

2024 ECONOMIC FORUM & LUNCHEON



Kleberg



Kleberg

Insights to Our Economic Future

ECONOMIC FORUM & LUNCHEON

Sponsored by Kleberg Bank

Tuesday, October 29, 2024, 11:30 a.m. - 1 p.m.

Memorial Student Union Building, Ballroom A

11:50 - 12:00 p.m.

Welcome and Introductions

- *Dr. Natalya Delcours*, Dean, Texas A&M-Kingsville College of Business Administration
- *Dr. Thomas Krueger*, J.R Manning Professor of Innovation in Business Education & Chair, Department of Accounting & Finance, Texas A&M-Kingsville

12:00 - 12:35 p.m.

"Using AI in Your Daily Life" by Brian J. Picard, Business Operations Specialist, Dell Technologies, North America Service Sales

12:35 - 1:00 p.m.

"Kleberg County's Technological Landscape and Local Economic Trends"
by Dr. Thomas Krueger



TEXAS A&M
UNIVERSITY
KINGSVILLE®

COLLEGE OF BUSINESS
ADMINISTRATION

Presenters



Brian J. Picard

Business Operations Specialist, Dell Technologies, North America Service Sales

"Using AI in Your Daily Life"

Brian J. Picard, business operations specialist at Dell Technologies, is one of the nation's foremost experts in artificial intelligence (AI). During his more than 17 years at Dell Technologies, one of the world's leading AI companies, Picard has worked with AI professionals ranging from sales representatives to tech support agents to organization leaders. His overarching goal has been to create custom AI solutions for several divisions of Fortune 100 companies, government, other organizations, and small businesses.

Along the way, Picard has trained students and professionals on how to engage new AI tools in a fruitful and fun manner. His insights have served over 16,000 Dell employees and 2,500 individuals outside of Dell, reached through Verteks Consulting and his thYnkunlimited.ai business-consulting firm.



Thomas Krueger, DBA

J.R. Manning Endowed Professor of Innovation in Business Education and Chair, Department of Accounting and Finance

"Kleberg County's Technological Landscape and Local Economic Trends"

Thomas Krueger is the J.R. Manning Endowed Professor of Innovation in Business Education at Texas A&M-Kingsville. He holds a B.S. (Business Education from the University of Wisconsin-Eau Claire; MBA from Minnesota State University; and DBA in Finance from the University of Kentucky. Before joining Texas A&M-Kingsville, he taught finance at the University of North Carolina at Charlotte (1986-1989) and the University of Wisconsin-La Crosse (1989-2010).

While at UW-La Crosse, he was chair of the Finance Department (1993-1999). Since joining Texas A&M-Kingsville in 2011, Dr. Krueger has taught a variety of undergraduate and graduate courses, most recent offerings include Business Finance, Financial Ranch Management, and Financial Management & Sustainability. He has been chair of the Accounting and Finance Department in the college 2012-2013 and 2016-present.

As of the beginning of the fall 2024 semester, Dr. Krueger has authored 128 refereed journal articles and been cited 1850 times in other articles, with 715 citations over the past five years. His i10-statistics is 27, meaning in that 27 articles authored by him have been cited 10 or more times. Perhaps his most widely-read article, titled the "Super Bowl Stock Market Predictor," was published in the top-tier Journal of Finance. Other research has resulted in winning nine "Best in Track" Awards and two "Distinguished Research" Award at national finance meetings, as well as being chosen for the 2015 "Teaching Excellence Award," an acknowledgement as the best instructor in the finance discipline, by the Academy of Finance, an international association of Finance Professionals. Dr. Krueger had a six-year streak (2014-2019) of consistently winning the CBA's Distinguished Research of the Year award. Dr. Krueger currently chairs the Department of Accounting and Finance. He has been a member of the Texas Higher Education Coordinating Board's Graduate Education Advisory Committee (2016-2019). He lives in Kingsville, with his wife of thirty-nine years and two grandchildren. He has three children and five grandchildren.

Statement of Purpose

The 2024 Economic Forum booklet comprehensively analyzes regional economic indicators for Kleberg County, Texas. This research is a valuable resource that has been conducted by the Texas A&M University-Kingsville's (TAMUK) College of Business Administration for over a decade. Part 1 encompasses a wide range of demographic data, while Part 2 delves into economic conditions. This section compares the technological landscape of three Texas counties, Kleberg County, San Patricio County, and Val Verde County, to provide insights into the digital divide and its impact on economic and demographic trends. Additionally, Part 3 presents insights from local business managers, residents, and students about economic conditions and preferred government spending based on a survey of 419 individuals. This report expands on the economic information originally provided in 2012 and updated annually, providing decision-makers with a robust tool for strategic planning and a deeper understanding of Kleberg County.

Mr. Brian Picard, Business Operations Specialist at Dell Technologies, is one of the nation's foremost experts in artificial intelligence (AI). During his 17+ years at Dell Technologies, one of the world's leading AI companies, Mr. Picard has worked with AI professionals ranging from sales representatives to tech support agents to organization leaders. His overarching goal has been to create custom AI solutions for several divisions of Fortune 100 companies, government, other organizations, and small businesses. Along the way, Mr. Picard has trained students and professionals on how to engage new AI tools in a fruitful and fun manner. His insights have served over 16,000 Dell employees and 2500 folks outside of Dell, reached through Verteks Consulting and his thYnkunlimited.ai business consulting firm.

The 2024 Economic Forum is sponsored by Kleberg Bank under the leadership of COO and President Mr. Brad Womack, in partnership with the TAMUK College of Business Administration, led by Dean Natalya Delcours. Consistent with this year's topic, the Grammarly grammar assistant was used to enhance this report. The final proofreading was done by Mr. Harmeet Singh, Professor of Practice in the CBA. The author thanks his graduate assistant, Mr. Somesh Kumar, for conducting the surveys and assisting in the booklet creation. Mr. Nick Harrel has graciously allowed the survey to be conducted at Harrel's Pharmacy every year since 2015. Since the first Economic Forum, Ms. Selina Kieschnick has contributed to program promotion, booklet production, and logistical coordination with keynote speakers. All errors and omissions remain my responsibility. Please get in touch with me with suggestions for improving the Economic Forum, booklet, or future speakers.

Specific goals of the project include:

- Assist business owners by supplying key indicators of local economic vitality
- Identify trends in order to put the current economic condition in perspective
- Contrast Kleberg County to other relevant regions in order to enhance our understanding
- Develop specific economic measures that are not readily available
- Act as a storehouse of these economic fundamentals and trend insights
- Develop and refine tools to assess Kleberg County's economic condition
- Bring academic and business professionals together for discussion about key local issues
- Create a business recruitment and retention tool by publishing this information

Prior Economic Forum Topics

Dating back to 2012, the 2024 Economic Forum is the 14th time this analysis of local economic conditions has been hosted by Texas A&M University–Kingsville. Since 2014, the Economic Forum has been the premier Fall College of Business event. Past Economic Forum titles, benchmark counties, and keynote speakers are presented in Table 1. Special thanks go to Mr. Joe Henkel and Mr. Brad Womack of Kleberg Bank for supporting the Economic Forum since its inception and to all attendees and survey respondents. This effort would not be possible without them, plus Dean Tom Dock (2012-2013) and Dean Natalya Delcours (2014-present). Since the fall of 2012, various keynote speakers have provided a breadth of understanding of local economics and related conditions.

Table 1. Past Economic Forum Topics and Keynote Speakers	
2012	Kleberg County compared to two adjacent counties Benchmark counties: Brooks County, Jim Wells County Keynote Speaker: Keith Phillips, Senior Economist, U.S. Federal Reserve – Dallas
2013	Kleberg County long-term 1970-2013 economic trends Benchmark counties: Kleberg County 1970-2013 Keynote Speaker: Keith Phillips, Senior Economist, U.S. Federal Reserve – Dallas
2014	Kleberg County compared to two Local Counties with Similar Population Benchmark counties: Aransas County, Bee County Keynote Speakers: Vincent J. Capell, Kingsville City Manager
2014	Kleberg County compared to two Local counties with Greater Drilling Activities Benchmark counties: Jim Well County and Live Oak County Keynote Speaker: Barbara Canales, Commissioner, Port of Corpus Christi
2015	Kleberg County compared to two counties with Similar-Sized TAMUS Universities Benchmark counties: Randall County and Waller County Keynote Speaker: Judy Halley, Commissioner and Chair, Port of Corpus Christi
2016	Kleberg County compared to two Texas counties with the Next-Larger Populations Benchmark counties: Fannin County and Titus County Keynote Speaker: Aaron Farmer, Senior Vice President, Retail Coach
2017	Kleberg County’s Recent Trends Benchmark counties: Five-Year Anniversary edition focused on 2012 to 2017 Keynote Speaker: Steven Murdock, Past Director, U.S. Census Bureau
2018	Kleberg County compared to two similar counties in SBA Lower Rio Grande District Benchmark counties: Aransas County and Starr County Keynote Speaker: Angela Burton, District Director, SBA Lower Rio Grande Valley
2019	Kleberg County compared to two counties with similar oil well counts Benchmark counties: McCulloch County and Zapata County Keynote Speaker: Christi Craddick, Commissioner, Texas Railroad Commission
2020	Kleberg County compared to two counties with similar COVID-19 levels Benchmark counties: Fayette County and Madina County Keynote Speaker: Glenn Hegar, Texas Comptroller
2021	Kleberg County occurrence and consequences of the COVID-19 pandemic Benchmark counties: Matagorda County and Willacy County Keynote Speaker: Lloyd Potter, Ph.D., State of Texas Demographer
2022	Kleberg County’s population and economic growth between decennial censuses Benchmark counties: Bee County, Karnes County Keynote Speaker: Robert Allen, President & CEO, Texas Economic Development Corporation
2023	Kleberg County’s economy and tourism industry Benchmark counties: Aransas County, La Salle County Keynote Speaker: Adriana Cruz, Exec. Director, Business & Tourism, TX Governor Abbott’s Cabinet

Table of Contents

Part I. County Demographics

Computer Technology Infrastructure	1
Population and Electorate	3
Cost of Living	5

Part II. Economic Conditions

Wages	8
Gross Domestic Product	10
Private Businesses and Taxes	13

Part III. 2024 Economic Forum Survey

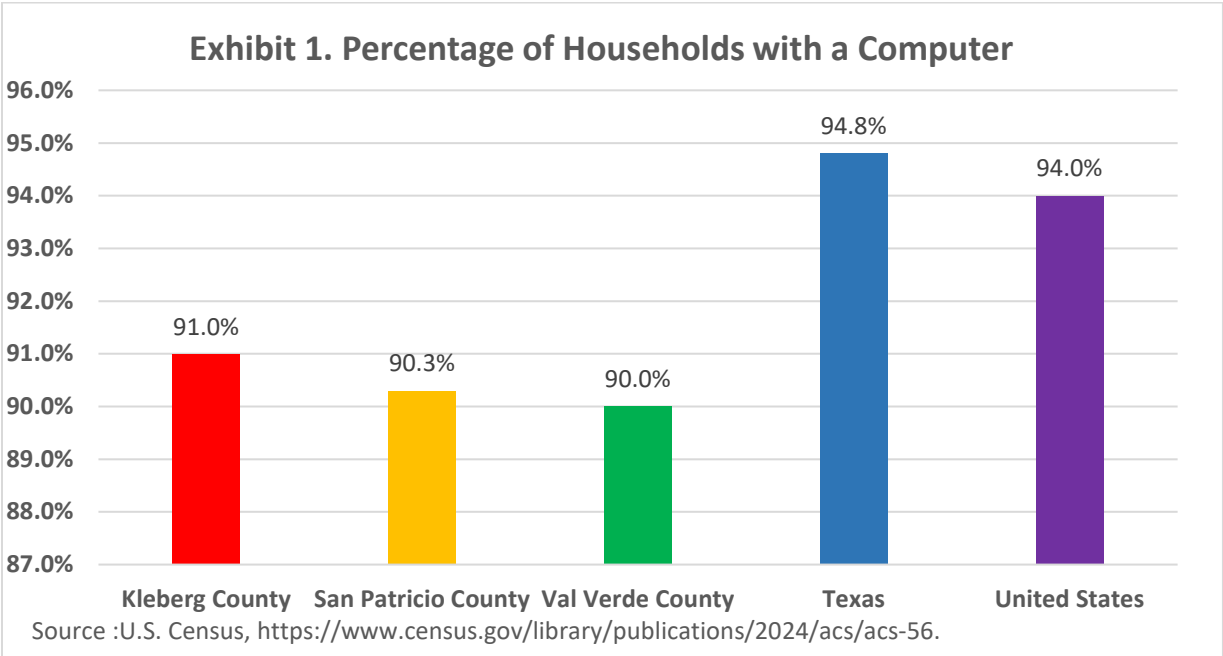
Economic Predictions: United States, Kleberg County Personal	15
Support of Kleberg County Businesses: Region, Government, TAMUK	17
Key Economic Concerns and Preferred Government Spending	20

County Demographics

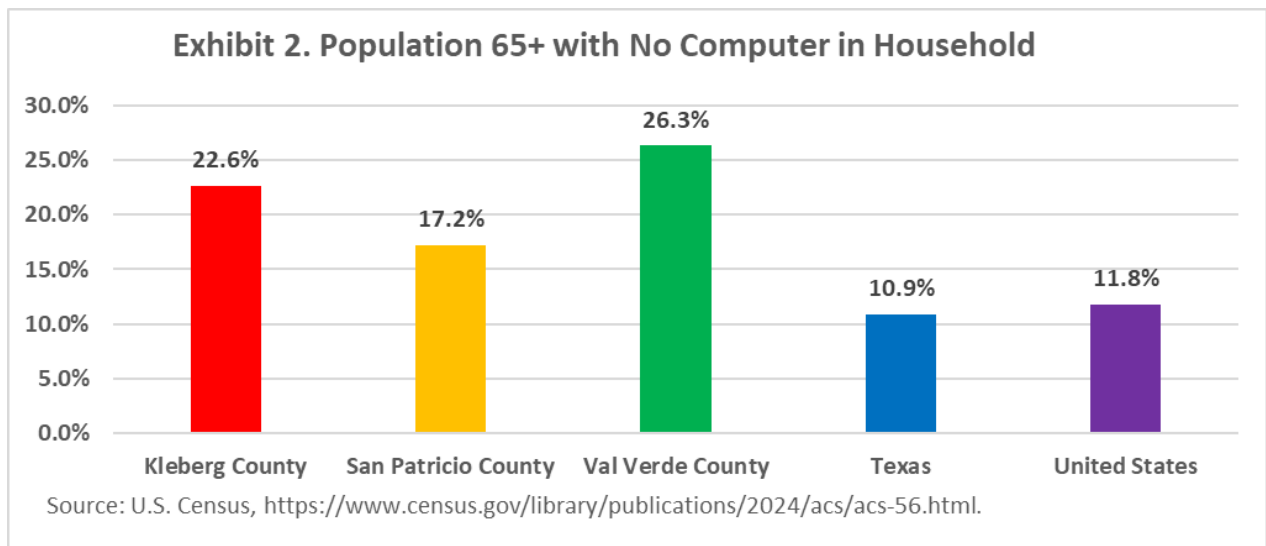
Computer Technology Infrastructure

Access to the Internet via computer or smartphone is an integral part of residents’ personal and professional lives. In light of this year’s focus on artificial intelligence (AI), Mr. Brian Picard, Business Operations Specialist at Dell Technologies, is the 2024 Economic Forum’s keynote speaker. Keeping with the focus on technology, the first three exhibits present insights into the availability and utilization of technology in Kleberg County. The data was obtained from the U.S. Census Bureau’s 2021 American Community Survey, which is derived from the decennial U.S. census and released on June 18, 2024.

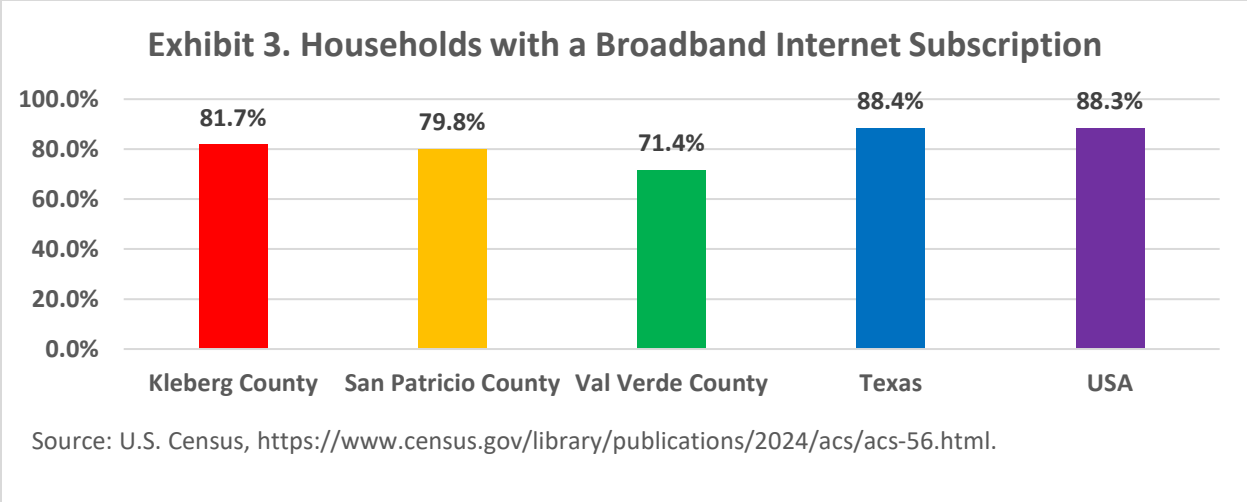
As illustrated using the red bar in Exhibit 1, 91.0 percent of Kleberg County households have computers or smartphones. The availability of computers in all Texas counties south of Austin was assessed to determine if computer density in Kleberg County is high or low. San Patricio County and Val Verde County were found to have the most similar technology infrastructure. San Patricio County is situated north of Kleberg County along the Texas Coastal Bend, with Sinton, Texas, as its county seat. Val Verde County is located along the Rio Grande River in Texas's Big Bend region, with Del Rio as its county seat. The number of homes without a computer is similar in all three counties. For every 1000 homes, 910 have computers in Kleberg County (or 91%), 903 in San Patricio County (or 90.3%), and 900 in Val Verde County (or 90.0%). Factors such as the age of the population and the wealth of the citizens contribute to the lower number of households with computers, per a 2021 Pew Research study (<https://www.pewresearch.org/short-reads/2021/06/22/digital-divide-persists-even-as-americans-with-lower-incomes-make-gains-in-technology-adoption.>) and may explain why all three counties trail Texas (94.8%) and United States (94.0%) averages.



Understanding the factors affecting the ownership of computers and smartphones in households is crucial. The data from Exhibit 2 indicates that age, in addition to income, is a significant factor. For instance, almost 25 percent of households in Kleberg County with a member aged 65 or older do not have a computer or smartphone. This ratio falls between San Patricio County’s 17.2% and Ver Verde County’s 26.3%. On the other hand, only 10.9% of Texas households with a senior citizen lack a computer. It is also interesting to note that senior citizens in Texas are likelier to have cell phones than those in other parts of the country. This information aligns with the author’s personal experiences: a mother in Milwaukee relying solely on a landline, while a Houston mother-in-law and father-in-law have a landline, cellphone, and tablet--highlighting differences in technology adoption among seniors in different regions.



The percentage of homes with broadband Internet subscriptions is another measure of technology-related infrastructure used in this study. As shown in Exhibit 3, Kleberg County is slightly above the benchmark counties on this metric, with 81.7 percent of homes having a broadband subscription. Only 71.4 percent of households in Val Verde County have a broadband subscription, which is likely due to its rural nature. In contrast, an average of 88.4 percent of homes across Texas and the United States have a broadband subscription. An example of the apparent decline in technology is evident in the author’s house, which has multiple computers and smartphones but is too rural to have broadband access.



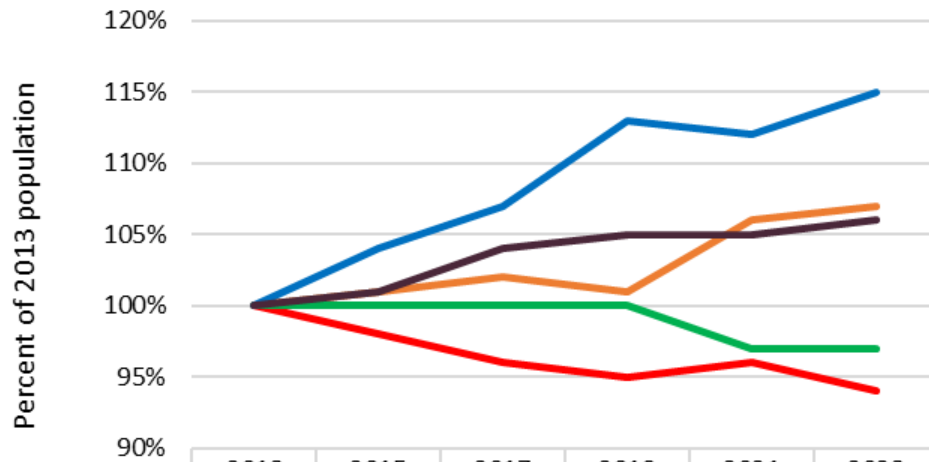
Population and Electorate

A community’s technology infrastructure is closely connected to population trends. When the population grows, and the local community boundaries expand, it often involves the installation of high-speed fiber optic cables. Kleberg County has experienced a 6 percent decline in population since 2013, as indicated by the red line in Exhibit 4. Kleberg County would consequently be less likely to invest in technology infrastructure, with only Val Verde among the studied jurisdictions also experiencing a declining population growth rate over the past decade. Highlighting the rapid growth of major Texas cities, Texas’s 15 percent growth rate is more than twice that of San Patricio County and the United States overall.

The 2024 Presidential election is set for November 5, 2024, just one week after the 2024 Economic Forum. Over the past two decades, there has been a general increase in the percentage of registered voters participating in the Presidential election, as illustrated in Exhibit 5. In Kleberg County, the percentage of registered voters who voted increased by 10.3 percent, from 48.6 percent to 58.9 percent. However, the rise has not been consistent due to differences in candidates and policies vying for the presidency. Therefore, a better measure might be the average registered voter turnout in the 2000/2004/2008 election cycles compared to the 2012/2016/2020 election cycles. Registered voter turnout has risen from 50.3 percent to 54.0 percent using this metric.

Between 2000 and 2020, the registered voter turnout in San Patricio increased by 18.2 percent, while in Val Verde, the turnout remained below 50.0 percent. The highest voter turnout in Texas was recorded in 2020, with 66.7 percent of registered voters participating in the Presidential election. The increase in registered voter turnout from the first three Presidential elections to the three most recent ones is only 5.6 percent, rising from 56.0% to 61.6%. Therefore, although Kleberg County has seen an increase in registered voter turnout, it is still behind the statewide growth rate.

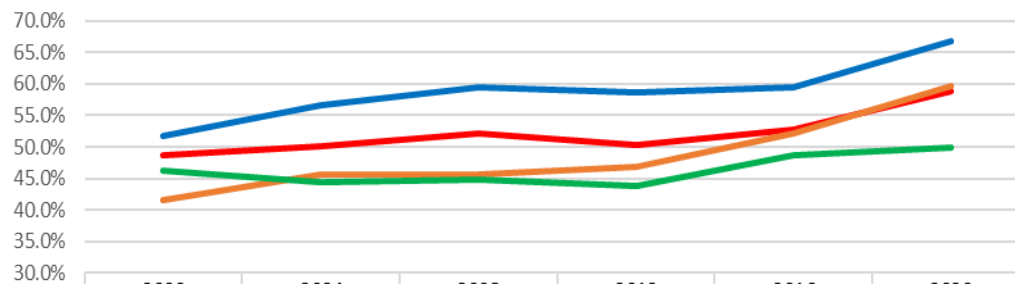
**Exhibit 4. Resident Population: 2013-2023
(2023 Population in parentheses)**



	2013	2015	2017	2019	2021	2023
— Kleberg County (30,069)	100%	98%	96%	95%	96%	94%
— San Patricio County (70,660)	100%	101%	102%	101%	106%	107%
— Val Verde County (47,720)	100%	100%	100%	100%	97%	97%
— Texas (30,503,301)	100%	104%	107%	113%	112%	115%
— United States (334,914,895)	100%	101%	104%	105%	105%	106%

Source: U.S. Census Bureau, <https://fred.stlouisfed.org/series/TXKLEB3POP>.

**Exhibit 5. Percent of Registered Voters Voting in Presidential Elections:
2000 - 2022**



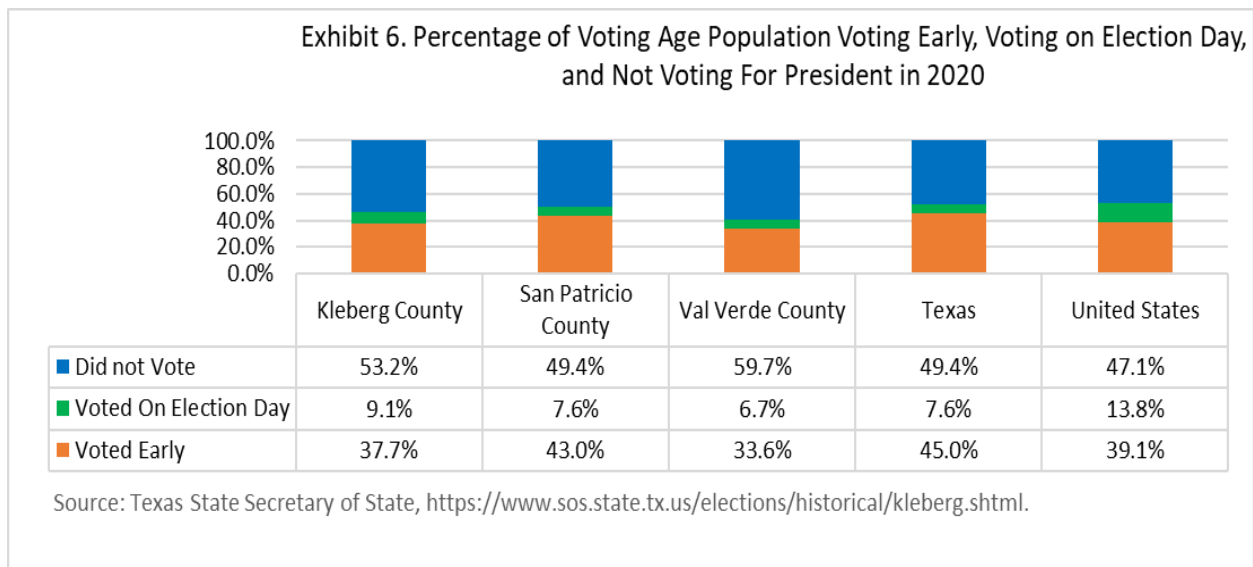
	2000	2004	2008	2012	2016	2020
— Kleberg County	48.6%	50.2%	52.2%	50.3%	52.8%	58.9%
— San Patricio County	41.6%	45.7%	45.7%	46.9%	52.2%	59.8%
— Val Verde County	46.3%	44.4%	44.8%	43.7%	48.7%	49.8%
— Texas	51.8%	56.6%	59.5%	58.6%	59.4%	66.7%

Source: Texas State Secretary of State, <https://www.sos.state.tx.us/elections/historical/kleberg.shtml>.

While there was an increase in the percentage of registered voters who cast their ballots, a significant number of registered voters chose not to participate in the 2020 Presidential election. The situation

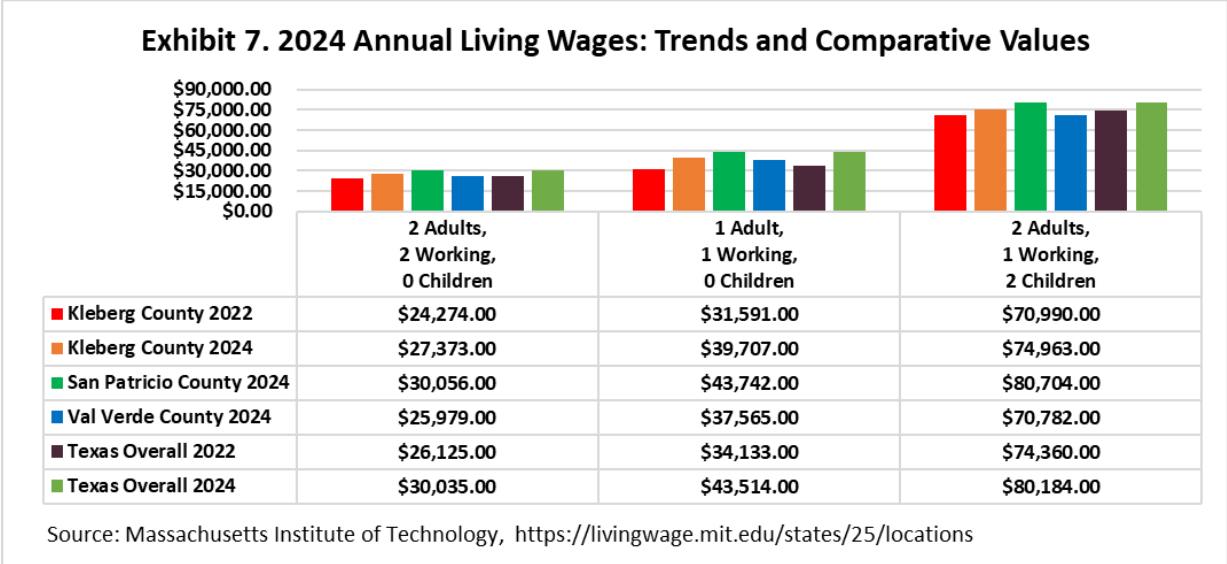
becomes more alarming when we consider the entire voting-age population. For instance, in Kleberg County, 53.2 percent of residents over 18 did not vote in 2020. This figure falls roughly in the middle when compared to the turnout in San Patricio County and Val Verde County. Although higher turnouts were recorded in other areas of Texas and the United States, 47.1 percent of the age-eligible population in the United States did not vote. It's important to note that the media and politicians often promote higher voter turnout, which is usually framed in terms of eligible voters, a category that excludes felons and non-citizens in many states.

Early voting in Texas for the 2024 Presidential election, scheduled from October 21 through November 1 (votetexas.gov), is a significant aspect that politicians will factor into their campaign strategy. The importance of early voting is clearly depicted in the statistics and graphed in Exhibit 6: a large orange block signifies the higher percentage of the voting-age population that voted early, while small blue blocks represent the lower percentage of voting-age residents who cast their ballots on the election date. In Kleberg County, eight out of every ten ballots were cast during the early voting period. However, 9.1 percent of citizens cast their ballots on election day, which was a higher election day turnout than witnessed in the benchmark counties or Texas overall. Nationally, one out of four ballots were cast on election day, but in Texas, only one out of seven voters chose to wait for election day. These statistics underscore the importance of voter registration and turnout, as every vote, whether early or on election day, is crucial to the outcome.



Cost of Living

The issue of inflation will be a significant concern for voters as they cast their ballots. To shed light on this issue, The first two rows of Exhibit 7 compare the cost of living in Kleberg County for three different family structures in 2022 and 2024. From 2022 to 2024, the living wage for a dual-income, no-children household in Kleberg County increased from \$24,274 to \$27,373, representing a 12.8 percent rise. There was an even higher 15 percent increase in the overall cost of living in Texas, with the cost for this family situation being \$30,035, or \$60,070 for the household. These figures highlight the real impact of inflation on the cost of living, a factor that voters are likely to consider when making their decisions.



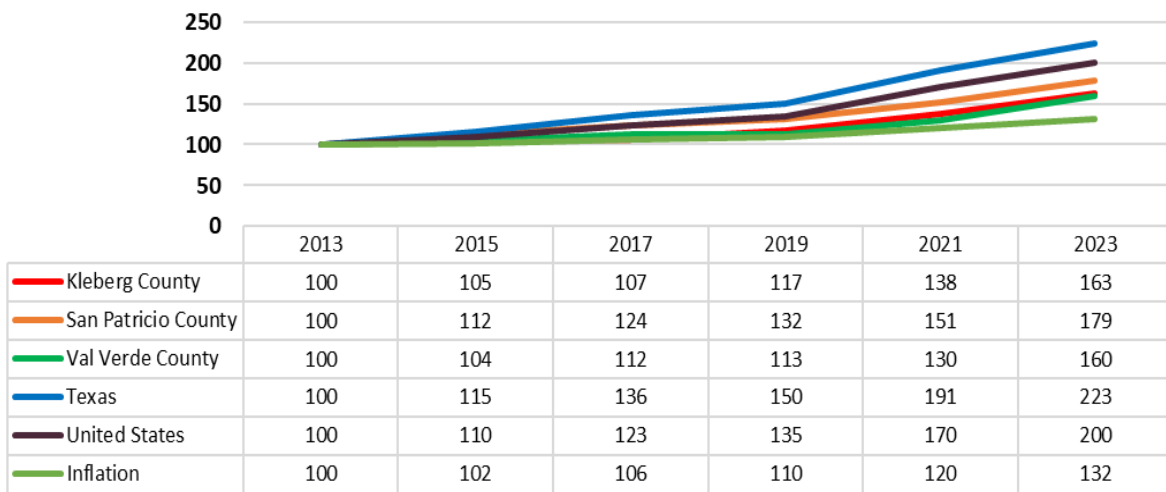
Interestingly, the most expensive cost of living is \$30,056 (\$60,112) in San Patricio County. In contrast, the cost of living in Val Verde County is much lower at \$25,979, which is \$4,056 per worker (e.g., \$8,112 total) below the statewide average for a household of two working adults with no children.

The least expensive family arrangement examined consists of a working adult with no children. According to the second column of Exhibit 7, the single living cost in Kleberg increased by nearly 26 percent, reaching \$39,707. Once more, the cost of living rose at a higher rate in Texas overall, coming in at 27.5 percent. The cost of living is approximately \$6,177 lower in Val Verde County than in San Patricio County.

Larger families appear to be more effective at managing their budgets, as reflected by Kleberg County’s modest 5.6 percent increase in living wages. As depicted in Exhibit 7, a family of four with one breadwinner requires \$74,963 for a comfortable standard of living. In contrast, the typical requirement across Texas is \$80,184, indicating a two-year growth rate of under 8 percent. To put it differently, the annualized growth rate in Kleberg County was 2.76 percent, while the average growth rate in living wages in Texas was 3.84 percent.

Roughly 26 percent of income is spent on housing costs, so let’s examine the housing price index over the past decade. In order to account for the decreasing value of the U.S. dollar, Exhibit 8 illustrates the inflation rate, or reduced value of the U.S. dollar, with a light green line. Upon analyzing the data, it’s clear that all housing price indexes exceed the inflation rate. For example, the average house value in Kleberg County has increased by 63 percent. Even after considering the 32 percent inflation rate, local housing prices are still up 31 percent. Housing values have exceeded inflation rates by approximately 2.2 percent annually. However, housing prices are increasing more rapidly in other parts of Texas, which, as shown in Exhibit 4, has experienced a 15 percent population growth.

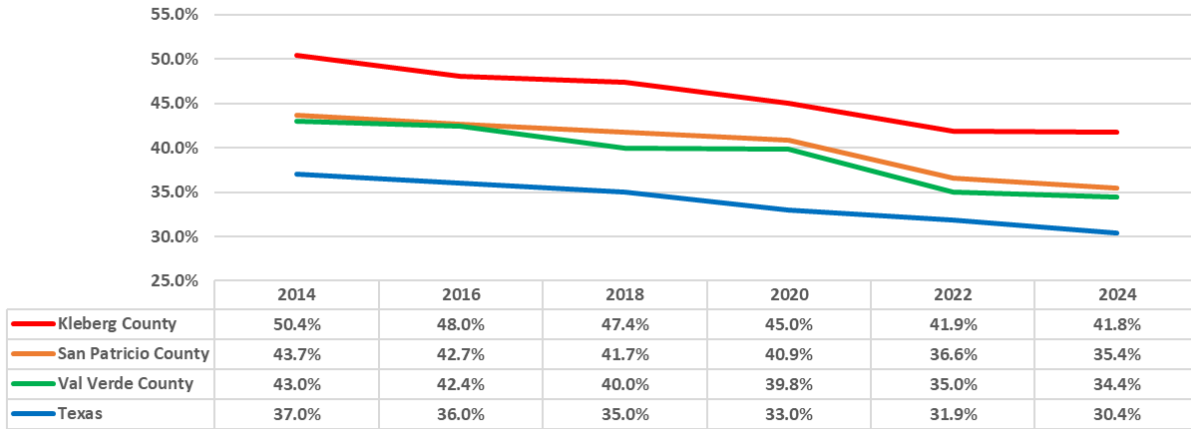
Exhibit 8. All Transactions House Price Index: 2013 - 2023



Source: U.S. Federal Housing Finance Agency <https://fred.stlouisfed.org/series/ATNHPIUS48273A>.

Of course, to benefit from these higher prices, one must have bought a house. So, Exhibit 9 reveals the proportion of the population with a subprime credit rating over the past decade. There has been a recognizable drop in the percentage of the population with subprime credit in all three listed counties and Texas overall. For instance, the percentage of loan applications with a subprime credit score, which the Equifax credit reporting agency defines as a credit score of 660 or less, stood at 50.4 percent in Kleberg County in 2014. By 2024, this percentage had declined to 41.8 percent. A similar pattern can be seen, including a bit of a leveling off in the rate of decline over the past two years. Nonetheless, the proportion of subprime loan requests in Kleberg County is still the highest among the studied jurisdictions. Combining the information in Exhibit 8 and Exhibit 9, it appears that more local citizens can purchase houses. However, investors elsewhere are more likely to have good credit and can buy houses that, at least historically, have appreciated faster.

Exhibit 9. Subprime Credit Population: 2014-2024
Percentage of Population with Credit Score Below 660



Source: Equifax and Federal Reserve Bank of New York, <https://fred.stlouisfed.org/series/EQFXSUBPRIME048273>.

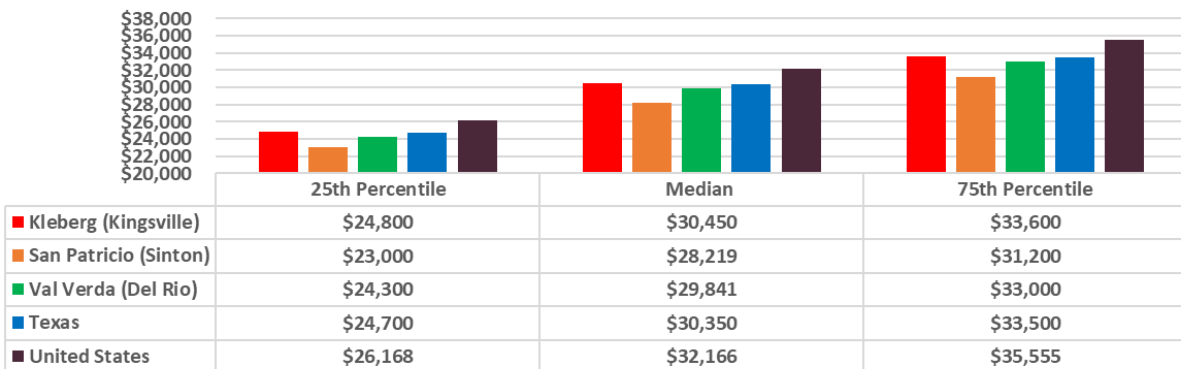
County Economics

Wages

Local wages are persistently below the costs of living presented in Exhibit 7. One would need the median pay in Kleberg County of \$30,450, as shown in Exhibit 10, to reach the salary needed to cover living wage expenses for a two-income, no-children family unit found in Exhibit 7. According to ZipRecruiter, 75 percent of employees in Kleberg County earn \$33,600, which is less than what is needed to reach a living wage as either a single person or part of a four-person, one-salary family. In Val Verde County and Texas overall, the median wage (i.e., \$29,841 and \$30,350, respectively, in Exhibit 10) is sufficient to cover needed income when the wage-earner is part of a two-person, two-income household (i.e., \$25,125 and \$30,035, respectively, in Exhibit 7). By comparison, in San Patricio County, one has to be in the 75th percentile of income (\$31,200) to earn the living wage necessary in a home with two working adults and no children.

Exhibit 10. 2024 Annual Salaries: 25th Percentile, Median, and 75th Percentile

Prepared by ZipRecruiter
August 8, 2024

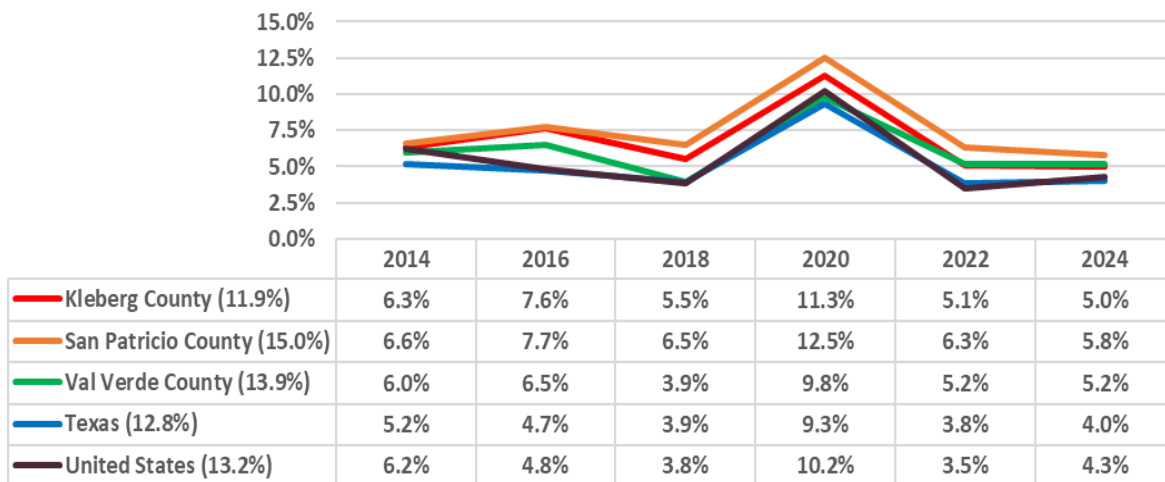


Source: ZipRecruiter, Salaries Report; <https://www.ziprecruiter.com/Salaries?title=&location=Kingsville%2C+TX>.

Earning a wage requires having a job, so Exhibit 11 presents insights into the unemployment rate over the July 2014-2024 period. In Kleberg County and San Patricio County, the July 2024 unemployment rates are below where they were at any two-year interval over the past decade. For the other reported jurisdictions, the July 2018 unemployment rates were slightly lower than those reported recently. Two other pieces to note in 2024 are that Kleberg County’s unemployment rate is less than half its level during the height of COVID-19-related job reductions, which are presented in parentheses, and that, at its worst, the unemployment rate in Kleberg County was about 1 percent below its statewide levels and 2 percent below the worst unemployment rates witnessed in the benchmark counties.

Exhibit 11. July Unemployment Rates: 2014-2024

Maximum unemployment rate during decade in parentheses



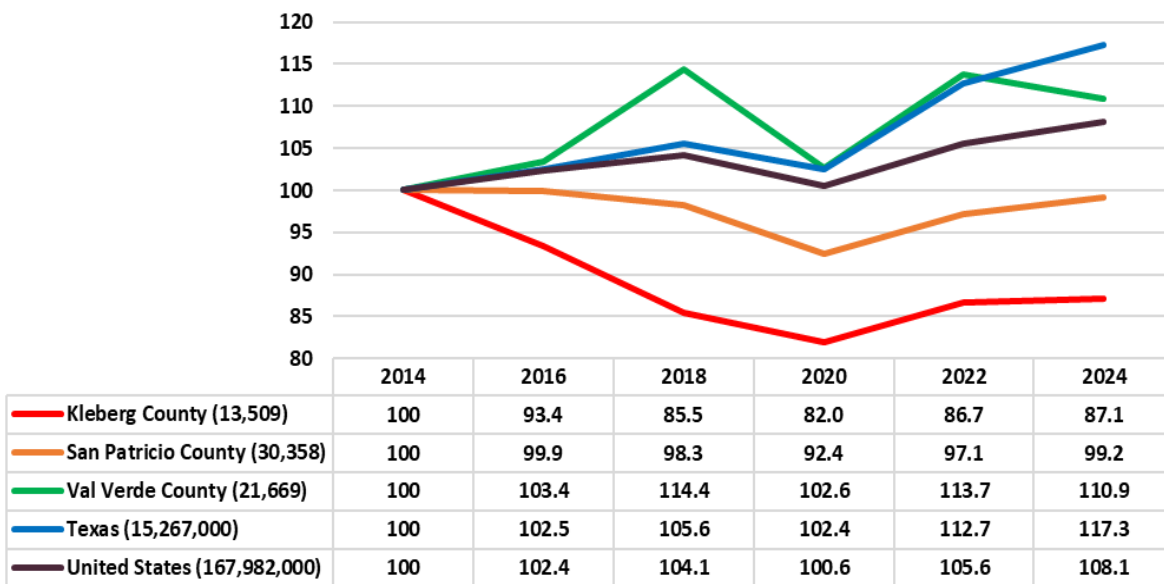
Source: U.S. Bureau of Labor Statistics, <https://fred.stlouisfed.org/series/TXKLEB3URN>.

Unemployment rates only tell half of the story. The other side regards the number of actual workers in a community. This is especially important in light of the six percent decline in Kleberg County’s population, illustrated back in Exhibit 4. Kleberg County’s civilian workforce fell to 82.0 percent of the April 2014 value in April 2020. Since then, the rebound has been to 87.1 percent of the 2014 value or an increase of 6.2 percent since the COVID-related low. As of April this year, the workforce is about 2,000 below 2014 levels. San Patricio is the other jurisdiction that witnessed a decline in 2020 and has not yet reached 2014 workforce levels. However, due to less of a drop before the COVID outbreak, San Patricio County’s workforce is within 0.8 percent (243 employees) of where it was in April 2014. The COVID-19 outbreak brought the workforce size in Vale Verde County and Texas to within 2 percent of their 2014 levels. However, growth over the entire decade has been in excess of 10 percent for each. This workforce growth exceeds the national growth rate of 8.1 percent, which is still 21 percent (e.g., 1.081 – 0.871) better than Kleberg County.

Exhibit 12. Civilian Workforce Level: April 2014-2024

2014 = 100

NOTE: COVID-19 Low April 2020
(April 2024 in parentheses)



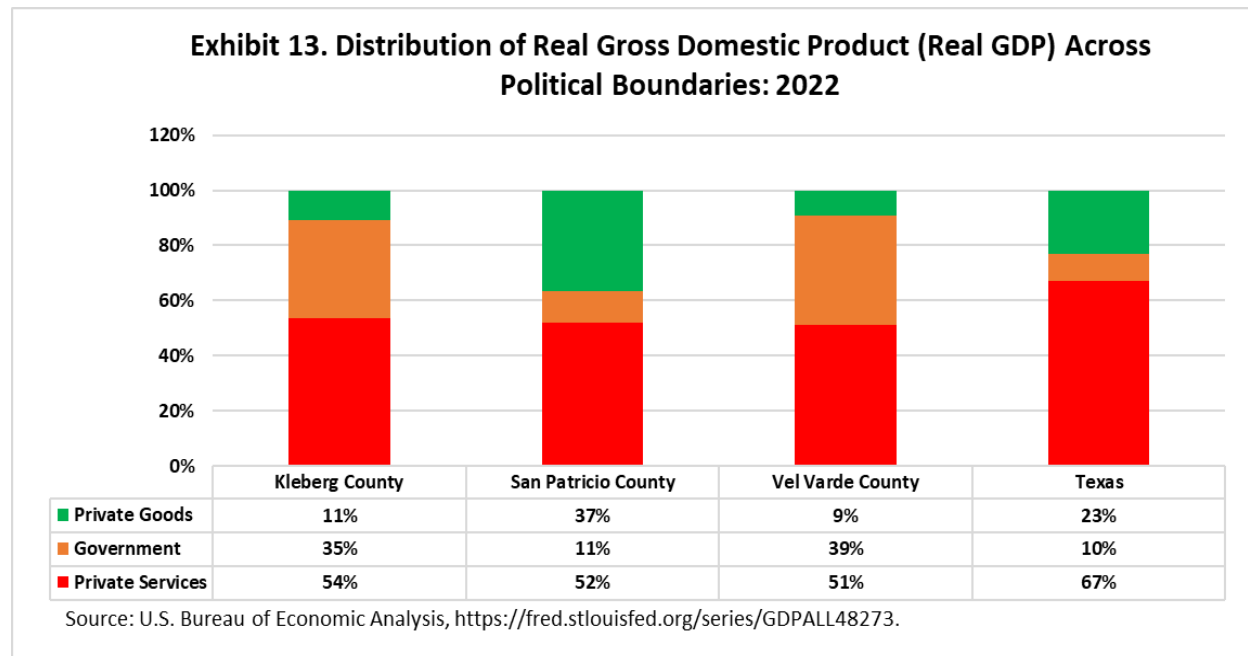
Source: U.S. Bureau of Labor Statistics, <https://fred.stlouisfed.org/series/TXLFN>.

Gross Domestic Product

A natural follow-up question regarding employment concerns the sectors in which Kleberg County residents find jobs. The Bureau of Economic Analysis (BEA) releases information on gross domestic product (GDP) by county with a lag of one year to verify numbers; hence, 2022 values are reported in Exhibit 13. Unfortunately, the BEA simultaneously announced that as a cost-saving measure, this would

be the final report on GDP on a county basis. Hence, for one last time, let’s carefully study the supplied information.

As shown by the orange portion of the first bar in Exhibit 13, the private services-producing sector (e.g., accommodations and food services) constitutes 54 percent of the productive output of Kleberg County. Government activity accounts for about one-third of county GDP, leaving private goods-producing firms with a relatively low 11 percent contribution. In San Patricio County, private goods production constitutes 37 percent of the economy, while government production constitutes only 11 percent. Private goods-producing facilities contribute 23 percent to Texas’ GDP, or approximately twice as much as the local economy. The most significant difference is found in the government sector, which contributes only to 10 percent of the economy, on average, across the state. Although the services sector is more prominent in Kleberg County than either San Patricio or Val Verde County, its percentage is 13 percent below the 67 percent contribution made by private services statewide. The reasons for the differences are pretty obvious, with minimal production in Kleberg County, a heavy reliance on governmental support, and minimal medical services.

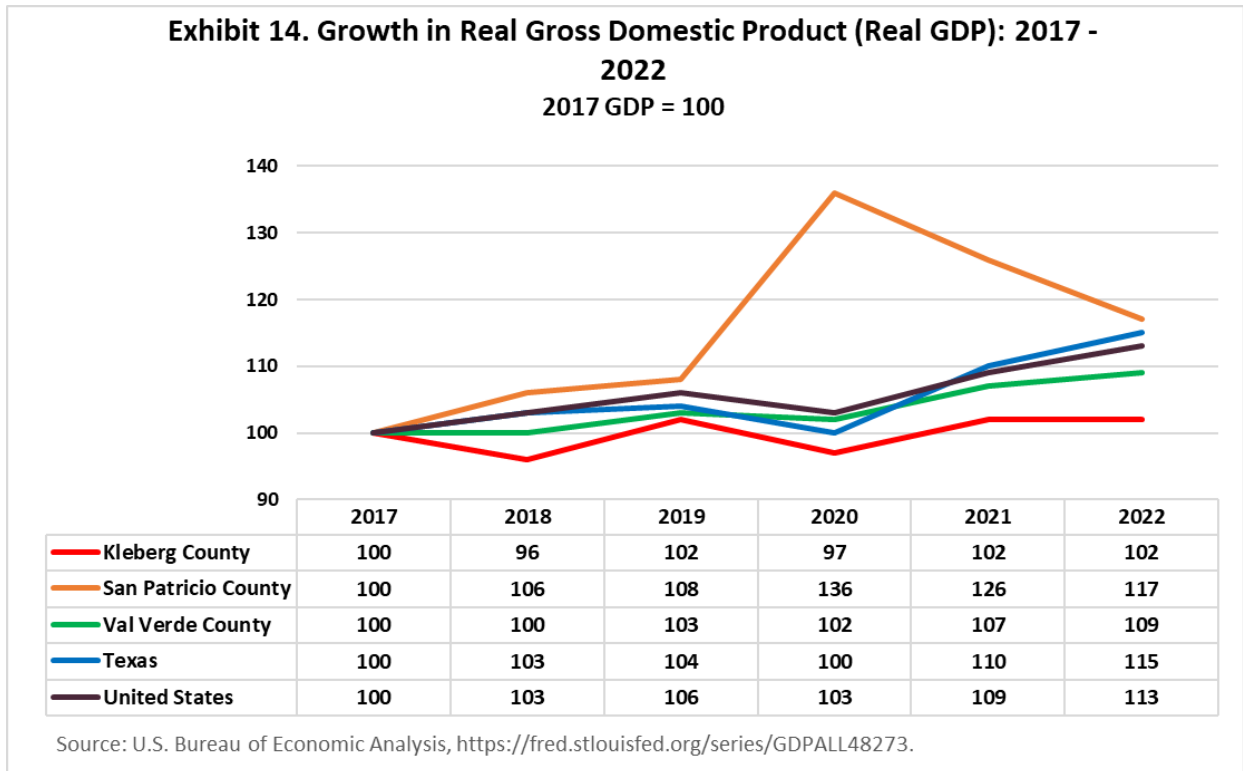


Regardless of GDP distribution, a local economy can remain healthy with consistent GDP growth. In light of Kleberg County’s reduced workforce, covered in Exhibit 12, its relatively poor real GDP growth rate is unsurprising. As shown in Exhibit 14, real GDP grew only 2 percent from 2017 to 2022. When paired with a reduction in population of 2 percent since 2017, as shown in Exhibit 4, the real gain per resident amounts to 4 percent.

Kleberg County’s real GDP growth rate is well below the increases found elsewhere. The most significant increase occurred in San Patricio County, where the building of the Cheniere plant pushed real GDP up by 36 percent in 2020 alone. This growth rate subsequently subsided; the growth rate over the 2017-2022 period was 17 percent. Texas’s real GDP growth rate exceeds the national rate, in conjunction with the larger population increase in this state. The 15 percent increase in Texas matches

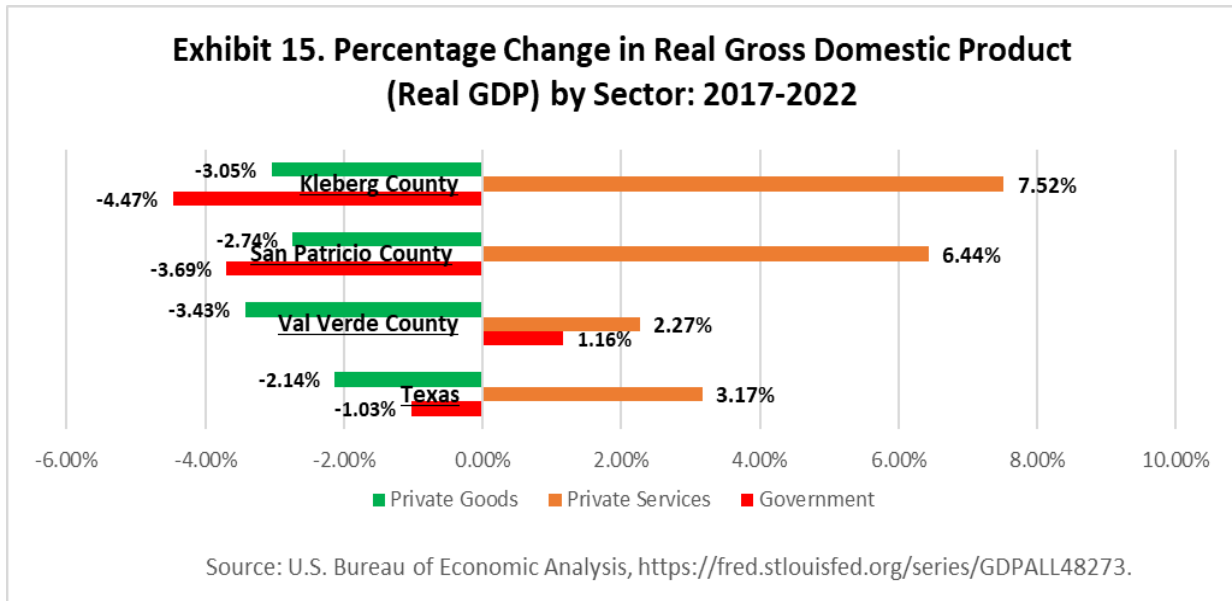
the 15 percent increase in population reported in Exhibit 4, meaning that Texans are no better off after adjusting for inflation on a per-resident basis. By comparison, Kleberg County’s real GDP growth is six percent ahead of its population decline, indicating that we generate more wealth per resident.

Inflation is included in Exhibit 14, so the reader can identify the change in GDP without inflation’s adjustment. For instance, in Kleberg County, in unadjusted dollars, GDP has risen 21 percent (e.g., 2 percent real GDP + 19 percent change in the consumer price index (CPI)). Or stated another way, inflation accounts for 19 out of 21 percent of local economic GDP “growth.” Inflation’s green line in Exhibit 14, being higher than San Patricio’s orange line, illustrates that most of what we have seen in “economic success,” when stated in greenback terms, is the impact of inflation.



Despite the relatively low real GDP growth rate in Kleberg County, there may be one sector that outshone the others, leading to Exhibit 15. In that illustration, the percentage change in real GDP from the goods-producing sector, services-producing sector, and government sector are illustrated with gray bars, orange bars, and red bars, respectively. In Kleberg County, the percentage of real GDP arising from private services-producing companies rose 7.52 percent. Meanwhile, the contribution of private good-producing and government sectors to real GDP dropped by 3.05 percent and 4.47 percent, respectively. Note that the sum of increases and decreases has to equal zero because a gain in one sector as a percentage of the whole has to be offset by decline(s) elsewhere. The widespread, increasing importance of the services sector is easy to see in Exhibit 15, where the orange services line consistently extends to the right. The top, green bars always lay to the right of zero, indicating that there has been a

relative drop in the contribution of the goods-producing sector. Government spending only rose in Val Verde County as a percentage of real GDP.



Private Businesses and Taxes

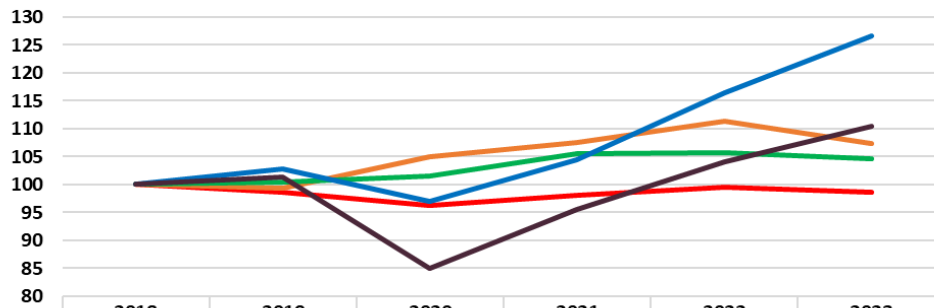
Kleberg County’s private goods and services examined in the prior three graphics are produced by 555 establishments, as shown in Exhibit 16. There has been a drop of 1.4 percent in the number of establishments, or nine businesses (e.g., 555/0.986 – 555), since 2018. This is the only reported unit experiencing a drop. The decline parallels the two percent decline in Kleberg County’s population since 2017, which was revealed in Exhibit 4. Other South Texas counties covered in this report experienced a rise in private establishments, but all three palls compared to the 26.6 percent growth in Texas overall. Texas has experienced an increase in private establishments, approximately 2.5 times the national average.

One measure of the proportion of economic activity within Kleberg County occurring in the City of Kingsville is the sales reports published by Glenn Hegar, the Texas Comptroller, who was the keynote speaker at the 2020 Economic Forum. Data on gross sales and taxable sales are both reported by the Texas Comptroller. From 2013 to 2023, gross sales within Kingsville are reported on the left side of the first group of bars, while Kleberg County gross sales outside Kingsville are illustrated on the right side of the first group of bars. Kleberg County’s taxable sales are illustrated on the right side of Exhibit 17, first in Kingsville and then outside Kingsville. Prescription and Non-prescription drugs and groceries are not taxed and are only included in gross sales. Furthermore, healthcare institutions typically do not have to pay taxes on goods and services they purchase. Machinery used in the production process is exempt from sales tax. All values shown are adjusted for changes in the Consumer Price Index to cull the impact of decreasing dollar value.

Exhibit 16. Private Establishments at Year-end: 2018 - 2023

2018 = 100

(2023 establishments in parentheses)

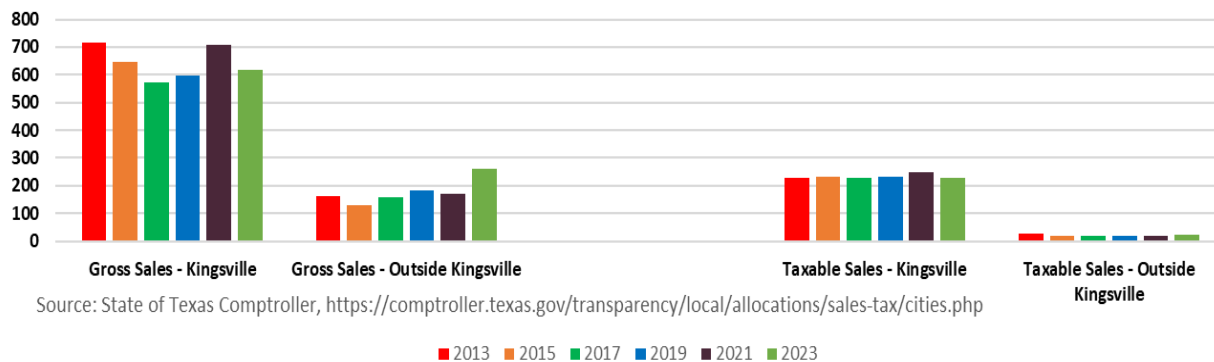


	2018	2019	2020	2021	2022	2023
— Kleberg County (555)	100	98.6	96.3	98.0	99.5	98.6
— San Patricio County (1128)	100	99.3	105.0	107.6	111.4	107.3
— Val Verde County (837)	100	100.4	101.5	105.5	105.6	104.6
— Texas (693,258)	100	102.8	96.9	104.5	116.4	126.6
— United States (8,148,600)	100	101.3	85.0	95.5	104.0	110.5

Source: U.S. Bureau of Labor Statistics and Federal Reserve, <https://fred.stlouisfed.org/series/ENU4827320510>.

Comparing the two groups of bars on the left side of Exhibit 17, across the decade, sales within the City boundaries constitute about 78 percent of gross sales. However, sales outside Kingsville clicked up during 2023, while those within the city fell by almost an equal dollar amount. A higher proportion of Kleberg County’s taxable sales, 91 percent, occur in Kingsville. Taxable sales are much more stable, as implied by the similar size of the taxable sales in Kingsville (the third set of bars in Exhibit 17) and outside of Kingsville (as shown on the right). In dollar terms, \$3 out of every \$4 gross dollars are spent in Kingsville, while \$9 out of \$10 taxable dollars are spent

Exhibit 17. Comparison of Gross Sales and Taxable Sales in Kingsville and Elsewhere in Kleberg County: 2017-2023
Adjusted for Inflation using the CPI

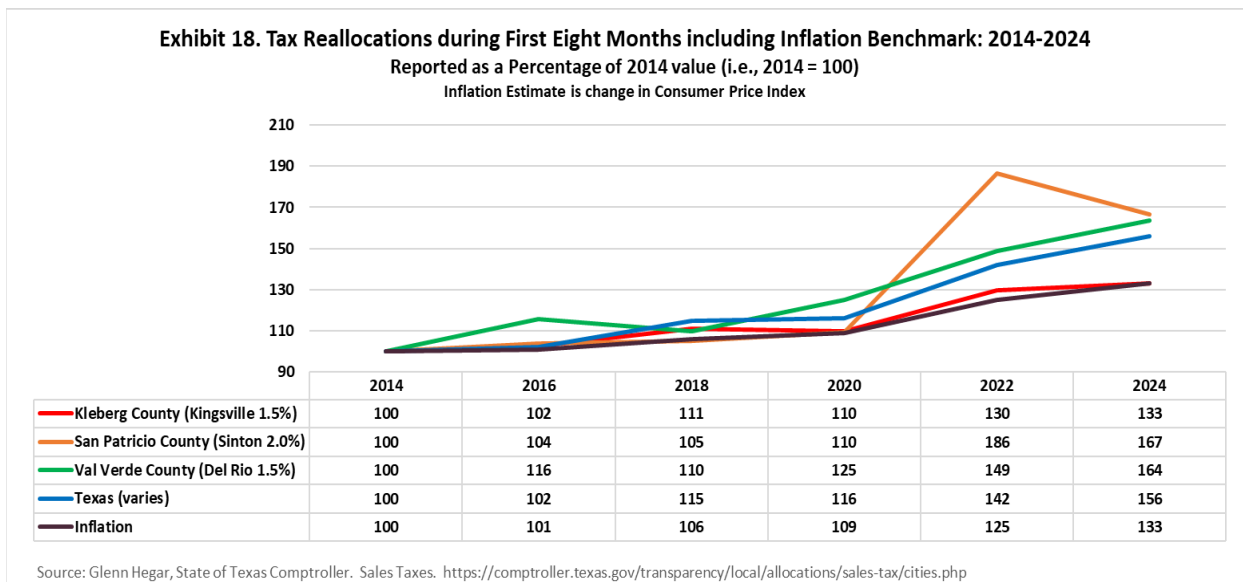


Source: State of Texas Comptroller, <https://comptroller.texas.gov/transparency/local/allocations/sales-tax/cities.php>

■ 2013 ■ 2015 ■ 2017 ■ 2019 ■ 2021 ■ 2023

Examination of sales tax reallocations allows one to contrast the strength of the economy of various regions. This year, Kleberg County (with a 0.5 tax rate) is on track to have \$1.5 million sent back to it by the Texas Comptroller, while Kingsville (with a 1.5 percent tax rate) is on pace to have \$4.5 million reallocated to it (<https://mycpa.cpa.state.tx.us/allocation/>). Since 2014, sales tax reallocations during the first eight months have risen by 33 percent, as shown in Exhibit 18. Since 2020, which was negatively impacted by the COVID-19 pandemic, Kleberg County sales tax reallocations have increased 21 percent (e.g., 133/110). The increase closely tracks the change in inflation, which was 33 percent since 2014 and 22 (e.g., 133/109) percent since 2020. Similar values indicate that the real value of sales has remained stagnant. However, given the six percent population decline over the past decade, more goods and services per person appear to be purchased now than a decade ago.

Sales tax reallocations across Texas have risen much faster. San Patricio’s sales tax reallocation has increased at twice Kleberg County’s rate. The city of Sinton has been the big winner in this jurisdiction because the county does not take a part of the 2.0 percent maximum allowed over the 6.5 statewide base, leaving Sinton to set a 2.0 percent rate on taxable sales. A relatively low level of technology enhancement may be one factor causing the economic morass in Kleber County. The following section presents insights into local opinions regarding our economic condition and future.



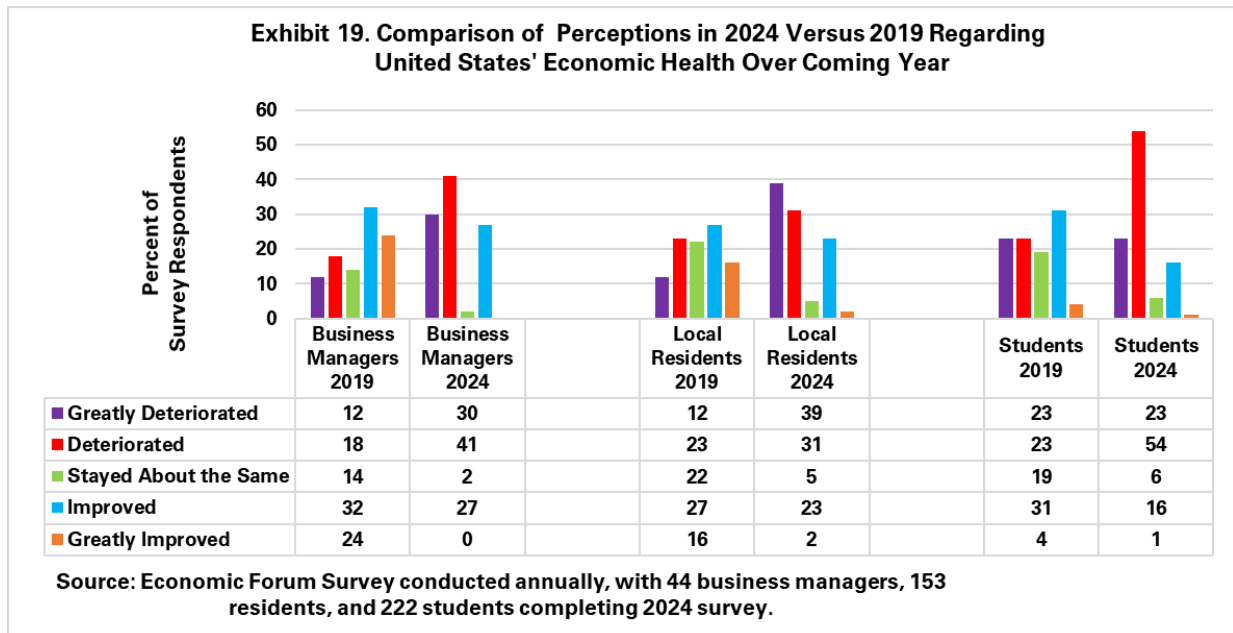
2024 Economic Forum Survey

Economic Predictions: United States, Kleberg County, Personal

Since its inception, the Economic Forum has included survey results of Kleberg County stakeholders. This year, 419 responses were gathered, consisting of answers from 44 business managers, 153 residents, and 222 students. Continuing the survey design of prior years, surveys were primarily

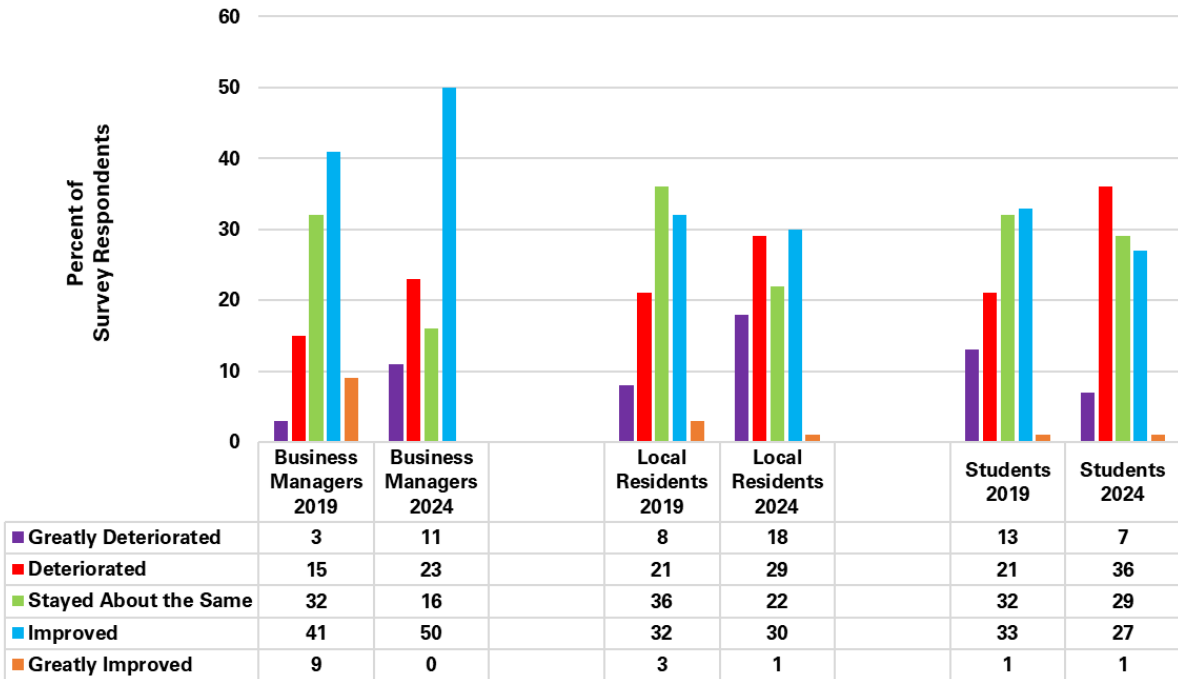
completed in the Harrel’s Pharmacy lunchroom. (Thank you, Nick!). In order to assess current economic conditions, findings this year are compared to those in 2019, before the outbreak of the COVID-19 coronavirus, when 317 took the survey. This year’s 419 responses represent a new record of completed surveys and, hence, the best measure of opinions within Kleberg County (Thank you, Somesh!).

Over the past five years, local expectations regarding the United States’ economic health over the coming year deteriorated, as depicted by the growth of the red and purple bars in Exhibit 19. The green “stay about the same” bar has given up the most stature, dropping to only 2 percent of business managers and 6 percent of students. Perhaps the most distressing finding is that 39 percent of local residents believe the U.S. economic condition will greatly deteriorate over the next twelve months. While most business managers expected improved or greatly improved U.S. economic conditions in 2019, 71 percent now expect deterioration or great deterioration. As bad as these numbers seem, surveys completed during the first half of the August – October survey period had even a larger negative orientation. The decline may be due to the approaching Presidential election and expectations that some economic ills will be corrected in 2025.



Opinions regarding local economic conditions are not as negative, as illustrated in Exhibit 20. In fact, the highest bar representing manager opinions is the blue, “Improved” local economic conditions. Local resident opinions shift from an “about the same attitude towards the deteriorated side of the equation. towards the less-extreme “Deteriorated” perception of where the future lies. However, less than a third of residents expect improvement in Kleberg County’s economic condition during the coming year. The “let’s-wait-and-see” posture of students is denoted by 92 percent of all responses being in the center three categories. However, there has been a slight downward gravitation in expectations. None of the managers, only 1 percent of residents, and only 1 percent of students expect local economic conditions to be greatly improved. This would equate to only 4 of the 419 responses being optimistic regarding the economic future of Kleberg County.

Exhibit 20. Comparison of Perceptions in 2024 Versus 2019 Regarding Kleberg County's Economic Health Over Coming Year



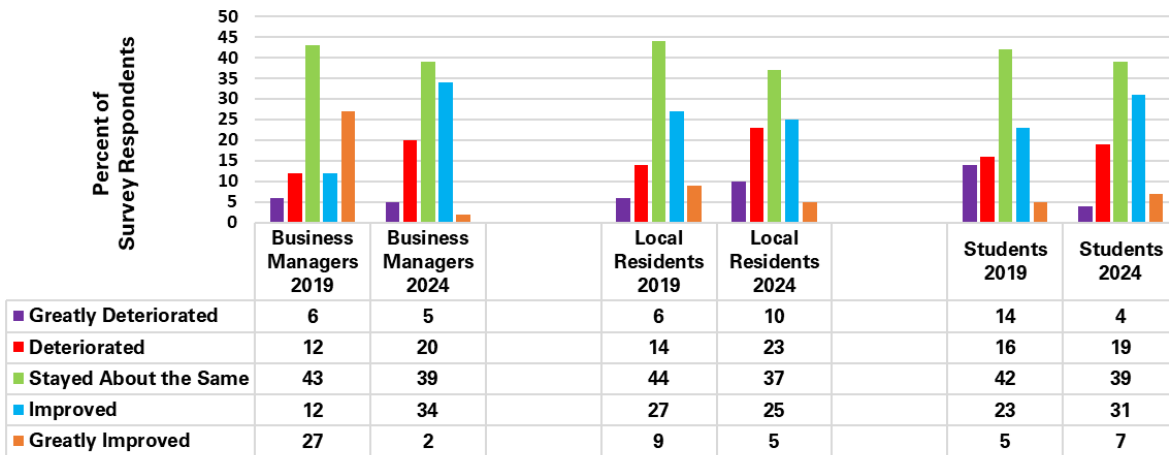
Source: Economic Forum Survey conducted annually, with 44 business managers, 153 residents, and 222 students completing 2024 survey.

The “on-the-fence” nature of perceptions regarding personal economic conditions is exemplified by the green bar being the highest in each grouping shown in Exhibit 21. Managers, who are often owners, are by nature the most optimistic regarding their future success. For instance, in 2019, 27 percent of managers felt their economic condition would greatly improve in a year. Now, only 2 percent of the managers gave this impression. However, a similar 5 percent expect their economic condition to greatly deteriorate. Only students--who look forward to graduation and better economic conditions--demonstrated confidence that their economic condition would not significantly deteriorate. Moving the windows one more unit towards the center, while 23 percent of students expect their economic condition to decline, 38 percent anticipate improvement. Looking across the years, while 1 in 5 residents expected economic conditions to deteriorate in 2019, the ratio is now 1 in 3.

Support of Kleberg County Businesses: County, Government Leaders, and TAMUK

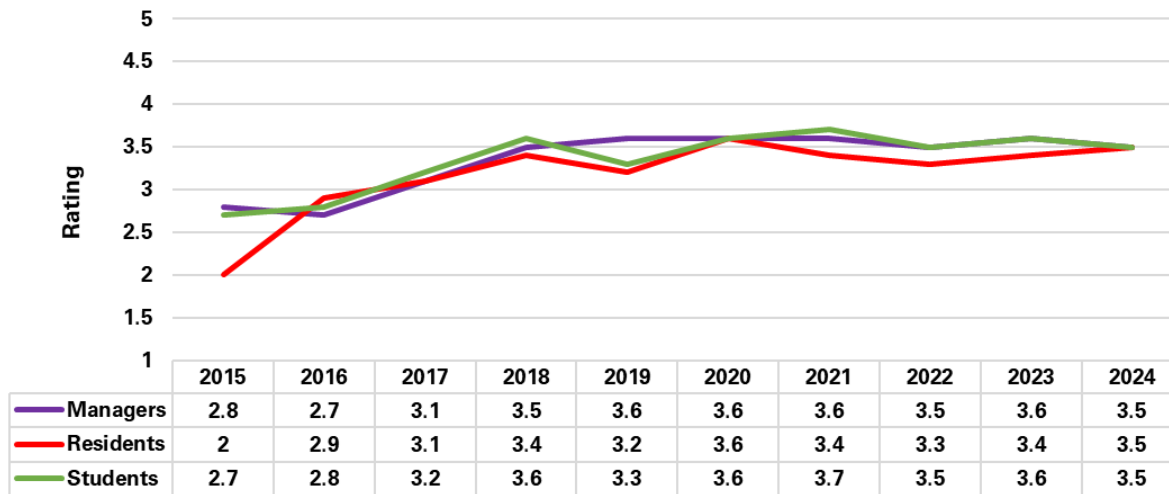
Kleberg County’s business sector's health and economic vitality greatly influence its citizens' economic well-being. The desire to limit travel and avoid crowds during the COVID-19 pandemic further highlighted the importance of having an economically strong and vibrant local community. Examples of “buying local” would include relying upon local accountants, dentists, and x-ray technicians instead of traveling out of the county to get these services. Local business success, in turn, is highly dependent upon the support of many constituencies. Respondents were first asked to respond to the following sentence, “Kleberg County is supportive of local business,” on a five-point rating scale ranging from 1.0 for strongly disagree to 5.0 for strongly agree. The values presented in Exhibit 22, Exhibit 23, and Exhibit 24 are a weighted average of proportion for the five possible responses within a respondent group.

Exhibit 21. Comparison of Perceptions in 2024 versus 2019 Regarding Personal Economic Health Over Coming Year



Source: Economic Forum Survey conducted annually, with 44 business managers, 153 residents, and 222 students completing 2024 survey.

Exhibit 22. Perceptions Regarding Kleberg County's Support of Business Sector: 2015-2024

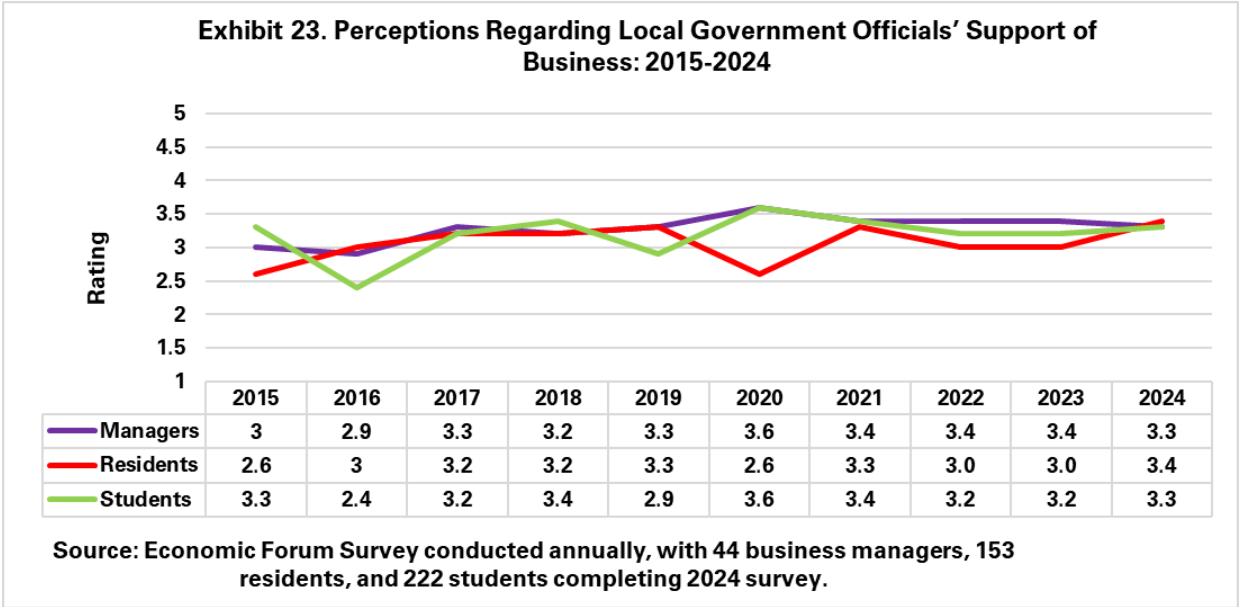


Source: Economic Forum Survey conducted annually, with 44 business managers, 153 residents, and 222 students completing 2024 survey.

Over most of the past decade, there has been a lot of consistency in perceptions regarding Kleberg County’s support of local businesses among managers, residents, and students, as shown in Exhibit 22. While ratings of local citizen support of business were well below the median of 3, including a 2.0 ranking of themselves by local residents, since 2020 ratings have been in the 3.4 to 3.6 range. The

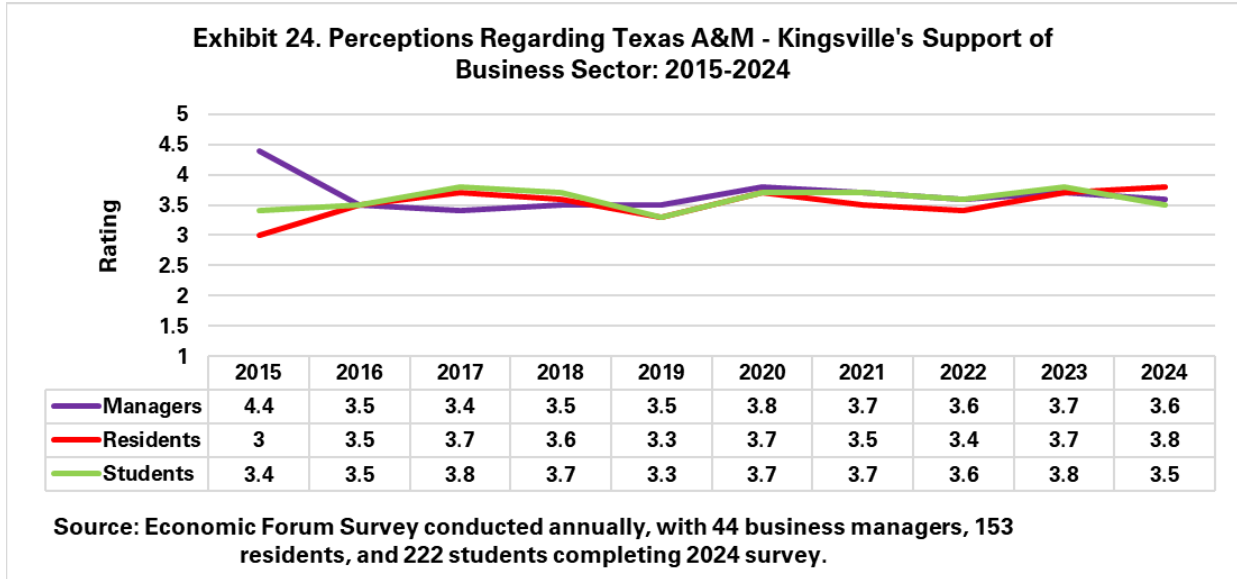
change to this new plateau seems to have coincided with the outbreak of the COVID-19 coronavirus. The expansion that we have seen along Highway 77 may help build confidence in the local community and allow Kleberg County residents to move to a higher level of local business support.

A more volatile plateauing has occurred regarding the perceptions of business support from local government officials, who often set the tone for how a local community reacts to new business ventures and supports the ones already in existence. Supportive local governments can also prioritize getting federal aid money followed by rapid fund distribution. Looking at the same 2019-2024 time frame as examined above with regard to future expectations, Exhibit 23 reveals that manager perception of local government officials’ support is exactly at the same level with little change in the past year. Local resident opinions or government leader support of business is also at the same level as it was in 2019, though the perception fell and then rose by over ten percent, from 3.0 to 3.4, in the past year. The 3.4 rating is the highest rating of government leaders by citizens in the past decade. Student perceptions of government support for business are up 14 percent from five years ago, with most of the improvement coming in the first two years of the COVID-19 pandemic.



Business success is also a function of the support received from distinctive local educational institutions. One evidence of the College of Business Administration's quality is the recent rating of its online Master of Business Administration program as the 32nd best in the nation by *Fortune Magazine* (<https://fortune.com/education/business/best-online-mba-programs/>). Within the Accounting and Finance Department at Texas A&M-Kingsville (TAMUK), the growth of the Master of Science Degree in Taxation (MST) has grown to ten graduates within the past year, with the number of students more than doubling and awarding 13 MST degrees. At the undergraduate level, there has been enhanced IRS funding for the Volunteer Income Tax Assistance program, plus continued community support, including 286 returns filed (a 34 percent increase). Another example is the expansion of the College’s upcoming “Banking & Business Career Expo,” which, in its fourth year, has seen an increase in the number of business students participating. Beyond supplying a talented workforce, universities can have a societal

impact that includes ongoing discourse and assistance to businesses. As shown in Exhibit 24, residents now have the greatest appreciation of the impact the university is making on the local business community. The perception of TAMUK’s contribution is up from its level in 2019. However, student perception of TAMUK’s impact on the local business community is down slightly from a year ago. This measure will be gauged again next year to see whether this is an outlier or a trend that exists, necessitating greater effort and promotion of interaction between TAMUK and its business community.



Key Economic Concerns and Preferred Government Spending

Survey respondents were next asked to rank their top economic concerns from a list of 10 choices developed over the past decade and updated in response to insights provided through an “Other” option. This report focuses on the top five concerns chosen by any group, which are displayed in Exhibit 25. The availability of affordable, high-quality education has consistently been the top concern among business managers and residents and the second leading concern among students. Not surprisingly, in light of COVID cases, fatalities, and vaccination issues, health care is the other top concern and is rated most important by students.

Exhibit 25. Top Five Economic Concerns in 2024 versus 2019

Managers		Residents		Students	
2019	2024	2019	2024	2019	2024
Education	Education	Health Care	Health Care	Education	Health Care
Health Care	Health Care	Education	Education	Health Care	Education
Housing	Inflation	Housing	Housing	Inflation	Housing
City Beautification	Housing	City Beautification	Inflation	Housing	Inflation
Inflation	Taxation	Infrastructure	Personal Security	Employment	Taxation

Source: Economic Forum Survey conducted annually, with 44 business managers, 153 residents, and 222 students completing 2024 survey.

Inflation has surpassed housing as the third highest economic concern for managers, though it is ranked behind housing by both residents and students. The interesting aspect about inflation's importance among residents is that it was not among their top five in 2019. The most significant change in the "Top 5" concerns is the inclusion of taxation, which made it onto the listing for managers and students. The fifth slot among residents is personal security, which may result from the continued U.S. border crisis.

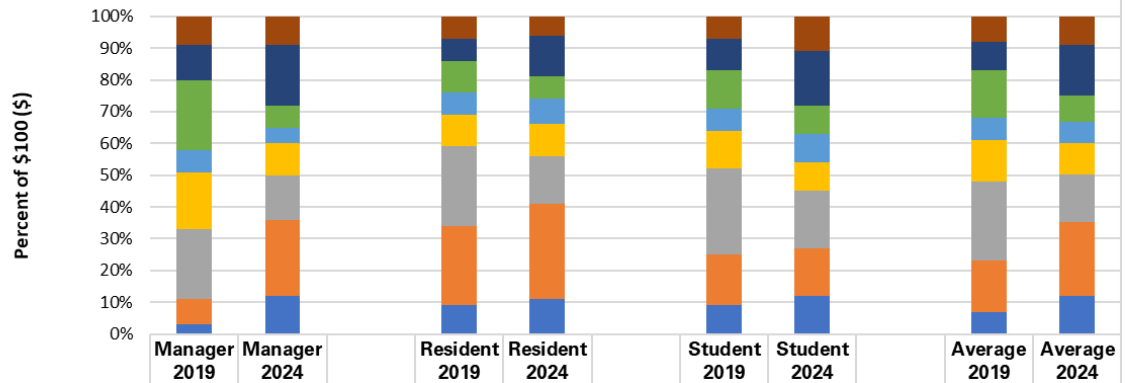
Another technique to capture the strength of economic concerns is to ask survey respondents how they would allocate money to address economic issues. Specifically, survey respondents are asked to allocate \$100 to 11 specified uses and an "other" coffer. Survey respondents can specify this "other" item, which, with sufficient interest, moves into both the list of potential concerns and options for spending money in future years. A comparison of the proposed allocations in 2019 and 2024 for each group and an equally weighted average of the three groups is presented in Exhibit 26. The illustration focuses on all categories with at least seven percent of the total allocation (i.e., \$7) in either 2019 or 2024. The four spending accounts not garnering at least \$7 in either year and the percentage of the pot attracted by each in 2024 are solid waste (4.4%), code enforcement (4.1%), tourism (3.4%), and "other" (0.4%). The low allocation to "other" indicates that a good listing of potential concerns is available to those taking the survey. The extra dollars from excluding these accounts are reallocated to the eight accounts attracting at least \$7 in either year in the same proportion that the accounts were initially allocated to spend the entire \$100.

Looking at the right columns, containing the average across the three groups, we see that the Streets option has the largest proportion at \$23. This is a \$7 rise from 2019's allocation or an increase of almost 44 percent in the size of the orange segment of each bar on the right. Residents allocate twice as much to Streets (e.g., \$30) as students (e.g., \$15). Economic development is the other account experiencing a \$7 rise in allocation. Every group awarded at least \$13 to this effort.

Public education and fire protection are the two accounts giving up the most. Over the past five years, public education's allocation dropped from \$25 to \$15, a forty percent decline. There was a decline in education's allocation of at least \$8 across the groups. This decline is similar to that witnessed in past Economic Forum reports since the onset of COVID-19 and the rise of online education. The decline in the allocation to fire protection reflects a relatively high allocation in 2019 to this government service on the heels of several fires on ranches around Kingsville and downtown Kingsville that year.

Artificial intelligence, which is the focus of this year's Economic Forum, is likely to dramatically affect economic conditions in Kingsville and across the globe. Despite various economic strengths, increased costs are likely to be on the voters' minds as they enter the voting booth this fall. Compared to the last year before the COVID-19 pandemic, all groups are more worried about the national, city, and personal futures. Although the ranking of concerns is similar, additional survey respondents want more money put into infrastructure (i.e., roads) and economic development, while being fiscally conservative. The keynote address by Mr. Brian Picard from Dell Technologies will assist us in preparing to have a brighter economic future.

Exhibit 26. Preferred Government Allocation of \$100 in Additional Revenue: 2024 versus 2019



	Manager 2019	Manager 2024	Resident 2019	Resident 2024	Student 2019	Student 2024	Average 2019	Average 2024
City Beautification	9	9	7	6	7	11	8	9
Economic Development	11	19	7	13	10	17	9	16
Fire Department	22	7	10	7	12	9	15	8
Parks & Recreation	7	5	7	8	7	9	7	7
Police Department	18	10	10	10	12	9	13	10
Public Schools	22	14	25	15	27	18	25	15
Street Repair	8	24	25	30	16	15	16	23
Tax reduction	3	12	9	11	9	12	7	12

Source: Economic Forum Survey conducted annually, with 44 business managers, 153 residents, and 222 students completing 2024 survey.