



2014 JULY NEWSLETTER

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She loves me ? She loves me not ??

She loves me ? She loves me not ???



THE RECOVERY IS HERE ? WELL ... MAYBE NOT ??

FOR SURE, THE RECOVERY IS HERE ? WELL ... MAYBE NOT ??

During the second half of the 2013 year we had seen a noticeable improvement in the Economy.

Based on positive signs of:

- (1) Improving job numbers*
- (2) Improving growth (GDP) numbers and*
- (3) A rising stock market*

*Our forecast for 2014 suggested a reasonable expectation, a gathering momentum that would lead to a **real** recovery.*

UNFORTUNATELY, that does not seem to be happening ... at least not yet!

The first three months of 2014 has a negative growth rate of minus, yes minus (-2.9%) and that was not very encouraging.

The second quarter, ending June 30, had an initial estimate of a growth rate of **+4%**. Is this believable?? In our opinion – NO. A 7-point improvement from the first quarter is stretching believability.

PERSPECTIVE

*The original estimate of the first quarter was a **+0.1%** the first revision reduced the rate to (-1.0%), the second revision reduced the growth rate again to (- 2.9%). This was obviously a substantial change. Consequently, I expect the very optimistic rate of **4%** to be reduced downwards with the upcoming revisions.*

As you can see, it has been difficult to determine (**with certainty**) the direction and speed of growth in the Economy!!

THIS ONGOING UNCERTAINTY IS A PROBLEM

And to make matters worse, in our **2014** forecast I signaled a **big caution warning !!!!** About the **Washington Establishment !!!** (Or maybe un-establishment)

I warned against tax increases slowing the recovery ... Well guess what? We **did** get a large number of tax increases ... the famous 'tax extenders'

Were **not** extended ... uh oh?

- ☛ These are 60 or so tax provisions that expired at the end of 2013
- ☛ These were tax breaks to businesses and everything from Research & Development Credits to Energy Credits, to the deductibility of sales tax for individuals
- ☛ The loss of these provisions is causing substantial increases in taxes for the business community and some individuals
- ☛ Not helpful for job creation and improving the Economy

The political gridlock continues. Possibly getting worse (hard to believe)

AND there is still **no** fiscal policy to provide **any** help to improve the Economy. **No** tax reform. **No** stimulus plan.

No comprehensive energy plan. **No** immigration reform. **No *nothin'***.

So maybe we are **stagnating !!!**

A little history

'A speculative bubble had burst causing a collapse of the financial sector, the economic malaise was entering the sixth year.

Businessmen in New York were in despair. Important questions about spending and taxation were going unresolved. The Secretary of the Navy noted that 'Congress is incompetent to legislate'.

The country was deeply divided over the best response going forward'.

Sound a little like today ??

*Well, would you believe this was America in **1842** ?*

AND ... America **survived** this earlier period of great political gridlock and political dysfunction in Washington ... **So there is hope for us !!**



DEFINITION OF 'STAGNATION'

A prolonged period of **little or no growth** in the Economy. Economic growth of less than **2 to 3%** annually is considered **Stagnation**.

Okay ... so let's see the math on this one.

Year	Growth Rate (GDP)
2005	3.4%
2006	2.7%
2007	1.8%
2008	(-0.3%)
2009	(-2.8%)
2010	2.5%
2011	1.8%
2012	2.8%
2013	2.6%

First quarter 2014 ... (-2.9%) ... bad ... very bad

Second quarter 2014 ... 4.0% ??

In fact, the **8** year **average** growth rate was **1.4% !!**

Ugh ... Compare it to our 50-year average (1950 to 2000) of **3.6%**

The last year we hit a **3%** rate was in **2005 (8 years ago)**

Underwhelming ... And during this **8** year period the growth rate has been below **3% every year !!** Do you think **8** years qualifies as a prolonged period ??

Do you think **1.4% qualifies** as 'little growth' ??

CONCLUSION

In the last 8 years we have lived in the technical definition of a stagnant economy where the overall growth has been less than half of the historical average. Now **that is sobering.**

And oh, by the way, this has happened even with the Federal Reserve Bank pumping billions of dollars into the Economy and keeping interest rates at an historical low point.

So, is it really **THAT** bad? No, it is really **not THAT** bad.

So let's talk up the RECOVERY !!! **HOORAY !!!**

Ken's Definition

*A RECOVERY MEANS WE GET BACK TO WHERE WE LEFT OFF 'let the good times roll, **again**'.*

*Those of us not living in a cave know **the world changed dramatically in December 2007.***

The housing market and stock market began a dramatic drop, disappearing over 2 trillion dollars of value in the next year ...

the violins are playing in the background

Well, have we gotten back to where we left off ??

	NOVEMBER 2007	JUNE 2014
<u>HAS RECOVERED</u>		
DOW JONES INDUSTRIAL AVERAGE	13,407	16,827
STANDARD & POORS 500 AVERAGE	1,472	1,960
AUTO SALES	15,938,000	16,980,000
CONSUMER CONFIDENCE INDEX	76.1	82.5

EXPORTS OF GOODS AND SERVICES	\$ 147 billion	\$ 195 billion
	NOVEMBER 2007	JUNE 2014

HAS NOT RECOVERED

UNEMPLOYMENT RATE	4.7%	6.3%
NEW RESIDENTIAL SALES	727,000	406,000
SINGLE FAMILY HOUSING <u>CONSTRUCTION</u>	625,000	340,000
BUSINESS CONFIDENCE INDEX	67	41

*Today ... approximately 10 million families still owe more on their house than the house can be sold for.
(37% of mortgage holders).*

So, you see the problem? Some indicators have recovered and some have not ?? Makes you scratch your head ??

Does she love me ? Does she love me not ??

UH OH ...

LET ME THINK. The economic growth is **slow** and the unemployment rate remains stubbornly high.

AND

The inflation rate is moving up ??

DO YOU KNOW WHAT THAT CAN MEAN ?? AAAAHHHH !!

⇒ **STAGFLATION** ⇐

The last time America lived through a stagflation was in the **1970s**.

IS IT POSSIBLE ?? ARE WE GOING BACK TO THE 70s AGAIN ??

WHAT IS STAGFLATION ??

A condition of slow economic growth and relatively high unemployment – a time of stagnation is accompanied by a rise in prices.

3 MAIN FACTORS of a three-legged stool

- (1) Stagnant economic growth
- (2) High unemployment and
- (3) Inflation

‘THE TOUGH TIMES CONTINUE AND ARE GETTING MORE EXPENSIVE’

So, does our current Economy qualify as *STAGFLATION* ??

FACTOR #1

As described above.

At a **1.4%** low growth rate for the last **8** years.

- ☛ compared to our historical average rate of **3.6%**
- ☛ definitely qualifies as stagnant economic growth
- ☛ not even half of the historical average
- ☛ particularly considering the first quarter negative growth of (-2.9%)

But how does our current growth rate compare to the growth rates of the 1970s ? Let's compare.

CONTEXT – In the 1970s there was a Recession from **1973 to 1975**.

Our last recession was **2007 to 2009**

HOW DO THE GROWTH RATES COMPARE FOR THE 7 YEAR PERIOD DURING AND AFTER EACH RECESSION ?

Gross Domestic Product Growth Rate

Year	%	Year	%
1973	4.3	2007	1.8
1974	(-2.0)	2008	(-0.3)
1975	2.6	2009	(-2.8)
1976	4.3	2010	2.5
1977	5.1	2011	1.8
1978	6.9	2012	2.8
1979	1.3	2013	2.6

WELL HERE'S THE COMPARISON RESULTS:

The **1973 – 1979 7-year** average growth rate was **3.2%**

The **2007 – 2013 7-year** average growth rate was **1.2%**

CONCLUSION Sorry. But our sluggish growth rate is not only sluggish but is significantly more sluggish than the average sluggish rate of the sluggish middle 1970s. Jeez, it's clear we qualify for Factor #1 for stagnant economic growth.

FACTOR #2

And what does the employment situation look like?

Do we satisfy **Factor #2** for stubbornly high unemployment?

THE GOOD NEWS

Total employment was just over **138 million in November 2007**. During the next 27 months (by February 2010) job losses reached a low point with **8.8 million** jobs lost !

In May 2014, the labor force recovered back to **138 million**, recouping the **8.8 million** jobs that were lost ... this is great !! Hooray !!

AND

The jobs picture has been steadily improving since, and in the last year has averaged job increases of roughly 200,000 per month (this is steady progress)

This improvement in employed people is most definitely a 'Recovery'

THE NOT SO GOOD NEWS

There are still **9.8 million** unemployed

The number of long-term unemployed (27 weeks or more) was unchanged from April to May at **3.4 million** These struggling Americans accounted for **35%** of the total unemployed.

7.3 million Americans are employed part-time because they cannot find a full-time job (involuntary part-time workers).

In May, **2.1 million** Americans were not counted as unemployed because they had not searched for work in 4 weeks preceding May.

There are **700,000** 'discouraged workers'. People not currently looking for work because they believe no jobs are available for them.

PERSPECTIVE:

*If you added these factors and numbers to the underlying **9.8 million** ... you would have **19.9 million** ... basically **20 million** Americans not in or under-utilized in the workforce ... that's a lot of frustrated people ! Including these factors ... the **6.3%** unemployment rate adjusts upward to **12.8%** OUCH !!*

A FEW MORE FACTORS

In May the labor force participation rate ... the number of American going to work or trying to work remained unchanged at **62.8%**. (this is a **36 year low**)

In the last year the unemployment rate was 1.2% higher. Dropping from **7.5%** to **6.3%**. But don't get too excited, this is only a **16%** drop in a year, but we'll take it !!

America has **1.6 million** fewer high paying manufacturing jobs than in 2007... but **941,000** more jobs in the accommodation and food service sector. **40%** of the jobs in the past year were in lower-paying professions in the food service and retail businesses.

The population has increased from **305 million** to **318 million** during this 7-year period ... if half of the new population enters the job market ... that means **6.25 million** more people looking for jobs.

uh oh

The Federal Reserve officials are forecasting the jobless rate to be essentially the same ... above 6% ... for the rest of the year.

OK – SO HOW DO OUR CURRENT EMPLOYMENT NUMBERS COMPARE TO THE 70s ??



Unemployment Rates

Year	Percentage	Year	Percentage
1973	4.9	2007	4.6
1974	5.6	2008	5.8
1975	8.5	2009	9.3
1976	7.7	2010	9.6
1977	7.1	2011	8.9
1978	6.1	2012	8.1
1979	5.8	2013	7.4

From the math, the unemployment situation actually recovered faster in the 1970s than today, that's not very encouraging. (**6.5%** average for the 70s) versus **7.7%** for the last seven years. JEEZ, embarrassing.

CONCLUSION

*The employment situation is significantly improving at 200,000 jobs a month. But it still remains that the unemployment numbers are still high at **6.3%** and there are still, unfortunately, multiple weaknesses in the employment market.*

Comparing to the 1970s. It is clear we still currently have a stubbornly high unemployment picture. So the Economy does satisfy Factor # 2 of the stagflation definition.

OKAY. We have satisfied two of the three legs of the stagflation stool. The third leg is inflation. What do you think ?

FACTOR #3 – Where is the truth on inflation?

First of all. How does our government compute the inflation rate ? Would you believe ... **MAGIC!!** You think I'm kidding.

Okay, so here's how it goes.

The Bureau of Labor Statistics computes the Consumer Price Index (CPI).

Each month prices are collected in **87** urban areas, from about **4,000** housing units and approximately **26,000** retail establishments.

The Bureau then classifies all expenditure items into more than **200** categories.

And these categories are arranged into eight **(8)** major groups – Are you ready ?

Consumer Price Index Categories

- (1) **FOOD & BEVERAGES** – (milk / coffee / wine etc.)
- (2) **HOUSING** – (rent / homeowner's equivalent rent / utilities)
- (3) **APPAREL** – (men's shirts / women's dresses / jewelry)
- (4) **TRANSPORTATION** – (new vehicles / gasoline / airline fares)
- (5) **MEDICAL CARE** – (drugs / medical supplies / hospital services)
- (6) **RECREATION** – (television / pet products / sports equipment)
- (7) **EDUCATION** – (computer software / college tuition)
- (8) **OTHER GOODS & SERVICES** – (haircuts / funeral expenses / tobacco)

Now ... for each of the more than 200 categories, samples have been chosen of several hundred specific items. Within selected business establishments and (my favorite part) using scientific statistical procedures representing the thousands of varieties available in the marketplace, can somehow compute the inflation of basic living costs experienced by the 'guy in the street'.

Like I said ... MAGIC !!

It should be noted that the government has changed how it calculates inflation more than 20 times since 1978 !

Back in the 1970s the 'guy in the street' was quite clear about inflation in everyday life. There was no question the prices of things were going up ! Look at the inflation numbers of the 70s compared to today !! WOW !!!

Inflation Rate

Year	Percentage	Year	Percentage
1973	6.2	2007	2.8
1974	11.0	2008	3.8
1975	9.1	2009	(-0.4)
1976	5.8	2010	1.6
1977	6.5	2011	3.2
1978	7.6	2012	2.1
1979	11.3	2013	1.5

1973 to 1979 – The 7 year average inflation rate was **8.2%**

2007 to 2013 – The 7 year average inflation rate was **2.1%**

4 times the inflation rate of today !! So, for sure we are **not** comparable to the inflationary period of the 1970s (thank God).

CONCLUSION

*The current inflation numbers are generally subdued, and although the inflationary trend is increasing certainly not comparable to the high percentages of the 1970s. Therefore, this third leg of the stool, without high inflation, does **not** fully qualify for serious stagflation.*

*Historical Note: The all-time high for inflation was **23.70%** in **June 1920**.*

However, there is a trend of increasing inflation numbers and lagging income, (not a good combination).

Most people are earning **less** (adjusted for **low** inflation) than **before** the Recession struck at the end of 2007.

Currently, the typical family income is **\$52,959**, but if you factor in **low** inflation it would be **\$3,303 less** than before the Recession. **A 6% drop !!**

(What would happen to earnings with a period of moderate to high inflation ??)

So relative earnings are down and inflation numbers (as accurate as they may be) are trending up.

An average of **1.5%** during 2013

creeping up to **2.0%** by March 2014

creeping up to **2.1%** by June 2014

But, what are the inflation forecasts for everyday needs like food !

You will certainly agree that if you eat food and if you buy food at the grocery store, you have certainly noticed a recent increase in prices. The Bureau of Labor Statistics currently estimates food inflation for the last year at 1.7% ???

Really? Where do they shop ?? Obviously not where we do.

The annual food inflation rate for the last ten years has been 2.8%.

The forecast for 2014 is 5.52%, twice the ten-year average. Not good.

Historical Note: Food inflation rate was 37% in June 1917

But, what are the inflation forecasts for everyday needs like rent !

If you are a renter today ... particularly if you live in the San Francisco Bay Area, you are painfully aware that rents are significantly increasing.

In Marin County, rents are currently increasing at a 9.5% annual rate.

And rent increases will continue well into the future because of multiple conditions such as:

- ▮ Lack of housing construction
- ▮ Historical low amount of housing for sale
- ▮ Increases in interest rates
- ▮ Rising prices of single-family housing
- ▮ Speculative investors buying houses
- ▮ Continued difficulty for first time buyers to obtain loans
- ▮ A strong local job market
- ▮ And an increasing population

(Bad news for tenants – very good news for property investors)

HOW MUCH WILL GOVERNMENT DEFICIT SPENDING EFFECT THE FUTURE INFLATION RATE ??

Well ... some perspective on federal government spending. In the last **45** years, starting in 1969 the feds have had a budget surplus for only **4** years; 1969 and three years during the Clinton presidency.

There has been **41 years** of federal government budget **deficits !!!!**

Howz that for a LOUSY track record !?! Are you kidding !?!

They make spending by drunk sailors look conservative !!

How do the deficits of the 1970s compare to the deficits of the last ten years ?

Deficit Spending

Money that we don't have that the federal government spends anyway.

Year	Amount	Year	Amount
1969	3.2 billion surplus	2004	(-413 billion)
1970	(-3 billion)	2005	(-319 billion)
1971	(-23 billion)	2006	(-249 billion)
1972	(-23 billion)	2007	(-162 billion)
1973	(-15 billion)	2008	(-455 billion)
1974	(-6 billion)	2009	(-1.4 trillion)
1975	(-53 billion)	2010	(-1.3 trillion)
1976	(-74 billion)	2011	(-1.3 trillion)
1977	(-54 billion)	2012	(-1.1 trillion)
1978	(-59 billion)	2013	(-902 billion)

10 Year Total Deficit Spending

Span of Years	Deficit
1969 to 1978	\$ 310 BILLION
2004 to 2013	\$ 7 TRILLION, 600 BILLION

PERSPECTIVE

*Just think. 1978 to 2013, a span of 35 years. Hmm, not that long ... HOWEVER if you do the math the deficit spending in the last ten years (2004 to 2013) in gross dollars is **26 times** more than the deficits of a similar 10-year period in the 70s (1969 to 1978).*

A billion vs a trillion dollars

Most of us can't relate to what a billion or for that matter a trillion dollars physically looks like. Below you'll see a comparison (with stacks of \$100 bills). A billion vs a trillion dollars ...



THATS A BIG WOW !!

Now for a fair comparison (apple to apple) we need to factor in 2 timing differences:

(1) Inflation

(2) Difference in the gross productivity of the Country

INFLATION

From **1978 to 2013**, the cumulative inflation rate for that 35 year period was **221%** (**6.3%** on the average). \$ 310 billion in 1978 would be the equivalent of **\$ 995** billion today.

So, ratio wise (even factoring in inflation) the ten years ending 2013 is **7.6 times** more deficit spending than the ten years ending in 1978. (\$ 7.6 trillion divided by \$ 995 billion).

GROSS PRODUCTION

In 1978, the total gross production of the Country was approximately **\$ 2.5 trillion**.

In 2013, the total gross production of the Country was approximately **\$ 16 trillion**. Do the math...2013 was **6.4 times higher than 1978**.

And so taking that difference into account more insightful math.

In 1978, **11%** of the Country's productivity was responsible for the deficit (\$ 310 billion divided by \$ 2.5 trillion).

In 2013 **48% !!** Get that **48%**, let me say it again **48%** of the Country's total annual productivity is responsible for paying for this deficit. WOW!! (\$ 7.6 trillion divided by \$ 16 trillion)

IN OTHER REAL BIG WORDS, the Federal government deficit spending is significantly more today than the deficit spending of the 1970s.

This is important because government deficit spending puts more paper liquidity into the system, which is a big factor in pushing inflation.

Ken's Definition

***Inflation** is basic supply and demand. Real simple, products versus paper dollars. If everyone has one piece of paper, (a dollar) and the store has one apple the price of the apple will be one piece of paper. BUT if everyone gets two pieces of paper and there is still only one apple, the apple will be two pieces of paper. (hence inflation).*

So, if \$ 310 billion of deficit spending helped cause 13.5% inflation by 1980

What will \$ 7.6 TRILLION DO ??

Now the situation is as the growth rate improves it will put pressure on the inflation rate.

If you look at the late 70s. From **1976 to 1978** you see the growth rate jump from **4.3% to 6.9%** ... from **1976 to 1979** you see the inflation rate jump from **5.8% to 11.3%**, and finally **13.5% by 1980**.

Unfortunately, to tame the inflation monster in 1980 Paul Volker at the Federal Reserve had to dramatically increase the interest rates and basically cause a recession to slow the Economy and hence reduce inflation. Let's hope we don't have to do that again. The point is we have inflationary pressures building in the system.

- ▣ Pent up demand for wage increases
- ▣ Commodity prices increasing
- ▣ Taxes and energy costs are increasing
- ▣ Excessive overspending by the Federal government

Highest inflation rates around the world today

Country	Percentage
Belarus	30%
Venezuela	29%
Iran	18%
Egypt	12%
Argentina	10%
India	8%

On the National level

What do the 'crystal ball indicators' indicate ??

In the first six months of 2014 the indicators indicated:

Roughly Positive	10	50%
Roughly Negative	3	15%
Basically No Change	7	35%
Total Indicators	20	100%

The following chart shows the indicators for the past four years:

June / Year	Positive	Negative	No Change
2011	3	6	11
2012	6	4	10
2013	12	2	6
2014	10	3	7

And they indicate the Economy has been improving during this four-year period. From 2011 to 2013 the improvement was steady and substantial. There were 3 positive indicators in 2011
There were 12 positive indicators in 2013 two years later.

BUT from 2013 to 2014 there has been a leveling off and some deterioration. 12 positive indicators in 2013 to 10 positive indicators in 2014. STILL painfully slow and frustrating but still generally improving.

Forecast

NATIONAL – We are currently in a period of mild stagflation, slow growth, incomes not going up but prices are edging up (slowly but up).

Continued slowly improving Economy. Expect more of the same, nothing exciting with continued uncertainty. Perhaps with higher inflation in the future.

SF BAY AREA – BUT ... inside ‘the bubble’ of the Bay Area and Marin growth is robust, and the local Economy is expanding in a very strong and positive manner. This should continue into the foreseeable future.

PERSPECTIVE – Inflation

The inflation part of stagflation is great for real estate, prices go up rather dramatically ... up ... up ... up. All good while it lasts. In the late 70s the inflation in real estate was fantastic ... anyone who owned property in those years will tell you.

MARVELOUS MARIN

How would you like sit in a replica of a ‘lunar rover?

Or ... try on an astronauts glove ?

Or ... how about ... put your footprint in some moon dust ?

You can ... believe it or not ... in the Town of Novato !!!!!

During **Spacefest 2014** ... a 15-foot replica of the ‘lunar module’ was unveiled at the Novato Space Museum with an August 2 ribbon-cutting ceremony. Attended by former astronauts Dick Gordon and Dan Bursch.

The **Space Museum**, opened in 2011 at the Pacheco Plaza Shopping Center, is open 4 days a week and admission is free.

AND SPEAKING OF MARIN BUSINESS

TOYS FOR BOB has recently created Skylander, an action figure-video game that has generated more than \$2 billion in sales and revolutionized the toy industry over the last three years. Two of the biggest video gaming companies ... Toys for Bob and 2K are located in the Hamilton Field office complex in Ignacio ... market value of \$14.8 billion and \$2 billion respectively ... both are expanding.

Pasha Group A global transport company recently leased 50,000 square feet in the Terra Linda area of San Rafael ... that is a lot of space ! 175 employees are moving into the new headquarters.

Unemployment The unemployment rate is down to a low of 3.8%... that is a very good low rate. (The National rate is 6.2%; California is 7.8%). In Marin, 136,800 people were employed out of a workforce of 142,300.

AND SPEAKING OF HOUSING

Housing prices are still on the increase ... and ... if you look at the math ... you will notice the 'Law of Supply and Demand' is alive and well.

- Population growth significantly increased from July 2012 to July 2013.
- A 1% increase.... as the population increased by 2,524 residents from 255,842 to 258,365,
- But...Marin added just 42 housing units from July 2012 to July 2013.

Do the math ... 2,524 new people ... divided by ... 42 new houses ... equals ... **60 people per house** ... (We don't know about you but we think that's a bit tight !)

And sooo ... the median price of houses in Marin rose

- from \$940,000 in June 2013
- to \$989,000 in June 2014 a 5.2% increase in one year (\$49,000).

And of course

- Condominium prices rose from \$480,000 to \$520,500 ... an 8.4% increase. (\$40,500)
- And there is only 1.4 months of available inventory. Normal inventory would be 4 months.

AND SPEAKING OF Inflation ...

The Bureau of Labor Statistics provided the following inflation numbers for the San Francisco area, including Marin.

(April 2013 to April 2014)

All items	3.3%	Shelter	4.3%
Food	1.7%	Gasoline	12.0%
Dining at restaurants	2.2%	Medical Care	8.8%
Alcoholic beverages	4.5%	Other goods and services	6.2%

Do you agree with them ??

AND SPEAKING OF HEALTH

For the fifth consecutive year Marin has wound up **No. 1** in California as the healthiest community. The report from the Johnson Foundation used 34 factors, ranging from death statistics, teen births, crime, etc. A good example of our health is ... Marin has the lowest rate of diabetes in California ... 5% of residents.

But, the incidence of melanoma, the most serious type of skin cancer, is higher in Marin than the rest of the Bay Area and California. Melanoma incidence from 2007 to 2011 was 43% higher than the rest of the Bay Area and 18% higher than the California death rate.

And, 10% of us still smoke and 39% of us still stressfully solo commute more than 30 minutes.

Nonetheless, the median age of Marin's residents increased to 45.4 from 45.2 the year before; and 44.5 in 2010.

AND SPEAKING OF COMMUNITY AFFAIRS

Our community

Currently has 62,000 adults over the age of 60 ... (24% of the population) 13,000 live alone and 75% are women.

Our community

Has a robust Nonprofit organization structure ...

Number of nonprofits 1,543

Number of nonprofit employees 4,220

Annual business revenue produced ... \$ 359 million

Annual savings to County of Marin \$ 290 million

Our community

Has the highest property taxes in California. In fact, an average of \$8,434 per house. By comparison, San Francisco is \$5,776. (Obviously ... this is no big surprise).

Our community

is remodeling the library at the Civic Center for \$300,000.

BIOTECHNOLOGY IN MARIN

Marin is hopefully becoming a mecca for the biotechnology industry. The growth of the high-tech industry in San Francisco , and consequent high rents , is forcing life science companies to look to the North Bay as an affordable alternative. Currently, Marin has more than 200 Bio-tech companies and with 78 life sciences companies in the San Francisco area this industry continues to be very good for Marin's rapidly improving commercial market. Commercial real estate space vacancies are steadily decreasing as the average rent jumped 6% in the last year.

North Bay Bio Life/Science Cluster Alliance

A three-year \$1.5 million marketing effort to encourage firms to move to the area.

BioMarin Pharmaceutical

Is rapidly expanding and is hiring for at least 100 new positions this year and is preparing to move 300-400 employees into the new Downtown San Rafael offices.

Buck Center for Research and Aging

Located in Novato is the first independent facility in the U.S. to focus on understanding the connection between aging and chronic disease. With 184 full time employees and 118 consultants and temporary employees the Company is represented by 22 different countries.

Raptor Pharmaceutical

In Novato is home to the Company's corporate headquarters and research facilities. An emerging global pharmaceutical Company focused on developing life altering therapeutics.

Sanovas Inc.

A company that specializes in developing miniaturized medical tools, is expanding and moving into a 29,000 square foot building in San Rafael from its current offices in Sausalito. Increasing its staff from 30 to 60 full time employees with 20 consultants, also expected to increase and is planning to create six more spin-off companies within the next year.

BioCision

A biomedical and medical storage device 2007 startup based in Larkspur, is relocating to 11,000 square feet in San Rafael, more than doubling its current space, to accommodate its rapid growth which has doubled in the last year.

THE 1970s

1970-1973

The Vietnam war was in full intensity. In January 1973, a truce was signed in Paris ending the war that began in 1961, costing 45,997 American lives and \$109 billion. {Spending on Iraq and Afghanistan is at least \$3.2 trillion}.

1970

America's first celebration of Earth Day. President Nixon reduced the voting age from 21 to 18.

An unforgettable movie performance by George C. Scott in "Patton".

1971

President Nixon orders a wage and price freeze. China was formally recognized as a member of the United Nations. The welcoming address was by the U.S. Ambassador, George Bush. Charles Manson was convicted of murdering actress, Sharon Tate.

FILM - Kubrick's "Clockwork Orange" ... uhH ... nothing to say

1972

Historic meeting in Moscow between President Nixon and Soviet Communist leader Brezhnev. Watergate investigation leads to the resignation of President Nixon in August 1974. Gerald Ford, the Vice-President, was sworn in as President.

"CABARET" is the big show with Liza Minnelli and Joel Grey.

As the Viet Nam war ends ... social and political changes are happening ... the population growth is slowing as the American families have an average of 2.08 children. (the no-growth rate is 2.1). The drop in births is due ...

- ▣ In part the result of a poor economy.
- ▣ More single and working women.
- ▣ Legalization of abortion.

And in the Economy ...

it was bad times

From **January 1972 to 1974** the growth rate in the Economy took a breathtaking drop from a 7.2% growth to a (-2.1%) contraction ... a **9.3%** decline in growth in a 2-year period ... **that's big!!**

INFLATION JUMPED FROM **3.4% to 12.3%** ... wow !

Dow Jones Average dropped 45% ... ouch !

1973

OPEC Proclaimed an oil embargo. Price of oil increased from \$3 per barrel \$12 per barrel. Gasoline rationing began with lines up to 6 miles at gas stations. Purchases were limited to \$2-\$3 per automobile.

The Academy Award "A touch of Class" ... with Glenda Jackson.

1974

GALLUP POLL

- ▣ Inflation replaces the energy crisis as the chief concern of America.
- ▣ 48% listed the high cost of living as the Nation's biggest problem.

Coppola's "The Godfather Part II" captivates audiences.

1975

Saigon surrenders to the Communists as the Viet Cong flag was raised at the Presidential Place in Saigon. A woman conquered Mt. Everest for the first time Junko Tabei, 35, of Japan. The Supreme Court ruled that states may allow, at their discretion, spanking in the schools ... spare the rod no longer

"JAWS" is the popular film of the summer ... scaring the hell out of audiences !!!

1976

A dramatic reversal in American population trends. People are shifting away from the Northeastern States and moving to the Sunbelt. The metropolitan areas of the South and Southwest were the only areas experiencing substantial population growth since 1970.

'ROCKY' is the dominant film of the year ... a dumb boxer who punches his way to glory.

1977

Elvis Presley died in Memphis at 42 years old. Bing Crosby, 73, died on the golf course. The Trans-Alaskan oil pipeline is opened in Alaska providing 10% of America's daily oil consumption.

The summer blockbuster was the epic film "STAR WARS".

1978

Proposition **13** is adopted in California to reduce excess government spending. First test-tube baby is born in London. President Carter reaches a peace agreement between Israel and Egypt at Camp David. Jonestown in Guyana a mass suicide of 900 people belonging to the fanatical religious cult of Reverend Jim Jones. Norman Rockwell ... the famous American illustrator died.

Fun summer films entertained America ... "Grease" with John Travolta and Olivia Newton-John. And ... "Animal House" ... John Belushi ... (rest in peace)

1979

Ayatollah Khomeini and Iranian students take over the U.S. Embassy ... and 49 American hostages in Tehran. Worst nuclear accident at Three Mile Island in Pennsylvania. Russia invades Afghanistan.

Francis Ford Coppola's epic film 'APOCALYPSE NOW' hits the theaters.

PEOPLE

OLDER PEOPLE AND DATING OVER 60

CURRENTLY SINGLE

Percentage (%) of population over 60 and single

MIAMI	49.6	CLEVELAND	47
NEW ORLEANS	49.5	LAS VEGAS	46.7
MEMPHIS	47.7	BUFFALO	46.5
NEW YORK CITY	47	LOS ANGELES	46

And those ages **85 and older** are the fastest growing segment of the population and more amazing, the group turning 100 years or older, grew from 32,194 in 1980 to 53,364 in 2010. (a 66% increase).

And ... 72% of people 50 and older ... plan to work in their retirement years.

Young people and jobs

The unemployment rate for workers under the age of **25** is currently well above **14%** ... and for those who are looking for work ... how do they feel ?

73% said its more important to find a job that allows them to do what they love.

20% said its more important to find a job that pays well.

45% also said they would prefer a job that is beneficial to society (the optimism, idealism, exuberance and confidence of ... youth !!!) Even with the high unemployment rate ... 90% of college students are optimistic about their chances of finding meaningful work after graduation!!! You have got to love it ...good luck to them !!

AND WHAT DOES THE SOUTHERN PART OF THE STATE LOOK LIKE?

LOS ANGELES the Nation's second largest metropolitan area

- Is home to just 5 Fortune 500 company headquarters.
- Attracts just 1/10th the venture capital of Silicon Valley, despite its much bigger size.
- Is in the State of California, ranked No. 50 by Chief Executive magazine, as the country's worst business climate.

Los Angeles is a case study in disastrous policies that have led to economic decline:

- From 1993 to 2013 lost 3.1% of its jobs ... ranking the city dead last in job growth among the top 32 metropolitan areas !!
- UCLA's School of Business reported this year that Los Angeles had turned into a "poverty factory" that is worse than Detroit. It forecast a bleak future based on its high taxes, burdensome regulations and hostility to business.
- And the L.A. City Council's recent report reveals the city's endemic poverty, a result of its "sanctuary-city" laws that bring in low-skilled workers, who use City services and compete for jobs with existing low-skilled workers, which drives wages down.

When you consider what L.A. used to be – a beacon of aerospace, clothing, food and film production, with the world's busiest ports – and what it is now – which is an exporter of old clothes and scrap metal ... very sad.

And talking about kicking the dog when its down ... well ... hate to say it ... but Los Angeles ... in 2013 ... was the second worst city for dog bites suffered by letter carriers with 61 dog bites. It was the worst city in 2012. (Houston was the worst this year - 63 dog bites).

TRIVIA TIDBITS

IN 1950. 86,000 newborn males were named ?? ... JAMES...

The number ONE name selected by parents ... and ... for newborn girls ... the favorite name was ???? ... would you believe ... LINDA ... of course you would ...

everybody knows a LINDA ... in fact, there were 80,000 born in 1950.

And fast forward to the 21st Century

In 2013 the top name for boys was ?? ... NOAH ... (at 18,000) ... and at 21,000 ... the top name for girls was ... SOPHIA !!!!!

Life Expectancy improves according to the World Health Organization.

- Average girl born in 2012 will likely live to ... 72.
- Average boy born in 2012 will likely live to ... 68.
- Since 1990 the life expectancy has increased 6 years.
- Unfortunately, the expectancy in 9 African countries remains under 55 years of

The Social Progress Index? An index that measures livability in 132 countries. The United States of America is ranked:

- ☐ #16 in livability ... very sobering
- ☐ 70th in health ... really sobering.
- ☐ 69th in ecosystem sustainability.
- ☐ 39th in basic education.
- ☐ 34th in access to water and sanitation.
- ☐ 31st in personal safety.
- ☐ And ... surprisingly ... 23rd in access to cellphones and the Internet.