper 25% can command \$17.82 per hour or more. In Western U.S. locations surveyed over the past eighteen months, the lowest desired pay rate in the upper quartile of underemployed workers was \$12.61 or more, the median \$17.82 or more, and the highest was \$23.75 per hour or more.

DESIRED WAGES (per hour) – UPPER QUARTILE

Desired Wage Labor Shed	Lowest Desired Wage Locations Surveyed Past 18 Months	Median Desired Wage Locations Surveyed Past 18 Months	Highest Desired Wage Locations Surveyed Past 18 Months
\$17.82 or More	\$12.61 or More	\$17.82 or More	\$23.75 or More

It is essential to remember that site searches, business expansion plans, new business startups, entrepreneurial ventures and virtually every business development undertaking place primary importance on the availability of qualified workers.

Although the region's civilian workforce is relatively small and dispersed over a fairly large geographic area, we believe that the Grant County workforce is a positive aspect of the area's potential for business recruitment. As we have seen, the cost of labor in the area is moderate. Availability of unskilled workers is good and the availability of skilled workers is acceptable. Those workers possess generally marketable experience and skills levels.

B. TAXATION

Federal, state, and local tax systems and regulatory policies clearly have an impact on business expansion and economic growth. This impact results from the simple fact that taxes and regulatory compliances represent daily costs of doing business that vary according to the location in which a business is operated.

Assuming Federal taxes to be fundamentally equal at all locations, state and local taxes, statutory environments, and regulatory policies may place a state and a locality at a competitive advantage or disadvantage in the attraction, retention, and expansion of business enterprise. Higher taxes, unequally distributed tax burdens, or unfavorable regulations in one state can raise the cost of materials, capital goods, labor, and financing for business in that state. Unless these costs are offset by other cost advantages (such as favorable labor, facilities or energy costs) of locating in that state, higher tax costs at some point will require a company to charge higher prices for products and services or accept a lower rate of profit.

Comparisons of total tax burdens, fiscal responsibility, and local government financial condition are fundamental in the site-selection process. Such considerations must, however, be taken in context as they are typically subsidiary to comparative advantages or disadvantages in other key location criteria. Disproportionately burdensome tax rates and baseline concerns over financial stability, which raise the specter of significant tax increases, often serve to deflect business managers' attentions away from areas which otherwise possess attractive operating characteristics. Such circumstances are mitigated in areas with overriding market appeal, such as Northern Virginia or Central Florida.

For the most part, prospects recognize that significant tax inducements that accrue to their local operations will, at some point in time, be countered with the need for their firms to pay a relatively higher proportion of taxes in response to another's tax benefit. Typically, they recognize the public relations cost of significant tax inducements when measured against the tax burdens of their corporate neighbors. Finally, they recognize that such tax inducements are short-term in impact and contractual in nature to the extent that tax incentives require

specific performance on the part of the firm which may be beyond its capabilities at any given point in time.

Those individuals who are private owners/managers perceive the role of tax policies, tax incentives, and financial inducements somewhat differently. In many instances, those individuals may perceive a personal financial benefit as a result of tax incentives. In other instances, they may perceive immediate financial benefits to their companies which minimize the cash flow impacts of new operation start-up costs or reduce the levels of debt necessary to fund new assets acquisition.

In any event, the issue of taxes and financial inducements appears to occupy a significant position within the complex of decision factors that such companies employ to choose a final location. In this context, communities are challenged to provide an equitable tax system which generates sufficient revenues to provide quality services while at the same time offering affordable financial inducements to companies who perceive differentials in tax burdens to be significant location factors.

A comparison of local real and personal property taxes that a company will encounter in Grant County, relative to other communities with which it might commonly compete, is shown in the accompanying tables.

Although tax rates in general have high visibility among corporate managers seeking new locations, it is often difficult to make general comparisons among state corporate income tax schedules in the absence of specific detailed income and expense data about the company in question. Nonetheless, comparisons abound if for no other reason than to add to the body of knowledge that business will take jobs and prosperity out of state if taxes become unmanageable.

States and localities routinely assemble and publicize generous tax abatement and public spending packages to lure large employers. Under the media radar, however, each state's tax system constantly competes with its neighbors for start-ups and business expansion without

the benefit of special tax breaks. The table below provides a measure of whether their tax systems give New Mexico and its competitors a leg up in this competition.

The simplest indicator of state taxes is “tax burden”: the percentage of all income taken by taxes. While businesses typically take note of tax burden estimates, they also comment that the structure and complexity of a state’s tax system is as important as the amount collected. Accordingly, The Tax Foundation’s State Business Tax Climate Index offers a means to gauge the potential economic damage caused by the manner in which each state extracts tax revenue.

The overall index is a composition of five specific indexes devoted to major features of a state’s tax system – features that definitely influence business decisions or the economy in general: the corporate income tax, the individual income tax, the sales or gross receipts tax, the state’s fiscal balance and the conformity of a state’s tax system with other systems. These five indexes are themselves composites of several sub-indexes. The large number of variables assures that no one attribute will dominate a state’s score.

BUSINESS TAX CLIMATE INDEX AND RANKING

State	Index*	Rank	Tax Burden**	Rank†
All States Plus DC	5.97	--	10.0%	---
Arizona	6.46	17	10.0%	20
Colorado	7.69	4	9.1%	40
New Mexico	5.58	29	9.7%	29
Utah	5.40	34	10.8%	7
Texas	6.75	13	8.7%	46

* State taxes only in descending order ** State and local taxes as a percent of income

† States are ranked in ascending order. This ranking considers only state and local taxes. It is interesting to note how such rankings change when federal taxes are included in the tax burden rankings. Generally, high-income states' tax burdens rise because, with their high costs of living and commensurately higher salaries, they are hit harder by the progressive federal income tax. Low-income states that have high state-local tax burdens fall in the ranking when federal taxes are added. For example, New Mexico falls from 29 to 18; Colorado falls from 40 to 14; Arizona rises from 20 to 22; Utah rises from 7 to 24; while Texas falls from 46 to 26.

In both rankings, New Mexico appears to have no significant advantage or disadvantage in its tax climate. Economic developers will have to pay careful attention to the specific tax factors that each prospect presents.

The data provided is for preliminary comparative purposes only. The professional site selector will evaluate nominal and effective tax rates at this level of detail in an effort to eliminate communities whose real property tax burdens fall outside acceptable parameters. In drawing fine distinctions between competing locations, the site-selection professional will calculate actual tax costs on the basis of known investment levels.

SELECTED COMPARISON OF 2003 PROPERTY TAXES*
On \$12 Million In Value
(\$10 million real property, \$2 million personal property)**

Tucson, Arizona	\$464,850
Mesa, Arizona	\$439,680
El Paso, Texas	\$378,000
Albuquerque, New Mexico	\$339,226
Show Low, Arizona	\$332,490
Amarillo, Texas	\$316,658
Gallup, New Mexico	\$155,404
Roswell, New Mexico	\$142,044
Alamogordo, New Mexico	\$139,736
Durango, Colorado	\$131,650
Las Cruces, New Mexico	\$126,848
Hobbs, New Mexico	\$120,592
Clovis, New Mexico	\$103,756
Grant County Communities	\$100,284
Carlsbad, New Mexico	\$ 88,576

* Sources: County Tax Assessors and Economic Development Agencies

** Personal Property is depreciated



C. UTILITIES

The costs, availability and reliability of electricity, natural gas, water and wastewater treatment can be determining factors in the site-selection process if the operation relies heavily on those services for production. As an example, in three separate site searches to determine the optimum location for a float-glass plant, the cost and availability of natural gas was the primary qualifying factor, considering that the process required in one instance 3,000 mcf of natural gas per day, resulting in monthly billings of over \$500,000.

Commonly, a baseline qualifying factor for a plastics production operation is the cost and reliability of electricity, a dominant variable relative to costs of production. Both examples cited are capital intensive, reducing the impact of labor costs.

Water and wastewater treatment costs are normally not initial qualifying factors except for certain operations such as food processing, unless those costs are radical. However, the availability of water or waste treatment capacities can have an effect on the location decision if the location is unable or unwilling to deliver the minimum requirements or appears questionable in its ability to deliver effective fire protection services.

The ability of the Grant County communities to deliver modest amounts of water to a new industry is a limiting factor that effectively eliminates companies requiring large volumes of water, such as food-processing operations. Also, a company requiring large amounts of water for their process might also discharge large amounts of wastewater. The sewerage treatment capacity is 2 million gallons per day and a peak usage of 1.9 million gallons: insufficient to satisfy large users.

The rates shown for natural gas in Grant County are standard rates charged by the gas companies for usage at this level and are presented for the purposes of a comparative analysis alone. Electricity costs in Grant County would be considered high. Given the present volatility in the marketplace for natural gas and electricity, these rates should be considered only for the purposes of establishing the relativity of costs among various locations. Natural gas costs, for example, vary monthly today.

COMPARISON OF MONTHLY COSTS OF ELECTRICITY*

Based on 400,000 KWH and 1000 KW Demand

Grant County Communities	\$46,850
Alamogordo, New Mexico	\$46,628
El Paso, Texas	\$38,000
Durango, Colorado	\$36,423
Las Cruces, New Mexico	\$36,167
Gallup, New Mexico	\$33,741
Show Low, Arizona	\$32,093
Albuquerque, New Mexico	\$26,899
Tucson, Arizona	\$26,749
Mesa, Arizona	\$25,000
Amarillo, Texas	\$24,101
Roswell, New Mexico	\$21,387
Hobbs, New Mexico	\$21,387
Clovis, New Mexico	\$21,387
Carlsbad, New Mexico	\$21,387

* Source: Relevant local service provider – May, 2004



COMPARISON OF MONTHLY COSTS OF GAS*

Based on 5000 MCF per month (firm)**

Show Low, Arizona	\$40,114
Durango, Colorado	\$38,272
Mesa, Arizona	\$36,303
Tucson, Arizona	\$34,745
Hobbs, New Mexico	\$33,005
Gallup, New Mexico	\$31,408
Albuquerque, New Mexico	\$31,364
Grant County Communities	\$31,261
Carlsbad, New Mexico	\$31,243
Roswell, New Mexico	\$31,225
Alamogordo, New Mexico	\$31,225
Clovis, New Mexico	\$31,225
Amarillo, Texas	\$29,500
El Paso, Texas	\$28,500
Las Cruces, New Mexico	\$27,168

* Source: Local gas providers – May, 2004

** includes local and state taxes



D. THE WAL-MART BUILDING

The availability of suitable sites and buildings can be a major asset of an area's economic development effort. In many site searches conducted by The Pathfinders, the client company for whom the search is conducted has a preference for an existing suitable facility. The advantages to that concept include the facts that time is saved if constructing a facility can be avoided and existing facilities can often be obtained for less than the cost of constructing a new facility.

The disadvantage is that an existing facility may be located in a community that has less than the optimum operating environment. Time and money saved at the front-end may be offset by a poor labor market, transportation and utilities disadvantages, or other such factors.

The availability of the Wal-Mart building can be a major asset in the area's business recruitment program. It is a 65,930 square foot facility ideally suited for a back office, data processing facility or a call center, for which it is currently laid out. Loss of certain fixtures, the generator and UPS may reduce its appeal.

It has over 400 parking spaces in a well-lit parking lot, situated on almost ten acres of land. It was previously a call center and is set up for over 700 agents, 27 supervisors and 33 administrative personnel. It has good telecommunications infrastructure, including OC3 capabilities, 155 mgbs, 100 T-1 lines, 100 voice lines per T-1, with SHARPS Fiber ring to support equipment from a DS3 through an OC192. There is also copper feeding in the building to support services from a standard telephone service to DS1 (also known as T1).

The availability of this facility is such an asset that the economic development marketing campaign strategy features it as its focus. Those marketing strategy recommendations are presented in a section that follows.

E. TRANSPORTATION

Traditionally, transportation services and access to markets have figured prominently in companies' decisions to locate in specific areas. Manufacturers, processors, and assemblers must be able to obtain supplies and materials and deliver finished and intermediate products to market in timely, cost-competitive, and reliable fashions. Wholesale distribution and office operations often require locations immediately adjacent to interstate highways or high-service arterial roads to facilitate the movement of goods and employees and to provide a high degree of visibility which consumer products companies value for its advertising quotient. Headquarters, administrative, and technology-intensive firms typically place a premium on reliable, frequent, and comprehensive commercial air service.

Accordingly, the transportation of goods, services, people, information, and ideas remains a key component of a business's decision to operate anywhere on the globe.

Today, companies are increasingly expressing a preference for non-metropolitan areas as a location for new production facilities. With that preference, some transportation disadvantages, especially relating to air services, must be and are tolerated. Companies are, to a greater extent, now willing to trade off location and some transportation disadvantages for a stable, non-union work force, lack of crime, low costs of living, and other advantages which smaller communities offer.

Grant County is served by US Highway 180, placing the Silver City area about one hour from I-10 at Deming and by Highway 90, about an hour from I-10 at Lordsburg. The mines are rail-served. El Paso offers good air service, but it is three hours away.

For companies that must depend on transportation assets to move products or people, Grant County, except for its southern reaches, will be at a disadvantage.

F. QUALITY OF LIFE

A recent survey conducted by The Pathfinders of corporate site-selection professionals discovered that 64% of those professionals rely principally on first-hand observations in making quality of life decisions. Following, in order, 28% rely principally on information supplied by corporations already located in the area, and the balance employed customized quality of life information from development groups, Federal government sources and media accounts. Such results amplify the importance of a site selector's community visit to help mold positive perceptions.

Many observers contend that much of the measure of quality of life is in the eye of the beholder. That factor was never more true than it is today as corporate real estate executives have a pronounced preference for looking through their own eyes in gauging the quality of life of areas under consideration for corporate locations.

The people with whom we spoke in companies located in Grant County expressed a high degree of satisfaction with the area's livability quotient.

In today's corporate environment where costs and efficiency drive decisions, the quality of life factor tends to impact the location decision only when it is radically poor, and that is judged most often by public safety and healthcare factors.

The quality of life quotient in Grant County, New Mexico will not detract from its business recruitment potential. In fact, it is a strong asset when one considers that most corporate executives in response to our survey preferred smaller communities.

SUMMARY

The assessments presented in the preceding pages form the basis for the identification of strengths and weaknesses for Grant County and its major communities as a location for business and industry. Those assessments also provide the basis for targeting operations that will be most attracted by Grant County's strengths and most tolerant of its weaknesses.

Based on assessments of hundreds of communities throughout the nation during site searches for corporate clients and the production of economic development strategies for public sector clients, the following observations are offered relative to the strengths and weaknesses of Grant County. It must be recognized, however, that what one company will consider a weakness another may be unconcerned about. That factor is addressed in the targeting section which follows.

The weaknesses that present the greatest constraints to business development in Grant County are its fractured public perception of economic development, high energy costs, limited infrastructure, location and transportation assets. These factors will eliminate the area from consideration by most larger manufacturing operations.

On the other hand, the area's workforce is a strength in terms of cost, availability and skills relative to other areas of a similar size. Property taxes are also very low. The livability of the County's communities would be considered to be very positive, and the location of Western New Mexico University in the County should not be overlooked as a business recruitment asset.

In consideration of these strengths and weaknesses, the section that follows identifies the most appropriate business recruitment targets for Grant County and a subsequent section presents a marketing strategy to reach those targets with compelling reasons to consider Grant County as a location.

MARKETING TARGETS

In marketing, the terms "vertical" and "horizontal" marketing targets are often used. As an explanation, vertical market refers to a very narrow band of related or homogeneous business operations, while a horizontal market contains a broad spectrum of heterogeneous business operations. Companies that sell computer chips deal with the vertical market of computer manufacturers, whereas a company that sells office supplies may sell to a horizontal market which can include any business operation. As a matter of further explanation, a company which produces and sells products such as automobiles targets and sells to a horizontal market. Virtually all consumers purchase automobiles. Therefore, auto manufacturers and dealers direct their marketing efforts toward a horizontal market and can advertise in newspapers, magazines of any type, radio or television to reach that horizontal market.

The company, however, which produces an automotive component sells to a vertical market which is automobile manufacturers (OEMs) or the after-market. They will focus their marketing efforts on those specific vertical markets and would rarely invest in a television ad in which they would be paying to reach an audience which would not be the direct purchaser of that product. A vertical market contains prospects within only a certain sector, while a horizontal market crosses many sectors.

Limited available resources for marketing dictate that a vertical marketing approach be employed. That approach is recommended to concentrate resources on the vertical markets of small manufacturers of high value products, software producers, back office, data processing and telecommunications-intensive operations. Examples of recent locations and expansions by operations in these sectors are cited on the following page. Note should be made of the fact that some of the locations were in small rural communities. This is not to imply that other sectors should be ignored. Rather, marketing resources should be focused on these operations to a great extent.

TARGETS

Back Office Operations/Telecommunications-Intense Operations

Telecommunications (reservations centers, etc.), data processing and other such operations are very active at this time. This sector should also include other telecommunications-intense operations such as Internet Service Providers, corporate communications services and communications training centers. Note that some of these (MCI, MBNA, Dell Computers, etc.) are companies whose primary business is not telecommunications, and that factor is addressed in the marketing campaign recommendations.

Examples of Locations by Companies in Sector

State	Company Name	Location	# of Jobs Created
Arizona	Charles Schwab Co.	Phoenix	2,040
Illinois	Boise Cascade Corp.	Peru	150
Missouri	Idelman Telemarketing	Columbia	200
Nevada	Williams Sonoma	Las Vegas	350
Utah	Teleperformance	Davis City	300
Washington	Dakotah Direct	Spokane County	640
Iowa	Wells Fargo	Polk County	1,700

Examples of Expansions by Companies in Sector

State	Company Name	Location	# of Jobs Created
Delaware	MBNA	Wilmington/Newark	1,938
Mississippi	WorldCom	Clinton	1,500
Florida	Nationwide	Gainesville	1,000
Maryland	Riggs National Bank	Prince George's City	625
North Carolina	MCI	Cary	900
Texas	Dell Computers	Fort Worth	1,500
Oklahoma	Viagraphix	Pryor	528
New York	GEICO	Buffalo	4,000

Software Producers

As a relatively young industry, software, in its increasingly varied forms, is entrepreneurial in its outlook and well suited for Grant County's attributes. Further, its primary trade associations – Industrial Designers Society of America, Entertainment Software Association, Information Technology Association of America, and the Council of Regional Information Technology Associations – all have rich membership roles of growing companies to which the Silver City area can appeal. Additionally, each trade association conducts an annual conference that enables a concentrated marketing opportunity in a near-virgin environment. SIGRED should enlist support and assistance in this endeavor from the New Mexico Information Technology and Software Association headquartered in Santa Fe.

Small/Medium Manufacturers of High Value Products

Grant County's industrial heritage positions it squarely to fit the location requirements of high value-added manufacturers. Such firms include specialty food products like coffee, tea, spices and extracts; artisans products and crafts; metal shapes, ornamental items and workings; wood products; primitive wood furniture/fixtures; and similar types of operations.

MARKETING STRATEGY

The consultant team views sales and marketing as two distinct, although related, functions. It considers marketing to be those functions designed to create product awareness and to identify a potential prospect who may have an interest in the subject service or product. It is a further marketing function to qualify those prospects (i.e., determine degree of interest and preparedness to act).

For our purposes, sales is the function designed to secure a commitment by the prospect to locate a business operation in Grant County. It is actually a process of incremental sales steps taken in dealing with prospects that the marketing program has identified and qualified. The first of those sales steps is to obtain information on what the prospect's requirements are and a commitment to consider the information sent. The second, and often the most difficult, is to secure a prospect visit to the area. Obviously, the final sales steps involve a location commitment.

The economic development professional must deal with the unique challenge that economic development marketing presents. This marketing challenge relates not to the product, which may be a site, a community, or a region, but rather to the market itself.

A professional responsible for marketing or sales of a product such as office supplies can clearly identify those companies that are potential customers. Moreover, that potential customer will be in need of those products on a constant basis. Therefore, that sales or marketing professional can be certain that marketing efforts and resources devoted to those potential prospects are not wasted.

In the field of business recruitment, however, actual prospects for a business location on a site or in a community are not so readily identified. At any given time, only a small percentage of companies is seeking a new location for operations, and these firms commonly do not publicize that fact. Moreover, even within those companies only a handful of people may know of plans to seek a new location. Depending on the company, decisions in the planning

stage may come from production management; in another company, from real estate management; and, in another company, from finance.

This implies that community leaders must recognize that the business recruitment aspects of economic development require patience and the application of sufficient resources to penetrate that elusive market effectively, even when the product is superior. Immediate results cannot be expected, but over time the return on investment in jobs, tax base enhancement and improvement in the economic well-being of the community will more than justify the costs of sustaining an economic development campaign.

In consideration of these unique challenges which face an economic development/business recruitment marketing campaign, consideration must also be given to the fact while this constantly-shifting market is almost infinite, the resources available to an organization for penetrating it are not. Available resources must be concentrated on market segments rather than addressing the market as a whole.

In the preceding section, suggested target sectors are identified for the marketing campaign. Growth in those sectors and the area's attributes, to the extent that vertical markets are targets for the marketing campaign, recommend those sectors for primary attention. This should not be interpreted to indicate that operations in other sectors are not desirable.

The marketing campaign should have goals in order to measure achievement. The primary goal should be to attract an operation to occupy the Wal-Mart building with a minimum of 200 to 500 jobs as the target. Optimally, that goal would be achieved within two years, but allowing three years is an acceptable timeframe for the achievement of that goal.

An ancillary objective resulting from the marketing campaign for the Wal-Mart building would be the attraction of at least five other companies from other sectors employing a total of 100 to 200 people in any of the major Grant County communities.

Those goals are not likely to be accomplished relying on the State's economic development initiatives on behalf of Grant County. Grant County must find a way to fund its own aggressive marketing campaign to achieve those goals.

The following is recommended as an outreach campaign for the targets identified as well as some horizontal targets. It is noted that the recommended targets include back office/data processing/telecommunications, software production and high value manufacturing operations, not companies. Therefore, as Grant County and the Wal-Mart facility are presented to a broad array of companies which may have those types of operations in association with their normal and primary business operations, opportunities will arise to present Grant County as a location for other operations.

ACTION STEPS

A. Marketing Materials Concepts

Bearing in mind that the two pieces described below are marketing and not sales materials, they should be designed to supplement existing materials and stimulate rather than answer questions.

As such, their intended purpose is not to “sell” Grant County and the Wal-Mart building. It is to produce a prospect to which sales presentations can be made or sales materials sent. In effect, their sole purpose is to stimulate curiosity on the part of someone who needs a facility to the extent that the person writes or calls for additional information. When that occurs, those materials have accomplished the marketing objective of identifying a prospect for the sales effort.

The materials used for sales should be computer-generated and tailored specifically to each prospect.

Tri-Fold

This piece is the “work horse” rather than the centerpiece of the marketing materials. It is used as a hand-out at trade shows and conferences and as an enclosure for the direct mail campaign.

It should be printed on 8 1/2” x 11”, 65 - 80# stock, and designed to be folded in a tri-fold fashion so that it fits in a standard envelope. When enclosed with a letter, it will allow mailings at the minimum level of postage.

This piece is designed only to stimulate the recipient's curiosity and prompt that recipient to seek further information. It should be a two-color piece, citing the satisfaction of companies now located in the area, low costs and the geographic location of Grant County.

About 6000 should be printed.

Four-Color Brochure

The existing “Available Customer Service/Technical Support Center” four-color piece can be used effectively as a hand-out at trade shows and conferences and as a response piece for direct mail campaign return cards.

B. Direct Mail

Direct mail has proven to be a most cost effective marketing initiative in economic development and business recruitment. With the Wal-Mart facility as the centerpiece, it can be very effective for Grant County.

Mailing list sources should include the membership of such organizations as CoreNet, the National Association of Manufacturers, Telemarketing Call Center Solutions, and others. The ACT! database management software program should be purchased and installed to effectively manage mailings.

After an initial “flood” mail shot to the horizontal market, the marketing program should employ direct mail at a minimum level of 200 pieces per month (with response cards) to the horizontal and vertical markets. When and if response cards are returned, intense sales efforts should begin.

In addition, the program should employ direct mail to targeted decision-makers in identified companies to increase their awareness of Grant County as a business location and to establish the business's interest in the area for short-term, midterm, and long-term projects. These mailings should be phased and serialized so as to provide those business leaders interested in the area with an ever-increasing level of detail about the business opportunities which exist.

C. Telemarketing to Targeted Companies

Telemarketing is critical in combination with the direct mail program. The marketing program should employ telemarketing not only to establish points of contact with targeted business decision-makers, but also to determine whether the direct mail efforts are having desired results. Further, they should work to identify specific decision-makers within target companies so as to ensure that the message of Grant County is reaching the proper individuals. Finally, it will set the stage for personal sales calls in which detailed presentations on business opportunities will occur.

D. Marketing Missions

The marketing program should feature four highly-focused marketing missions each year to targeted decision-makers in various major cities. Such calls should be made for the purposes of identifying and qualifying prospects and providing direct marketing presentations to those prospects in an effort to convince them to locate an operation in Grant County. Such personal calls must occur in the context of an aggressive outreach program which is designed to identify a company which is considering establishing or relocating a facility and which may consider Grant County as the site for that facility.

Those marketing missions involve much advance planning. The trip to each city should be for a duration of at least two nights and three days. Appointments with potential prospects and “multipliers” (site-selection consultants, realtors, etc.) should be set for four per day.

E. Conference and Trade Show Attendance

Travel for marketing presentations in various cities can represent a significant portion of budgeted time and expenses in a marketing program. In order to conserve resources, events should be identified which bring together large numbers of corporate decision-makers in a single location, such as trade shows or conferences. At those gatherings, the opportunity exists to make multiple contacts with and presentations to potential prospects.

Members of the economic development staff should consistently attend one or both of the Fall and Spring CoreNet Global and Industrial Asset Managers Council conferences each year, as they attract the senior real estate executives from the nation's leading companies. That is in consideration of marketing the Wal-Mart facility. Additionally, relevant software association conferences should figure regularly in SIGRED marketing activities. The National Association of Manufacturers conference is another conference opportunity in consideration of horizontal markets.

Trade shows which should be considered each year (locations change yearly) include, but would not be limited to:

- The TCCS (Telemarketing Call Center Solutions) Show
- National Association of Manufacturers (horizontal)
- The International Software Producers Showcase

F. Advertising

Advertising is not recommended.

G. Public Relations

Positive editorials and articles on the area as a business location should be encouraged. The objective of the program is to enhance the area's image as a positive place in which to live and do business. In the media placement campaign for focused articles, contact should be made with key regional business publications, newspapers, and trade journals in an effort to stimulate unpaid, objective editorial coverage. Such coverage is often substantially more effective than paid advertising and will also provide additional material with which to market the community's economic development assets.

H. Multiplier Networking

The economic development program should place continued emphasis on networking with those individuals or organizations that by the nature of their business are in contact with potential prospects. These include, but are not limited to, consultants, venture capitalists, accountants, bankers, trade association executives, utility company representatives, transportation company representatives, and State of New Mexico economic development officials

I. Workforce Reports

The formal workforce verification analysis completed as a part of this project, should be updated every two years, and a wage and fringe benefits survey should be conducted each year.

Such documents accurately depict worker availability, costs and underemployment factors as well as wages paid and fringe benefits by local employers by position. They are not only valuable sales tools, but are also of great value to existing employers.

RECOMMENDED MARKETING BUDGET

The following is presented as the annual cost of the implementation of the marketing campaign at the levels of actions recommended in the foregoing.

Trade Shows (4)	\$ 8,000.00
Conferences (3)	\$ 4,000.00
Marketing Missions	\$ 4,000.00
Direct Mail / Telemarketing	\$ 2,000.00
Trade Show / Conference Travel	\$ 15,000.00
Website	\$ 3,000.00
TOTAL	\$ 36,000.00



APPENDIX A

SIGRED as Grant County's Principal Agent for Implementation

Introduction

While the Economic Adjustment Strategy addresses the strengths and weaknesses of Grant County, it also provides a framework to build upon achievements and to refine the leadership essential to a consistent, effective economic adjustment strategy. Because of the long-standing negative perception of the Grant County area, and its history of economic development fractionalization, a reassessment of priorities and practices is necessary. From an examination of the economic development potential for Grant County, it is apparent that public bodies alone are not capable of addressing both the perception and reality affecting New Mexico's southwest corner.

In today's highly competitive environment, where communities face not only national but also international competition for investment and job creation, emphasis must be placed on providing a program with the financial wherewithal to do all that is necessary to make the expenditures, provide the resources, and professionally staff an effective economic development program. An emerging trend in economic development shifts the focus away from concentration on individual communities and toward regional economic strategies. It is clear that the Area's many units of government, with varied levels of commitment and capacity, cannot individually generate the momentum necessary to be competitive and successful in the long run. The ability to be successful in the long haul requires the enduring support of the public sector, but is often better fulfilled when led by a private entity that has greater flexibility.

SIGRED has emerged as a key leader to help pull together resources, provide unique consistent professional follow-up and serve as a catalyst for much of Grant County's economic initiatives. The attention given to SIGRED's recommended role in no way diminishes those of other economic development groups, institutions, or agencies. In many cases, the area is well served in the areas of tourism, workforce development and generation of economic opportunity. What is needed, however, is for the mantle of responsibility, authority, and leadership to be placed firmly on the shoulders of specifically designated organizations whose purposes are not to duplicate, but to fill the role of developing job and investment opportunities for which the area is well-suited.

This special addendum focuses on the specific activities and directions of SIGRED in an effort to help Grant County build upon its past successes and leadership by illuminating and clarifying the steps necessary to fulfill the area's desire for more tourists, employers, and economic opportunities. The means to achieve these results must flow from a profound understanding of local priorities and selection of the best tactics to address them within the narrowest span of control and operation available.

Overview

SIGRED has been challenged throughout its existence to perform many tasks for many masters while enjoying meager or highly restricted funding. While the concept of a "do all, be everything" community/economic development organization appeared to be the best course of action at its inception, current circumstances suggest that SIGRED refine, refocus and perhaps restrict its staff, resources and span of activity to a narrower range of physical and business development, economic retention and recruitment, and expansion activities.

In the past, SIGRED has at times included within its economic development scope such operating areas as airport development; community partnerships; health care recruitment; housing demolition and development; workforce development; community arts promotion; government cooperation; small business development; existing business development and retention; retail business development; physical community development; new business

attraction; legislative initiatives; transportation and telecommunications development; and, a host of related undertakings. Much of this activity has occurred without necessary funding, thereby giving birth to the false impression that SIGRED is broadly, well-funded to carry out its expected mission.

In many cases, SIGRED's very success carries negative implications. Local governments, other not-for-profits and individuals have become overly reliant on SIGRED to perform basic tasks and complete loosely-related projects. On the positive side, banks, private developers and other economic development groups place trust and confidence in SIGRED's capability. This status should enable it to maintain leadership in the Area. Discipline, focus and the ability to transfer responsibilities and authority to appropriate groups at the right time will become benchmarks for the organization. The transition to a new focus for SIGRED should be accomplished in specific steps so as to minimize the potential for a program failure. SIGRED is the driving economic development force in the area, and its stock may rise even higher through disciplined divestiture.

Operating Recommendations

SIGRED and Grant County governments have come to a crossroads. Investors who support SIGRED financially expect it to solve a multiplicity of local issues. Currently, the primary issues facing the Grant County area include regional cooperation, public transportation, education, training, and provision of an adequate, safe water supply for the future. There is no question that these issues are of critical importance to the area's economic future.

However, important as they are to the economic development climate in Southwest New Mexico, the project team recommends that SIGRED not be held primarily responsible for addressing these challenges and developing solutions, or equally important, providing the principal financial resources necessary to achieve solutions.

Against this backdrop, the critical areas that SIGRED proposes as its top priorities are physical development, new job opportunities for individuals, and organizational financial performance. The project team agrees that these areas provide the focus to facilitate SIGRED's transition from a community development agency to a more traditional economic development organization.

Organizational Issues

SIGRED was established to serve Southwest New Mexico, but principally Grant County. Throughout its existence, SIGRED has also assisted projects across the State.

SIGRED works closely with the newly reorganized New Mexico Economic Development Partnership. In conjunction with sister organizations, SIGRED has participated in events and activities aimed at trying to recruit primary target industry groups:

- advanced manufacturing;
- information technology;
- life sciences;
- warehousing;
- distribution; and,
- core industry suppliers.

The project team encourages continued cooperation and interface with the State's efforts, along with other New Mexico communities, and suggests that SIGRED take advantage of cooperative efforts such as trade shows, hosting events, and prospect generation activities. Further, as the State shifts its attention to biotechnology, information technology, and other growth industries, SIGRED needs to shadow these developments.

At this stage in SIGRED's evolution, it should restrict its span of activity to those functions that lead to business development, new investment and job creation in the local area. The pursuit of business development points to that subset of economic development activities which seeks:

- qualitative community improvement via the attraction of new firms;
- the promotion of business growth and product diversification within existing firms;
- the retention and expansion of existing firms;
- the promotion of business formation including financing; and,
- the delivery of those services essential to the accomplishment of the foregoing.

In SIGRED's case, those service areas include:

- project development and management;
- financing;
- small business assistance;
- business advocacy;
- incentives packaging;
- area promotion and marketing;
- sales;
- information services; and,
- closely related activities.

Arguably, such restriction excludes several current areas of SIGRED's operations that serve to attract funding, but would no longer appear central to SIGRED's proposed revised mission.

Optimally, the areas business development activities will focus upon those firms that are export-based in their operations to the extent that they sell their goods and services beyond the areas borders, thereby creating wealth through the importation of money with which to purchase fundamental local inputs such as utilities, labor, infrastructure, governance, public safety and other basic services. To achieve greater clarity in SIGRED's operating priorities, a

further narrowing of the business development function appears appropriate. SIGRED needs to focus on those export-oriented companies for which the SIGRED resources present the greatest appeal and those firms amenable to the areas economic, social and political composition. As an outgrowth of this narrowing, SIGRED should concentrate its efforts in three major areas: financial incentives; physical project development; and, economic/business development. Such concentration will require SIGRED to reprogram existing staff and financial resources to accommodate the shift in emphasis and expenditure.

As with any productive economic and business development effort, first attention must fall on support for the existing, core-business base. Oriented toward existing-business development, as well as retention, that attention must facilitate two-way communication to solve problems, take advantage of opportunities and promote beneficial relationships within Grant County, its core employers and their parent companies or proprietors.

A key element which then follows in the business development function is business recruitment marketing. These marketing challenges relate not just to a given product (e.g., a site, a community or a region), but to the market itself. Herein, the economic development professional must deal with the general lack of understanding which exists relative to the unique challenges that economic development marketing encounters.

In the field of business recruitment actual prospects for a business location or site in a community are not readily identified. At any given time, only a minuscule percentage of companies are seeking a new location for operations, and these firms commonly do not publicize that fact. Moreover, even within those companies only a handful of people may know of future location plans to seek a new location. Depending on the company, decisions in the planning stage may come from production management, real estate management, finance, manufacturing or any one of a dozen other areas.

This implies that community leaders must recognize that the business recruitment aspects of economic development require patience and the application of sufficient resources to penetrate that elusive market effectively, even when the community location is superior. Immediate results cannot be expected, but over time the return on investment in jobs, tax base enhancement, and improvement in the economic wellbeing of the community will more than justify the costs of sustaining an economic development campaign and shifting the areas priorities.

Non-Core Activities

SIGRED has acted as a one-stop-shopping entity for community projects, activities, and initiatives. This “be all, do all” concept may no longer be feasible or appropriate if Grant County truly wants to shift its aim to economic development priorities.

SIGRED plays a key role in the matrix of economic development organizations in Southwest New Mexico. SIGRED is asked to respond to a multiplicity of issues for a variety of reasons. First, the sizes of most other communities prevent them from expending the resources or developing the capacity to execute activities on their own. Second, SIGRED has the capacity, staff and resources to address issues and open doors. Third, due to its position and historic role, SIGRED is both comfortable and competent to serve as the conduit between community development and financial institutions.

SIGRED has performed admirably in its mission. Not only has it catalyzed a number of initiatives in the areas of international business, education and community improvement, it has also achieved significant results in attraction of new business investments and modest expansion of the economic base. This factor, coupled with an apparent spirit of regional cooperation, not only is welcomed but must be nurtured in order for many of the programs, policies, and activities already underway to achieve long-term benefits.

The organization's efforts to stimulate greater linkages in the local, regional, and statewide arenas will help to bridge existing gaps until such time as educational performance, training programs, community life-skill enhancements, and economic indicators move closer to or catch up with state and national standards. While activities such as creating community cultural awareness and forest conservation efforts are desirable, these activities, and those which do not fit in the focused job and investment development categories, should be shifted to other organizations. If no other organization exists, SIGRED should lead in the creation of such organizations and then spin off the most important components. In this regard, the area should be able to concentrate its attention on only those activities that directly generate jobs, investments, and new business and industry project leads.

As SIGRED evaluates programs and projects which may fit its new role, care should be exercised to spin off non-core activities in an orderly manner. The first choice would be to identify new sponsors who are prepared to accept the challenge and embrace SIGRED's former responsibilities. Along with responsibilities, resources must be assigned to the new sponsor. One of the dangers of these actions is the potential for the community to blame SIGRED if the new sponsor fails to meet expectations.

The concept of broadening ownership and participation will enable SIGRED and its supporters to convey SIGRED's mission more convincingly as it seeks ongoing support for programs and projects. SIGRED may retain some policy advisory role, but it must become a facilitator and not an operator for these activities in order to sharpen its focus to strategy and finance, business development and physical project development.

RELATIONSHIP TO OTHER ECONOMIC DEVELOPMENT ORGANIZATIONS

Extensive conversations occurred with representatives from area economic development organizations and related agencies,. There appears to be a considerable degree of support and respect for SIGRED. In virtually every response from community leaders interviewed, SIGRED staff was identified as professional, responsive, and capable of composing effective presentations and site visits to support economic development prospect visits to the area.

FINANCIAL PERFORMANCE

SIGRED is in competition for funding not only with the areas other economic development organizations, but also with the complex of local, regional, social, charitable and beneficial organizations who rely upon many of the same investors for their annual sustenance. The broad range of SIGRED's activities has brought it face-to-face with an increasing number of financial competitors.

As SIGRED recasts its direction, the organization must deliver services, benefits, and opportunities to its investors while it ensures that the nature of its activities is modified from providing the subsidies for well-intentioned projects to generating investment in a portfolio of economic activities. In all probability this will result in SIGRED being a different organization with more resources dedicated to traditional economic development activities. In other words, SIGRED may have to assume the role of a development company which pursues revenue-generating projects on a specific time line in order to fund its economic development functions. Or perhaps, SIGRED may have to reorient its economic development strategy to focus on development of its own project portfolio as the prime motivator of regional job and investment generation.

In order to pursue this concept, the Board of SIGRED, as well as its investors, must adopt a transitional philosophy that leads SIGRED to become a more focused entity with more clearly defined objectives. It is incumbent upon the Board to convey the message to all levels of government, education, training, business and SIGRED investors that this realignment must occur as part of a natural evolution by the organization and the community.

APPENDIX B

Selected List of Documents Reviewed

2003 Grant County Community Health Council Community Health Improvement Plan

2003 Grant Cty Community Health Council Profile

2003 Grant Cty Community Health Council Resource Directory

2004 Grant County Community Health Council Profile

Minutes from the Thirty-Second New Mexico First Town Hall, April 15-17, 2004

2002-2003 SIGRED Annual Report

2002-2003 Silver Consolidated School District Report Card

2001-2002 Cobre Consolidated Schools District Report Card

Living and Working in Grant County, NM,. SIGRED, 2003 Fact Book

Business Survey Results, Grant County, 1994

Southwestern NM Regional workforce Analysis and Needs Assessment County Data, June 2001

2003 Statistical Abstract, SW NM COG, EDA funded, June 2003

Grant County Labor Survey Summary Results, June 2000

NM Technet demographic and economic data, April, 2003

The Wellness Coalition Strategic Plan, September 2002

La Capilla Project overview

SW NM Wood Products Manufacturers Directory

Southwest New Mexico SBDC Brochure

Silver City Downtown Merchants and The Silver City MainStreet Project, The Official 2002-2003 Historic Downtown Guide and Business Directory

Silver City MainStreet Project Fact Sheet and Newsletters



The Wellness Coalition, September 29, 2003 Minutes

Silver City/Grant County Map

Southern Arizona Regional Visitors Guide, Spring/Summer 2003

New Mexico Birding Trail guide

Mimbres-Paquime Connection, BiNational Loop Tour brochure

San Vincente Artists 2003-2004 Artist's Guide and brochures

Bear Mountain Lodge Brochure

Silver City Museum brochure

Lordsburg Brochure

Trail of the Mountain Spirits brochure

Correspondence from Richard Earnheart, Silver City resident, to John Eich, 2/27/04

La Familia, Inc. 2002 Annual Report

Silver City Grant County Chamber of Commerce Scenic Tours Booklet, Annual Report, Annual Member survey(2003)

Southwest New Mexico Wood Products Manufacturer's Directory, By Gordon West

La Capilla Project white paper

National Center for Education Statistics, Public School District Common Core of Data, search for Silver City, Cobre and other New Mexico school data

Charette Report for Clinton, South Carolina

Economic Development Review, Fall 1997 and Spring, 1997 issues

SIGRED marketing materials

March 10, 2003 memorandum on proposal responses to RFP 02/03-5P

Minutes and documents of the Coalition for Economic Progress, 2004
Western New Mexico University, 2003-2004 Catalog and minutes from Faculty Senate meetings, spring, 2004

Areaconnect.com statistics for Silver City

US Department of Labor, Bureau of Labor Statistics and Labor Market Review for New Mexico and Grant County, 2003

US Bureau of the Census, data for New Mexico, Grant County and Silver City, 2003

New Mexico Department of Education, data for Silver City and Cobre Schools, 2003



Selected Sources Interviewed

Silver City Schools
Cobre Schools
Silver City Council members and manager
Grant County Community Health Council
Guadalupe Montessori School
Silver City MainStreet Project
Silver City/Grant County Chamber of Commerce
Wellness Coalition
La Capilla
Tierra Alta
Western New Mexico University: several departments/programs
New Mexico Department of Labor
Leamos
New Mexico Works
El Refugio
Hidalgo Medical Services
TRAINS
SIGRED
Ft. Bayard Historical Society (?)
Mimbres Art Council
Santa Clara
Hurley
Silver City Rotary Club
Cliff
Hachita
Mimbres Valley
Bayard
Coalition for Economic Progress
Juvenile Probation and Parole
Living Wage Campaign
KNFT Radio
Lloyd Alexander
Smith Real Estate
Solectron
CBRichard Ellis
Stream International
Grant County Jobs and Biodiversity Coalition
CODC



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