

BUSINESS FORECAST

Mandatory Water Cuts Set to Take a Toll on Local Businesses

Survey finds 15 percent of firms expect water cuts to hurt revenues

SAN DIEGO (May 15, 2015) – As California’s historic drought brings brown lawns and three-minute showers to households across San Diego, some businesses in the region are preparing for a loss in revenue and jobs.

“San Diego businesses depend on reliable water sources to operate efficiently, particularly in industries that define San Diego’s innovation economy such as biotech and craft brewing,” said Jerry Sanders, President and CEO of the San Diego Regional Chamber of Commerce. “We are advocating for policies that will help our region conserve as necessary but also keep people in their jobs.”

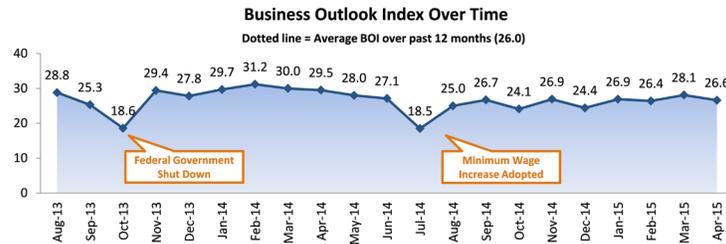
This month’s Business Forecast, sponsored by Silvergate Bank, asked businesses across the county whether proposed water consumption cuts of up to 35 percent would result in a loss of revenue and jobs, only a loss in jobs, or only a drop in revenue. Fifteen percent anticipate a drop in revenue and 9 percent expect job losses.

Manufacturing firms expect to suffer the most. Only 36 percent of these companies are convinced the mandate will not affect them. Eighteen percent are unsure whether they will be affected by mandated cuts. But 18 percent anticipate a drop in revenue and another 27 percent see their firms losing both revenue and jobs. For a sector that has frequently had a poor outlook, a prolonged water crisis with required belt-tightening could be catastrophic.

“San Diego’s manufacturing sector plays an important role in the region’s economy and supports tens of thousands of good paying jobs so it is concerning to see potential losses in this sector,” said Dino D’Auria, Executive Vice President and Chief Banking Officer at Silvergate Bank. “As we work with clients in this sector we will use this information to help prepare for any potential downturns.”

When it comes to water conservation, companies that see water restrictions as potentially cutting into revenue or employment are far more likely to have already made voluntary cutbacks. One-third who expect water restrictions to negatively impact their business have already done “a lot” of conservation and 41 percent have taken at least “some” substantial steps.

Despite the unease over water restrictions, the overall Business Outlook Index (BOI) for the county remains solidly positive at 26.6.



One component of the BOI that has seen slight, but steady, improvement over the last year is business conditions. Last year only 12 percent thought business conditions would definitely improve; now about 17 percent report that enthusiasm.

Firms located within the city of San Diego now report far higher optimism than their counterparts outside city limits. San Diego businesses are firing quite well on three cylinders: employment, workforce hours, and revenue. For north coastal businesses, this month has brought a tumble to their BOI. Those firms came out of the first quarter in great shape (35 BOI), but are now down at only 16.

Silvergate Bank's San Diego County Business Forecast is a scientific look at where our region's economy is headed. The survey for this month's installment was fielded April 15-30, 2015 by Competitive Edge Research using responses from 203 randomly-selected members of the San Diego, East County, Alpine, Escondido, Lakeside, Vista, and Santee Chambers of Commerce. Click here to see the full summary report or previous San Diego County Business Forecasts.

About The San Diego County Business Forecast

The San Diego County Business Forecast is a monthly report that compiles insights and analysis on survey responses from local business executives from the San Diego Regional, East County, Alpine, Escondido, Lakeside, Santee and Vista Chambers of Commerce. It is sponsored by **Silvergate Bank** and conducted by **Competitive Edge Research**. Non-profit organizations are excluded from the results and all members are invited to complete the survey either online or over the phone. The Business Outlook Index™ (BOI) is comprised of four self-reported assessments regarding the next three months: Will a respondent's business increase or decrease its number of employees, experience an increase or a decrease in revenue, increase or decrease the number of hours its employees work, and experience an improvement or a worsening of business conditions. For each assessment, definite and positive responses are scored 100, probable and positive responses are scored 50, neutral responses are scored 0, probable and negative responses are scored -50 and definite and negative responses are scored -100. The scores are summed and divided by 4 to get a range for the BOI of -100 to +100, with zero being a neutral outlook. Click here to see past Business Forecasts.

About Silvergate Bank, Business Banking Redefined

For over 25 years, as a San Diego based community bank, Silvergate provides a rewarding banking experience where the client's needs always come first. Our business banking experts listen to needs and work to provide customized solutions to support your company's growth and profit objectives. Our bankers are committed to superior responsiveness, local decision making, and the agility that allows our clients to choose the way they want to bank with us. To learn more, visit www.silvergatebank.com or contact Dino D'Auria at ddauria@silvergatebank.com.

About The San Diego Regional Chamber

The San Diego Regional Chamber is the hub for connections and collaboration among the regional business community, and uses that clout to advocate for public policies and candidates that support economic growth and the creation of jobs for all businesses. As the largest Chamber on the West Coast, representing more than 2,500 businesses and 300,000 jobs, the San Diego Regional Chamber is fighting to make San Diego the most business-friendly region in California. For more information, please visit SDChamber.org or call 619-544-1300.