

## **ECONOMY OF LAKE HAVASU CITY (ZIP CODES 86403, 86404, 86405 AND 86406)**

Tourists and seasonal residents are the primary drivers of the Lake Havasu City economy. In-migrating retirees and a few manufacturing industries also contribute. Retail trade provides the most employment of any sector in Lake Havasu City.

The availability of economic data by city and industrial sector is severely limited (see the “Data Sources” section on page 9). Zip codes 86403, 86404, 86405 and 86406 are used as an approximation for Lake Havasu City and include the Desert Hills Census Designated Place, though the zip code area is more extensive. The 260-square-mile land area of the four zip codes compares to the combined 47.75 square miles within the City of Lake Havasu City (43 square miles) and Desert Hills. The 2000 decennial census count of 44,724 residents in these zip codes was only 1 percent greater than the 44,121 combined population of the City of Lake Havasu City (41,938 residents) and Desert Hills.

This report presents the results of an “economic base study” for Lake Havasu City, using employment by industry as the primary measure of the economy. The purpose of this analysis is to identify the area's leading economic activities and to provide useful information for decision-making. Comparing the sectoral distribution of employment in the community to state or national averages helps determine how different or similar the local economy is to the norm, giving some insight into how dependent the community is on certain economic sectors for employment or income. When the economic forces that mold the local economy are understood, strategic decisions for the area's economic future can begin to be made.

## **BACKGROUND**

An economic base study is a description of an economy's structure and composition. Regional economic theory states that a local economy is driven by economic activities that import money into the local area through the sales of goods and services to customers who do not live in the area. Lake Havasu City's leading economic activities are identified in the economic base study, which compares economic activity (as measured by employment) in the local area to that in broader areas: Arizona and the nation.

Because of the vast differences in size between Lake Havasu City, Arizona and the United States, employment is divided by the 2000 census population count for each area. This “**per capita employment**” is expressed as employment per 1,000 residents.

To create a comparative measure, per capita employment in the local area is divided by the national average per capita employment. The result is called a “**location quotient**” — a figure greater than 1 indicates that per capita employment in the local area is greater than the national average. For example, a location quotient of 1.32 indicates that per capita employment in the local area is 32 percent *higher* than the national average, while a location quotient of 0.68 shows that per capita employment is 32 percent *less* than the national average. The location quotient calculated relative to the Arizona average typically is similar to the location quotient calculated against the national average, but in some industries it can be considerably different.

When a location quotient is greater than 1, “extra” jobs are present in the local area. This “**excess employment**” is the difference between actual employment and the employment that would exist if employment per capita had equaled the national average. Excess employment is of particular significance in industries that sell their goods and services to companies located outside the city or to individuals who are not residents of the city (nonresidents include tourists and seasonal residents).

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“**Basic**” or “**export**” activities are those involving sales to nonlocal businesses and individuals. Such activities drive the local economy by bringing money into the community. Basic industries with excess employment are the primary forces driving the local economy. Mining, most types of manufacturing, most agriculture, and tourism are classic examples of basic activities.

In contrast, some economic activities primarily serve local residents. Retail trade and services such as health care, finance, and real estate are examples of largely nonbasic, local-support activities, since most sales are to local residents. Similarly, most construction work is purchased by local residents and local businesses. While important components of a local economy, such largely nonbasic activities do not directly bring much money into the community and thus do not drive the local economy.

Excess employment can exist in local-support activities. In some cases, the excess results from local purchasing preferences. For example, per capita sales of air conditioning units are above the national average in much of Arizona because of climatic conditions. In other cases, an excess exists because some cities function as regional trade and service centers. While sales to residents of neighboring communities might be considered to be basic in a particular city, such sales are not basic in the broader area and are not considered to be a driving economic activity in the same way as mining, for example.

Many economic activities, such as wholesale trade and transportation, are a mixture of basic and nonbasic components. If a community has a substantial number of tourists and/or seasonal residents, even retail trade and such services as health care have a basic component. A portion of the construction industry is basic if purchases are made by companies that sell to an external market and/or by individuals migrating to the area to take a job at a basic employer or to retire. Some federal government activities and certain other government activities can be considered to be basic in a city, but most state and local government employment supports the local community primarily with funds raised locally and thus do not qualify as basic activities.

## **RESULTS**

Total employment in Lake Havasu City is estimated to have been approximately 15,250 in 2001. This is the sum of nonagriculture private-sector employment in 2001 (the latest data available) reported by the U.S. Census Bureau, an estimate of agriculture employment in 2001, and an estimate of government employment in 2001-02. Total employment was 341 per 1,000 residents — 25-to-30 percent less than the national and state averages, but higher than the median value of 82 Arizona cities.

Various factors contributed to this somewhat low per capita figure. The 2000 census counted 17,625 employed Lake Havasu City residents, more than the number of jobs located in Lake Havasu City. Thus, some Lake Havasu City residents worked in other communities or were self employed (who are not included in the Census Bureau data). Further, according to the 2000 census, a lower-than-average share of Lake Havasu City residents were of working age (the proportion of senior citizens was quite high).

### **Agriculture and Government**

Employment data by community are not available for the agriculture and government sectors. Thus, the data discussed in this section are estimates with less reliability than the data in

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the following section on the nonagriculture private sector. See the “Data Sources” section for details on how agriculture and government employment were estimated.

Agriculture largely is a basic activity that includes agricultural support activities as well as farming and ranching. Agriculture employment in the Lake Havasu City zip codes in 2001 is estimated to have been less than 25. With employment per 1,000 residents a very low less than 1, agriculture’s location quotient was less than 0.1 relative to the national and state averages.

The government sector represents a mix of basic and nonbasic activities, but most of the 1,775 government employees in Lake Havasu City in 2001-02 supported the local population. Government employment per 1,000 residents was only 40 in Lake Havasu City — 50 percent less than the state and national averages.

Federal government employment was about 150, with those working for the Bureau of Land Management and the wildlife refuges basic to the Lake Havasu City economy. State government employment was a little more than 100, and county government employment was a bit more than 50. Mohave Community College employed 200. The City of Lake Havasu City employed 575 and the Lake Havasu City School District had a workforce of 650. The school district and the city were among the largest employers in Lake Havasu City.

### **Nonagriculture Private-Sector Economy**

Nonagriculture private-sector employment in Lake Havasu City was approximately 13,475 in 2001. Employment was 301 per 1,000 residents — 20-to-25 percent less than the national and state averages, but considerably higher than the median value of Arizona cities.

Employment estimates for 2001 for the broad sectors of the Lake Havasu City economy are shown in Table 1. Retail trade provided the most employment, followed by accommodation and food services, health care and social assistance, and construction. Per capita employment was above the national average in construction, accommodation and food services, and retail trade (see the “location quotient relative to nation” column of the table). Per capita employment was within 20 percent of the national average in real estate and leasing; “other services;” arts, entertainment and recreation; and health care and social assistance. In contrast, the location quotient was less than 0.5 in 11 of the 20 sectors. Construction employed about 775 more than if the sector’s per capita employment had been equal to the national per capita average (see the “excess employment relative to nation” column of the table). Lesser excess employment existed in the accommodation and food services and retail trade sectors.

Compared to the per capita Arizona average, location quotients and excess employment were somewhat different than those calculated against the national average. In particular, relative to the Arizona average, the location quotients were a little above 1 in the health care and social assistance and “other services” sectors, but the location quotients and excess employment were considerably less in the construction and accommodation and food services sectors.

Tourism had a strong presence in Lake Havasu City with per capita employment 62 percent more than the national average in the accommodation subsector and 22 percent more in the food services subsector. Otherwise, Lake Havasu City did not have excess employment in any traditionally largely basic sector. Per capita employment in mining, manufacturing, wholesale trade and transportation and warehousing was substantially less than the national average. However, some of the employment in the construction and retail trade sectors was basic.

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More sectorally detailed data show that 13 industries provided excess employment of at least 100 in Lake Havasu City, nearly all of which have a basic component (see Table 2). Three manufacturing industries (plastics products, boats, and dental laboratory equipment) are on the list and three others (including bare printed circuit boards) provided excess employment of at

**TABLE 1**  
**EMPLOYMENT BY SECTOR**  
**Lake Havasu City (Zip Codes 86403, 86404, 86405 and 86406), 2001**

Sector	Number of		Relative to Nation		Relative to Arizona	
	Establishments	Employment	Location Quotient	Excess Employment	Location Quotient	Excess Employment
<b>TOTAL</b>	1,468	15,259	0.68	0	0.74	0
AGRICULTURE	3	10	0.02	0	0.03	0
GOVERNMENT	7	1,775	0.48	0	0.51	0
TOTAL, NONAGRICULTURE PRIVATE SECTOR	1,458	13,474	0.74	0	0.80	0
Mining	0	0	0.00	0	0.00	0
Utilities	3	45	0.43	0	0.51	0
Construction	287	1,815	1.76	783	1.24	347
Manufacturing	91	1,415	0.56	0	0.84	0
Wholesale Trade	48	230	0.24	0	0.30	0
Retail Trade	237	2,730	1.15	364	1.18	413
Transportation and Warehousing	35	297	0.50	0	0.46	0
Information	17	228	0.38	0	0.45	0
Finance and Insurance	60	444	0.45	0	0.45	0
Real Estate and Rental and Leasing	75	284	0.89	0	0.78	0
Professional, Scientific and Technical Services	85	349	0.31	0	0.34	0
Management of Companies and Enterprises	0	0	0.00	0	0.00	0
Administrative, Support, Waste Management, Remediation Services	82	645	0.45	0	0.39	0
Educational Services	5	76	0.18	0	0.32	0
Health Care and Social Assistance	113	1,860	0.81	0	1.07	114
Arts, Entertainment and Recreation	21	232	0.82	0	0.76	0
Accommodation and Food Services	129	2,043	1.29	458	1.14	250
Other Services (except public administration)	137	749	0.88	0	1.06	45
Auxiliaries (except corporate, subsidiary and regional management)	1	2	0.01	0	0.01	0
Unclassified Establishments	32	33	1.96	16	2.30	19

Source: Nonagriculture private sector estimated from U.S. Department of Commerce, Census Bureau, *Zip Business Patterns 2001*. Agricultural production employees, most government employees, railroad employees, self-employed individuals and employees of private households are not included in this data source. Government employment estimated



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from government agencies and local sources and may understate actual figures. Agriculture employment is a rough estimate — see the “Data Sources” section for details. The concept of establishment for government and agriculture differs from that used for the nonagriculture private sector.

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**TABLE 2**  
**INDUSTRIES WITH EXCESS EMPLOYMENT OF AT LEAST 100\***  
**Lake Havasu City (Zip Codes 86403, 86404, 86405 and 86406), 2001**

Industry	Number of		Relative to Nation		Relative to Arizona	
	Establishments	Employment	Location Quotient	Excess Employment	Location Quotient	Excess Employment
Drywall, acoustical & insulation contractors	21	383	8.01	335	2.44	226
Full-service restaurants	54	924	1.47	294	1.28	205
<b>All other plastics product manufacturing</b>	<b>2</b>	<b>333</b>	<b>4.18</b>	<b>254</b>	<b>7.07</b>	<b>286</b>
<b>Hotels (except casino hotels) &amp; motels</b>	<b>22</b>	<b>408</b>	<b>1.86</b>	<b>189</b>	<b>1.18</b>	<b>63</b>
Department stores	3	447	1.63	172	1.56	160
<b>Boat building</b>	<b>5</b>	<b>157</b>	<b>19.61</b>	<b>149</b>	<b>29.77</b>	<b>152</b>
Travel agencies	7	170	5.87	141	2.47	101
Gasoline stations with convenience stores	18	244	2.34	140	2.21	133
Single-family housing construction	61	242	2.30	137	1.60	91
Concrete contractors	23	184	3.92	137	1.73	78
Linen supply	1	143	15.87	134	13.70	132
<b>Dental laboratories equipment &amp; supplies manufacturing</b>	<b>3</b>	<b>140</b>	<b>19.49</b>	<b>133</b>	<b>18.04</b>	<b>133</b>
Ambulance services	1	148	9.12	131	6.49	125

\* Relative to either the national or Arizona average

Note: Those entries in bold with a gray background have a high proportion of sales to customers outside the region and are considered basic (export) economic activities. Those not in bold with a gray background have a moderate proportion of sales to non-residents. Other industries largely serve local residents.

Source: Estimated from U.S. Department of Commerce, Census Bureau, *Zip Business Patterns 2001*. Agricultural production employees, most government employees, railroad employees, self-employed individuals and employees of private households are not included in this data source.

least 50. According to the Census Bureau, a plastics manufacturer was one of the three largest private-sector employers in Lake Havasu City in 2001, with between 250 and 499 workers. According to the Partnership for Economic Development in Lake Havasu City, Sterilite currently employs 425.

Most of the other industries with substantial excess employment derive their excess from tourists, seasonal residents, or in-migrating retirees. Tourism is represented in Table 2 by several industries, including travel agencies and hotels and motels. Local sources indicate that the London Bridge Resort currently employs more than 300 and the Nautical Inn's workforce slightly exceeds 100; the Census Bureau reported that three lodging places each employed between 50 and 99 in 2001. Serving the tourism industry, the linen supply firm was one of seven establishments reported by the Census Bureau as employing between 100 and 249 in 2001. It was the major reason for the relatively high location quotient in the "other services" sector. Mission Uniform currently employs 200.

Since some of the sales at gasoline stations and restaurants are made to tourists or seasonal residents, these industries are partially basic. Lake Havasu City had excess employment at full-service restaurants and gasoline stations with convenience stores. Local sources indicate that Shugrues employs 250. The Census Bureau reported that five restaurants, a food services contractor, and a gasoline station each employed between 50 and 99 in 2001.

Some of the construction sector serves seasonal residents and in-migrating retirees, both of which are unusually numerous in Lake Havasu City. Single-family housing construction and two special trade contractors industries are among the industries in Table 2. Three other special trade industries provided excess employment of at least 50.

A portion of several retail industries is basic because of sales to tourists, seasonal residents, and in-migrating retirees. The department store industry was the largest of the retail industries. In 2001, one department store employed between 250 and 499 and another had a workforce of between 100 and 249. Currently Wal-Mart employs a little more than 250 and Kmart employs nearly 150. The Home Depot opened subsequent to the Census Bureau's employment count in spring 2001 and now employs around 150. Many other retail trade industries had small amounts of excess employment. Two grocery stores employed between 100 and 249 in 2001. Bashas' and Food City currently employ more than 100.

The Census Bureau data show that the largest private-sector employer in Lake Havasu City in 2001 was a hospital that employed between 500 and 999. Employment at the Havasu Regional Medical Center currently is about 550. An ambulance services establishment and a nursing care facility each employed between 100 and 249 in 2001. Local sources indicate that several other companies currently employ at least 100.

Tourists and seasonal residents are the primary drivers of the Lake Havasu City economy. In-migrating retirees and a few manufacturing industries also contribute.

### **Lake Havasu City v. Comparison Cities**

Lake Havasu City is one of eight incorporated cities in the north river and south river regions of Arizona (La Paz, Mohave and Santa Cruz counties). Per capita employment in Lake Havasu City in 2001 was the fourth highest in the region, less than in Yuma, Parker, and Kingman (see Chart 1). Per capita nonagriculture private-sector employment in Lake Havasu City was second highest, barely less than in Kingman and quite a bit higher than each of the

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other cities. However, per capita government employment ranked seventh, and per capita agriculture employment was the lowest in the region.

Average nonfarm private-sector payroll per employee in 2001 was only \$21,100 in Lake Havasu City — 40 percent less than the national average and 31 percent less than the Arizona average, but equal to the median of Arizona cities. The Lake Havasu City figure was third highest in the region (see Chart 2).

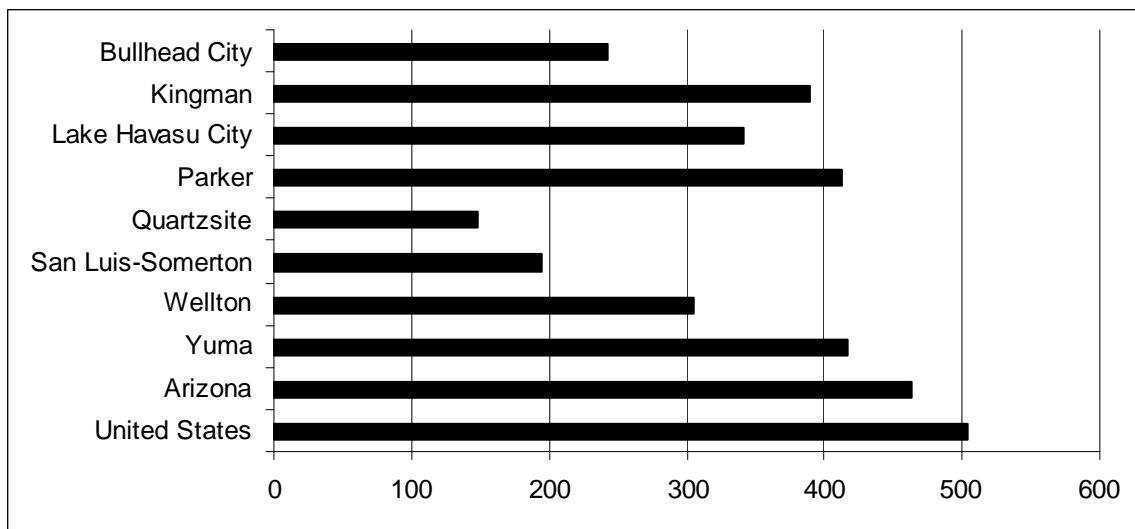
In most sectors, the location quotient in Lake Havasu City ranked between first and third highest among the eight regional cities, including the highest figures in construction and “other services.” The retail trade figure was second highest and the location quotient in accommodation and food services was third highest. Looking specifically at basic activities at the industry level, Lake Havasu City had high location quotients in the manufacturing of boats and dental equipment. The linen supply figure also was high.

A smaller number of comparison cities were selected in four categories, based largely on population size and proximity though industrial mix also was considered:

- Nearby city (within 50 miles) of similar size (a resident count between 50 and 150 percent of Lake Havasu City’s population): Bullhead City and Kingman.
- Nearby larger city (a population two-to-five times as large): No larger city is nearby. Yuma (125 miles away) is about 2.75 times as populous.
- Other proximate cities: Parker is much smaller.
- Similarly sized city farther away: Prescott.

Per capita employment in Lake Havasu City was fifth highest among the six cities in the comparison group, higher only than Bullhead City. Per capita nonfarm private-sector employment was third highest, much less than in Prescott and marginally less than in Kingman. Lake Havasu City had the lowest figures in agriculture and government. Lake Havasu City’s location quotient ranked third in each of the major sectors shown in Chart 3 except construction,

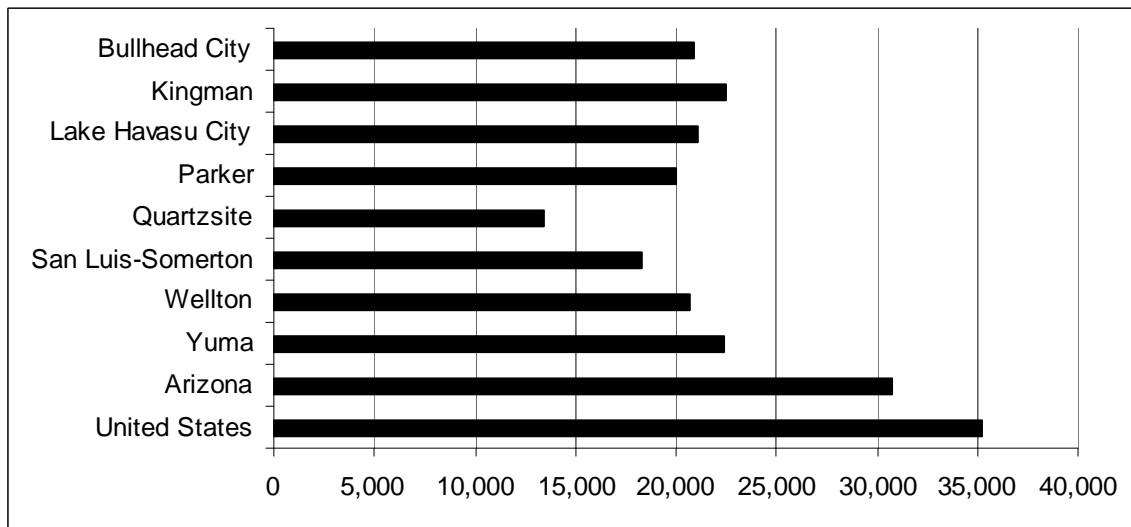
**CHART 1**  
**TOTAL EMPLOYMENT PER 1,000 RESIDENTS**  
**Cities in La Paz, Mohave and Yuma Counties**



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Source: Estimated from U.S. Department of Commerce, Census Bureau, *Zip Business Patterns 2001* and 2000 census, and estimates of agriculture and government employment. where only Prescott had a higher figure. Average nonfarm private-sector payroll per employee in Lake Havasu City was in the middle of the narrow range of \$20,000 to \$22,500 of the comparison group.

**CHART 2**  
**AVERAGE NONFARM PRIVATE-SECTOR PAYROLL PER EMPLOYEE (\$) IN 2001**  
**Cities in La Paz, Mohave and Yuma Counties**

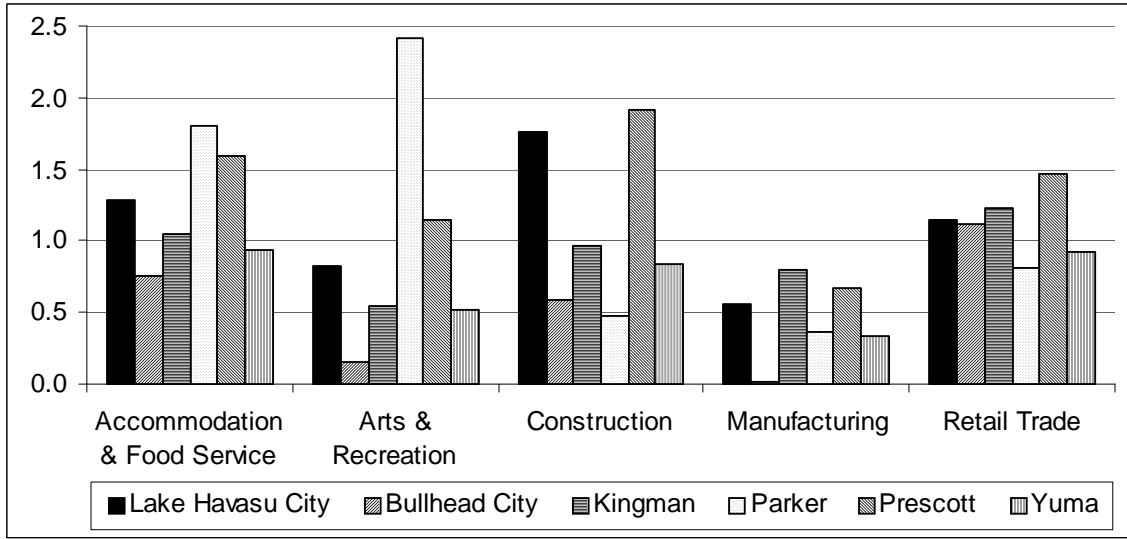


Source: Estimated from U.S. Department of Commerce, Census Bureau, *Zip Business Patterns 2001*.

**CHART 3**  
**LOCATION QUOTIENTS IN 2001**  
**Selected Sectors in Comparison Cities**



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Source: Estimated from U.S. Department of Commerce, Census Bureau, *Zip Business Patterns 2001* and 2000 census.

## DATA SOURCES

National and state economic data were obtained from the latest edition (2001 data released in 2003) of *County Business Patterns*, which is produced annually by the U.S. Department of Commerce's Census Bureau. Data for Lake Havasu City came from a companion product of the Census Bureau, *Zip Business Patterns*; four zip codes (86403, 86404, 86405 and 86406) were combined to approximate the city.

*County Business Patterns* and *Zip Business Patterns* use the hierarchical North American Industry Classification System to provide data by industrial category: broad sectors, subsectors, industry groups, and specific industries. Agricultural production employees, most government employees, railroad employees, self-employed individuals, and employees of private households are not included in either Census Bureau report.

The number of establishments (by employment size: 1 to 4, 5 to 9, 10 to 19, etc.), employment, and payroll are reported in *County Business Patterns* by industrial category. An establishment is a physical location at which business is conducted; a company may consist of one or more establishments. When only a small number of establishments are present in an industrial category (particularly if one establishment within the category is dominant), the Census Bureau withholds the employment and payroll data to protect company confidentiality. Undisclosed data are most frequent at the industry level, but in less populous areas even sectoral data may be withheld. Unlike *County Business Patterns*, employment and payroll data are released *only* for the zip code total in *Zip Business Patterns*.

For industrial categories for which data were not disclosed (including all categories at the city level), employment by sector, subsector, industry group, and industry had to be estimated. For Lake Havasu City, these estimates were made using the establishment by employment-size class data for each industrial category for each zip code and average employment per establishment by employment-size class by sector for the state. The estimates by industrial category for Lake Havasu City's zip codes then were forced to add to the total employment of the zip code.

The data from *Zip Business Patterns* were supplemented by *estimates* of employment in the agriculture and government sectors. No source of either agriculture or government employment by zip code or city exists.

The agriculture sector has two major parts: agricultural production (farms and ranches), and agricultural support, which consists of such activities as cotton ginning and crop harvesting. Forestry, logging, fishing, hunting and trapping activities also are included in the agriculture sector. *Zip Business Patterns* includes only a portion of the agricultural support category.

Agriculture employment at the county level is available for 2001 from the U.S. Bureau of Economic Analysis (BEA), divided into the categories of farm proprietors, farm workers, and agricultural support and other agricultural employment. Some figures had to be estimated in some counties because of the federal government's disclosure restrictions. The county totals were allocated to cities and unincorporated areas within each county by a combination of methods.

To estimate farm and ranch employment in cities and unincorporated areas, the number of farms and ranches by zip code from the 1997 agricultural census (the 2002 census data are not yet available) of the U.S. Department of Agriculture were used. The zip code data were found to be incomplete, with some farms assigned to incorrect zip codes, when the sum of the zip code data by county was compared to the county total provided separately by the Department of

Agriculture. Thus the zip code data were adjusted to sum to the county total. Only those farms and ranches with agricultural sales of at least \$10,000 in 1997 were included, but even some of these farming operations likely do not provide the main source of income for their owners, much less employ others. Thus, average employment (proprietors and farm laborers) per farm and ranch was only 6.6 in Arizona (calculated as 2001 employment divided by the number of farms and ranches in 1997). In each county, average employment per farm and ranch was multiplied by the number of farms and ranches in each city or unincorporated area. The city and unincorporated county estimates were adjusted in some counties if farming operations with significant employment were reported by local sources in particular communities.

County employment in agricultural support and other agricultural activities reported by the BEA were allocated to cities and unincorporated areas using the ratio of BEA agricultural support employment to the agricultural support employment included in *Zip Business Patterns*.

For this report, the government sector was divided into several levels of government: federal (including civilian and military), state, county, municipal or tribal government, school district, and special district (such as an irrigation or fire district). Universities and community colleges are shown as a separate category; depending on the source of government data, they may be included either in state government or as a school district. The inclusion of all or a portion of tribal operations in government varies by source of data.

Several methods had to be used to estimate government employment by city and unincorporated area. The 2002 Census of Governments provides employment by level of government, but does not allocate that employment by community if the government entity crosses jurisdictional boundaries. For example, it provides no indication of federal government employment in Arizona and provides only the overall state government figure (which includes universities). Community colleges are included as a school district and tribal government is not included.

The census figures were used as the starting point for school district employment, special district employment, municipal employment, and county employment. If a school district extends across city boundaries, Arizona Department of Education employment data by individual school were used to allocate the overall school district employment by city. Most of the community colleges have multiple campuses. Data on employment at each campus was collected from the community college district office, and used to allocate the overall community college employment by community.

While most county government employment is located within the boundaries of the county seat, county offices commonly are found in other communities as well. Generally, county governments in Arizona could not provide employment by location, so county offices outside the county seat were individually contacted to obtain employment. In most counties, employment in the county seat was calculated as the difference between the county total from the 2002 census and the number tallied in other locations. This process probably understates county government employment outside the county seat and overstates it at the seat.

State government employment figures by city also are not available. County totals for 2001 were obtained from the Arizona Department of Administration (DOA). State offices were contacted across the state to obtain employment, but in most counties it was not possible to identify all of the county employment reported by the DOA. In these counties, each community's estimate was increased so that the sum of state employment by community equaled the DOA county total.

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Military employment figures at each of the major facilities were obtained from the May 2002 report “Economic Impact of Arizona’s Principal Military Operations,” prepared by the Maguire Company. Smaller military facilities were contacted directly. Similarly, federal civilian employment was collected directly from local federal offices. Like state government, it was not possible to identify all federal workers by this process. The community estimates were increased to sum to the 2001 BEA county totals.

Complete economic data for Lake Havasu City are available in an EXCEL file consisting of two spreadsheets. The first sheet provides the number of establishments by employment-size class for those sectors, subsectors, industry groups, and industries with at least one establishment in Lake Havasu City. Estimated employment also is shown.

The second spreadsheet compares employment in Lake Havasu City to that in Arizona and the nation. All sectors, subsectors, industry groups, and industries are included. For the United States, Arizona, and Lake Havasu City, per capita employment (expressed as employment per 1,000 residents) is calculated for each industrial category. The per capita figures for Lake Havasu City (and Arizona) are divided by the national average for each industrial category to create the location quotient. For industrial categories with location quotients greater than 1, excess employment in Lake Havasu City (and Arizona) is calculated from employment and the location quotient. For Lake Havasu City, the location quotient and excess employment by industrial category also is calculated relative to the Arizona average.