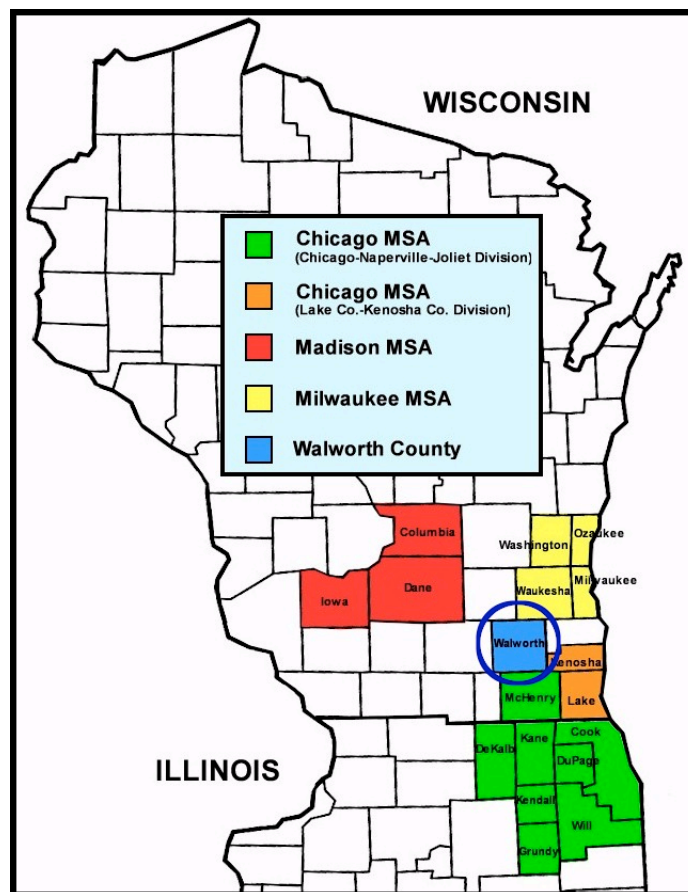


AN ECONOMIC OPPORTUNITY STUDY FOR WALWORTH COUNTY



March 1, 2007

Dr. David J. Ward

ACKNOWLEDGMENTS

We thank the following organizations for their financial support of the Walworth County Economic Opportunity Study:

- Bliss Communications
- Keefe Real Estate
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EXECUTIVE SUMMARY

Walworth County is a rapidly growing county that is benefiting from economic growth in neighboring Wisconsin and Illinois counties. The county has a strategic location, a diversified economy, and above average population growth and is poised to continue to grow for some time. The county is located at the junction of four major Metropolitan Statistical Areas (MSAs) and is uniquely positioned for future economic growth. Currently, we do not believe that the county is taking advantage of this strategic position and as a result the Walworth County economy is under performing.

Does Walworth County have a plan to improve the economic condition of the county? As Walworth County copes with population growth, will it be able to balance quality of life and economic development? Do the county and its major communities have a plan to balance growth and quality of life? What are the best opportunities for economic growth in the county? And can the communities in Walworth County create a cooperative plan that moves the entire county forward? These are some of the questions that are explored in this study, *An Economic Opportunity Study for Walworth County*.

The need for change and an economic vision for the county are clear. In a rapidly changing global economy, a county or region must have a plan for economic development or face the prospect that it will fall behind. While Walworth County is experiencing above average growth in population, current economic indicators show that Walworth County's economy is underperforming. Key indicators such as per capita income and the number of school children receiving free or reduced lunch demonstrate significant problems that need to be addressed. Economic growth will be essential to providing the tax base necessary to maintain and improve the quality of life in the county. To achieve high economic growth, the county must actively plan for its economic development and identify the best economic opportunities that will enhance the prosperity and quality of life of its citizens.

The purpose of this study is to assess the current economic condition of Walworth County and to lay out strategic economic opportunities and recommendations that might be the basis for a comprehensive economic development action plan to improve the economic status of the county.

This study is sponsored by Bliss Communications, Johnson Bank, and Keefe Real Estate. The basic research and composition of the plan was done by NorthStar Economics, Inc. This study is designed to focus on the economic development issues in Walworth County and to make recommendations as to the future economic development opportunities in the county. The desired outcomes of this project include the following:

- The study will provide the opportunity for the people of Walworth County to think about future economic development and the need for a county-wide approach to economic development.
- The study will provide a common database with county demographic and economic benchmarks.
- The study will highlight the wealth of economic development opportunities in the Walworth County region.

- The study reviews ideas and concepts that may be useful in future economic development in the county.
- The study will provide a basis for setting practical regional economic goals that can improve the economic condition and quality of life in the region.

The study contains chapters on the demographics and economic characteristics of the region and a SWOT (strengths, weaknesses, opportunities and threats) analysis that is based on interviews with people in the county as well as people who do business in the county.

The bottom line of this report is to uncover the best economic opportunities in Walworth County that can lead to higher incomes and economic growth in the county. *The next step in the process to developing a complete strategic economic plan is to design the strategies, tactics and action steps needed to implement the economic opportunities identified in this study and those that may emerge from the Smart Growth plan. The biggest single failing of economic studies is the failure to recruit the leadership and assemble the funding to take action to implement good ideas.*

Economic Opportunities and Recommendations:

Walworth County is positioned to take advantage of a number of economic opportunities that could build on the existing business base and transform the county. This report includes several recommendations that can be started and many can be accomplished in the next three to five years. Each of the following recommendations is explored in detail in the body of the report.

1) Create a county-wide economic development plan:

Walworth County should create a comprehensive strategic economic development plan that provides a long term direction (vision) for the county. This recommendation is one of the goals in the 2007 Walworth County Economic Development Alliance (WCEDA) plan. Current efforts to create a Smart Growth plan for the county represent a start on a comprehensive strategic plan but the range of issues dealt with in Smart Growth plans does not allow the in-depth economic analysis and development of a set of strategies that can lead to higher economic growth. The county needs both a Smart Growth plan and an economic development plan to capture the growth potential of Walworth County.

Walworth County, unlike most of the counties in Wisconsin, is growing and will continue to experience significant growth over the next several years. The county does not have a comprehensive economic development plan and those who were interviewed for this report nearly unanimously see that as a major gap and threat to the economic future of the county. The need for an economic vision was supported by all who were interviewed.

In creating an economic plan, organizational infrastructure and private sector leadership would be essential. Unlike many counties, Walworth County has the Walworth County Economic Development Alliance (WCEDA) which provides an organizational infrastructure and the opportunity to attract private sector leadership and talent. We recommend that you build on

existing organizational structure to speed implementation of the recommendations in this study.

2) Tap into the market potential associated with the historic connection between the county and the population in Northern Illinois. Consider a “Do your business from (or move your business to) Walworth County” strategy for second home owners and those with an affinity for the county:

The historical link between the county and the northern suburbs of Chicago are a fertile bed for encouraging those who spend time in the county to move some or all of their business operations to Walworth County.

3) Identify and support the key industry clusters in Walworth County:

Walworth County has some high value business and agri-business assets already in place and should focus first priority on retaining and expanding those businesses and clusters. High priority should be given to the small and medium size manufacturing companies located in the county. This recommendation is also part of the WCEDA 2007 plan.

4) Create an identity or brand for Walworth County:

The lack of a clear identity or brand for the county leads to confusion and poor positioning of the county in a competitive economic world. Both residents within the county and those on the outside cited this lack of identity as a major impediment to clear thinking, plans, and actions that would lead to high value economic development in the county. WCEDA has begun work on this goal in their 2007 strategic plan.

5) New Business Development:

Leverage the business assets and connections of UW-Whitewater (the Business Schools, the Global Resource Center, the Small Business Development Center, and the Wisconsin Innovation Center), the Walworth County Economic Development Alliance, and the Wisconsin Entrepreneurs Network to foster the development of new businesses in Walworth County.

6) Agriculture and Food Processing:

Build upon an already strong base in food processing and crop production and take advantage of new technologies in biofuels and composite materials to get further value out of the agricultural sector.

7) Explore the formation of an angel investing fund in Walworth County:

Angel investors are a key part of growing new, high value businesses. Such a group could draw on the talents and capital of resident business people as well as seasonal and second home residents with connections to Northern Illinois. This recommendation is consistent with the

WCEDA 2007 plan.

8) Second Home and Primary Residential Development:

Walworth County will continue to be an attractive location for second homes and primary residences. This represents an economic development opportunity but also a threat to the quality of life if such development is not done well.

9) Health Care:

A growing population base and an aging population will create a demand for medical services and medical care services and products.

10) Improve the telecommunications (broadband) and transportation (Highway 12) infrastructure in Walworth County:

The county can improve its economic competitiveness by improving road linkages and telecommunications connections.

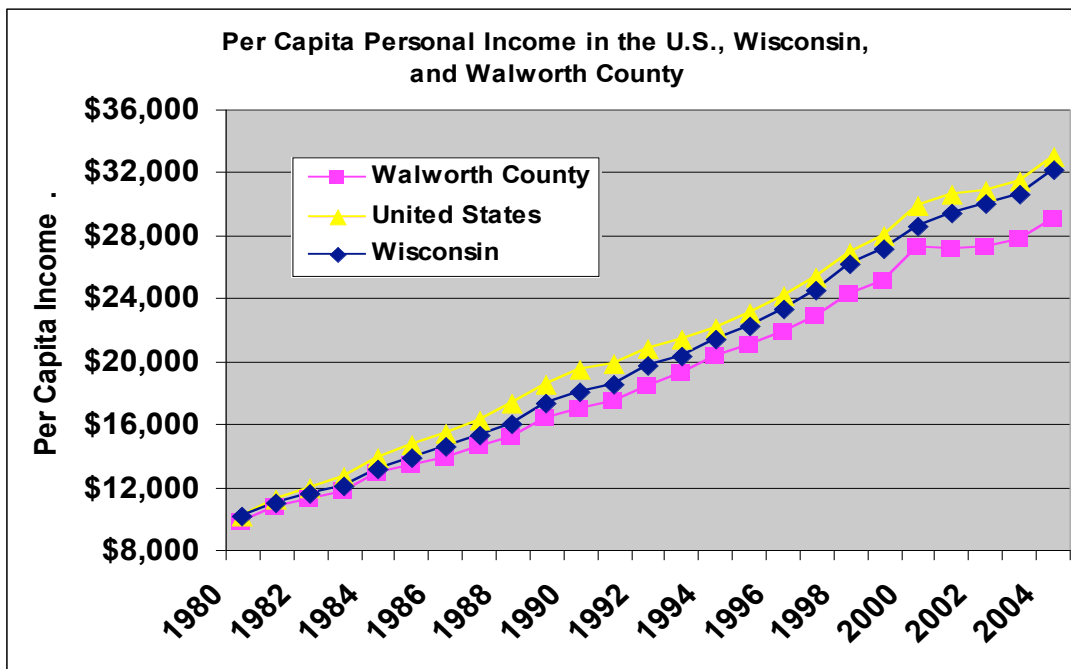
CHAPTER I: INTRODUCTION

The dynamics of the global economy have caused rapid change in the economic structure of the United States, the State of Wisconsin, and the Walworth County region. The “New Economy”, an economy built on brain power, risk capital, and knowledge, presents economic challenges to Walworth County and the entire state. Unless the region and the state adjust their current economic game plan, both will fall further behind in growth and income.

The economy of the State of Wisconsin has lagged behind the U.S. economy in terms of growth in gross state product (GSP) and per capita income. The state’s per capita income is about 96% of the U.S. average and per capita income in Wisconsin is growing at a slower rate than the U.S. and surrounding states such as Minnesota.

Walworth County has lost ground to the U.S. and Wisconsin in terms of per capita income over the last generation. The data shows that the Walworth County region is falling behind in key drivers in the New Economy. For example, the per capita income (PCI) of Walworth County in 1980 trailed the state PCI by \$280 and Walworth County’s PCI was 97.2% of the state average. That difference increased to \$3,077 in 2004 and Walworth County dropped to 90.4% of the Wisconsin average per capita income.

Figure I-1 - Per Capita Personal Income in the U.S., Wisconsin, and Walworth County 1980-2004



Source: U.S. Department of Commerce, Bureau of Economic Analysis

In Walworth County and much of the state, good-paying jobs with good benefits have been lost to productivity gains, global competition, corporate downsizing, and outsourcing. Few comparable

replacement jobs have been created and jobs for qualified dislocated training programs are not in the region.

Figure I-2
Percentage of Students Receiving Free or Reduced Lunch in Walworth County

	2000	2001	2002	2003	2004
Students Receiving Free or Reduced Lunch	2,656	2,861	3,151	3,480	3,570
Total Enrollment	15,079	15,315	15,479	15,744	15,041
% Free Lunch Students	17.6%	18.7%	20.4%	22.1%	23.7%

Source: Wisconsin Department of Public Instruction

A second indicator of economic conditions in the county is the percentage of students that qualify for reduced or free lunch. This subsidy is determined by family income level. Figure I-2 shows that the percentage of students receiving reduced or free lunch has increased by nearly 40% in the period 2000-2004. This data seems consistent with trend in lagging growth in per capita. These indicators taken together suggest the need to reassess Walworth County’s economic development plans and adjust those plans if it is to prosper in the New Economy.

A key relationship that has emerged in the New Economy is the link between brain power, as represented by education level, and earning power. There is a direct relationship between the level of education and income level. Figure I-3 shows what has happened to the earning power of high school and college graduates over a twenty-five year period. The data shown is in constant dollars (no need to factor in inflation) and the gap between the annual earnings of a high school graduate and a college graduate has increased from \$12,683 in 1978 to \$23,291 in 2003. Over a lifetime of earnings, that gap today amounts to about \$1,000,000. In short, markets in the New Economy reward education and skills. For Walworth County and Wisconsin in general to be competitive in the new, global economy, raising educational attainment level is a key factor.

Figure I-3 - The Link between Education Level and Earnings

Education	Income		Difference (High School vs. Other Degree)	
	1978	2003	1978	2003
High School	\$22,856	\$27,915	n/a	n/a
Bachelors	\$35,539	\$51,206	\$12,683	\$23,291
Masters	\$46,885	\$74,602	\$24,029	\$46,687

Source: United States Census Bureau

Walworth County has a viable base of business and industry, as well as untapped assets and competitive advantages such as a talented workforce, a knowledge base of seasonal and second home residents, and a high quality of life. However, these factors must be combined with New Economy assets and strategies and melded into a cohesive strategic economic development plan

that will produce greater growth in quality jobs and income levels. The alternative is slow erosion in the economic viability of the county and threats to its quality of life.

The purpose of this study is to lay out a plan that builds on high growth economic opportunities in Walworth County. This study is designed to develop the basis for a comprehensive strategic economic development plan for Walworth County.

This study is sponsored by three private firms that are part of the Walworth County economy. These firms have a stake and self-interest in the Walworth County economy but also have broader civic interest in helping the county to develop a better vision and plan for the future.

NorthStar Economics, Inc., based in Madison, Wisconsin, is an economic consulting and research firm dedicated to the development and implementation of New Economy regional economic development strategies. NorthStar was the consultant on the Northeastern Wisconsin Economic Opportunity Study, a regional development plan for an eighteen county region in northeastern Wisconsin. The NEW study was honored with a regional stewardship award by the Alliance for Regional Stewardship and the regional plan has already achieved a number of important results including securing implementation funding in excess of \$375,000 from the state.

Scope of the Study

The goal of this project is to develop an economic opportunity study for Walworth County, Wisconsin.

The economic opportunities study includes the following:

- Demographic and economic benchmarks for each county and major municipality
- An analysis of regional strengths, weaknesses, opportunities and threats (SWOT)
- An evaluation of the economic relationships among the selected counties
- A comprehensive analysis of the challenges and opportunities facing the region
- Recommendations as to the key economic opportunities within the region

Outcomes of the Study

In undertaking this study, the sponsors of the study outlined a number of desirable outcomes that might come from or be started by a regional economic development plan. Those outcomes include the following:

- This study and the resulting plan will cause people to think about a regional approach to economic development in Walworth County. The scale of economic opportunities, problems and challenges in any region is often too large for a single community or county to manage. Increasingly, collective effort is the answer to improving economic conditions.
- This study and plan provide a common regional data base with demographic and economic benchmarks. This data base can be used by many organizations in planning and fund raising efforts.
- This study uncovers and in some cases confirms the wealth of economic development opportunities in the Walworth County region.
- This study introduces new ideas and concepts that may be useful in future economic development in the region.

- This study provides a basis for setting practical regional economic goals that can improve the economic condition and quality of life in the region.

The ultimate goal of the study, of course, is a long-term plan for economic development for Walworth County. Identifying the current state of the economy through interviews, benchmarking economic measures and demographics, and doing a SWOT analysis create a foundation for economic analysis and recommendations regarding a course of action. This information provides the foundation for the primary objective of the study - identifying the most viable opportunities for economic development. It also lays the ground work for additional projects that would formulate economic development strategies and devise an implementation plan consisting of concrete action steps that may be undertaken to achieve the goal of improving the regional economy.

Methodology

In April of 2006, a meeting was held to scope out a study of the Walworth County economy. NorthStar Economics developed an initial proposal and after review by the sponsors, an agreement was reached on a budget, scope and timeline for the study.

In September of 2006, a meeting was held with the Walworth County Economic Opportunity Study steering committee. At that time, as noted above, a number of goals were identified. A plan of work with specific tasks and timeframes was developed. Copies of previous economic studies and demographic data were requested, and NorthStar personnel began a comprehensive review of the available literature and available data sources.

In November of 2006, NorthStar began a series of interviews with Walworth County residents and with others who did business in Walworth County. The interviews were done following a standard interview script. Over 30 people were interviewed, including a number of people from outside the region who were familiar with Walworth County.

Simultaneously, NorthStar began gathering economic and demographic data and statistics to provide county economic benchmarks. Sources of data included the U.S. Bureau of Economic Analysis (BEA), the Census Bureau's County and Zip Code Business Patterns, and the Wisconsin Department of Administration. Whenever possible, data for the specific municipalities within Walworth County was gathered. Data for the State of Wisconsin and the U.S. was also gathered for purposes of establishing comparisons and benchmarks. NorthStar gathered data on a variety of topics, including per capita income, population, business establishments, employment, and educational attainment.

In analyzing the collected data, compiling interview results, and brainstorming with the steering committee, a basis for formulating strategies began to emerge. Drawing on the information gathered, as well as our own expertise, we identified those economic opportunities that we deemed most ripe for economic development, and formulated strategies accordingly. After reviewing these opportunities with the steering committee, we began formulating a plan of strategies and concrete action steps designed to implement these strategies.

The work plan for the study called for completion of the study early in of 2007. Work was divided into the following three phases:

Phase I

NorthStar met with the steering committee to establish a work schedule for the gathering of economic data, an interview scheduling, survey distribution and collection, and other study milestones. Discussion of preliminary communication strategies was also part of Phase I.

Phase II

NorthStar collected baseline data to benchmark the region's economic measures. These metrics included historical trends for demographic and economic data such as population, workforce, per capita income levels, employment by industry, number of business establishments, and other relevant trend data. Also included was data on education levels, patents, cluster analysis, industry trade connectivity and gap data. Data on Wisconsin and the U.S. was included in some cases for comparative purposes.

NorthStar interviewed a significant number of county stakeholders and interested parties on economic development issues in the county. These interviews included group and individual interviews. NorthStar collected, banked, and analyzed the interview data.

NorthStar collected data from a number of standard U.S. and Wisconsin statistical sources.

Phase III

NorthStar conducted an independent, unbiased analysis of the county's strengths, weaknesses, opportunities and threats based upon surveys, interviews, and the data and information gathered in Phase II. NorthStar made an independent assessment of the challenges and opportunities facing the region.

NorthStar developed an economic development opportunities plan that identified responses to those challenges and identified economic opportunities that will enhance the future economic prosperity of the county.

NorthStar has prepared its findings in a report and delivered ten hard copies of the report as well as an electronic version. NorthStar also prepared a presentation of the findings for presentation sometime in 2007.

Public Input

In laying out the goals for the Walworth County Economic Opportunity Study, public input was of vital importance. The insight of business and community leaders throughout the communities comprising the county was particularly valuable. These insights bring an informed perspective to the table with respect to the challenges facing the county's economy. In early meetings on this project, we discussed the importance of interviewing key individuals across a wide spectrum of sectors and occupations. These people included educators, realtors, real estate developers, farmers, manufacturers, government officials, bankers and financial executives, entrepreneurs, union officials, business managers, and power and transmission company managers.

The steering committee was able to identify dozens of people who could represent a wide range of views and ideas. The local Chambers of Commerce were instrumental in making the arrangements necessary to conduct the interviews.

Over 30 people were interviewed in groups and individual interviews. Most of the interviews were done in November and December of 2006 with a few interviews also conducted in January of 2007. Much of the information gathered is summarized as part of the SWOT analysis in Chapter IV of this report. The interview form used in the study and a summary of the interview responses can be found in appendices to this report.

Study Consultants and Key Personnel

Dr. David J. Ward, president and founder of NorthStar Economics is the principal investigator on the project and the primary author of this report. Dr. Ward conducted many of the project interviews, conducted economic research and, in cooperation with the steering committee, developed the recommendations, strategies and action steps contained in the report.

Mr. Dennis K. Winters, former Vice President and Director of Research at NorthStar Economics also contributed to the study.

Alan J. Hart, NorthStar's Director of Operations, provided key backup support on the project, including development of graphics, conducting demographic research, and editing and writing sections of the report.

Theresa L. Field, a Research Associate at NorthStar Economics, was instrumental in gathering economic and demographic data, generating graphs and tables, and writing sections of the report.

CHAPTER II: DEMOGRAPHIC PROFILE

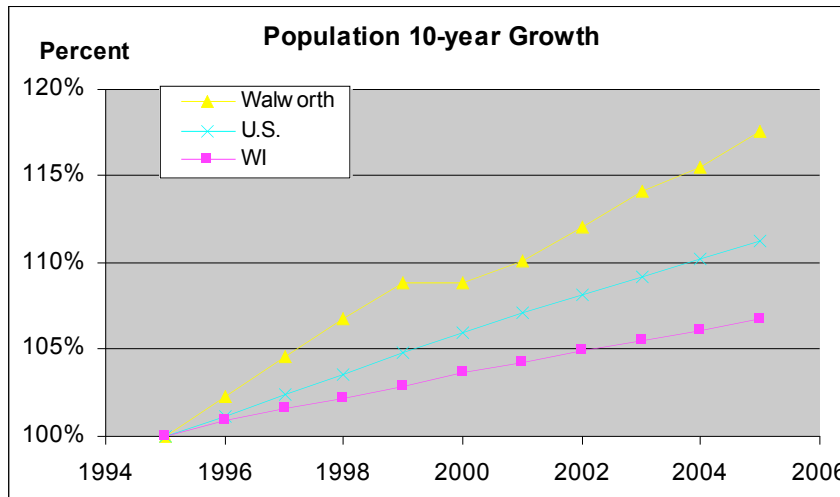
Population

Current population summary:

Walworth County's population in 2005 was estimated by the Wisconsin Department of Administration to be 99,844 people. It was ranked 14th within the state of Wisconsin out of 72 counties. The county population has grown much faster than the state average and Walworth County now ranks in the top 20% of Wisconsin counties based upon population. The county's population growth is being fueled by a combination of natural population growth (Births exceed deaths) and an in migration from Illinois and nearby Wisconsin counties.

As indicated in Figure II-1, Walworth County's population has been consistently growing at a faster rate than both the state and national averages. Over the last ten years, the Wisconsin population has grown by 6% while Walworth County's population has exhibited a gain of nearly 16%.

Figure II-1
Population Growth Comparison - Walworth County, Wisconsin, and the U.S



Source: U.S. Department of Commerce, Bureau of Economic Analysis

With respect to the age groups comprising the population, age 20-24 is projected to remain the largest age cohort for Walworth County. The presence of University of Wisconsin-Whitewater in the northwestern corner of the county explains the strong presence of the 20-24 age cohort in current estimates and in projections through 2030. In the year 2000, Walworth County was below the state average in terms of both the percentage of the population under 18 years (50th out of 72 Wisconsin counties) and the percentage of the population over 65 years (54th out of 72 Wisconsin counties)¹.

¹ Ranking source:

http://www.dataplace.org/rankings/?container_key=p26.124787&z=1&subBoundaryTypeId=4

Population projections by age:²

**Figure II-2
Final Population Projections for Walworth County by Age: 2000 - 2030**

Age Group	Total						
	2000 Census	2005	2010	2015	2020	2025	2030
0-4	5,527	5,752	5,988	6,455	6,976	7,162	7,170
5-9	6,299	6,138	6,287	6,439	6,733	7,335	7,523
10-14	6,864	7,023	6,717	6,857	6,910	7,276	7,914
15-19	7,003	6,957	7,156	7,573	7,945	7,658	8,028
20-24	8,146	8,721	8,772	9,218	9,669	9,319	9,271
25-29	5,278	5,481	5,911	6,134	6,436	6,203	6,221
30-34	5,925	5,081	5,300	5,918	6,209	5,985	5,926
35-39	7,309	6,428	5,582	6,028	6,325	6,096	6,032
40-44	7,329	7,692	6,850	5,942	6,077	6,402	6,327
45-49	6,645	7,546	8,005	7,122	6,085	6,282	6,753
50-54	5,644	6,777	7,776	8,229	7,218	6,226	6,612
55-59	4,456	5,675	6,869	7,856	8,186	7,263	6,447
60-64	3,654	4,360	5,608	6,766	7,620	8,021	7,343
65-69	3,089	3,416	4,114	5,286	6,280	7,148	7,746
70-74	2,956	2,843	3,166	3,803	4,810	5,776	6,768
75-79	2,401	2,550	2,480	2,765	3,280	4,208	5,213
80-84	1,764	1,929	2,074	2,029	2,244	2,708	3,594
85-89	1,087	1,023	1,138	1,232	1,206	1,362	1,703
90-94	465	613	603	681	739	748	883
95-99	155	146	204	208	237	266	286
100 & Over	17	31	34	47	52	62	73
Totals	92,013	96,182	100,634	106,588	111,237	113,506	117,833

Source: Wisconsin Department of Administration

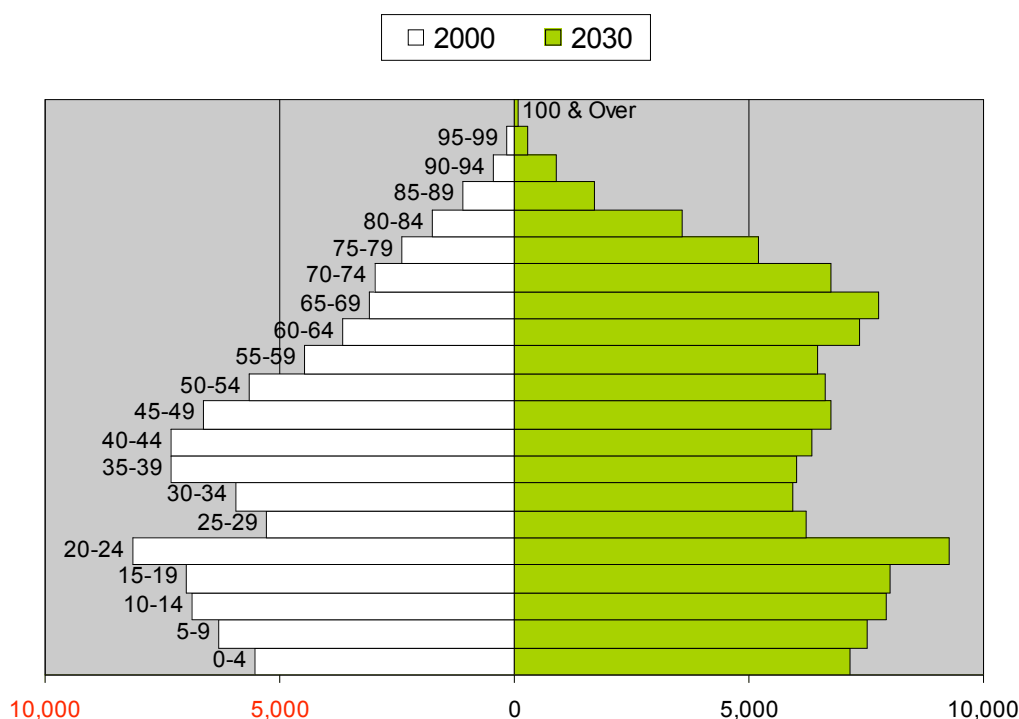
Figure II-2 displays the projected cumulative changes in the population of age cohorts from 2000 to 2030. The projections displayed in this fashion are taken from the population forecasts of the Wisconsin Department of Administration. Walworth County’s population is projected to grow by

² Population projections for Walworth County provided by the WI Department of Administration require an explanation of miscalculations. A questionable figure of 44 for net migration in Walworth County for the period 2025-2030, seen in Figure II-3, was reported in the table provided by the Department of Administration. Upon inquiry of this figure it became clear this was due to an overestimated population in previous because of UW-Whitewater dorm locations. The 44 figure was inserted to adjust for the overestimation. Staff from the WI Department of Administration are confident in the overall net migration numbers from 2000-2030, but is important to note the 5 year intervals are not completely reflective of population shifts, but rather an attempt to fix miscalculation so the cumulative figures are as accurate as possible. The more detailed age cohort figures in Table II-1 are also subject to this misallocation of students, which can be seen in the years 2015 and 2020. Again these large numbers were adjusted for in the subsequent years so the 2030 estimate is as accurate as possible.

28% during the 2000-2030 time period, nearly 10% faster than the state average. The Walworth County population projection is nearly 118,000 people for the year 2030.

Figure II-3 shows that most age groups 60+ are projected to more than double by the year 2030. The age cohorts within the 39-49 span show negative or no projected population growth, resulting in population losses within that age group. This group is mostly responsible for the declining workforce (age 25-49) projections in 2030. All groups under the age of 29 are projected to exhibit positive growth rates, most between 13% and 19%. The 0-4 year old group stands out with a 29.7% projected growth rate over this period.

Figure II-3
Population Age Cohorts - Projected Change from 2000-2030 for Walworth County



Source: Wisconsin Department of Administration

Population change and migration:

Changes in population for Walworth County due to in-migration are important. Figure II-4 summarizes the in-migration (inflow) and out-migration (outflow). The top ten counties are listed for population inflow and outflow.

Most of the top ten counties for Walworth County's inflow and outflow are those counties in Wisconsin and Illinois that border Walworth County. From 1995 to 2000, Walworth County had a large inflow from Waukesha and Milwaukee Counties, as well as from Cook and McHenry Counties in Illinois. Winnebago County was the only one of Walworth County's top ten counties (in terms of population outflow) that was not a bordering county.

Population outflow was largest to Rock County, which resulted in a net loss over the 1995-2000 time period. Walworth County also lost residents to Dane County.

Migration in a majority of surrounding counties resulted in a net inflow. Lake County, Illinois appeared on the top ten inflow list but was not present on the outflow list. Waukesha County, Wisconsin and Cook and McHenry Counties in Illinois contributed substantially to net inflow in Walworth County. Although Walworth County residents relocated to these counties as well, in-migration was the more popular trend. This resulted in a net migration over 6,000 residents for the period 1995-2000.

Figure II-4
Top Ten Counties – Walworth County Population Inflows and Outflows

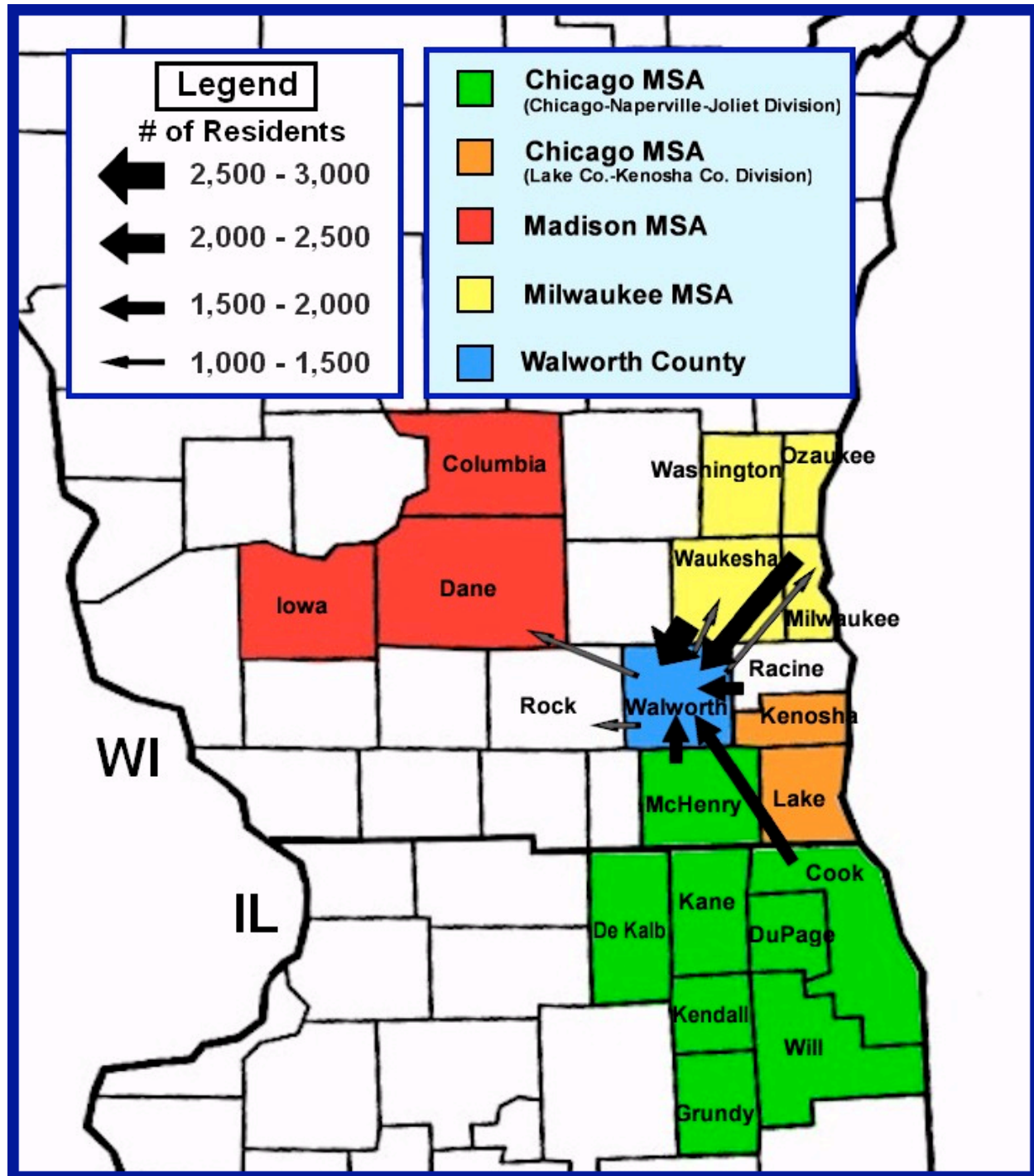
Inflow 1995-2000			Outflow 1995-2000		
<u>Rank</u>	<u>County</u>	<u># of People</u>	<u>Rank</u>	<u>County</u>	<u># of People</u>
1.	Waukesha	2,670	1.	Rock	1,435
2.	Milwaukee	2,103	2.	Milwaukee	1,429
3.	Cook Co., IL	1,797	3.	Waukesha	1,235
4.	McHenry Co., IL	1,722	4.	Dane	1,161
5.	Racine	1,704	5.	Racine	847
6.	Kenosha	949	6.	Jefferson	655
7.	Jefferson	923	7.	Cook Co., IL	435
8.	Lake Co., IL	902	8.	McHenry Co., IL	402
9.	Dane	894	9.	Kenosha	340
10.	Rock	858	10.	Winnebago	303

Source: United States Census Bureau

Population increase due to net migration is projected to over future five year intervals during in the period 2000-2030. While net migration for the 1995-2000 time period was over 6,000 residents, no five-year period is projected to reach that total through 2030. Population increase due to net migration is projected to be about 13,800 by the Wisconsin Department of Administration.

The migration patterns for the 1995-2000 period are represented graphically in Figure II-5 below, which indicate the migration to and from Walworth County for each county in which inflow or outflow consisted of at least 1,000 residents (which, as indicated in Figure II-4 above is the top five counties for inflow, and the top four for outflow). Figure II-5 also illustrates Walworth County's proximity to several metropolitan statistical areas (MSAs).

Figure II-5
Walworth County Population Inflows and Outflows - 1995-2000



Source: United States Census Bureau, Map by NorthStar Economics, Inc.

The population projections in Figure II-6 reflect changes from net migration as well as the natural increase. Projections broken into 5-year increments from 2000-2030 indicate Walworth County’s population should grow by around 4,000 residents every five years, with the exception of the period of 2020-2025 when Walworth is projected to slow down in its population growth with a relatively small rise of 2,269.³ Compared with the natural increase, the net migration in the county has been and is projected to be a slightly larger component of all population growth.

Figure II-6
Summary of Population Change for Walworth County – 2000-2030

COMPONENTS OF POPULATION CHANGE BY FIVE YEAR TIME PERIODS						
Component	2000-2005	2005-2010	2010-2015	2015-2020	2020-2025	2025-2030
County Births	5,577	5,833	6,310	6,865	7,010	7,015
County Deaths	3,810	4,018	4,272	4,494	4,785	5,221
Natural Increase	1,767	1,815	2,038	2,371	2,225	1,794
County Net Migration	2,402	2,637	3,916	2,278	44	2,533
County Total Change	4,169	4,452	5,954	4,649	2,269	4,327
Natural increase percent	1.9%	2.0%	2.2%	2.6%	2.4%	1.9%
Net migration Percent	2.6%	2.9%	4.3%	2.5%	0.0%	2.8%

Source : Wisconsin Department of Administration

³ As noted above, the variations in net migration totals are due to miscalculations. Therefore the 2020-2025 ‘County Total Change’ is not reflective of the actual county number in those years, but rather this smaller total helps account for the 2010-2015 net migration overestimation.

Figure II-7
Final Population Projections for Walworth County Municipalities -
Sorted by 2005 Estimate: 2000 – 2025

Type and Name of Municipality	Census 1980	Census 1990	Census 2000	Projection 2005	Projection 2010	Projection 2015	Projection 2020	Projection 2025
C WHITEWATER *	9,098	10,170	10,826	10,914	11,050	11,362	11,540	11,492
C DELAVAN	5,684	6,073	7,956	8,335	8,737	9,269	9,688	9,898
C ELKHORN	4,605	5,337	7,305	7,980	8,661	9,462	10,140	10,588
C LAKE GENEVA	5,612	5,979	7,148	7,260	7,403	7,663	7,834	7,846
T BLOOMFIELD	3,277	3,723	5,537	6,030	6,529	7,118	7,616	7,941
T DELAVAN	4,182	4,195	4,559	4,636	4,734	4,906	5,020	5,032
T GENEVA	3,933	3,472	4,099	4,802	5,492	6,250	6,921	7,423
T EAST TROY	3,583	3,687	3,830	3,776	3,775	3,835	3,852	3,794
V EAST TROY	2,385	2,664	3,564	3,902	4,242	4,641	4,979	5,204
T LYONS	2,659	2,579	3,440	3,679	3,925	4,227	4,476	4,625
T SUGAR CREEK	2,599	2,661	3,331	3,503	3,685	3,921	4,109	4,208
T LA GRANGE	1,661	1,643	2,444	2,571	2,704	2,877	3,015	3,087
V WILLIAMS BAY	1,763	2,108	2,415	2,508	2,609	2,749	2,856	2,903
T TROY	1,794	2,051	2,328	2,363	2,408	2,492	2,546	2,548
V WALWORTH	1,607	1,614	2,304	2,476	2,652	2,866	3,044	3,153
T LAFAYETTE	1,024	1,276	2,251	2,104	1,977	1,885	1,776	1,639
T LINN	2,064	2,062	2,194	2,210	2,238	2,302	2,340	2,331
T SPRING PRAIRIE	1,777	1,756	2,089	2,130	2,180	2,265	2,322	2,332
V GENOA CITY *	1,202	1,277	1,949	2,274	2,594	2,946	3,257	3,489
T RICHMOND	1,649	1,405	1,835	1,901	1,974	2,077	2,155	2,187
V FONTANA ON GENEVA LAKE	1,764	1,635	1,754	1,789	1,825	1,889	1,932	1,935
T DARIEN	1,495	1,490	1,747	1,834	1,927	2,048	2,143	2,193
T WALWORTH	1,443	1,341	1,676	1,695	1,726	1,784	1,822	1,823
V DARIEN	1,152	1,158	1,572	1,641	1,715	1,815	1,893	1,930
V SHARON	1,280	1,250	1,549	1,569	1,597	1,650	1,684	1,683
T WHITEWATER	1,270	1,378	1,399	1,395	1,401	1,430	1,442	1,426
T SHARON	945	1,016	912	875	845	830	806	768
V MUKWONAGO *	0	0	0	30	29	29	29	28
C BURLINGTON *	0	0	0	0	0	0	0	0
WALWORTH COUNTY	71,507	75,000	92,013	96,182	100,634	106,588	111,237	113,506

**Figure II-8
Population Growth for Walworth County Municipalities – 2000-2005 and 2005-2025**

Type and Name of Municipality	Percent Change 2000-2005	Type and Name of Municipality	Percent Change 2005-2025
T GENEVA	17.2%	T GENEVA	54.6%
V GENOA CITY *	16.7%	V GENOA CITY *	53.4%
V EAST TROY	9.5%	V EAST TROY	33.4%
C ELKHORN	9.2%	C ELKHORN	32.7%
T BLOOMFIELD	8.9%	T BLOOMFIELD	31.7%
V WALWORTH	7.5%	V WALWORTH	27.3%
T LYONS	6.9%	T LYONS	25.7%
T LA GRANGE	5.2%	T SUGAR CREEK	20.1%
T SUGAR CREEK	5.2%	T LA GRANGE	20.1%
T DARIEN	5.0%	T DARIEN	19.6%
C DELAVAN	4.8%	C DELAVAN	18.8%
V DARIEN	4.4%	V DARIEN	17.6%
V WILLIAMS BAY	3.9%	V WILLIAMS BAY	15.7%
T RICHMOND	3.6%	T RICHMOND	15.0%
V FONTANA ON GENEVA LAKE	2.0%	T SPRING PRAIRIE	9.5%
T SPRING PRAIRIE	2.0%	T DELAVAN	8.5%
T DELAVAN	1.7%	V FONTANA ON GENEVA LAKE	8.2%
C LAKE GENEVA	1.6%	C LAKE GENEVA	8.1%
T TROY	1.5%	T TROY	7.8%
V SHARON	1.3%	T WALWORTH	7.6%
T WALWORTH	1.1%	V SHARON	7.3%
C WHITEWATER *	0.8%	T LINN	5.5%
T LINN	0.7%	C WHITEWATER *	5.3%
V MUKWONAGO *	0.0%	T WHITEWATER	2.2%
C BURLINGTON *	0.0%	T EAST TROY	0.5%
T WHITEWATER	-0.3%	C BURLINGTON *	0.0%
T EAST TROY	-1.4%	V MUKWONAGO *	-6.7%
T SHARON	-4.1%	T SHARON	-12.2%
T LAFAYETTE	-6.5%	T LAFAYETTE	-22.1%
WALWORTH COUNTY	4.5%	WALWORTH COUNTY	18.0%

Source for Table I-4 and I-5: Wisconsin Department of Administration- Population Estimates

* Indicates that the municipality crosses at least one county line

Figures II-7 and II-8 show forecasted changes in population at the municipal level. Examining population changes at the municipal level, we see that Geneva and Genoa City are the two fastest growing communities in Walworth County with population gain of around 17% from 2000-2005. Among all of the 29 municipalities in Walworth County, only four showed a decrease in population from 2000-2005. Based on the 2005 population estimate from the Wisconsin Department of Administration, the five largest municipalities in Walworth County are listed in Figure II-9 below.

Figure II-9
Five Largest Municipalities in Walworth County

Type and Name of Municipality	Census 2000	Estimate 2005	Estimate 2025	Percent Change 2000-2005	Percent change 2005-2025
C WHITEWATER *	10,826	10,914	11,492	0.8%	5.3%
C DELAVAN	7,956	8,335	9,898	4.8%	18.8%
C ELKHORN	7,305	7,980	10,588	9.2%	32.7%
C LAKE GENEVA	7,148	7,260	7,846	1.6%	8.1%
T BLOOMFIELD	5,537	6,030	7,941	8.9%	31.7%

* Indicates that the municipality crosses at least one county line

Source: Wisconsin Department of Administration

Educational Attainment

Figure II-10
Highest Educational Attainment of the Population Age 25 or Above – 2000

	<u>Walworth County</u>	<u>Wisconsin</u>	<u>United States</u>
High school (includes equivalency)	33.46%	34.58%	28.63%
Some college, no degree	22.11%	20.59%	21.05%
Associate degree	6.81%	7.50%	6.32%
Bachelor's degree	14.95%	15.26%	15.54%
Graduate or Professional degree	6.84%	7.16%	8.86%
Total High School Grad or above	84.17%	85.09%	80.40%
Total Bachelor's Degree or above	21.79%	22.42%	24.40%

Source: United States Census Bureau - Census 2000 Summary File 3 (SF3)

As noted in Chapter I, education attainment is directly correlated with earnings and thus is essential to the future economic development in any region. One measure of the quality of the workforce is the highest educational attainment of the population 25 years and older. Figure II-10 above provides detail on the educational attainment for the U.S, the State of Wisconsin and Walworth County as of the most recent decennial census in 2000. Walworth County's figures are consistent with Wisconsin's traditionally favorable high school graduation rate, which is about 4%

higher than the U.S. average. However, the percentage of college graduates in Walworth County is slightly below the Wisconsin average, which in turn is below the national average. The link between higher levels of education and higher wage levels is well documented. Figure II-11 below is a good demonstration of the link between education levels and earnings.

Figure II-11

Median Earnings by Educational Attainment in 2004 Inflation-Adjusted Dollars

<u>Education Level</u>	<u>Median Earnings in 2004</u>
Population 25 years and over with earnings	\$31,132
Less than high school graduate	\$18,144
High school graduate (includes equivalency)	\$25,360
Some college or associate's degree	\$30,891
Bachelor's degree	\$42,404
Graduate or professional degree	\$55,065

Source: U.S. Census Bureau - 2004 American Community Survey

Income

Per Capita Income:

Per capita income, as calculated by the United States Census Bureau, is the total income for a geographic area (e.g., country, state, county, etc.) divided by the population of the geographic area. For example, the per capita income for Walworth County in 2004 is calculated by totaling all the income of county residents, including earnings, investment income and transfer payments, and then dividing this total income pool by the county's 2004 population. An analysis of per capita income is typically used by economists to measure the standard of living in a community or a region.

Figure II-12

Per Capita Personal Income for the U.S., Wisconsin and Walworth County

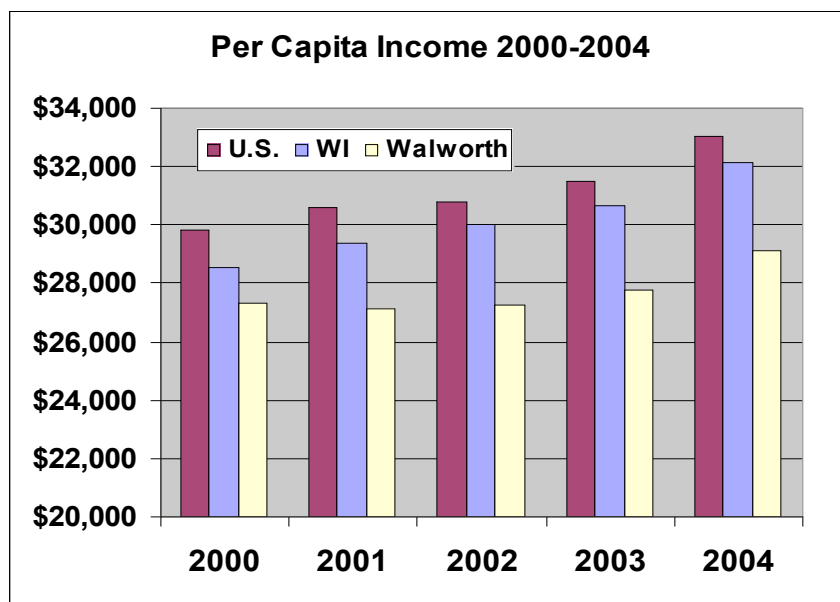
<u>Year</u>	<u>United States</u>	<u>Wisconsin</u>	<u>Walworth County</u>	<u>Rank in WI</u>
2000	\$29,845	\$28,570	\$27,292	19
2001	\$30,575	\$29,400	\$27,150	25
2002	\$30,810	\$30,025	\$27,282	27
2003	\$31,484	\$30,664	\$27,747	28
2004	\$33,050	\$32,166	\$29,089	N/A
Growth				
2000-2004	10.7%	12.6%	6.6%	N/A

Source: U.S. Department of Commerce, Bureau of Economic Analysis Table CAI-3

As indicated in Figure II-12 above, Walworth County's per capita income of \$27,747 ranked 28th among the state's 72 counties in 2003. Although this represents an approximately median position

within the state, Walworth County’s per capita income is significantly behind the state as a whole, which in turn trails the U.S. average per capita income. Additionally, Walworth County’s per capita income increased by only 6.6% since 2000, a growth rate that is below the state and the national average. Figure II-13 below compares per capita personal income in Walworth County, Wisconsin and the United States.

Figure II-13
Per Capita Income for the U.S., Wisconsin and Walworth County 2000-2004



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Walworth County’s per capita income consistently trailed U.S. and Wisconsin per capita income over the period from 2000-2004. In addition, Walworth County's per capita income has been growing at a slower rate than the state and the nation, which in turn widened the gap between Walworth County’s per capita income and the state figure. Figure II-14 illustrates the large gap between the county and state’s per capita income.

Figure II-14
Per Capita Income Difference between Walworth County and Wisconsin

Year	Walworth County PCI – Wisconsin PCI
1999	\$-2,077
2000	\$-1,278
2001	\$-2,250
2002	\$-2,743
2003	\$-2,917
2004	\$-3,077

Source: U.S. Department of Commerce, Bureau of Economic Analysis Table CAI-3

Considering the positive correlation between education level and the earnings, Wisconsin in general, and Walworth County in particular, should develop strategies that attract well-educated people and companies that need a well-educated workforce with the objective of raising per capita income, at least to the national level.

Average Annual Wage:

A second measure of income levels is average annual wages. The data in the Figure II-15 compares the average annual wage for the state of Wisconsin and Walworth County by industrial sector.

Figure II-15
Average Annual Wages for Wisconsin and Walworth County by industry in 2005

Industry	Wisconsin	Walworth County	Walworth Co. % of Wisconsin	Kenosha County	Racine County	Rock County
All Industries	\$35,503	\$30,065	84.7%	\$33,770	\$37,698	\$34,109
Natural Resources & Mining	\$27,765	\$25,389	91.4%	\$23,696	\$31,982	\$32,538
Construction	\$42,891	\$40,435	94.3%	\$46,627	\$39,487	\$41,014
Manufacturing	\$44,430	\$41,776	94.0%	\$49,475	\$59,607	\$49,403
Trade, Transportation, Utilities	\$31,088	\$28,142	90.5%	\$31,048	\$26,957	\$29,266
Information	\$43,439	S	N/A	S	S	S
Financial Activities	\$46,267	\$32,323	69.9%	\$32,788	\$38,117	\$35,439
Professional & Business Services	\$40,462	\$28,380	70.1%	\$34,142	\$30,702	\$30,168
Education & Health Services	\$37,228	\$34,306	92.2%	\$34,033	\$37,914	\$37,297
Leisure & Hospitality	\$12,468	\$13,258	106.3%	\$10,323	\$11,181	\$10,087
Other Services	\$20,604	\$17,471	84.8%	\$18,344	\$23,235	\$16,063
Public Administration	\$37,244	\$30,463	81.8%	\$37,291	\$39,630	\$35,554

Note: S – Suppressed

Source: Wisconsin Department of Workforce Development - Labor Market Information

Walworth County’s average annual wages in 2005 for the major industries, by and large, were below the state average and contribute to its below average ranking in per capita income. For the overall average, Walworth County’s annual wage in 2005 was \$30,065, which was 84.7% of the Wisconsin average. Of particular interest are the wages paid to workers in the financial sector, as this average wage is over 30% below the Wisconsin average.

Figure II-15 above also shows comparative wage data for three adjacent counties: Kenosha, Racine and Rock Counties. Among the group of these four counties, Walworth County has the lowest average wage level when viewing all industries as a whole. Walworth County ranks last in the average wages for almost every business sector, especially the manufacturing sector in which

Racine County exceeds Walworth County in average wage by nearly \$18,000. Average wage in only one sector, leisure and hospitality, which is the second largest industrial sector in Walworth County, is above the average wage levels for the three neighboring counties.

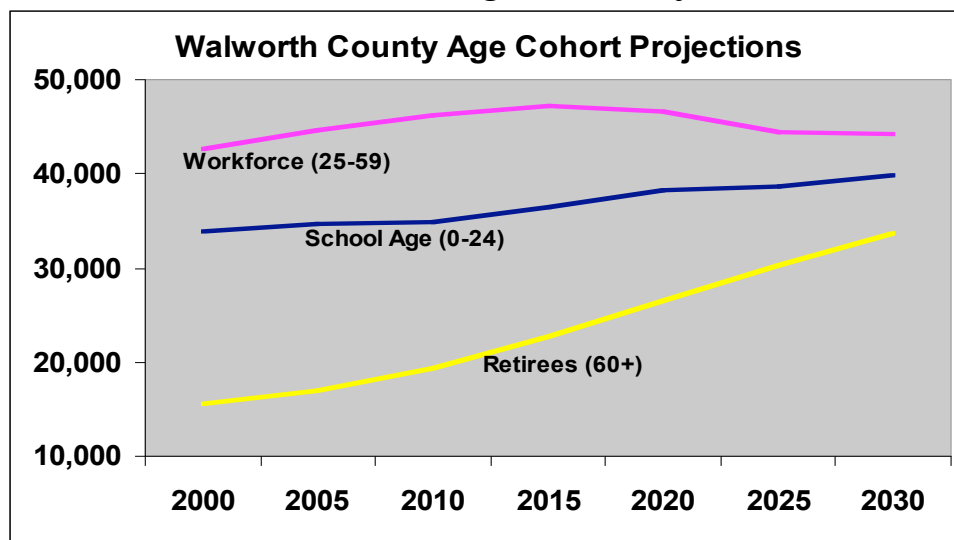
Although Walworth County lags behind Wisconsin and the U.S. in both per capita income and annual wages, there is still some basis for optimism in the data. We observe that per capita income varies only slightly from average annual wages, suggesting that the county’s high labor force participation rate ensures that a majority of the county’s labor force-eligible population receives close to an average income.

Workforce and Employment

Workforce:

For the period from 2000 to 2030, population projections show that Walworth County will continue to see consistent growth in its population. Figure II-16 breaks the future population down into three primary age cohorts. Of particular interest are the substantial rise of an older population (60+) and a much slower growth rate for the school age population. The workforce population rises slightly for a few more years and then will begin to shrink from 2015, since the residents who will retire gradually outnumber the younger population projected to enter the workforce.

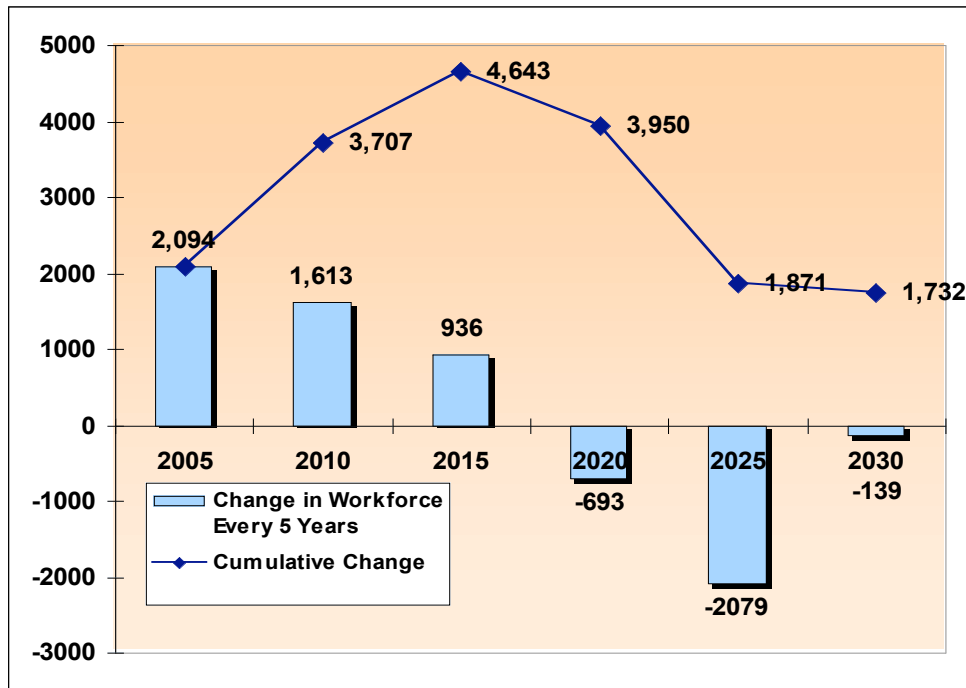
Figure II-16 Workforce, Retiree and School Age Cohort Projections 2000-2030



Source: Wisconsin Department of Administration

Specifically, the age 35-39 and age 40-44 cohorts are both anticipated to drop by 10% over the next 25 years. By contrast, population age 60 and over is projected to double during the same period and would constitute 28.5% of the overall county’s population by 2030. Although the workforce age cohorts should still remain the largest group of the Walworth’s population, the gap between the workforce and the retiree population should be considerably tightened.

Figure II-17
Change in Workforce Every 5 Years for Walworth County – Age 25-59



Source: Wisconsin Department of Workforce Development - Labor Market Information

Workforce changes for Walworth County shown in Figure II-17 are projected to show a gradual drop in workforce numbers. Cumulatively, the workforce is projected to peak in 2015 and drop significantly by 2025.

Labor Force - Employment, Unemployment and the Unemployment Rate:

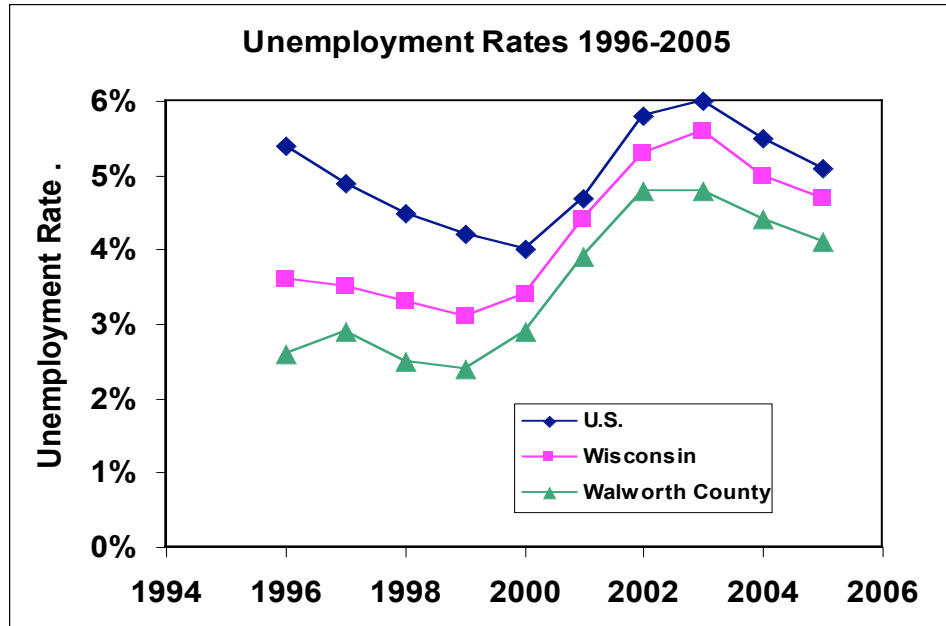
Following its population trend, Walworth County’s labor force is also projected to increase for a number of years.

Figure II-18
Employment Statistics for Walworth County 1990-2005

Year	Labor Force	Employed	Unemployed	Unemployed Rate
1990	41,876	40,739	1,137	2.7%
1991	45,276	43,634	1,642	3.6%
1992	45,441	43,667	1,774	3.9%
1993	49,068	47,672	1,396	2.8%
1994	50,530	49,178	1,352	2.7%
1995	51,442	50,106	1,336	2.6%
1996	52,531	51,143	1,388	2.6%
1997	52,214	50,691	1,523	2.9%
1998	52,422	51,096	1,326	2.5%
1999	53,394	52,110	1,284	2.4%
2000	54,199	52,619	1,580	2.9%
2001	55,189	53,049	2,140	3.9%
2002	55,807	53,122	2,685	4.8%
2003	56,411	53,709	2,702	4.8%
2004	56,358	53,903	2,455	4.4%
2005	56,036	53,718	2,318	4.1%

Source : Bureau of Workforce Information - Labor Market Information

Figure II-19
Unemployment Rates for Walworth County, Wisconsin, and the United States - 1996-2005



Source: U.S. Bureau of Labor Statistics

Historically, Walworth County has maintained low unemployment rates, about 0.5-1% below the state rate, which has tended to be lower than the U.S. average unemployment rate. From 1996-2000, the gaps between the Walworth County rate and the national rate shrunk. Then, during the period of the 2001 recession, Walworth County's unemployment rate rose consistently with the nation and the state.

Major employment by sector:

Figure II-20
Major employment change in Walworth County by Sector 1974-2004

Sector	% Employment in 1972	% Employment in 2004
Construction	4.3%	6.1%
Manufacturing	22.3%	17.0%
Retail Trade	17.5%	11.1%
Services*	19.3%	37.0%
Govt. & Government Enterprises	15.9%	13.4%
State and Local	14.4%	12.4%

Source: Bureau of Economic Analysis, Table CA 25

* Note: Employment data prior to 2000 are organized according to the SIC (Standard Industrial Classification) and data from 2001 to present are organized in a newer system called NAICS (North American Industry Classification System). NAICS is an improved system as the codes have been reorganized to reflect a broader range of industries. Services sector in the old SIC system corresponds to the following items in NAICS: Professional and technical services, Management of companies and enterprises, Administrative and waste services, Educational services, Health

care and social assistance, Arts, entertainment, and recreation, Accommodation and food services and other services, except public administration.

Based upon both SIC data and NAICS data, we analyzed the employment changes by industry in Walworth County during the 30-year period from 1974 to 2004. By far, the largest growth in employment occurred in the services sector, which accounted for 19% of the employment and 37% of the employment in 2004. Declines in employment in many other sectors, including manufacturing, retail trade, government and state & local sectors, were offset by the substantial growth in services sector. Manufacturing employment loss, about 25% over this thirty year period, is consistent with the statewide and national trends as a result of an increasingly global economy. These changes are summarized in Figure II-20.

Commuting Patterns

In 2000, only 63% of the Walworth County workforce worked within the county, about 7% less than in 1990. The number of workers who lived in Walworth County was about 7,000 more than the overall employment in the county. This would suggest that either Walworth County does not produce enough jobs to employ all resident workers or that workers choose to live in Walworth County and work elsewhere. This difference can be explained by the status of the workforce population in Walworth County. Data with respect to commuting patterns in to and out of Walworth County for the year 2000 are displayed in Figure II-21, and the commuting patterns are displayed graphically in Figure II-22 below.

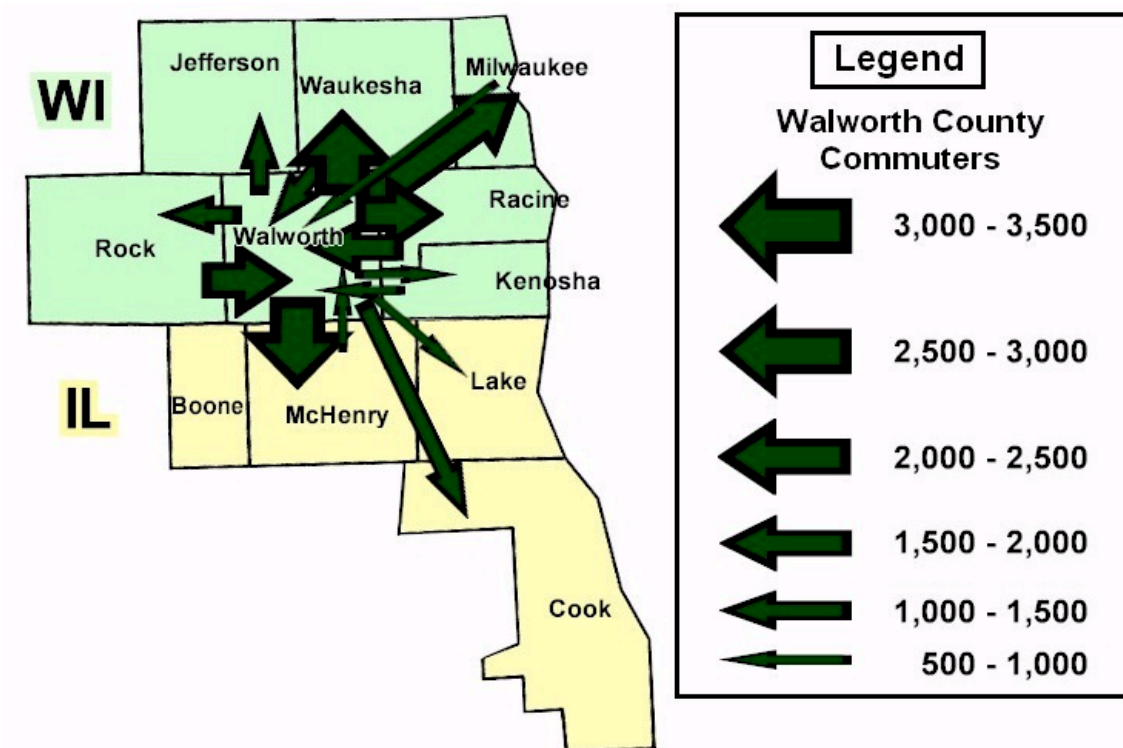
Figure II-21
Commuting Patterns to and from Walworth County - 2000

Commuting To Walworth County, WI			Commuting From Walworth County, WI		
From	Workers	Percent	To	Workers	Percent
Walworth County, WI	30,545	73.9%	Walworth County, WI	30,545	63.4%
Rock County, WI	2,383	5.8%	McHenry County, IL	3,164	6.6%
Jefferson County, WI	1,830	4.4%	Waukesha County, WI	3,088	6.4%
Racine County, WI	1,660	4.0%	Milwaukee County, WI	2,290	4.8%
Waukesha County, WI	1,321	3.2%	Racine County, WI	2,240	4.7%
Milwaukee County, WI	857	2.1%	Rock County, WI	1,284	2.7%
McHenry County, IL	704	1.7%	Cook County, IL	1,102	2.3%
Kenosha County, WI	614	1.5%	Jefferson County, WI	1,087	2.3%
Dane County, WI	311	0.8%	Lake County, IL	976	2.0%
Winnebago County, IL	183	0.4%	Kenosha County, WI	844	1.8%
Lake County, IL	148	0.4%	Dane County, WI	382	0.8%
Illinois Subtotal	1,254	3.0%	Illinois subtotal	5,771	12.0%
Elsewhere	546	1.3%	Elsewhere	626	1.3%
Grand total	41,321	100.0%	Grand total	48,157	100.0%

Source: Wisconsin Department of Workforce Development, Local Workforce Planning Section, March 2003

Figure II-22

Commuting Patterns to and from Walworth County - 2000



Source: WI Department of Workforce Development, Map by NorthStar Economics, Inc.

Commuting workers in Walworth County travel mostly to McHenry County, IL and Waukesha County, WI for employment. On the other hand, the largest group of workers commuting to Walworth County travel from the neighboring Rock County. Of particular interest is that 12% of Walworth County's residents traveling to work in Illinois while a mere 3% of working commuting from Illinois to work in Walworth County. This reveals an important connection with Northern Illinois and is further indication that workers are trading the quality of life in the county for a shorter commute to a job in the higher paying environment of Northern Illinois.

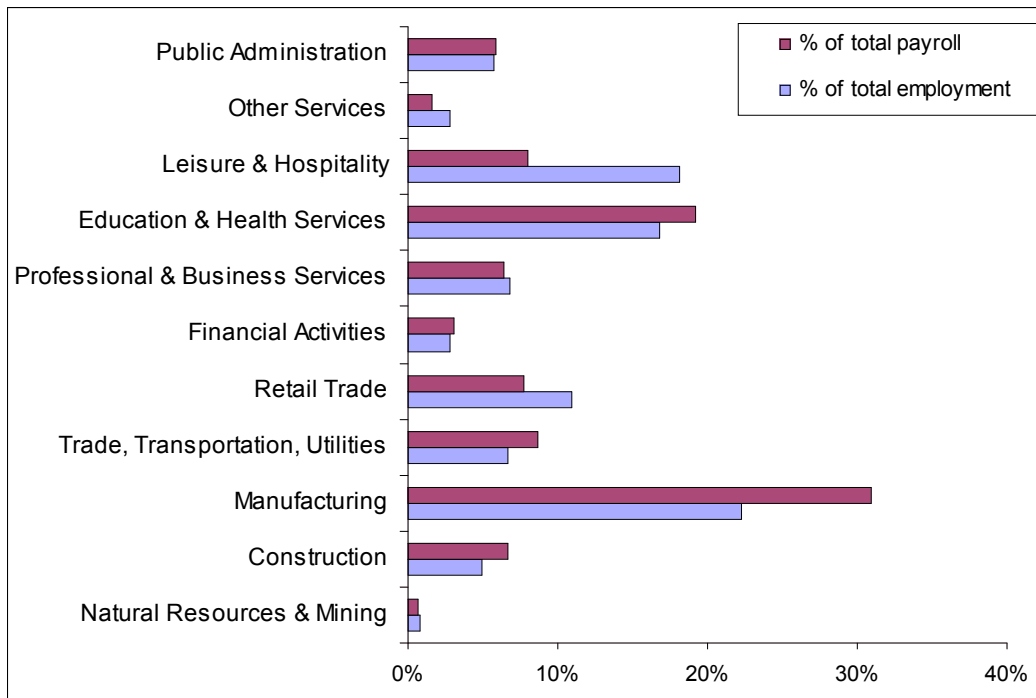
CHAPTER III: BUSINESS AND ECONOMIC PROFILES

Industry and Income

Regional employment and income can be broken out by industry sector to give a more accurate view as to the economic drivers in the county. Such a breakout will also identify the higher economic value sectors. Figure III-1 below shows the relative measures of employment and income by sector for Walworth County. Higher value sectors will have proportionately more income than their percentage of employment. Lower value sectors will show less income when compared to their proportion of employment. For example, the retail industry tends to have low pay, but has a high percentage of workers. In the Walworth County region, retail trade accounts for 11% of all employment but less than 8% of total income. Other industries such as health care and manufacturing have a better ratio of income to employment. In the Walworth County region, manufacturing accounts for 22% of all employment and 31% of total income.

While employment numbers are a good indicator of importance for an industry to the regional economy, it makes more sense to pair employment to earnings. Income will drive spending within the county and therefore is a key driver in the county economy.

Figure III-1
2005 Employment and Wage Distribution by Industry in Walworth County



Source: Wisconsin Department of Workforce Development, *Quarterly Census of Employment and Wages*

Shift-share analysis for Walworth County:

Shift-share analysis examines the changes in industry employment by three sources that caused the changes. These components are referred to as the national growth, industrial mix and the competitive share. Walworth County's shift-share analysis for 11 industrial sectors was provided by the University of Georgia.⁴

During the period from 1995-2005, Walworth County lost 1,400 jobs in the manufacturing sector. Public administration jobs also decreases by 3.3%, while the education and health services sector grew by 1,854 jobs. The professional and business services sector increased by over 50% during this period of time.

The national component of the shift-share analysis refers to the national employment growth rate of the same 1995-2005 time period. The national component therefore accounts for a 13.8% growth rate across the industry sectors. The overall increase in employment from the national component was 4,843 jobs across all 11 sectors. The larger industries obviously had growth respective to there size, the manufacturing sector had the largest increase followed by the leisure and hospitality sector.

The industrial mix component, the second aspect of the shift-share analysis, refers to the national average growth for each industrial sector. For example, manufacturing average growth rate during the 1995-2005 time period was -31.5%, resulting a loss of over 3,000 jobs. Other sectors which saw a loss in jobs due to the industrial mix component were the trade, transportation and utilities, public administration and information sectors. There was a positive growth in the education and health services, professional and business services and construction sectors. The industrial mix component resulted in a net loss equal to -1,931 jobs.

The final shift-share component is the competitive share, which is the number of job left after the national and industrial mix component are accounted for. Positive growth from the competitive share component indicates a local advantage in such industries. The education and health services grew by 24.5% due to the competitive share aspect, which added 924 jobs to that sector. Natural resource and mining grew by 219% over this time period because of the competitive share component, which means there must have been a local need within this industrial sector. The following three industries lost jobs due to the competitive share component; construction, public administration, and leisure and hospitality. The competitive share resulted in an overall net gain of 838 jobs in Walworth County during the 1995-2005 time period. The shift-share analysis is presented in Figure III-2 below.

⁴ <http://www.georgiastats.uga.edu/sshare1.html>

Figure III-2
Shift-Share Analysis for Walworth County – 1995-2005

Sector	National Growth		Industrial Mix		Competitive Share	
	%	#	%	#	%	#
Education and Health Services	13.8	519	10.9	410	24.5	924
Manufacturing	13.8	1,424	-31.5	-3,260	4.2	435
Professional & Business Services	13.8	246	17.3	309	20.6	367
Trade, Transportation, & Utilities	13.8	856	-4.3	-266	3.5	220
Natural Resources & Mining	13.8	14	-13.1	-13	218.5	216
Financial Activities	13.8	114	5.5	45	19.7	163
Information	13.8	59	-7.1	-31	19.4	83
Other Services	13.8	127	1.6	15	4.0	37
Construction	13.8	213	25.0	386	-11.4	-176
Public Administration	13.8	329	-4.8	-114	-12.3	-295
Leisure and Hospitality	13.8	942	8.6	588	-16.6	-1,136
Total		4,843		-1,931		838

Source: Table 2 from Shift-Share Analysis for Walworth County, WI provided by <http://www.georgiastats.uga.edu/sshare1.html>

Top industries by employment / establishments

Figure III-3
Top 10 Employers in Walworth County - 4th Quarter 2005

Rank	Employer Name	Industry Type	Employee size
1	University of WI-Whitewater	Colleges & universities	1000+
2	County of Walworth	Executive & legislative offices, combined	1000+
3	Wicor Inc	Pump & pumping equip. mfg.	500-999
4	Grand Geneva LLC	Hotels & motels, except casino hotels	500-999
5	Wal-Mart	Discount department stores	500-999
6	Miniature Precision Components Inc	All other plastics product mfg.	500-999
7	Aurora Health Care of Southern Lake	Gen. medical & surgical hospitals	500-999
8	Elkhorn Area School District	Elementary & secondary schools	250-499
9	Compass Group He Services LLC	Caterers	250-499
10	The Abbey	Hotels & motels, except casino hotels	250-499

Source: Wisconsin Department of Workforce Development, Office of Economic Advisors

Walworth County’s major employers are dominated by two public sector firms, the University of Wisconsin-Whitewater and the County of Walworth, both of which have more than 1000 employees. Looking at the other employers among the top ten list, we see that Walworth County’s economy is fairly diversified and balanced from the perspective of employment by industry. Specifically, the leisure and hospitality industry is playing a significant role in the county’s

economy, as presented by three firms from the list, Grand Geneva LLC, Compass Group He Service and the Abbey.

**Figure III-4
Prominent Industries in Walworth County 2005**

Industry	Establishments	Employees	Change in employees 2004-2005	
			Numeric	Percent
1 Educational Services	34	3,900	46	1.2%
2 Food Services and Drinking Places	196	3,702	171	4.8%
3 Accommodation	28	2,133	-61	-2.8%
4 Executive, Legislative, & Gen Government	30	1,844	38	2.1%
5 Machinery Manufacturing	19	1,710	7	0.4%
6 Plastics & Rubber Products Manufacturing	22	1,664	40	2.5%
7 Administrative and Support Services	93	1,567	185	13.4%
8 Fabricated Metal Product Manufacturing	42	1,423	168	13.4%
9 Nursing And Residential Care Facilities	34	1,254	14	1.1%
10 General Merchandise Stores	11	1,031	92	9.8%

Source: Wisconsin Department of Workforce Development / Bureau of Workforce Information

Looking at the distribution of Walworth County’s major industry sectors, we see that, as is often the case, food services and drinking places ranks above the other industries in terms of both the number of establishments and the employee number. The industry of educational services, with only 34 establishments, provided more employment than the food service and drinking places sector. The numeric change in number of employees show that the employment growth in 2004 is concentrated on three industry sectors – food service, administration, and fabricated metal product manufacturing. Conversely, among the above list, accommodation is the only industry with a decline (61 employees).

Comparison between hourly average wages in Walworth County and those in Wisconsin

Wages in Figure III-5 represent Wisconsin’s Southeast Corridor Labor Supply Area #9, which includes Walworth County as well as Dodge, Jefferson and Kenosha Counties. This information is provided through the Office of Economic Advisors (OEA) at the Wisconsin Department of Workforce Development.

**Figure III-5
Average Wages for Walworth County and Wisconsin by Occupation - 2005**

Occupation Titles	Employment in Area 9	SE Corridor Labor Supply Area #9			Wisconsin		
		Average Hourly	25 th percentile	75 th percentile	Average Hourly	25 th percentile	75 th percentile
Total all occupations	167,380	\$16.10	\$9.43	\$19.71	\$17.15	\$9.80	\$20.95
Management Occupations	5,530	\$39.16	\$24.75	\$47.74	\$40.59	\$25.87	\$50.34
Business and financial operations occupations	4,250	\$24.02	\$16.16	\$28.90	\$25.06	\$17.92	\$30.46
Education, Training, and Library Occupations	9,680	\$19.57	\$13.36	\$25.07	\$19.88	\$13.42	\$25.18
Healthcare Practitioners and Technical Occupations	6,840	\$26.96	\$17.44	\$29.59	\$28.20	\$17.67	\$30.82
Food Preparation and Serving-Related Occupations	16,960	\$8.48	\$6.34	\$9.61	\$8.41	\$6.40	\$9.71
Sales and Related Occupations	15,440	\$14.61	\$7.59	\$16.56	\$15.82	\$7.86	\$19.16
Office and Administrative Support Occupations	23,440	\$13.10	\$9.71	\$15.68	\$13.79	\$10.29	\$16.42
Construction and Extraction Occupations	6,920	\$20.65	\$14.80	\$25.19	\$20.04	\$14.62	\$24.95
Production Occupations	27,400	\$14.90	\$10.94	\$17.65	\$15.03	\$10.86	\$18.18

Source: Wisconsin Department of Workforce Development - Office of Economic Advisors (OEA)

Figure III-5 shows the average wages in the major occupation sectors for Walworth County and the state of Wisconsin. According to DWD, Wisconsin compares favorably with Walworth County in terms of hourly average wages in most occupation sectors, with the exceptions of Food Preparation & Serving-Related Occupations and Construction & Extraction Occupations. Figure III-6 summarizes the top five occupations by hourly wage.

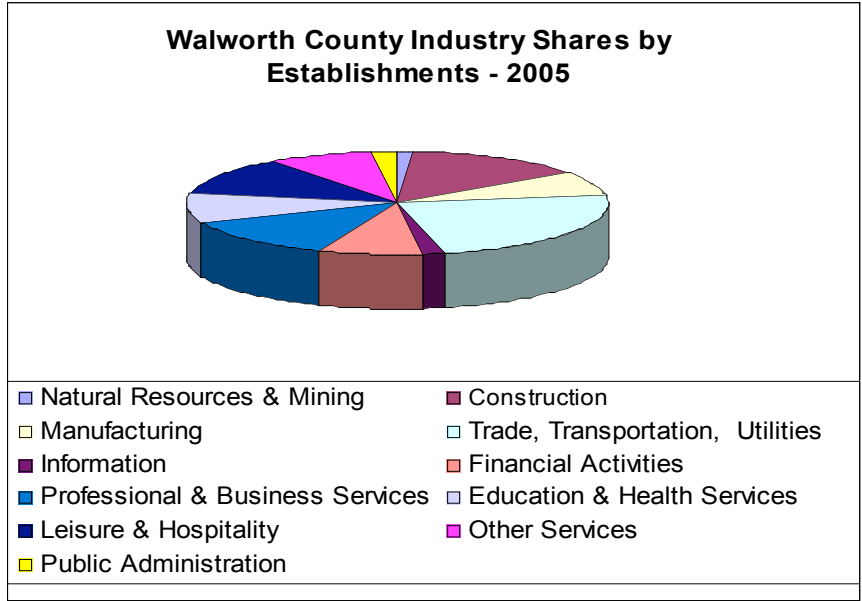
**Figure III-6
Top Paying Hourly Occupations in Walworth County 2005**

Occupations	Hourly rate
1 Family and General Practitioners	\$68.70
2 Chief Executives	\$65.24
3 General and Operations Managers	\$47.02
4 Pharmacists	\$46.61
5 Financial Managers	\$45.29

Source: Wisconsin Department of Workforce Development, Labor Market Information (LMI), Walworth County Summary

Business Establishments

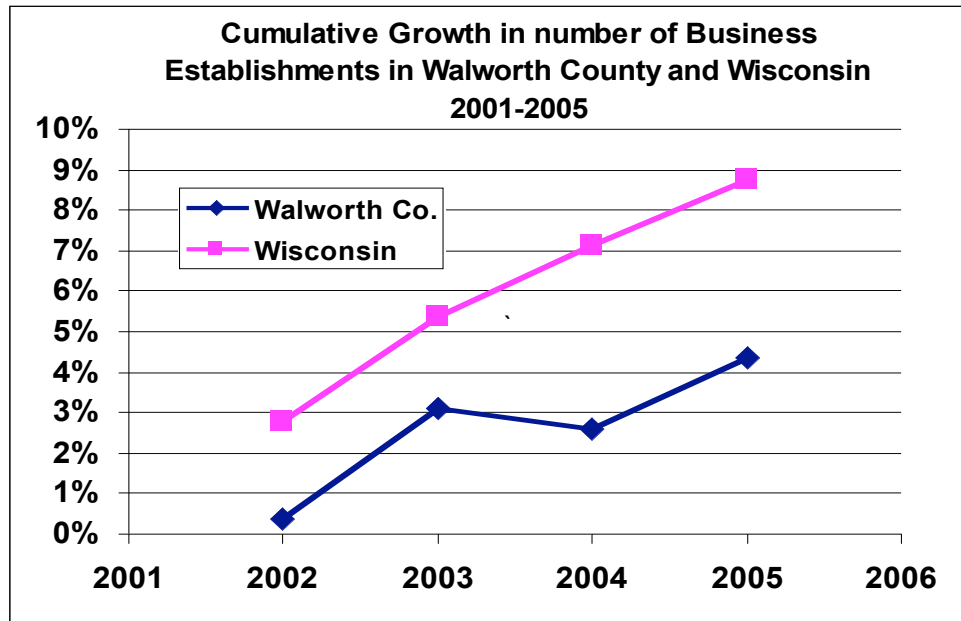
**Figure III-7
Walworth County Industry Shares by Establishments - 2005**



Source: Wisconsin Department of Workforce Development - Labor Market Information System

Figure III-7 above shows the breakdown of businesses in Walworth County by major industry sector. With respect to the quantity of business establishments, transportation and utilities is the largest industry sector in Walworth County, with 657 establishments, representing 23% of total businesses in the county. Other significant industries in Walworth County include Construction (14% of total), Professional & Business Services (13 % of total) and Leisure & Hospitality (12% of total).

**Figure III-8
Business Establishments Growth**



Source: Wisconsin Department of Workforce Development - Labor Market Information System

The growth rate of the number of business establishments in Walworth County from year to year has been consistently falling below the rate for the state as a whole. During the period 2001-2005, Walworth County saw a rise of only 4.4% in the number of establishments, whereas the four-year growth rate for Wisconsin was 8.8%, exactly double the Walworth County figure.

Details of business establishments patterns from year to year showed Wisconsin with a steady rise in the total establishments from 2001-2005, with annual establishment increase of slightly above 2% during each year. During the same period, the growth rate for Walworth County fluctuated. From 2002-2003 and 2004-2005, the number of business establishments in Walworth County went up by 2 percent, which was as good as the state average. But during 2001-2002, the number of establishments did not change much in Walworth County and that number even dropped by about .5% from 2003 to 2004.

CHAPTER IV: SWOT / GAP ANALYSIS

A basic step in developing a strategic economic plan is to assess the strengths, weaknesses, opportunities and threats to the region's economy. This process is commonly referred to as a SWOT analysis.

The SWOT analysis is a process used to assess the challenges and strategies for economic development. A SWOT analysis can be used as a framework to gather public input and to engage the public in thinking about the current economic condition and the economic opportunities for the future. The Walworth County analysis asks four basic questions:

- What are the economic strengths of the Walworth County economy?
- What are the economic weaknesses of the Walworth County economy?
- What are the economic opportunities for the Walworth County economy?
- What are the threats and barriers to economic development and success in the Walworth County economy?

In completing this assessment, data was gathered from a number of sources. A large amount of data was obtained through public input as the consultants completed 30 interviews as part of the study. Group and individual interviews were conducted in several Walworth County communities, including Elkhorn, Lake Geneva, Delevan, Williams Bay, and Whitewater.

Other sources of information for the SWOT analysis included demographic and statistical data obtained from government sources such as the Census Bureau, the Bureau of Labor Statistics, and the Bureau of Economic Analysis.

Based upon these data sources, the following represent a summary of the major points with regard to strengths, weaknesses, opportunities, and threats related to the Walworth County economy.

Strengths

Walworth County's location, quality of life, recreational opportunities, a good workforce, environmental factors such as abundant natural resources and lakes, transportation infrastructure, and the presence of the University of Wisconsin - Whitewater represent the most-frequently reported strengths in the Walworth County economy. Strengths reported by area residents include:

- Workforce (quality, strong knowledge base, low unemployment)
- Environment (natural areas and resources, lakes, waterfront development, availability of land)
- Location
- Transportation Infrastructure (I-43, rail lines, access to airports)
- Quality of life (recreational opportunities, good place for families, "Go To" place history)
- Education (good schools, Gateway Technical College, UW-Whitewater)
- Agriculture (agricultural base, productive land)

- Economy (balance and diversity, strong manufacturing base, real estate values)
- Tourism (tourism base, sophisticated amenities)
- Health care
- IT infrastructure
- Cost of energy
- High integrity / character of residents
- Milwaukee 7
- Hispanic markets

Analysis

Residents who were interviewed offered a comprehensive list of strengths in the region. Based upon our own research, we would highlight several areas of strength in Walworth County. The Milwaukee 7 initiative is noteworthy. Although in its infancy, Milwaukee 7 is at the forefront of the recent trend toward regional economic development. In our view, a regional approach is critical to improving the economy and quality of life in any region. Walworth County stands to benefit from the business retention and attraction efforts of M-7, as well as its initiatives to draw more talent to the region.

Walworth County boasts strong quality of life. In each town that we visited, residents consistently offered favorable assessments of the community, the attractive lifestyle, the natural resources and area lakes, and the recreational opportunities available. These issues are of critical importance in attracting and retaining the educated, highly paid workers necessary to continue to grow the regional economy. While indeed a strength, it should be noted that this does not necessarily differentiate Walworth County from other geographic areas. In several studies that we have conducted, we have found that people in various locations feel that quality of life is an advantage in their community. This was true in the Northeastern Wisconsin (NEW) study, our work in Door County, Wyoming, New Hampshire, Ohio and Kansas. High quality of life is a strength, but in our view, it does not create a substantial competitive advantage. Quality of life is an asset that we frequently observe in projects we have done and in strategic economic reports that we have reviewed.

Walworth County's location is a major strength. By virtue of its proximity to Chicago, Milwaukee, and Madison, Walworth County is able to draw on all three major metropolitan areas for a diverse range of concerns, including workforce, tourism, and business opportunities. It is a natural center for meetings, training, and the distribution of goods. The locator map in Figure IV-1 below presents a good perspective on the geographical advantage of Walworth County.

Figure IV-1: Locator Map



Walworth County Locator Map

Ring increments = 50 miles

Data Source: ESRI

Map by NorthStar Economics, Inc.

Weaknesses

The most frequently cited weakness with respect to the Walworth County economy is a lack of vision on the part of those individuals and organizations in leadership roles. The second most frequently cited weakness was a lack of critical mass with respect to both businesses and population - the absence of large cities and a dispersed manufacturing base. Parochialism is also perceived as a significant area weakness - the perception that area residents do not welcome outsiders to the community.

Although workforce issues were frequently cited as regional strengths, it is apparent that some residents perceive weaknesses as well. Concerns cited include a decline in the availability of skilled workers, "brain drain", and a lack of high-paying job and career opportunities. Numerous issues were mentioned by county residents, including:

- Workforce issues (lack of workers - particularly skilled labor, lack of high-paying job opportunities)
- Lack of vision (no county brand or identity)
- Lack of critical mass (no centralized population or business locales, IT infrastructure lacking, farming not economical, housing gap)
- Parochialism ("Don't want you here", fear of new ideas, resistance to change, lack of celebration of successes)
- Local government (fragmentation, too many units, planning / zoning / approval process difficulties, lack of cooperation, lack of political power at state level)
- High taxes
- Low income level (45% reduced school lunches, high social costs, housing gap)
- Education (low test scores, brain drain, lack of networking with higher ed.)
- Lack of cultural amenities
- Business (weak retail sector, marketing challenges)
- Environment (rural area unappealing to some, bad weather, Lake Geneva image)

Analysis

Walworth County residents perceive an alarming number of weaknesses in the regional economy. In our view, certain weaknesses warrant special attention. We are inclined to agree with interviewees with respect to the gravity of a lack of vision. Economic development rarely occurs by accident. If Walworth County is going to grow in the New Economy, community leaders need to establish and embrace a cohesive vision for regional economic development.

The low income level is also of particular concern. Income levels positively correlate with any number of important indicators, including education, housing, crime rate, and tax base. Unless steps are taken to elevate the per capita income level in the region, Walworth County residents can anticipate shouldering a disproportionately high burden with respect to social costs, health care costs, and involvement with the criminal justice system.

Although not cited by any of the residents we interviewed, we would also note an issue with respect to the availability of risk capital. If the region is going to compete for new professional

firms and high-tech businesses that attract high wage jobs, it is crucial to increase the amount of and access to early stage investment capital (i.e. coordinated angel investing⁵). While angel investing is on the rise in Wisconsin, and there are a number of groups in Southeastern Wisconsin, there is no organized angel investment activity in Walworth County. Risk capital is crucial in establishing or attracting New Economy businesses. Walworth County entrepreneurs must strive for broader access to startup and investment funds in order to compete in the New Economy.

Opportunities

There are a number of opportunities for economic growth in Walworth County. Residents who were interviewed saw promise in the area of residential real estate development, both with respect to primary and secondary home markets. Residents also noted the potential for opportunities related to business ventures of second home owners, tourism and recreational opportunities, and agricultural technologies such as ethanol.

Opportunities cited by Walworth County residents included the following:

- Health care (health care, bio-medical businesses, medical supply cluster)
- University-related opportunities (faculty-owned businesses, knowledge-based UW-connected businesses, returning graduates)
- Develop a vision
- Environmental services
- Geographic links (to Chicago / Illinois, to Milwaukee, Foreign Trade Zones)
- Political / Economic agenda (state focus)
- Business (industry/manufacturing - high-paying jobs, technology companies)
- Cooperation networking
- Develop an angel group
- Organic farming
- Development rights and preservation
- Tourism (recreation, potential Olympic venue)
- High-end retail
- Bilingual (Hispanic) markets

Analysis

We would largely agree with what residents of the region have identified as some of the best opportunities for economic development. By virtue of Walworth County's proximity to the largest population centers in the region (Chicago, Milwaukee, Madison), tourism represents a significant opportunity for economic development. Residents in these locations have money and are willing to travel. Walworth County stands to benefit from those dollars flowing into the region as people come to enjoy the natural resources and lakes. The possibility of an Olympic venue would be a particularly large draw.

⁵ Angel investing is early stage investing for new business startups and expanding businesses.

The secondary home market should also be viewed with enthusiasm. Primary homeowners contribute to the local economy in any number of ways - labor force participation, local spending, etc. Secondary home owners not only contribute to the property tax base, they ought to be encouraged to spend more time (and money) in the area. If they purchased property in the area, they are prime candidates for new business and entrepreneurial activity, as well as participants for local cultural and tourism attractions. With the proper incentives, secondary home owners may contribute to the local economy in substantially the same way that primary home owners do.

Threats

There are several significant threats that stand in the way of Walworth County realizing its economic growth potential. Most frequently cited by residents who were surveyed were a lack of vision for the county, brain drain, and a lack of balanced growth - specifically a disproportionately high amount of residential real estate development. Several other issues were noted as well, including:

- High taxes
- Declining quality of life
- Increasing crime rate
- Lack of communication
- Housing collapse
- Work issues (workforce shortage, lack of high-paying jobs / careers, lack of value job growth)
- Conservative culture
- Overdevelopment along I-43
- Regulation - state / DNR
- Government bureaucracy / lack of sophistication
- Unrealistic expectations
- Creep / spillover from Waukesha County

Analysis

Several threats noted by residents are not unique to Walworth County. Taxpayers nationwide are concerned with paying higher taxes, and workforce issues can seriously hamper the growth of the economy of any region. The concern about Waukesha County merits further discussion. Global and local competition is a concern in any region. However, by focusing on regional efforts, Walworth County can turn local competitors into allies, and leverage its strength to minimize the threat of competition from other regions.

As noted earlier, the lack of an economic development vision represents a serious roadblock to achieving success. Community leaders in both the public and private sector need to resolve to work together on advancing a goal-oriented agenda to improve the regional economy.

Gaps and Barriers to Economic Development

There are a number of clear gaps and barriers to future economic development in the Walworth County region. The remainder of this chapter is devoted to a brief discussion of the major gaps and barriers that we have identified.

Vision

Until fairly recently, the lack of an economic development vision did not distinguish Walworth County from the rest of the state. However, recent history has seen a number of initiatives which are already realizing favorable results. From the Governor's Grow Wisconsin plan to the Wisconsin Technology Council's *Vision 2020*, leaders at the state level have embraced a vision for improving Wisconsin's economy. Several regions of the state have followed suit. Perhaps most successfully, New North, which grew out of the Northeast Wisconsin (NEW) Economic Opportunity Study, has made great strides in economic development in the northeast part of the state, and has produced several tangible results. Several other organizations have sprung up with similar agendas for other parts of the state - Centergy, Grow North, and the Milwaukee 7 (M-7) to name a few. Walworth County falls in the region served by the Milwaukee 7, and M-7's importance cannot be overstated. M-7 has received the support of the Governor and is well positioned to get both private business and state support. Walworth County must not only take advantage of M-7 initiatives, but establish its own vision at the county level for building on M-7's successes.

Workforce

Future economic stability and growth in the county will depend on the availability of a skilled workforce. While many area residents cite the local workforce as a strength, concerns about shortages of skilled workers, brain drain, a decline in education levels, and the lack of availability of prime opportunities were also viewed as weaknesses and/or threats. The key to economic development is to attract younger, skilled workers to the region. Skilled workers earn more money, buy more property, contribute more to the tax base and are less of a drain on social and community services.

Seed Stage / Investment Capital

The Regional Stewardship Award-winning Northeastern Wisconsin (NEW) Economic Opportunity Study highlighted the need to establish sources of seed capital for new business expansion and startups. This is no less true for Walworth County than it is in the Northeast. Although there is angel investing activity in neighboring counties, seed capital for early stage equity investing is not as plentiful as it could be. The lack of seed capital is a gap in the assets needed to encourage new business startups and business formation in the region.

So, what can we learn from the SWOT analysis and the data compiled for this study?

The SWOT analysis and the data compiled for this study form a good framework for thinking about how the Walworth County economy can grow to benefit its residents. The SWOT analysis for Walworth County has laid out strengths that come from the skills, character, and intelligence of

its residents, the existing economic base, the quality educational and health care systems, and the geography of the region.

Many of the items cited as strengths are also identified as weaknesses or perceived as potential threats. Workforce, for example, is a strength because of the presence of hardworking residents. At the same time, brain drain and a reduction in the availability of high-paying career opportunities jeopardizes the county's ability to continue attracting well-educated workers who can expect to earn high salaries. Similarly, local residents rate quality of life in Walworth County favorably, while at the same time noting a decline in that quality of life, an increase in the crime rate, and a distrust or reluctance to allow others to share in that lifestyle. New residents with new business opportunities must be embraced if the favorable quality of life is to be maintained.

CHAPTER V: ECONOMIC OPPORTUNITIES AND RECOMMENDATIONS

Walworth County is strategically located and positioned and will grow in the decades to come. The county lies at the junction of four major MSAs and is well positioned to connect with high growth, high-end economic development opportunities. Walworth County is positioned to take advantage of a number of economic opportunities that could build on the existing business base and transform the region. To date, much of the economic growth in the county has not materially advanced the per capita income of the county or its tax base. Walworth County can change that and seek high-end economic growth in the future or it can simply continue to do business as usual and hope for the best.

Observations and Comments

Major Economic Drivers

Manufacturing: Manufacturing is the largest single economic driver in the Walworth County economy. It accounts for 17% of the employment and over 23% of the total wage income in the county. While the number of manufacturing jobs has declined in the last 20 years, manufacturing remains a relatively high wage area that deserves greater analysis and support in the future.

Tourism / Hospitality: The tourism and hospitality sector accounts for approximately 20% of the jobs but 10% of the wage income in the county. According to data obtained from the Wisconsin Department of Tourism, revenues related to tourism have been virtually stagnant over the last five years. Total reported tourist spending in 2001 amounted to \$401 million. Spending in 2005 totaled \$409 million. Statewide, the tourism industry has struggled with overall spending rising from \$11.4 billion in 2001 to \$11.9 billion in 2005. Statewide and in Walworth County, tourism has produced few new jobs, has a low dollar value to existing jobs, and has been stagnant for the last five years. Overall we believe that tourism is a secondary economic driver in the county.

Current Demographic and Economic Trends:

Population: The population of Walworth County is growing faster than the population of the State of Wisconsin. This population growth is being fed by both natural population increase (births in the county exceed deaths in the county) and by a significant in-migration of new residents. The in-migration is the major driver of population growth. Walworth County is now the 15th largest county in Wisconsin. The county is slightly larger than Eau Claire County and slightly smaller than Fond du Lac County.

Per Capita Income (PCI): While the population trend is very favorable, the trend in per capita income is not. The county is losing ground relative to the state's per capita income as is shown in Figure II-13. This is a particularly troubling trend because the county appears to be steadily losing ground to the state PCI. This trend in PCI is a likely indicator that job growth in the county in the last decade has been concentrated on low wage jobs.

Educational Attainment: The educational attainment of the county population age 25 and over is at best average and seems to be clearly below average in terms of post secondary educational attainment. There would appear to be a clear link between the educational attainment level and the trend in PCI.

Business Establishments: The county has had relatively weak growth in business establishments. Despite a growing population base that is growing faster than the population of the state, business expansion has been fairly weak.

Identity, fragmentation and lack of focus:

Walworth County lacks a clear identity or brand. There is a lack of a common city or community focal point in Walworth County ala a Green Bay in Brown County, a Kenosha in Kenosha County, etc. The county has seven communities none of which have a critical mass to influence future direction.

Planning and political action seems to be fragmented as the seven small communities along with a number of larger townships follow their own course and self-interest.

There is a surprising lack of knowledge and county-wide perspective about what is happening in Walworth County. People seem to know quite a bit about their own community but very little about what is happening to the county as a whole. When I asked people to give me an estimate of the population in the county, the answers were all over the map. Everyone thought that the county's population was growing but some thought the population was around 60,000 to 70,000 while others guessed it was 140,000-150,000.

Quality of life is a deep and genuine concern expressed by people from every economic sector. There is a pervasive fear that future development, especially residential development, could compromise the high quality of life in the county.

The Northern Illinois Connection:

The county has deep roots and ties to families in Northern Illinois. It doesn't seem to me that these connections which have considerable market and network potential are recognized and being developed beyond the seasonal/tourism sector. This is a huge economic development opportunity.

In this section, I have outlined a number of key recommendations that could lead to greater economic growth in the county while preserving a unique geography and high quality of life. Each of the recommendations explained below can be started and many can be accomplished in the next 3-5 years.

This chapter explains the most promising economic opportunities that we see in Walworth County. Additional work may be warranted to create a total economic development plan for the county that outlines goals, strategies, and action steps that would implement the recommendations in this chapter.

Economic Development Activity

The creation of the Walworth County Economic Development Alliance (WCEDA) seems to be well received among those we interviewed for the study. Most people recognize that this organization is very new and will take some time to get fully operational.

While the WCEDA is certainly an encouraging sign, the overall level of commitment of resources to economic development is fairly small. We have worked in a number of counties and Walworth County appears to be at the very low end of overall economic development support and activity.

The University of Wisconsin – Whitewater

Walworth County is the home of one of the nation's pre-eminent comprehensive universities. The University of Wisconsin – Whitewater has achieved national recognition for a number of its academic programs. Its School of Business is the largest in the UW System and it is nationally ranked as a top ten accounting program among all universities in the country.

The University has a number of programs and assets that would be helpful in assisting existing businesses and establishing new businesses in Walworth County.

There is not a strong link between the county and the university. Both University and county residents (at least those interviewed for this study) see the potential to improve this linkage for the benefit of both parties.

Summary: Walworth County is enjoying strong population growth but seems to be missing the opportunities to greatly improve the economic growth of the county. It does not appear to be maximizing the economic opportunities offered by the connection to Northern Illinois or the presence of a major national comprehensive state university. It also seems to be missing the opportunity to attract high-end economic growth related to its strategic position at the junction of four major MSAs.

Key Economic Opportunities and Recommendations:

1. Create a county-wide economic development plan:

Walworth County should create a comprehensive economic development plan that provides a long term direction (vision) for the county. Such a recommendation raises the question as to why the county needs to create such a plan.

Walworth County, unlike most of the counties in Wisconsin will experience significant population growth over the next 10-15 years. This steady growth is will bring growth in existing businesses and new business establishments to the county. The nature of these business expansions and new businesses is likely to determine much about the future tax base, prosperity, and quality of life in Walworth County.

Walworth County does not currently have a comprehensive economic development plan. Nor does the county devote much in terms of resources to economic development. Those who were interviewed for this report nearly unanimously see the lack of an economic development plan as a major gap and threat to the economic future of the county. The need for some kind of an economic vision was supported by all who were interviewed.

The current situation (no plan) has led to a situation where we believe that the county economy is under performing. Without some kind of plan, economic development is likely to be random (whatever someone proposes next) and piecemeal. Without some sort of common effort, the best economic opportunities are likely to give way to low value projects and low paying jobs.

The current situation of no plan for economic development can be tested against what has happened to per capita income and subsidized school lunches in Walworth County as shown in earlier sections of this report. The data we have compiled for per capita income and school lunch trends in Walworth County suggests that job growth in the county over the last ten years consisted largely of low wage jobs.

An alternative approach to accepting what ever comes down the road is to create an economic development plan that provides a common vision of the best (high value) economic opportunities that would create high value jobs in Walworth County. It could also outline goals, strategies and action steps to carry out the vision in the plan.

2. Tap into the market potential associated with the historic connection between the county and the population in Northern Illinois. Consider a “Do your business from (or move your business to) Walworth County” strategy for second home owners and those with an affinity for the county:

The historical link between the county and the northern suburbs of Chicago represents a huge market opportunity for future economic development. The education, income, and networking demographics of Northern Illinois residents who own second homes or spend considerable amounts of time in the county are an indication of the buying power and business potential of this group.

This economic development opportunity might be explored in several ways. One way would be to provide the infrastructure to make it easy to do business from Walworth County locations. Good telecommunications would be a key driver. It may also be helpful to provide some high level networking opportunities to create a productive business climate.

A second idea would be to aggressively promote Walworth County as a place to move a business (or perhaps a branch of a business) from Northern Illinois to a location in Walworth County. This might take advantage of those who have built up a business and are willing to trade the life style advantage of Walworth County for the business location in Northern Illinois.

We think that the market opportunity in this space is of some scale. The Baby Boom generation is now approaching retirement and business owners in this group are not likely to follow a traditional retirement model. There is research on small and mid-size firms that indicates that many business

owners are approaching their retirement years and have plans to continue in business during their retirement years.

3. Create an identity or brand for Walworth County:

One of the clear gaps revealed in the course of our study was the lack of an identity for Walworth County. Many of those we spoke to outside the county had a difficult time identifying the county in geographic, demographic (a city or population center), and economic terms. The lack of a clear identity or brand for the county leads to confusion and poor positioning of the county in a competitive economic world. Both residents within the county and those on the outside cited this lack of identity as a major impediment to creating a county-wide economic vision.

There are a number of examples of projects in Wisconsin that involved regional identity and branding. Walworth County is involved in the Milwaukee 7 (M-7) initiative and that may provide some basis for thinking about how to more clearly identify and position the county. It may also be helpful to look at the work done in Northeastern Wisconsin and the development of the New North brand in that region.

4. Identify and support the key agriculture/industry clusters in Walworth County:

The data in Chapter III identifies a number of industry/business clusters that have deep roots in the county. A number of these clusters have relatively high payrolls relative to their share of employment in the county. In particular, manufacturing and education and health care services have relatively high value jobs and should be targets for economic development and support.

Walworth County has some high value business and agri-business assets already in place and should focus first priority on retaining and expanding those businesses and clusters. High priority should be given to the small and medium size manufacturing companies located in the county. Many of these businesses are high tech manufacturing firms and the county like much of Wisconsin has been able to retain a critical mass in manufacturing.

A second area that seems to hold great potential is health care. Walworth County will experience a growth in its retiree population and many of those retirees will have income and wealth and will seek and expect high quality health care services. Health care is a sector that creates high paying jobs including jobs in the medical field as well as construction jobs. More will be said about this area in recommendation 9.

5. Formulate a strategy for supporting new business development in high tech and professional and technical services. Use the presence a UW Whitewater as a major lever in this strategy.

Walworth County trails much of the state in the formation of new businesses. Given the strategic location of the county and the ability to tap into UW Whitewater and nearby UW Madison as well as the Medical College of Wisconsin, we believe that the county would be an ideal location for professional and technical businesses.

In February of 2007, the City of Whitewater and UW Whitewater announced plans for a business incubator aimed at capitalizing on the information technology knowledge base and the human capital of students and graduates at UW-Whitewater. This effort is aimed at developing high tech businesses that in turn produce high paying jobs.

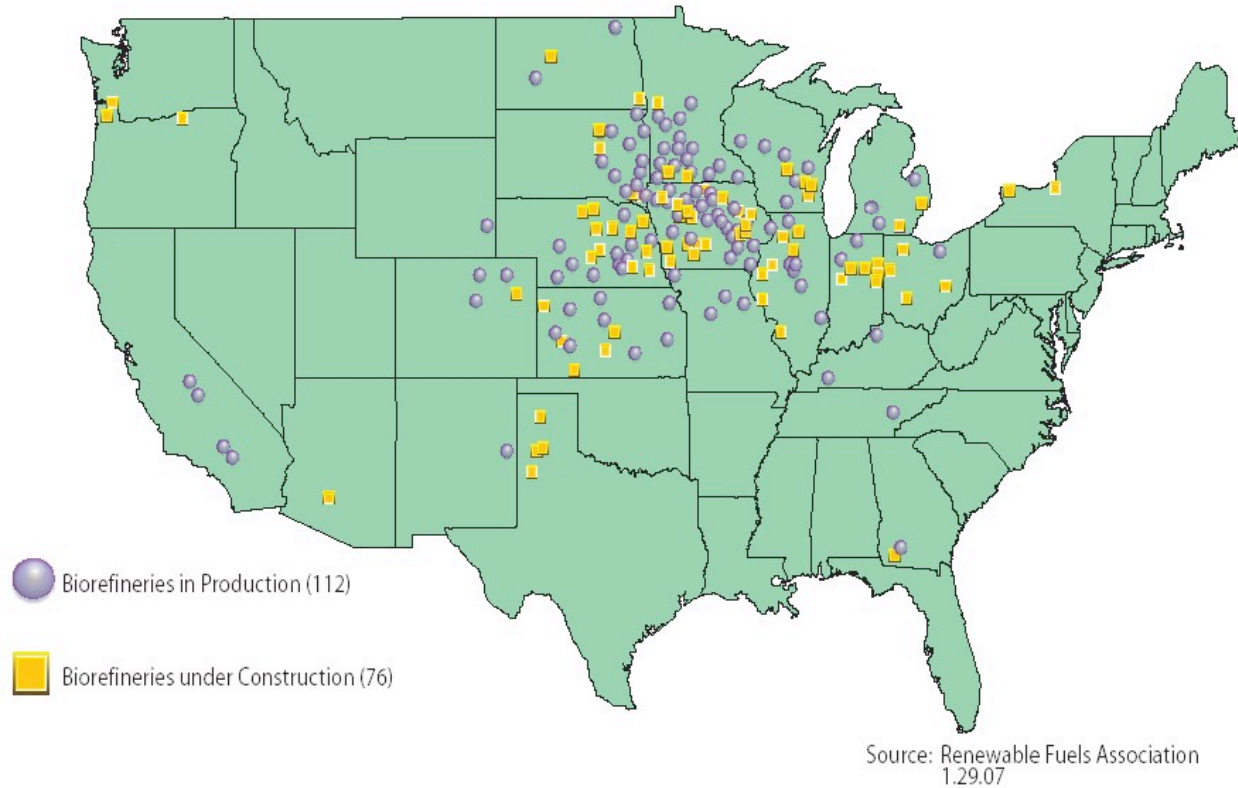
We would recommend that the county leverage the business assets and connections of UW-Whitewater (the Business Schools, the Global Resource Center, the Small Business Development Center, and the Wisconsin Innovation Center), the Walworth County Economic Development Alliance, and the Wisconsin Entrepreneurs Network (WEN) to foster the development of new businesses in Walworth County. Such an effort might be focused on a high-tech business park or incubator and could involve developers, university personnel, public utilities, and others with a self interest in the future economic development in the county.

6. Biofuels and Alternative Energy Production: Support and invest in research, technology transfer and businesses that will make Walworth County a player in the alternative fuels/biofuels energy market.

The agricultural base of land, farmers, and processors creates an opportunity for economic development in biofuels. The proposed ethanol plant in Sharon (Walworth County), the soybean crushing plant proposed for Evansville (Rock County), the ethanol plant under construction in Milton (Rock County) and a number of other nearby facilities are clear evidence of the progress being made in biofuels.

Figure V-1

U.S. Ethanol Biorefinery Locations



The focus and energy of the federal government is finally reaching scale in the area of bioenergy. A recent U.S. Department of Energy (DOE) press release announced a \$250 million dollar initiative in bioenergy to meet the goals of the Energy Policy Act of 2005 (EPAct). EPAct will accelerate the demand for biofuels as follows:

Four billion gallons of ethanol were produced this year, mainly from corn. EPAct requires that by 2012, at least 7.5 billion gallons per year of renewable fuel be blended into the nation's fuel supply. To meet these goals, future biofuels production will require the use of more diverse feed stocks including cellulosic materials such as agricultural residues, grasses, and other inedible plants.

In addition to the market demand that will arise from the provisions of the EPAct, the State of Wisconsin has passed legislation that requires that 10% of the state's electrical power supply must come from renewable energy sources' by the year 2015. Currently, about 2% of the state's power supply comes from renewable energy.

As we compose this report, Governor Doyle has announced a state budget initiative of some \$30 million in grants to encourage the expansion of biofuels in Wisconsin. This comes on top of a \$450 million Public, Private Investment Strategy to Develop Renewable Energy the Governor

announced late last year. The aim of this program is to significantly increase the role of renewable energy and decrease the state's dependence on fossil fuels. This program is proposed at a time when Walworth County might include this in the implementation of the strategic Economic Opportunity Plan.

Walworth County is well positioned to take advantage of a growing demand for renewable energy and fuels. Walworth County has an abundant supply of renewable, natural materials such as wood and agricultural products and residues that could be turned into biofuels.

7. Explore the formation of an angel investing fund in Walworth County:

Angel investors are a key part of growing new, high value businesses. In several counties including Dane, La Crosse, and Wood/Portage, the formation of angel groups has been a key to providing start up and expansion capital to new and existing businesses.

Forming an angel group in Walworth County may be one way to highlight the county's commitment to New Economy businesses. Such a group could draw on the talents and capital of resident business people as well as seasonal and second home residents with connections to Northern Illinois.

8. Second Home and Primary Residential Development: Walworth County will continue to be an attractive location for second homes and primary residences and will be driven by the in migration of high income individuals from Northern Illinois and from Waukesha County.

To many people interviewed for this study, this represents an economic development opportunity but also a threat to the quality of life if such development is not done well. Several large residential development proposals were cited as evidence of both the potential for development and the threat of uncoordinated development in the county.

9. Health Care: A growing population base and an aging population will create a demand for medical services and medical care services and products. While it is unlikely that the county will be home to a regional, comprehensive hospital, the area is primed for development of medical clinics and medical specialty practices.

One idea that may have some legs is to think about how to combine medical services with the excellent accommodation base in the county. There are a number of examples of this close by (e.g. a major cosmetic dentistry practice in Milwaukee that utilizes Midwest Airlines, the convenience of the airport, private limo service etc) and Walworth County is near to markets with affluent people who may want a close get away location for certain medical procedures.

10. Improve the telecommunications (broadband) and transportation (Highway 12) infrastructure in Walworth County:

The county can improve its economic competitiveness by improving road linkages and telecommunications connections.

Other Economic Opportunities:

The ten economic opportunities we discuss in this chapter should not limit the thinking or planning for economic development in the region. There are several other areas where economic development is or could take place. For example, the region is experiencing a considerable expansion in retail development particularly along the I-43 corridor. Some of this retail expansion is attracting national chains that have not had a presence in Walworth County.

Another good example of economic development opportunity is the hospitality and tourism industry. The county has seen the expansion of a number of premier visitor destinations in the past five years. Given this base, thought should be given to high end, year around businesses and amenities that fit in with the existing development and provide good paying jobs and careers.

It may be that specific opportunities in any of these or other areas will be so economically compelling as to add them to the implementation plan and to make one or more of them a high priority in implementation.

Summary: We believe that Walworth County is strategically positioned to enjoy solid population growth and above average economic growth over the next 10-20 years. The latter will best be achieved by putting together a comprehensive economic development plan with specific goals, benchmarks and an action plan to carry out those plans.

Walworth County Interview Script

11/20/06

Introduction to share with interviewee:

The purpose of this study is to establish economic benchmarks and to analyze the Walworth County economy with respect to trends and opportunities. Walworth County sits at the intersection of three identifiable regional economies: 1.) Milwaukee and the suburban WOW (Waukesha, Ozaukee, and Washington) counties; 2.) Chicago / Northern Illinois; 3.) Madison/Dane County. While data on these three regional economies is plentiful, Walworth County often gets left out of the analysis. It is, as one person observed, “the hole in the donut”.

This study will fill that data gap and provide a contemporary analysis of the Walworth County economy. This study will provide two outcomes that will be useful to future economic development in Walworth County. First, the study will provide economic and demographic benchmarks that outline current economic conditions in the county. Second, the study will identify key trends and economic drivers that shape the future economic opportunities for the county.

This study is supported by funding from three private firms: Keefe Real Estate, Inc.; Bliss Communications; and Johnson Bank. These companies have contracted with NorthStar Economics, Inc. of Madison, Wisconsin to conduct this study. The primary purpose of this study is to work on and plan for future economic development in a rapidly changing county, state and global economy.

This study builds on a number of prior and ongoing studies. Data, general information, and recommendations from past studies will be incorporated into the final report.

A major part of this study is the opportunity to get community input on future economic development in the area. Given the rapid changes taking place in Walworth County and efforts to spur regional collaboration, it is important to think about and plan for the future of our communities.

The consultant for this study is NorthStar Economics of Madison, Wisconsin. Dr. David J. Ward is the principal investigator for the project.

All information and responses gathered in interviews will be kept confidential. We respect your privacy and want to assure you that candid responses will be held in the strictest confidence. Specific comments, suggestions and ideas will not be attributed to particular individuals.

I. **SWOT Analysis:** What are the strengths, weaknesses, opportunities, and threats to business activity in the Walworth County economy?

1. What are three strengths/assets that Walworth County and the surrounding region have that will help retain existing businesses and attract new businesses to the area?
2. What are three weaknesses or disadvantages to locating a business in Walworth County?
3. What are the three primary opportunities or ideas for economic development in the Walworth County area in the next 5-10 years?
4. What are the three biggest threats to the Walworth County area economy? (These threats may also be threats to the larger Wisconsin economy.)

II. Inventory

1. From your own experience or based on what business people tell you, describe the business climate in Walworth County. On a scale of 1 to 10 with 10 being the best score, how does Walworth County rank as a place to do business compared to other places in Wisconsin? Is the county “business friendly”? Is local government helpful? Who else offers help to new and existing businesses?
2. Describe the local workforce in terms of skills, work ethic, education, and training.
3. Can you recall and describe any new businesses that have been established in the Walworth County area in the last five years? Can you recall any major expansions of businesses in the Walworth County in the last five years? Are there market opportunities, or gaps in consumer services or products, for new types of businesses to locate in Walworth County?
4. For people starting, expanding or moving a business to the area, are the following available in the area?
 - Start up financing (both equity and debt/loans)
 - Existing Space / Facilities
 - Labor force / Workers and where does that workforce come from?
 - Telecommunications
 - Marketing expertise
 - Management talent; management mentoring or coaching
 - Help from local organizations and government
 - Housing – both affordable housing and higher end housing
5. Do recent high school and college graduates stay in the county?
If not where do they go?

6. With respect to your business:

- Are there infrastructure improvements, services, and or facilities that would encourage you to expand your business?
- What products or services not currently available locally would help your business be more competitive?

III. Economic Development Activity

1. What organizations are primarily responsible for doing economic development initiatives and projects in Walworth County?
2. Are there examples of successful economic development initiatives or projects in Walworth County?
3. Is there or should there be a county wide economic development plan for Walworth County?

IV. Regional Economic Cooperation

There is currently an effort in Dane County and Milwaukee County to facilitate economic development on a regional basis. These initiatives are called the Greater Madison Collaboration Council and the Milwaukee 7 or M7.

1. Have you heard of these initiatives?
2. Do you see an opportunity for Walworth County to benefit from any of these initiatives?
3. Could regional collaboration within Walworth County or in connection with the two regional initiatives cited above benefit the Walworth County economy? If so, what would the benefits be?

Thank you for your participation.