



The Rochester Downtown Development Corporation's
Repositioning Rochester Series

Tuesday · March 31, 2009 · 11:45 a.m. - 1:30 p.m.

Hyatt Regency Rochester, 125 East Main Street, Grand Ballroom

***ECONOMIC REPORT:
Early Barometers of Change***

Certain industries are like “canaries in the mine”, reflecting the impacts of economic retraction and growth much earlier than most. This distinguished panel features leaders of two very successful organizations that fill this role.

Our third panelist provides a window into the underpinnings of the economic story now playing out in the marketplace. He will share his unique perspective on its impacts on Rochester and our state.

Come hear an unusual take on the global economic forces now buffeting the nation and their impact on our region.

FEATURING:

Jonathan J. Judge

President & Chief Executive Officer
PAYCHEX, Inc.

Jennifer Leonard

President and Executive Director
The Community Foundation

Richard Deitz

Officer & Senior Economist
Federal Reserve Bank of New York

Reservations required by Thursday, March 26, 2009

Call 546-6920, or e-mail rddc@rddc.org

\$40 (RDDC members)

\$45 (Non-members)

\$320 (Members table of 8)

\$360 (Non-members table)

The Lead Sponsor for this event is Bergmann Associates.

ECONOMIC CONDITIONS IN ROCHESTER

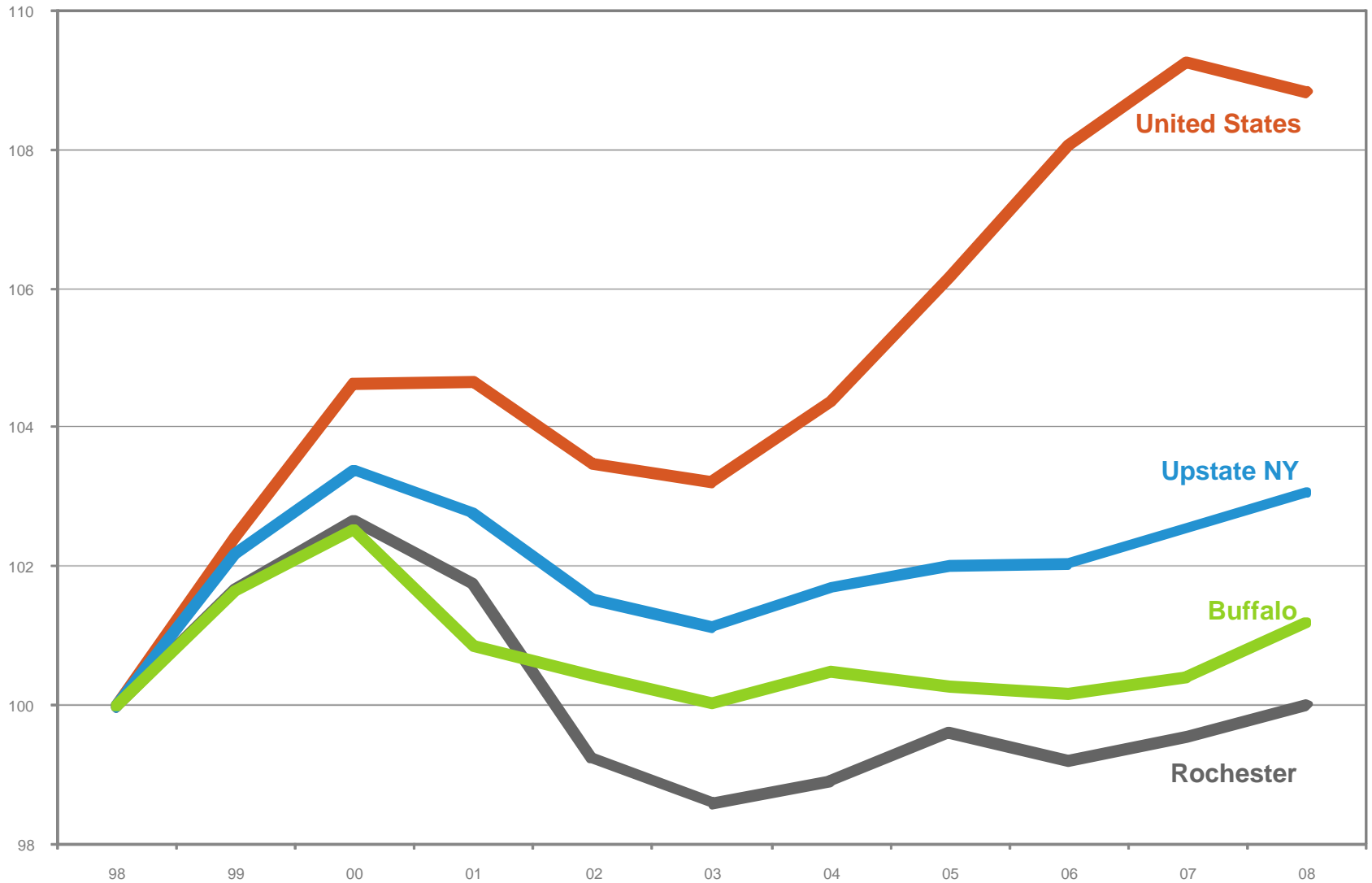
Richard Deitz, Federal Reserve Bank of New York
March 31, 2009



The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

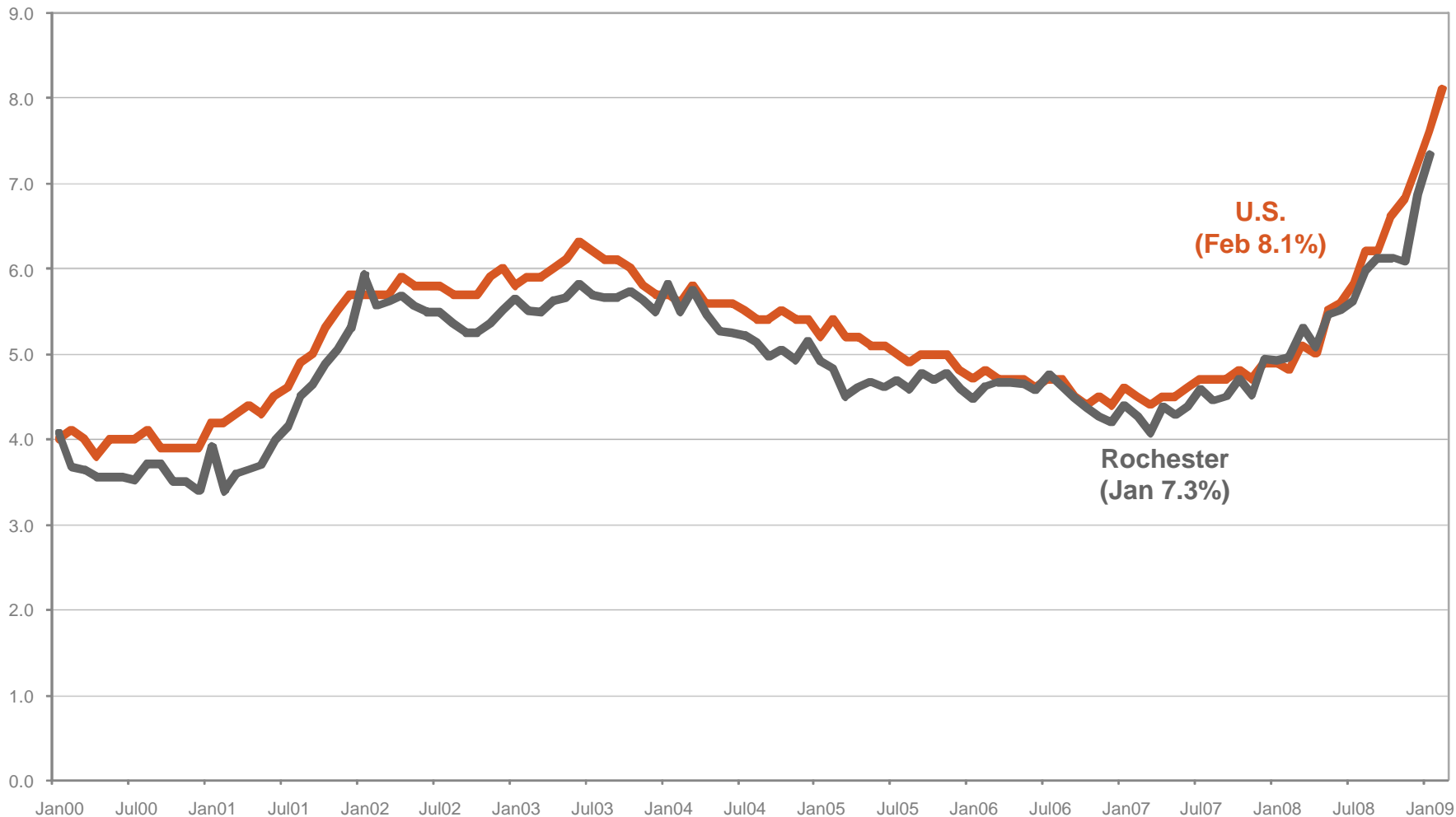
Struggling to Maintain Employment Levels

Employment Index, 1998=100



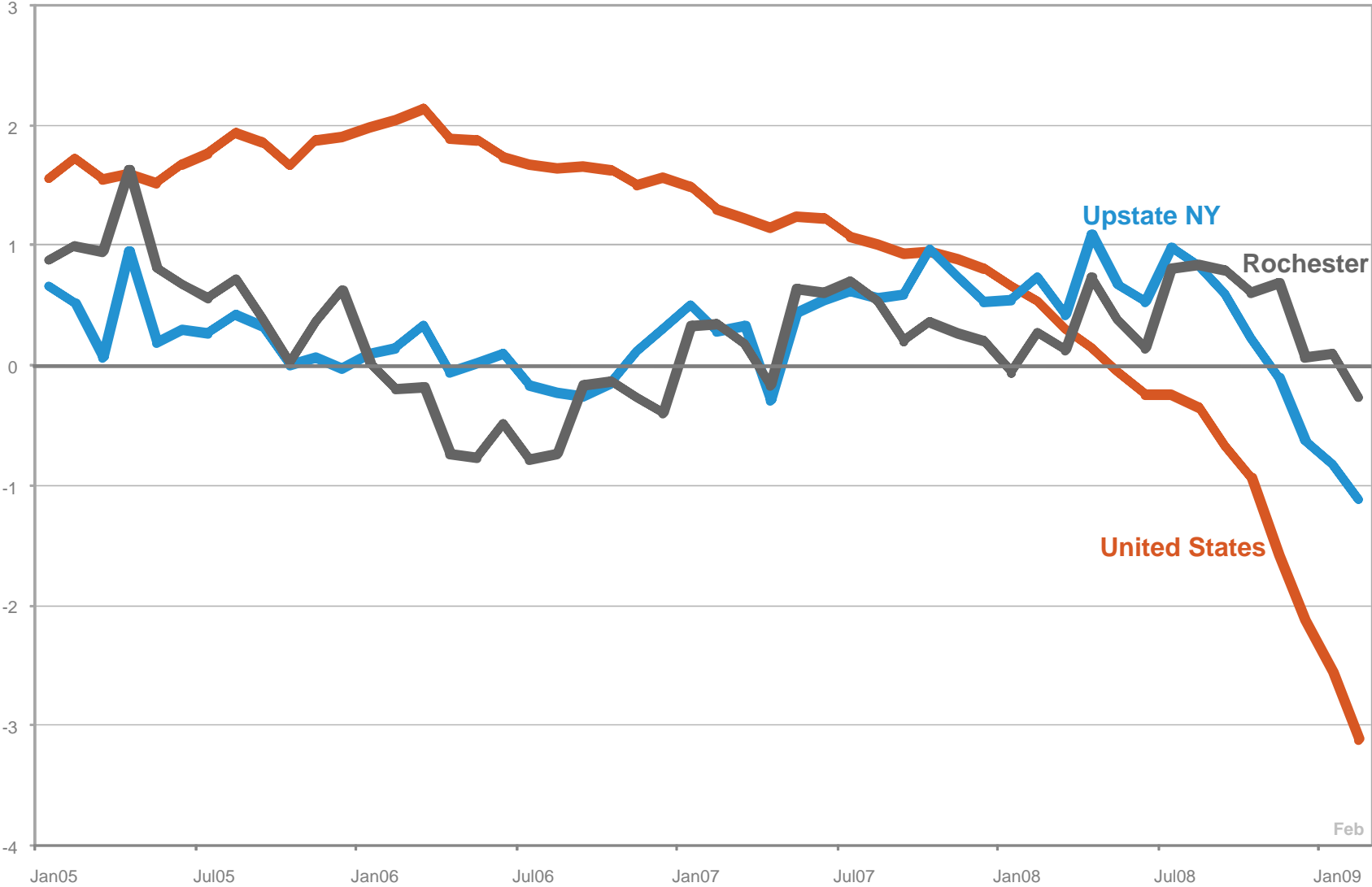
Unemployment Rates Rising

Seasonally Adjusted Unemployment Rate

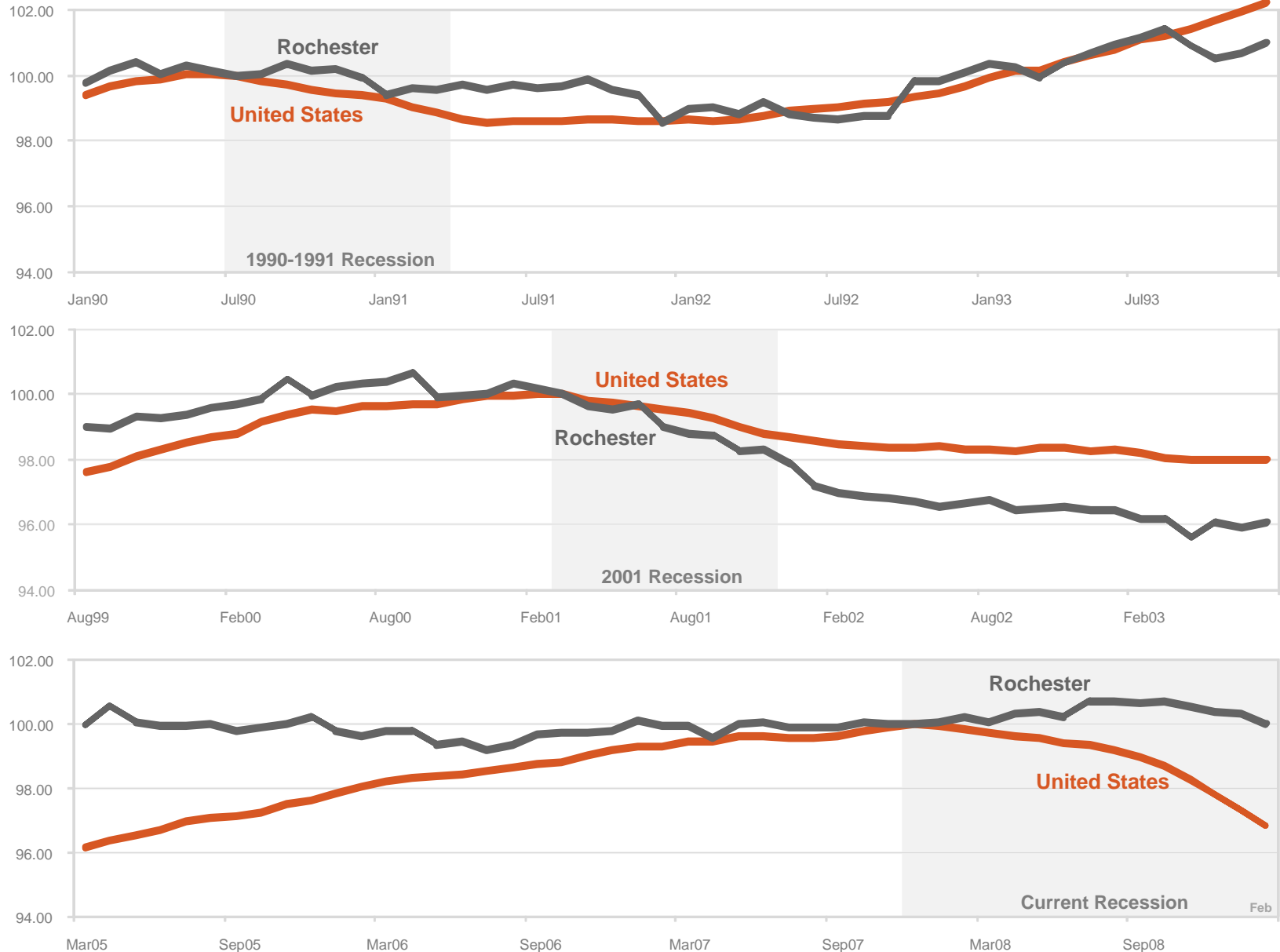


Jobs Declining Less Rapidly Than the U.S. This Recession

Year-over-Year Percent Change in Employment

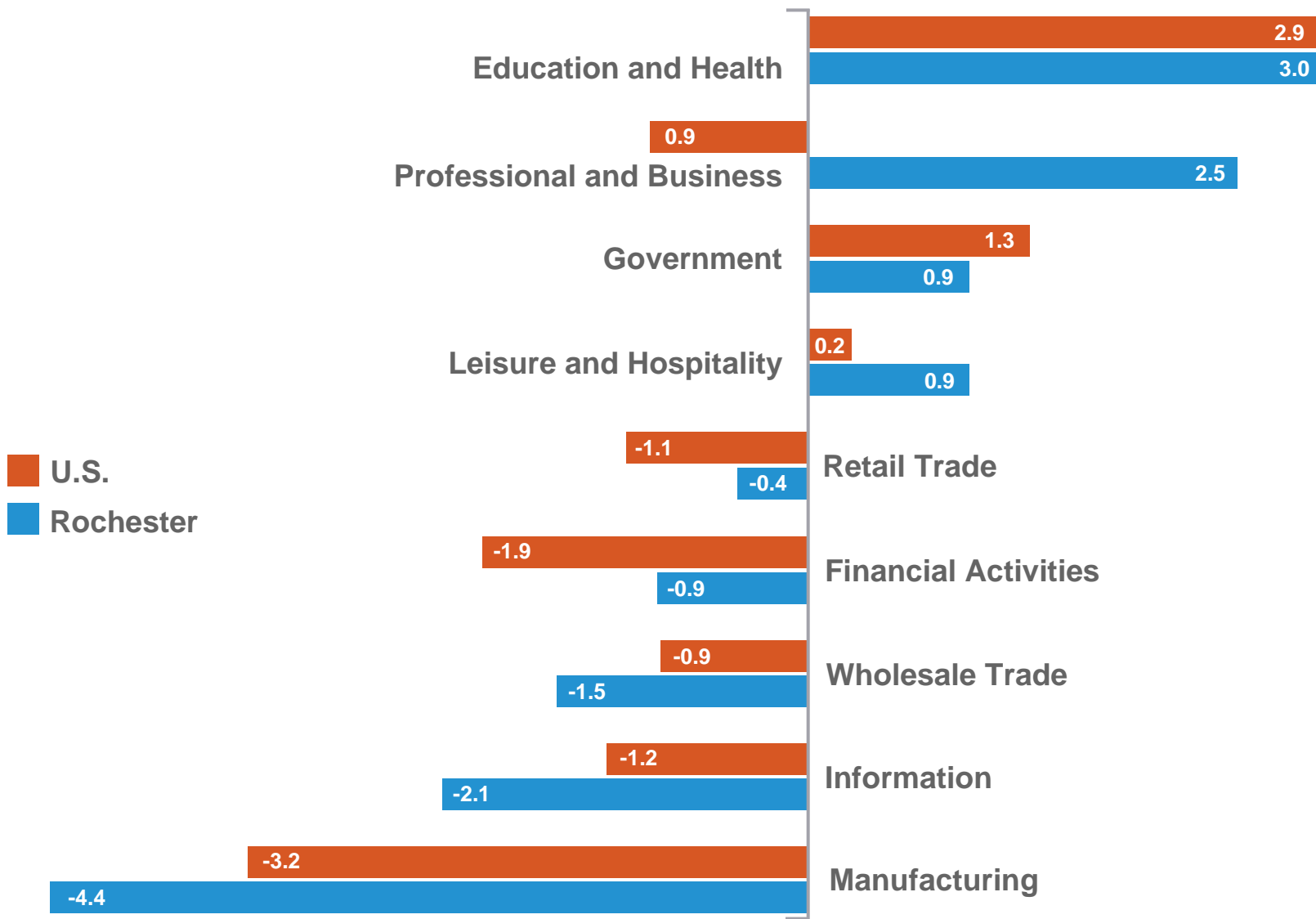


Recession Employment Dynamics Over the Past Three Cycles



Some Sectors Are Growing

2008 Job Growth (Percent Change)

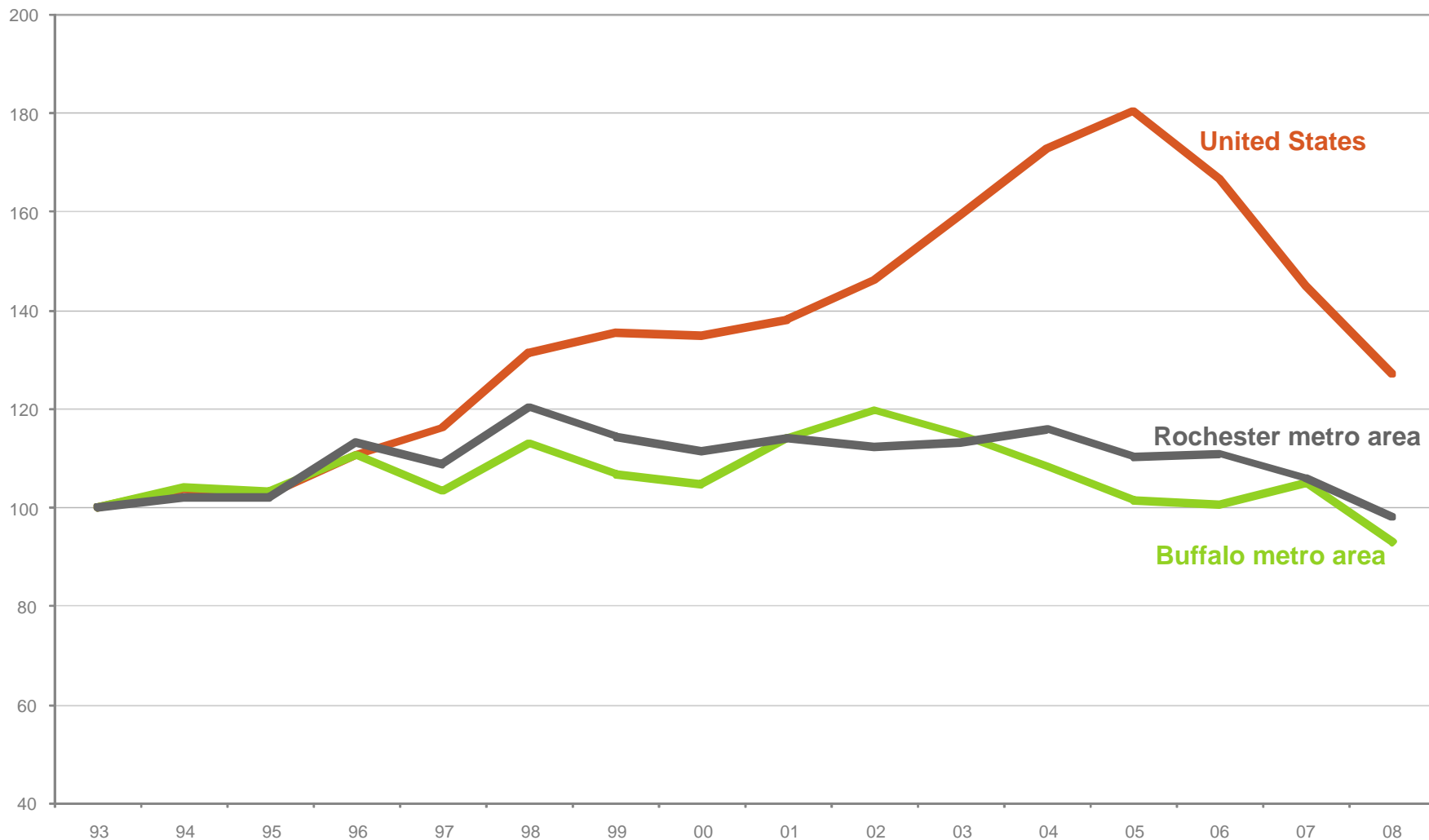


What makes this recession different for Rochester?

LITTLE FALLOUT FROM HOUSING DOWNTURN

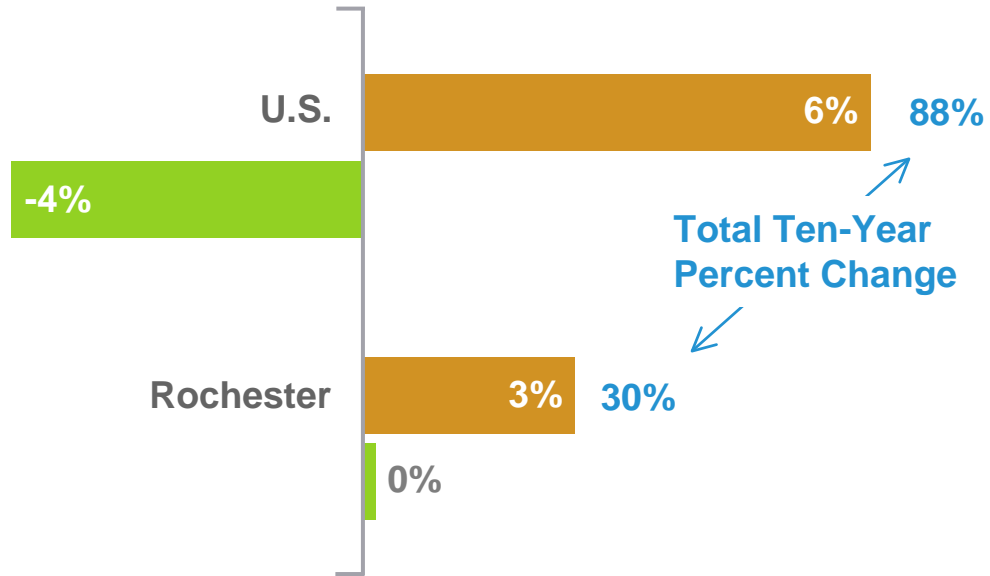
No Housing Boom. No Housing Bust.

Existing Single-Family Home Sales (Index)



Housing Prices

Average Annual Percent Change

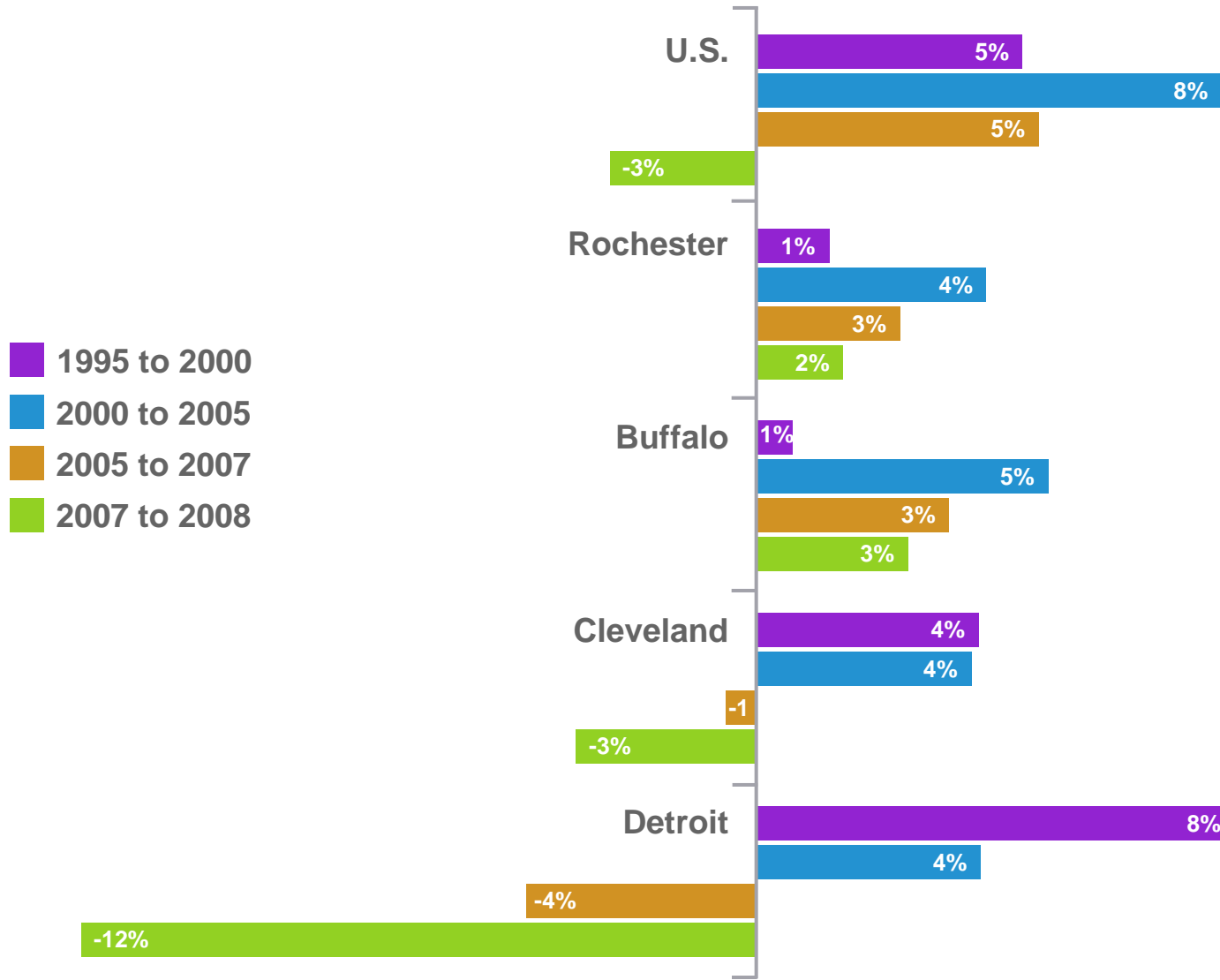


- 1995 to 2005
- Last Quarter of 2008



Housing Prices

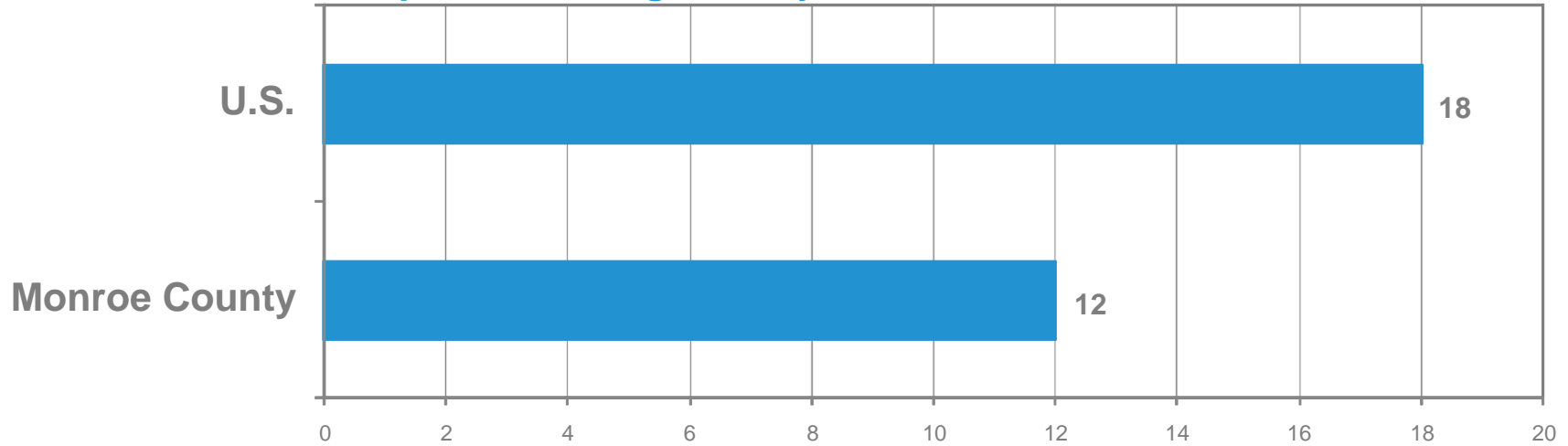
Average Annual Percent Change



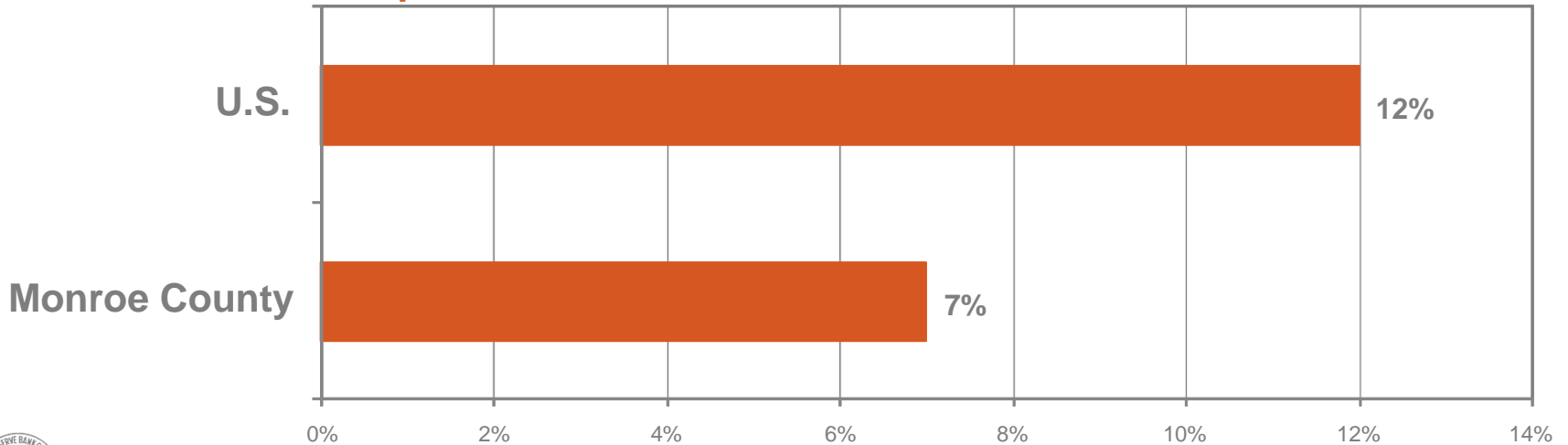
Less Subprime Lending Activity

Active, First-Lien, Owner-Occupied Mortgages; December 31, 2008

Subprime Lending Activity (Loans per 1,000 Housing Units)



Subprime Foreclosure Rate (Foreclosures by Subprime Loans)

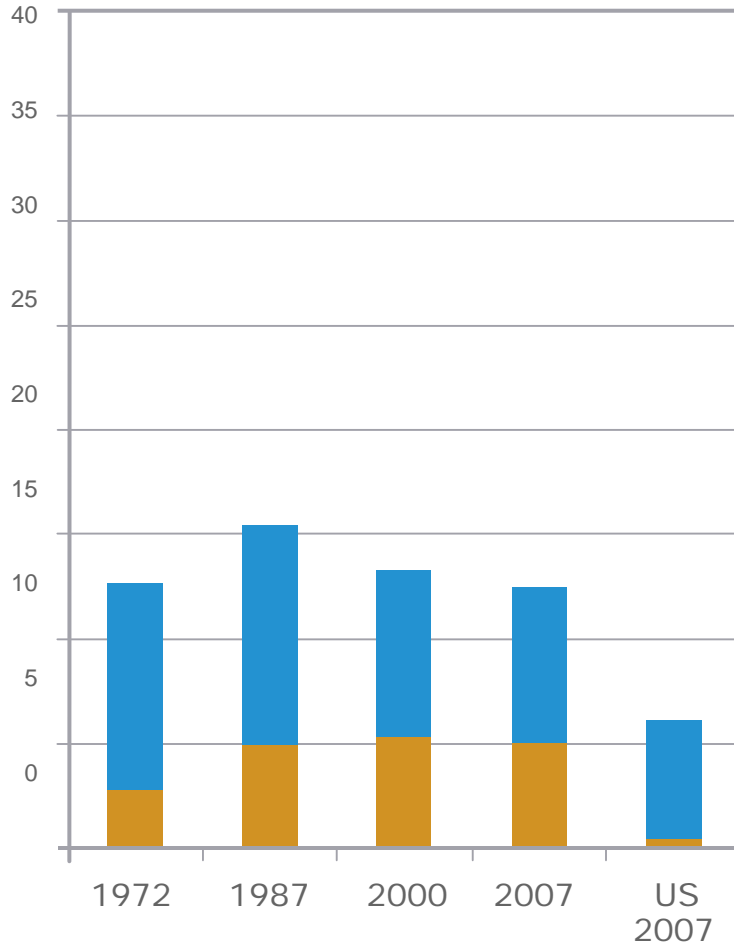


Impact of Financial Crisis on New York State

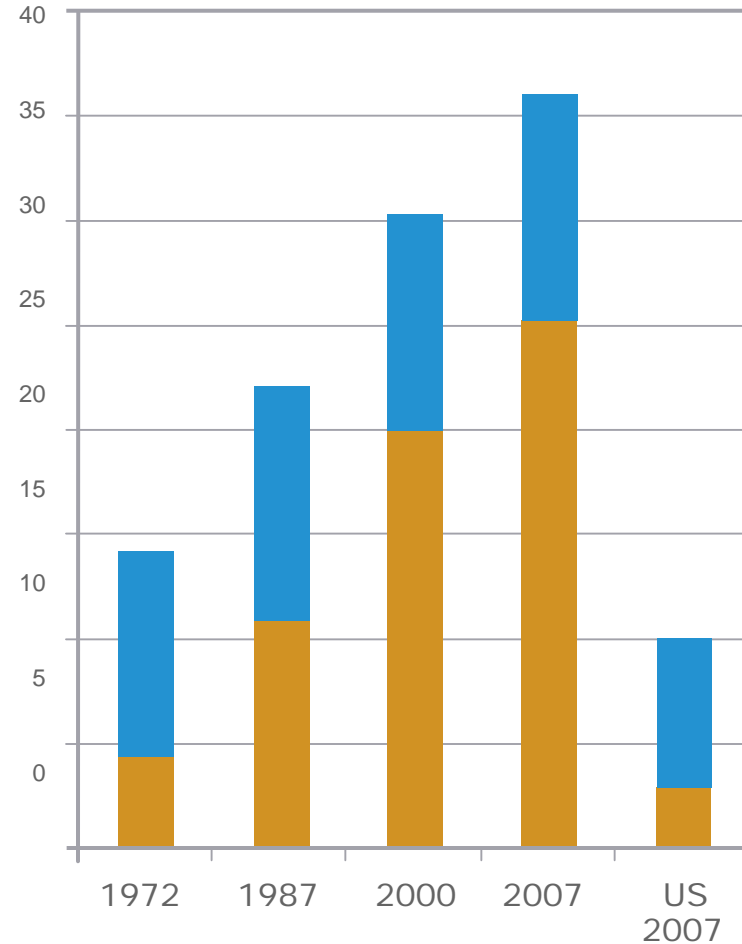
Financial Sector Employment and Earnings in NYC

Percent Share

■ Finance (excluding Securities)
■ Securities



New York City
Employment



New York City
Earnings



How Far Might Employment Decline in New York City?

Actual and Projected



Effects of the Financial Turmoil on the New York State Economy

- As a global financial center, New York City's economy faces very serious risks
- Rochester and upstate face significant risk from manufacturing weakness and broader economic recession
- State and local budgets, especially NYC, are under stress as tax revenues from Wall Street dwindle
 - Wall Street bonuses alone contributed \$2 billion in state revenues
 - Roughly half of this year's state gap will be filled by federal aid
 - This year's budget crunch will not necessarily be the end of the story



Conclusions

- Rochester's economy is suffering long term job loss, but like many mid-sized cities, it is weathering the current recession better than average
- The region continues to restructure from an industrial base that is not very diverse; this tends to be a long process, but progress is clearly evident
- Slow growth is on the horizon for some time to come; success should not be measured by the magnitude of *net growth*
- State and local budgets face enormous challenges, not just this year but potentially in years ahead





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Nonprofits as a Leading Indicator for Pain in a Downturn

Jennifer Leonard

President and Executive Director

Rochester Area Community Foundation

March 31, 2009



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www.racf.org

The Nonprofit Economy

- A parallel “marketplace”
- One in 12 jobs in U.S.
- From food pantries to universities
- Locally about 1100 receive >\$100K/year
- Significant source of support in downturn
- Equally significant financial stress



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Demand is Up from the Employed...

- Job training and development
- Education
- Child-care assistance



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And from the Unemployed...

- Facing eviction or homelessness
- Hungry
- Hurt, sick, and uninsured



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... While Society's Victims Are Increasing in Numbers

- Abused children
- Abused spouses
- Runaway youths
- Mentally ill or substance-abusing adults



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Meanwhile, revenues are strained at
best...



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Our Vantage Point

- Largest local grantmaking foundation
- Broad interests: civic, cultural, social
- Engage local philanthropists/1,000 funds
- 3,000 gifts of cash and stocks/year
- 6,000 grants to nonprofits
- 400 scholarships to students



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Sources of Nonprofit Support

- Private philanthropy
- Government grants and contracts
- Fees for service



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Government Grants and Contracts

- Federal discretionary dollars under pressure
- New York state budget crisis
 - Contracts not being honored
 - Payments late, if at all
- Local budget gaps
 - Child care, after-school, recreation
- Stimulus bill impact limited to certain sectors



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Fees for Service

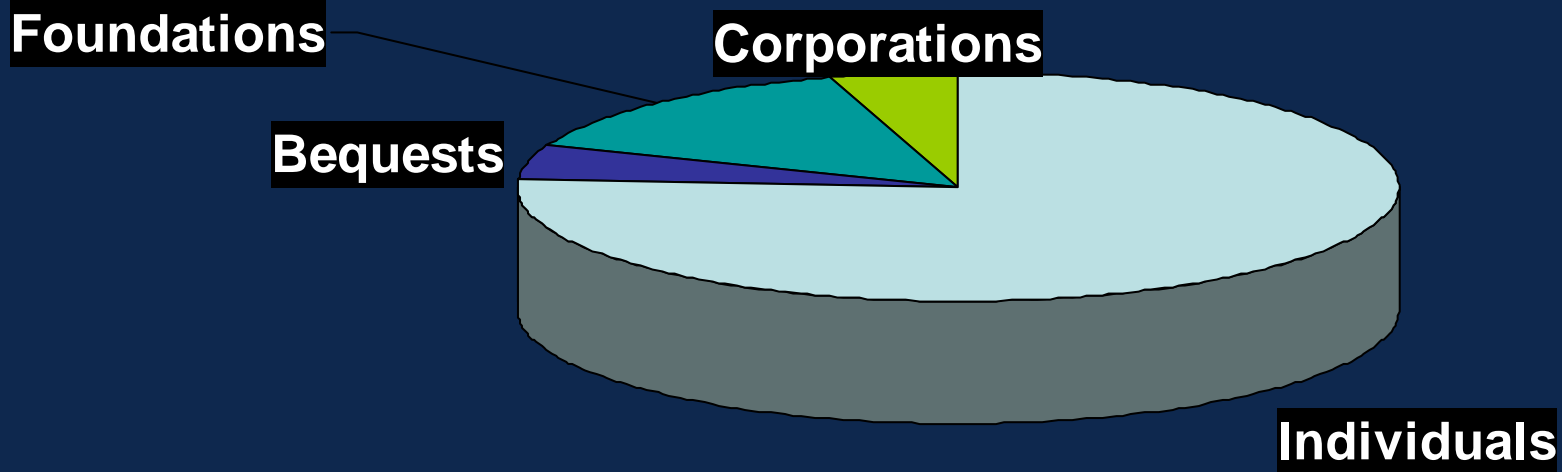
- Ability to pay is challenged
- Shift to lower-tuition colleges this year
- Loss of health insurance for unemployed
- Ticket sales down sharply
- Never practical for the neediest populations



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Sources of Private Philanthropy





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Foundation Endowments Squeezed

- Endowments down 15-40 percent
- Ours down 30 percent since January 2008
- Also affects our operating budget
- Competitive grantmaking down c. 40 percent
- Grant applications up, may go down



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Corporate Giving Down

- Reflects economy
- Also a long-term trend in Rochester
- Corporate sponsorships down 10-20 percent



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Individuals Tightening Belts

- Loss of donors as businesses downsize
- Asset-based gifts drop sharply (e.g., stocks)
- Tax incentives imperiled
 - Giving decline in 1987 correlated to tax rates



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Impact on Nonprofits ...

- Research on past recessions
- Hits nonprofit segments differently
- Recovery lags inflation
- More talk of mergers, as well as layoffs



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.. And on Donors

- National donor survey
- Paralytic effect starting to wear off
- Search for new donors includes “viral marketing” and social networking



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Next Steps for Rochester

- Could lag a national recovery
- Keep safety net intact
 - New challenge for United Way donors from the Community Foundation
- Your help is welcome



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Jennifer Leonard
President and Executive Director
Rochester Area Community Foundation
500 East Avenue
Rochester, NY 14607-1912
(585) 271-4100
www.racf.org