



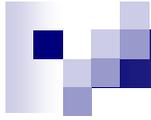
Maricopa County Strategic Plan: 2010-2015

Identifying External Factors

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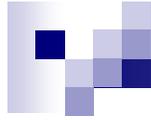


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What **external factors will does
Maricopa County
have to consider
2010 through 2015?**





What Influences revenues and expenses?





Maricopa County Revenue Sources

Property taxes, and State shared VLT & sales taxes make up
92% of General Fund Revenues...

Source	General Fund
Property tax	46.6%
State shared VLT	11.0%
State shared sales tax	34.1%
<hr/>	
	91.7%





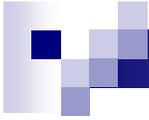
Main Themes

- Strength of national recovery
- Strength of local recovery
 - population flows
 - employment
 - retail sales
- Threat of inflation?
- Population characteristics
- Crime rates
- Real estate – residential & commercial
- Political concerns – national & state



NATIONAL ECONOMIC OUTLOOK 2010-2015





What will the recovery look like?



The Shape of Recoveries

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■ U

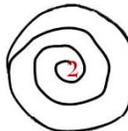
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**Most economists believe the
recovery will be sluggish
(2%+ growth)**





Why?

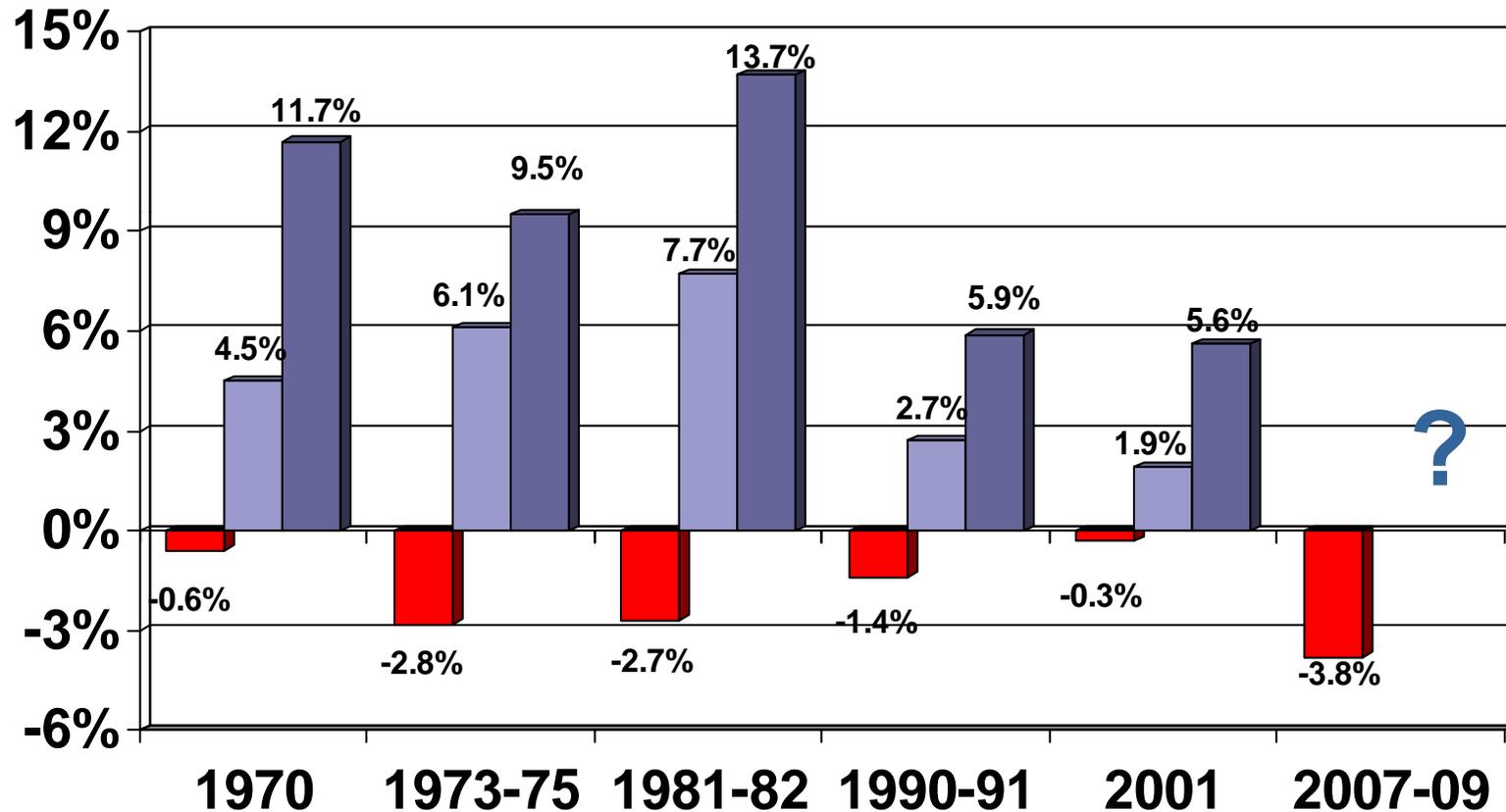
- Consumers still high debt;
- Savings rates not likely to decline;
- Credit standards to remain tight relative to 2002 and 2006;
- No home equity withdrawal (54% of homeowners underwater);
- Employment growth likely to lag in this recovery.



GDP

Peak to Trough Declines during Recessions V. Growth 1- and 2- Years from Recession End

Source: BEA



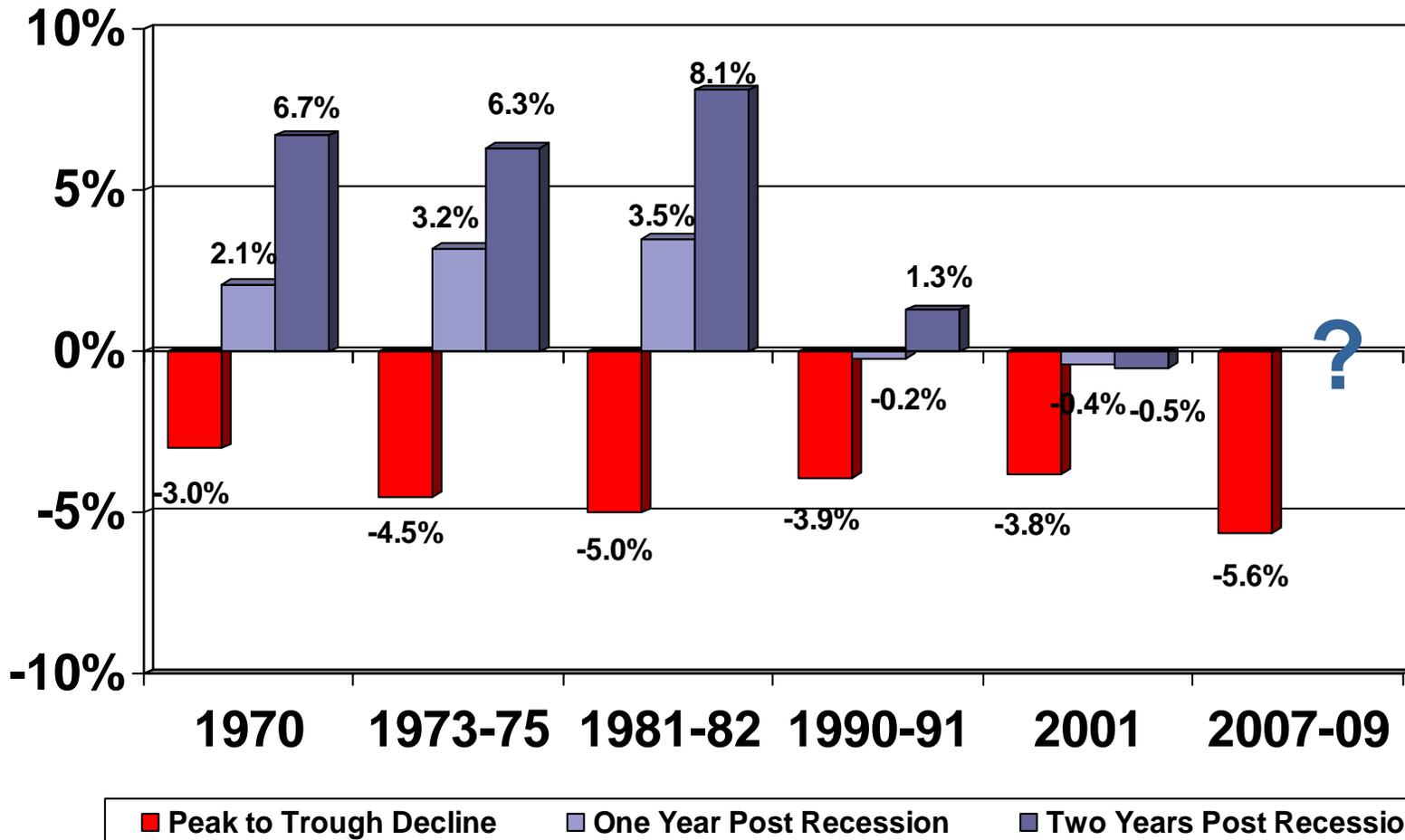
■ Peak to Trough Decline ■ One Year Post Recession ■ Two Years Post Recession



Employment

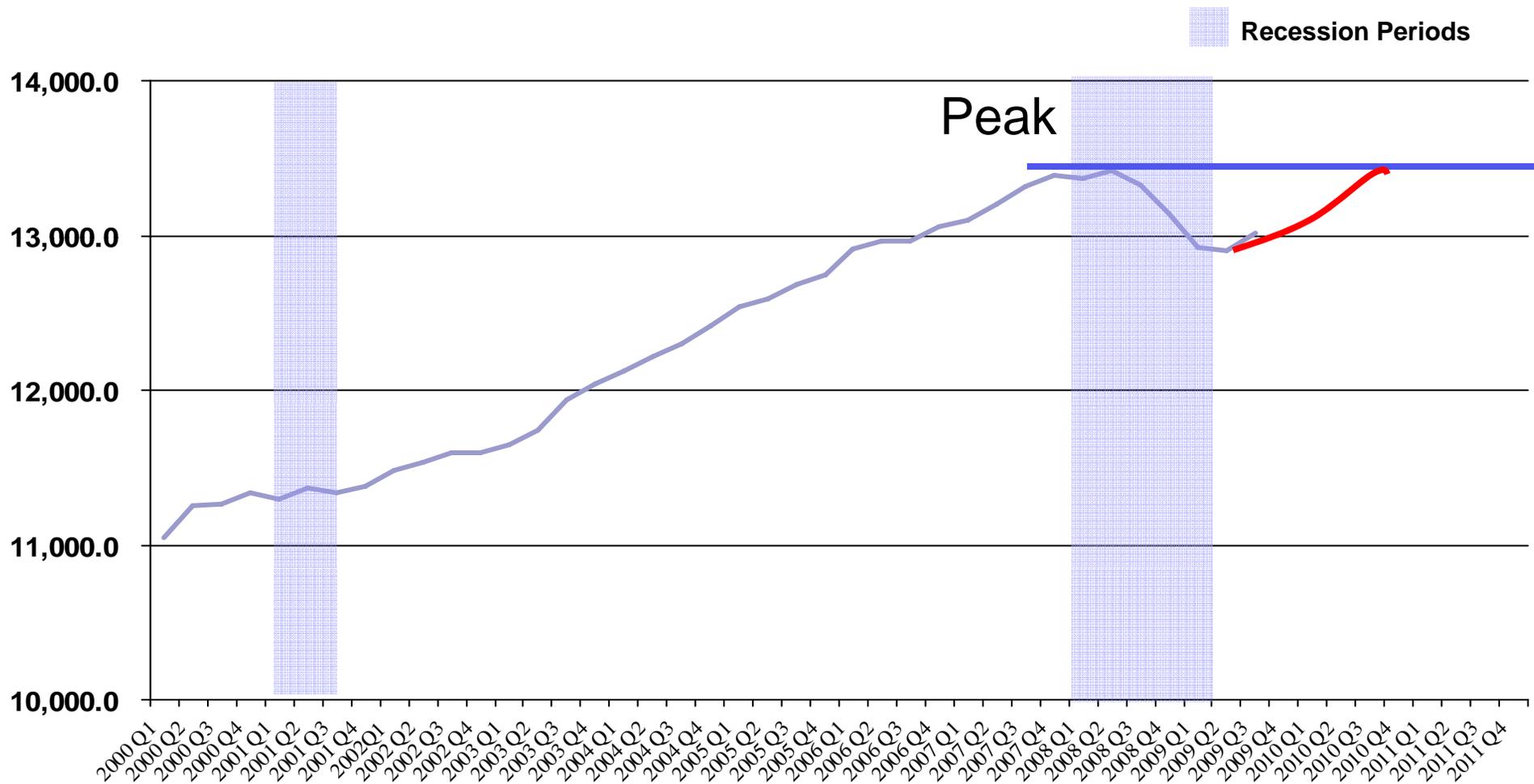
Peak to Trough Declines during Recessions V. Growth 1- and 2- Years from Recession End

Source: BEA



GDP: Back to Peak in 2011?

Source: BEA

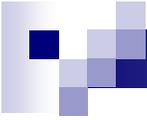




Double Dip Recession?

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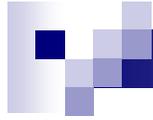




Currently

- Big inventory cycle underway.
- Consumer spending will recover slowly.
- The recovery could be sluggish despite short term large year-over-year gains.
- Economy will continue to recover.
- Outlook not nearly as certain as is typical for this point in the business cycle.





**Fiscal & monetary policy at
work to prevent double dip.**





Probability of a double dip recession?

Low

Probability of a rapid recovery?

Low

Probability of a sluggish recovery?

Most likely



Strength of Local Economy





**Maricopa County recovery
is likely to lag U.S. economy
and be slow by historic
standards.**



Recession is Everywhere And has Impacted Maricopa County

Base industries were impacted

- a) Population flows
- b) Retirement
- c) Semi-conductors
 - Go into durables
 - Jobs being sent overseas
- d) Tourism



Maricopa County Job Loss Worst Ever

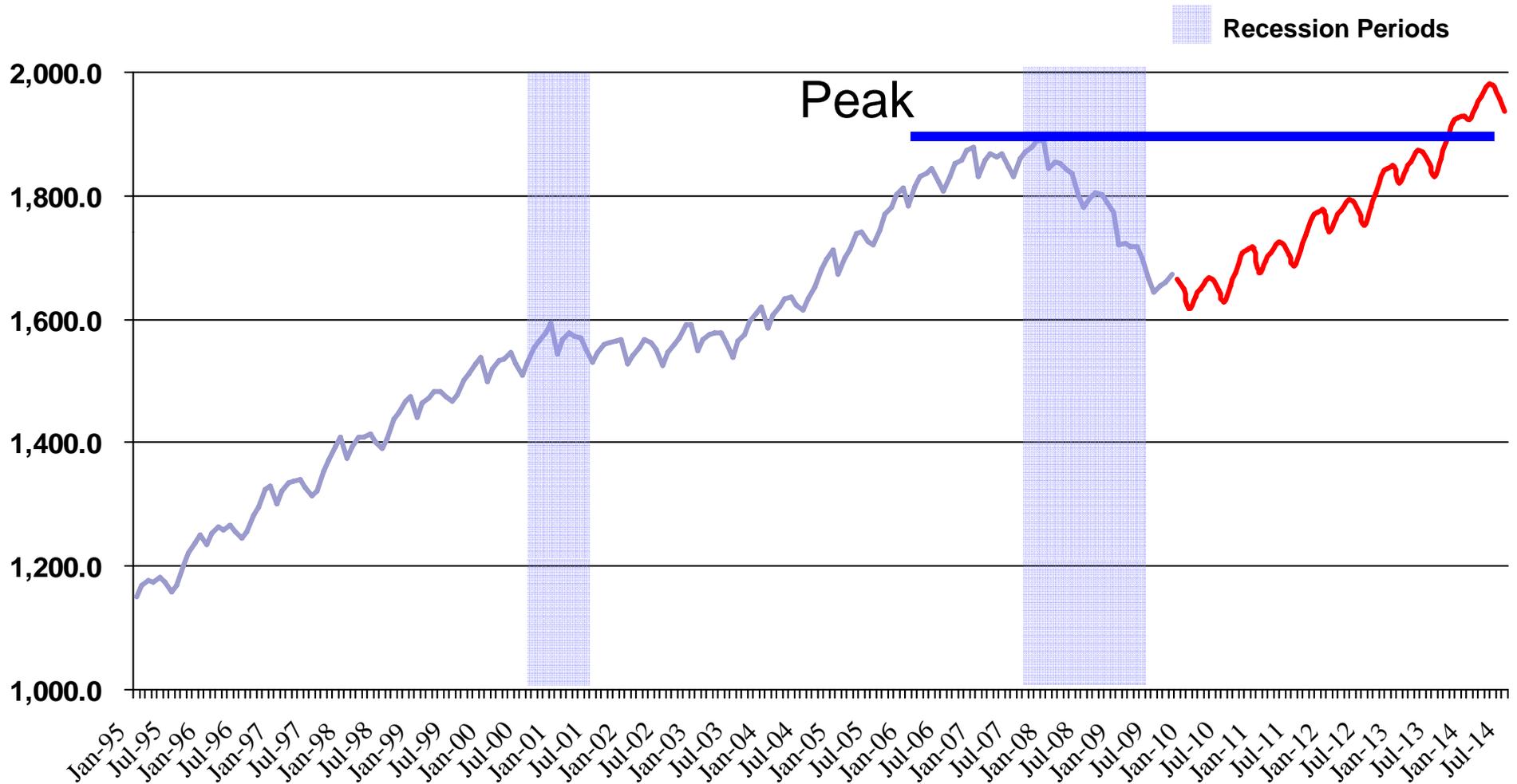
Year	Job Loss
1975	-16,400
1982	-400
1991	-4,700
2001	-2,600
2008	-48,100
2009	-108,900
2010	-17,100

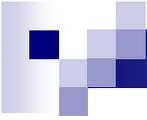
174,000



Employment Levels: Maricopa County back to Peak in 2014

Source: ADOC





Maricopa County Recovery:

- Most of the next 5 years will be a “recovery” not an “expansion”.
- Recovery will be painfully slow at first (in terms of employment).
- 2010 as a whole will be negative (1st half negative, 2nd half moderately positive).
- Recoveries are usually created by expansion in housing, manufacturing, education and health services and retail sales (none of these will be strong enough to spur significant growth in near term).





Maricopa County Recovery:

- 2010 will be better than 2009
- 2011 will be better than 2010

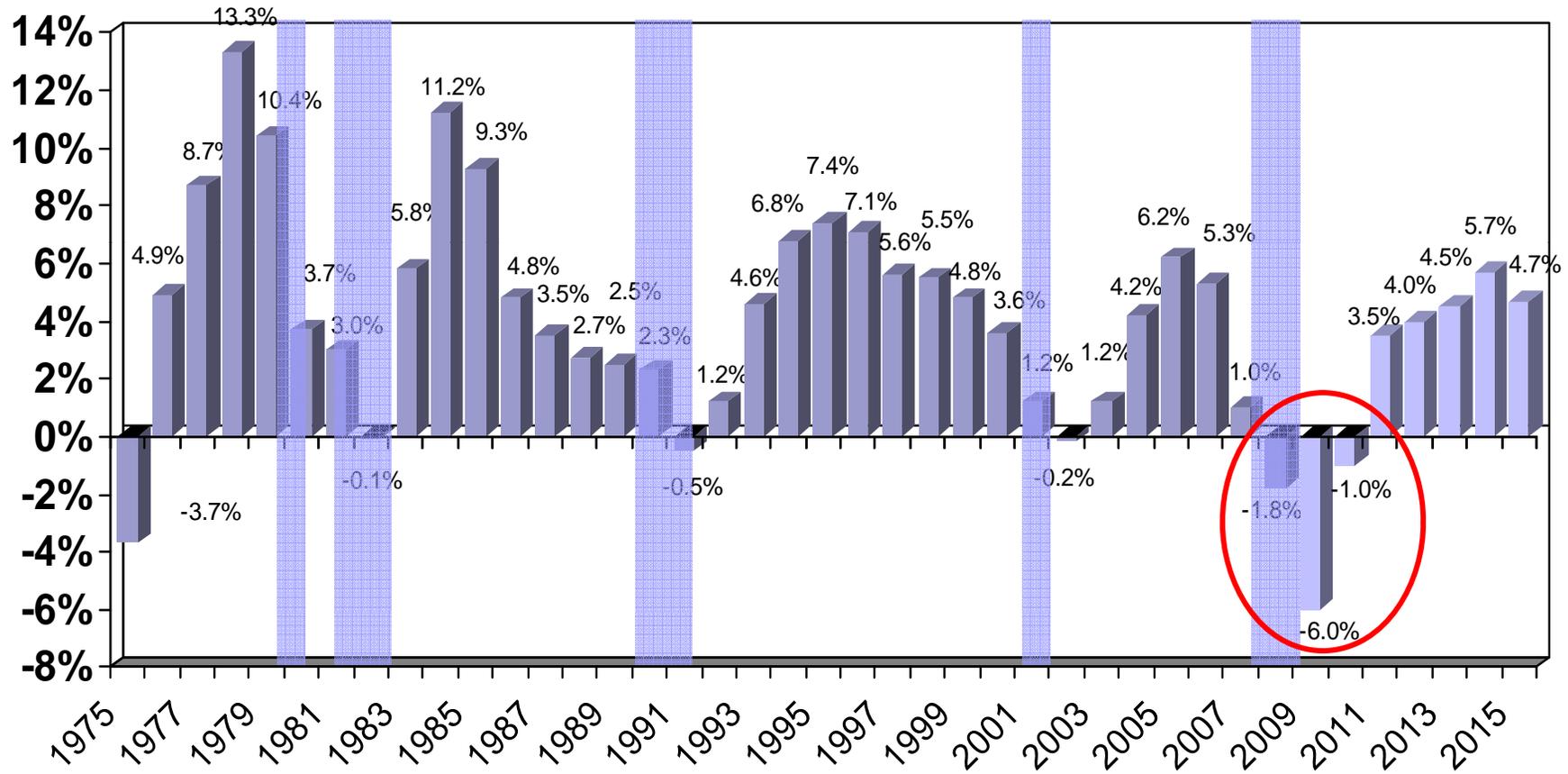
But, it will be **2012** before any meaningful job growth.



Maricopa Employment*

Annual Percent Change 1975–2015**

Source: Department of Commerce, Research Administration



*Non-agricultural wage & salary employment. Changed from SIC to NAICS reporting in 1990.

** 2009 & 2010 forecast is from *Elliott D. Pollack & Co.*

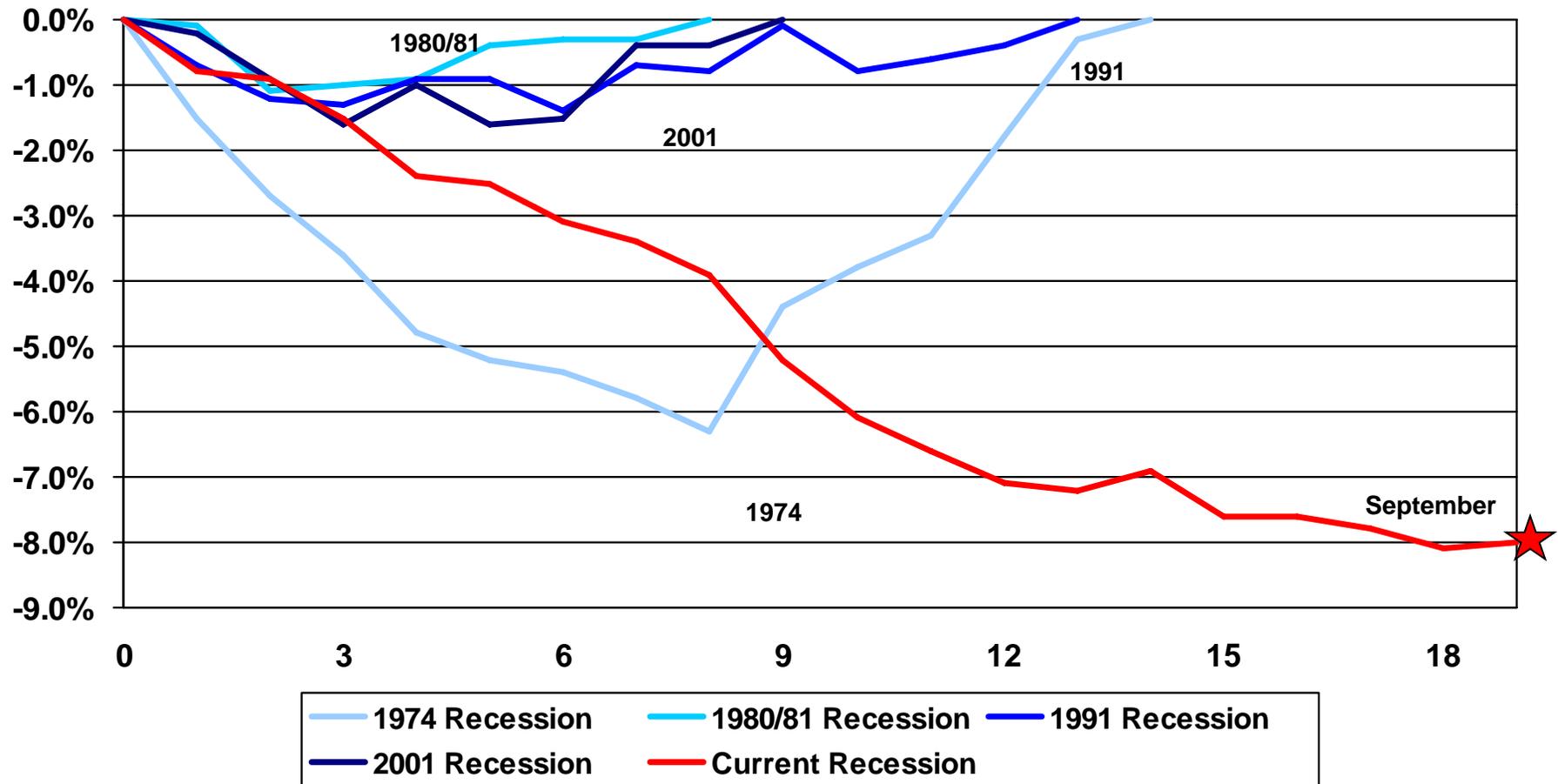
Recession Periods



Elliott D. Pollack & Company

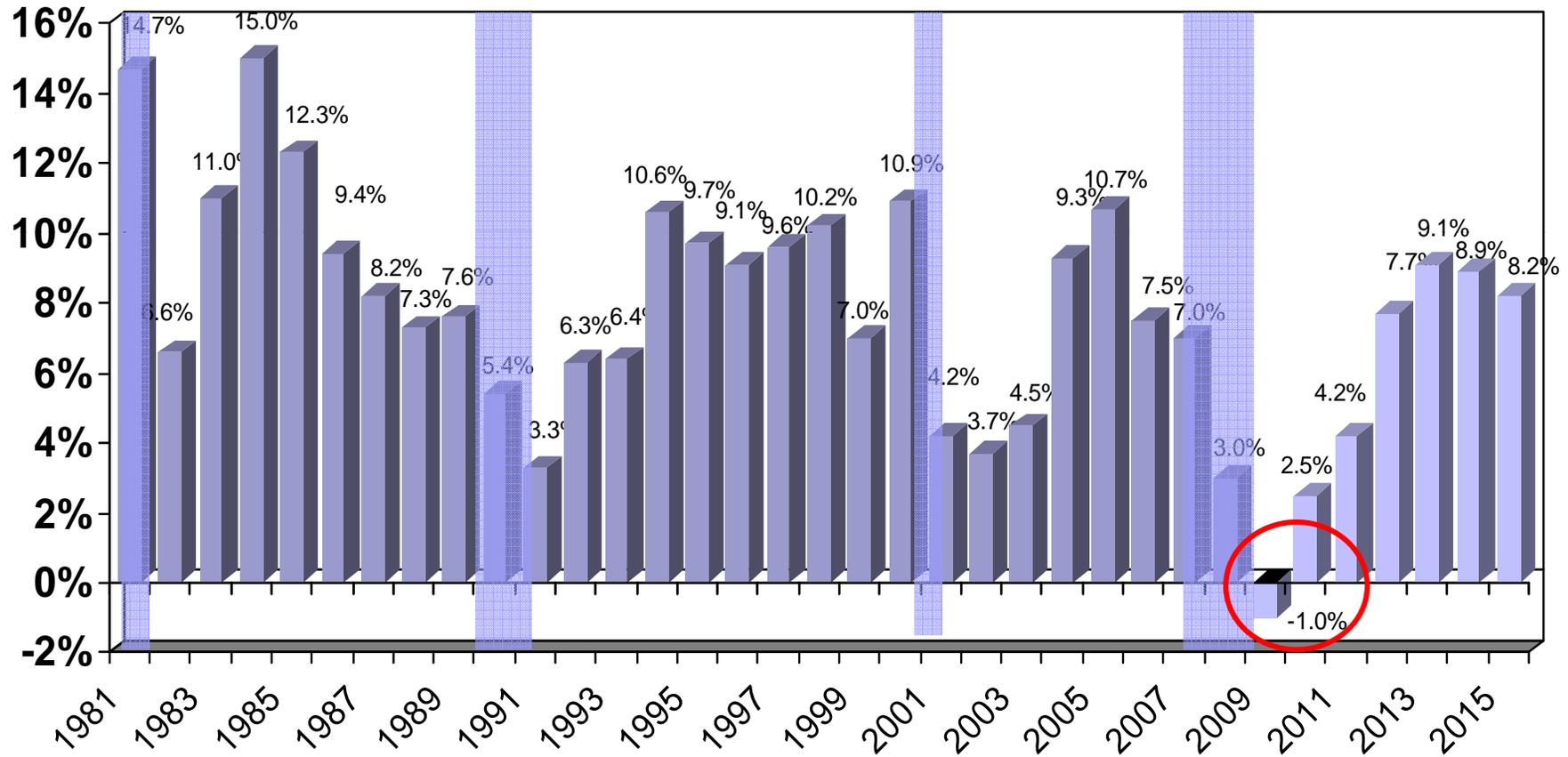
Maricopa County Job Losses - Recent Recessions

Duration in Months - BLS



Maricopa County Personal Income* Annual Percent Change 1981–2015**

Source: Bureau of Labor Statistics



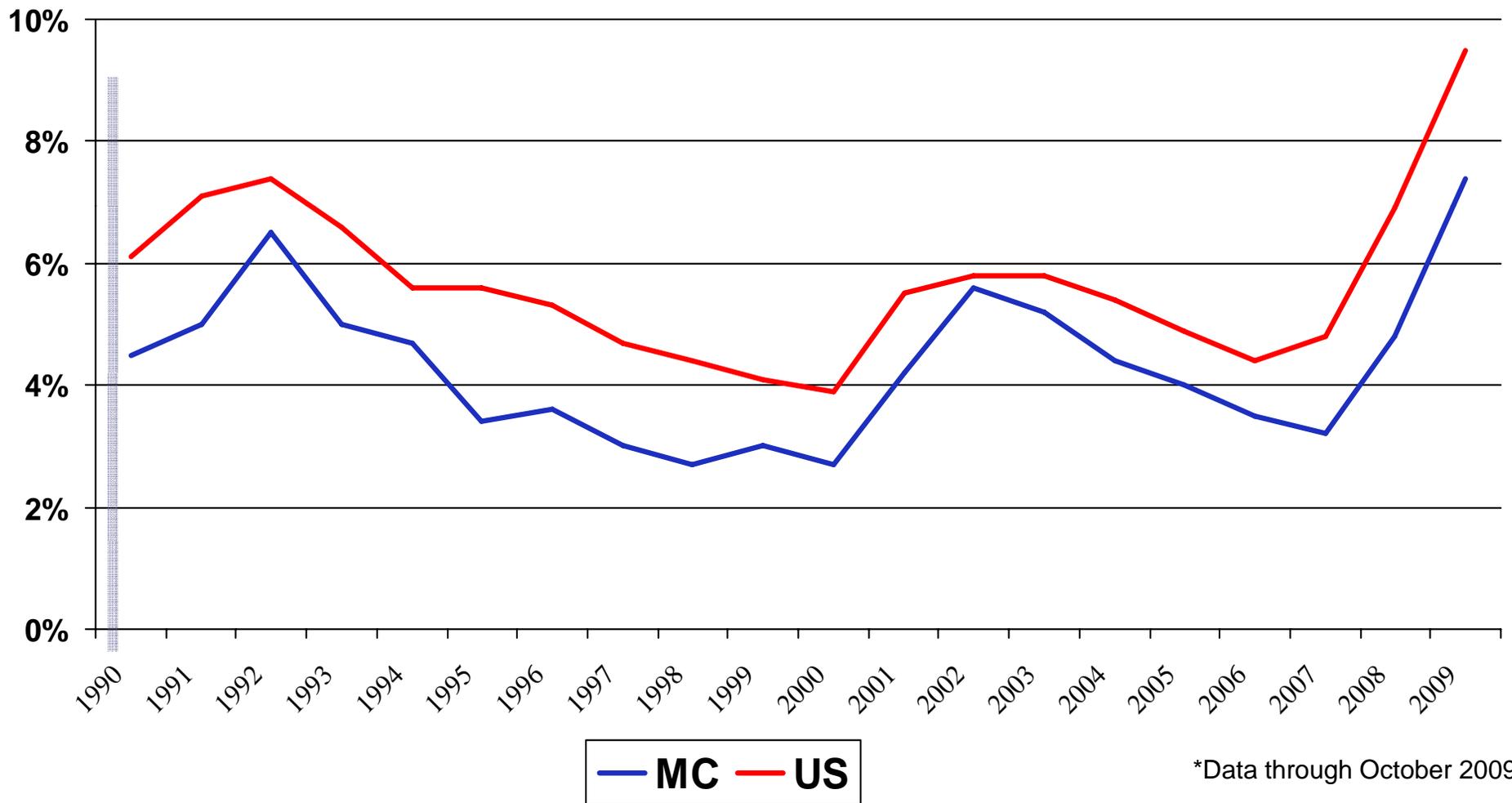
** 2010-2015 forecast is from Elliott D. Pollack & Co.

Recession Periods



Elliott D. Pollack & Company

Unemployment Rate: Maricopa County and U.S. 1990 – 2009*

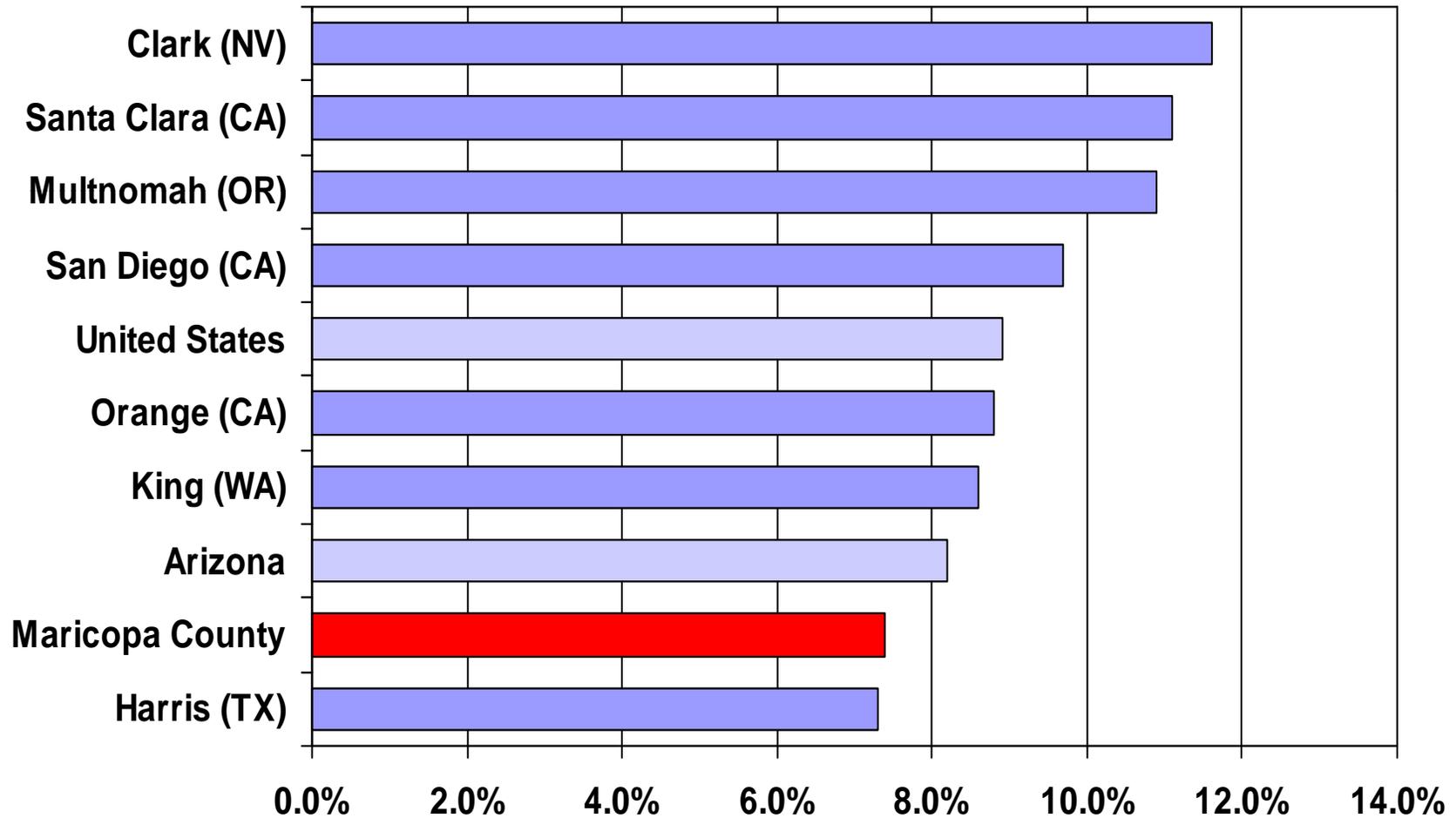


*Data through October 2009



2009 Unemployment Rates Peer Counties

Source: Bureau of Labor Statistics





One of the biggest
problems is
population flows.





Maricopa County Recovery:

- Retirement funding;
- Ability to sell house elsewhere;
- Ability to take equity out of home;
- Ability to move and find a job.





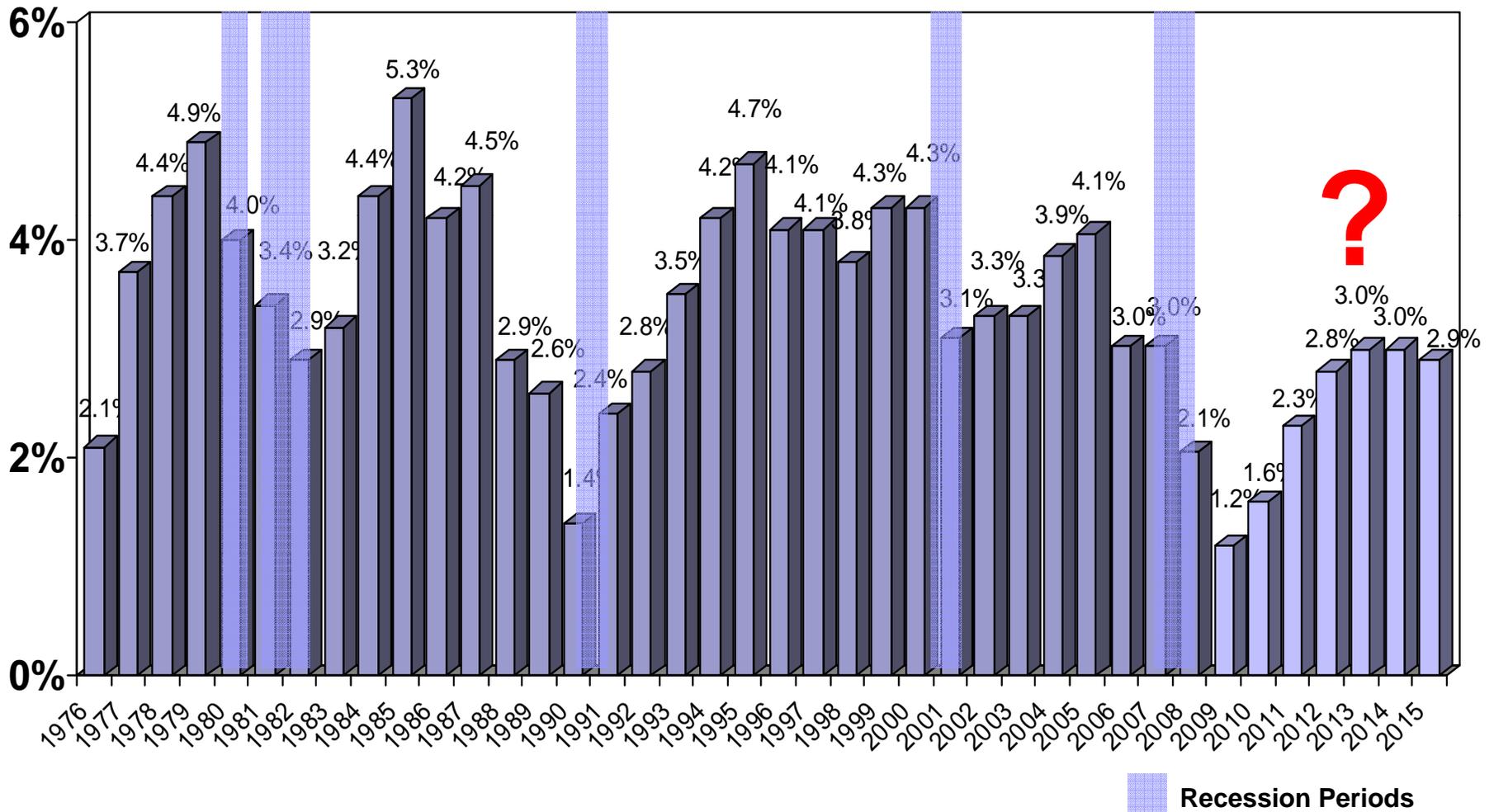
Population flows:

- Also will recover slowly
- Not likely to see population growth above 3% any time between now and 2015.



Maricopa County Population Annual Percent Change 1976–2015*

Source: ADOC





Real Estate Market

- Likely already hit bottom in residential permits and prices.
- Still a large number of vacant units.
- Permits in 2009 are 85% below peak in 2005.
- Percent gains in residential are large but still way below normal.
- Offsetting that will be decline in commercial construction, prices and rents.





Real Estate Market Bottom Line

- Arizona and Maricopa County usually have a robust real estate recovery.
- Low probability this cycle.
- Most likely that 2010 and 2011 will remain relatively anemic.





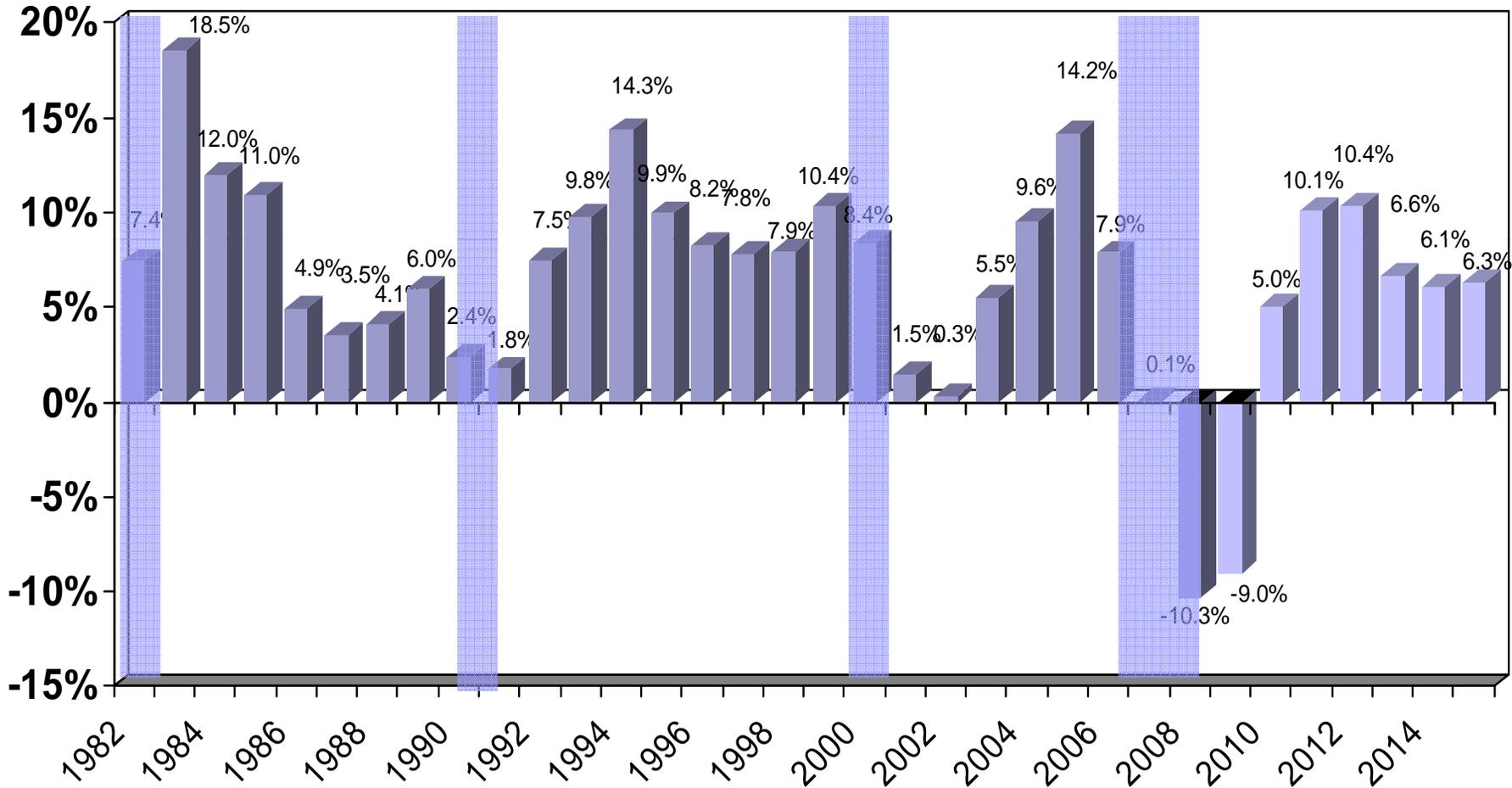
Retail Sales

- May have some big quarters before slowing to more sustainable levels.
- Likely to be positive in 2010 and 2011.



Maricopa County Retail Sales* Annual Percent Change 1981–2015**

Source: Bureau of Labor Statistics



** 2010-2015 forecast is from Elliott D. Pollack & Co.

 Recession Periods



Elliott D. Pollack & Company



Overall, the worst is probably behind us, even though it will be 2nd half of 2010 before employment picks up.





Threat of Inflation?





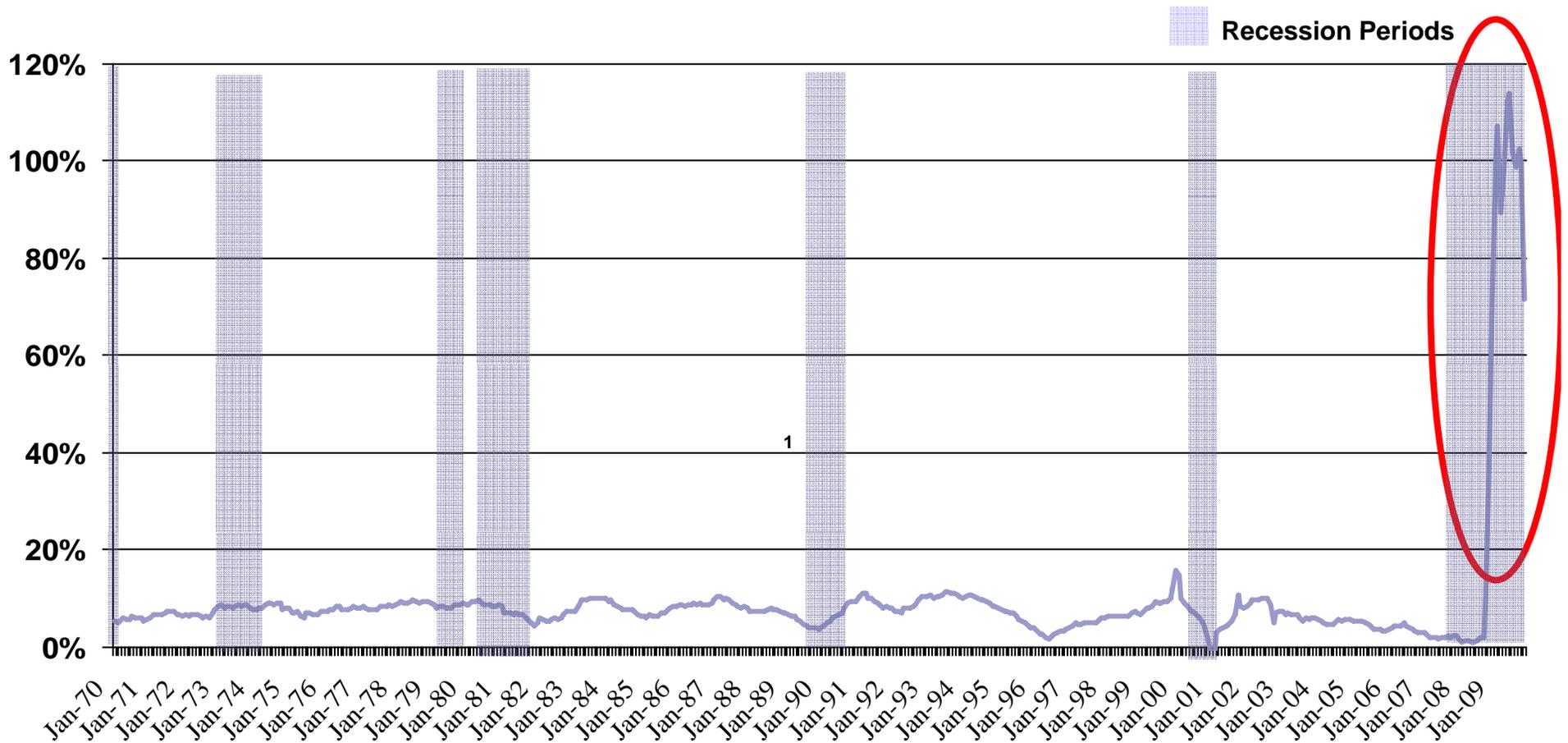
Inflation Risk:

- Limited in 2010 into 2011 because not much demand for credit (businesses self funding).
- Fed needs to get the money supply under control.
- Risk is more political (congress pressures).
- Therefore, no answer at this time.



Monetary Base* Percent Change Year Ago 1970 – 2009**

Source: Federal Reserve



**Data through October 2009

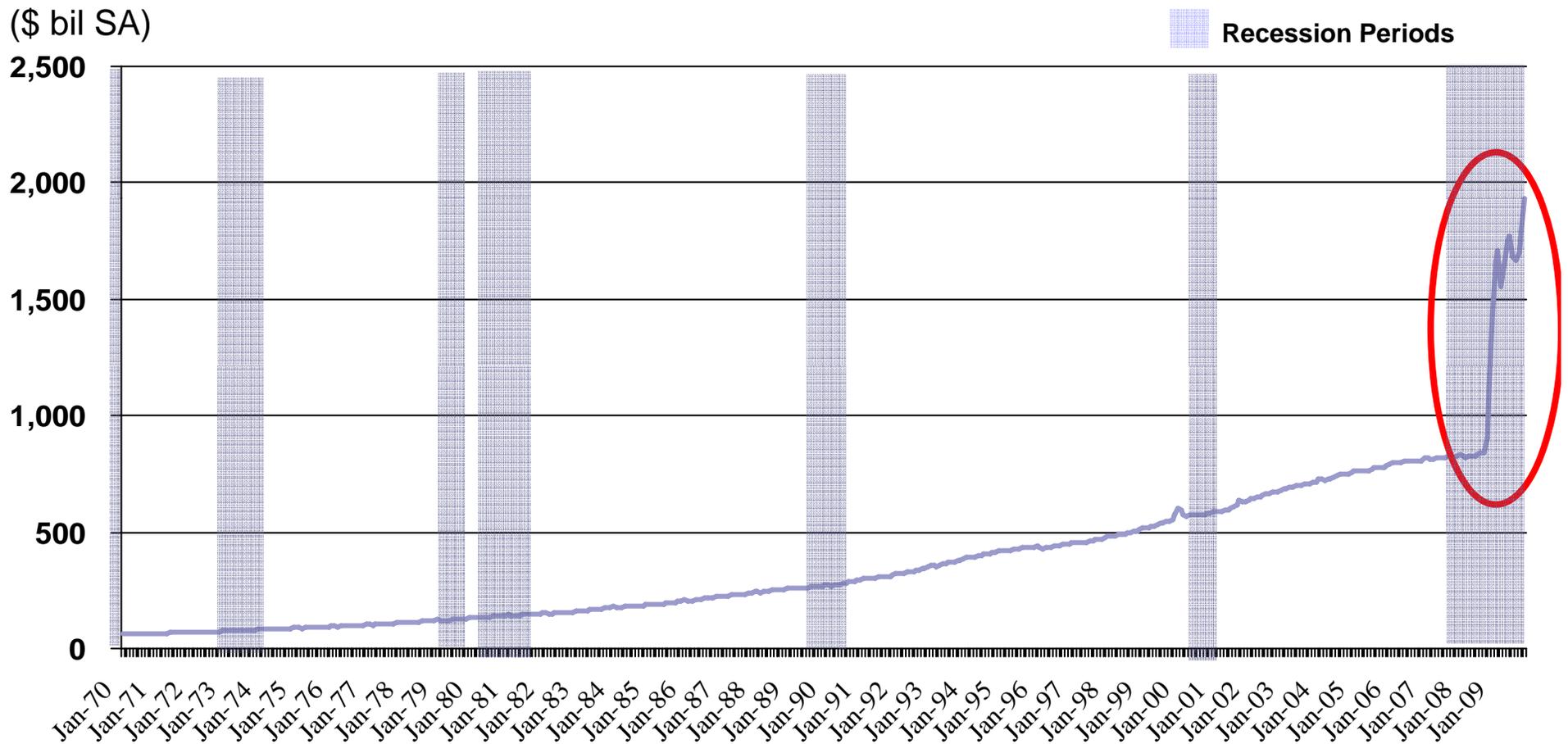


Elliott D. Pollack & Company

*Monetary base comprises only coins, paper money and commercial bank reserves with the central bank..

Monetary Base* 1970 – 2009**

Source: Federal Reserve



**Data through October 2009

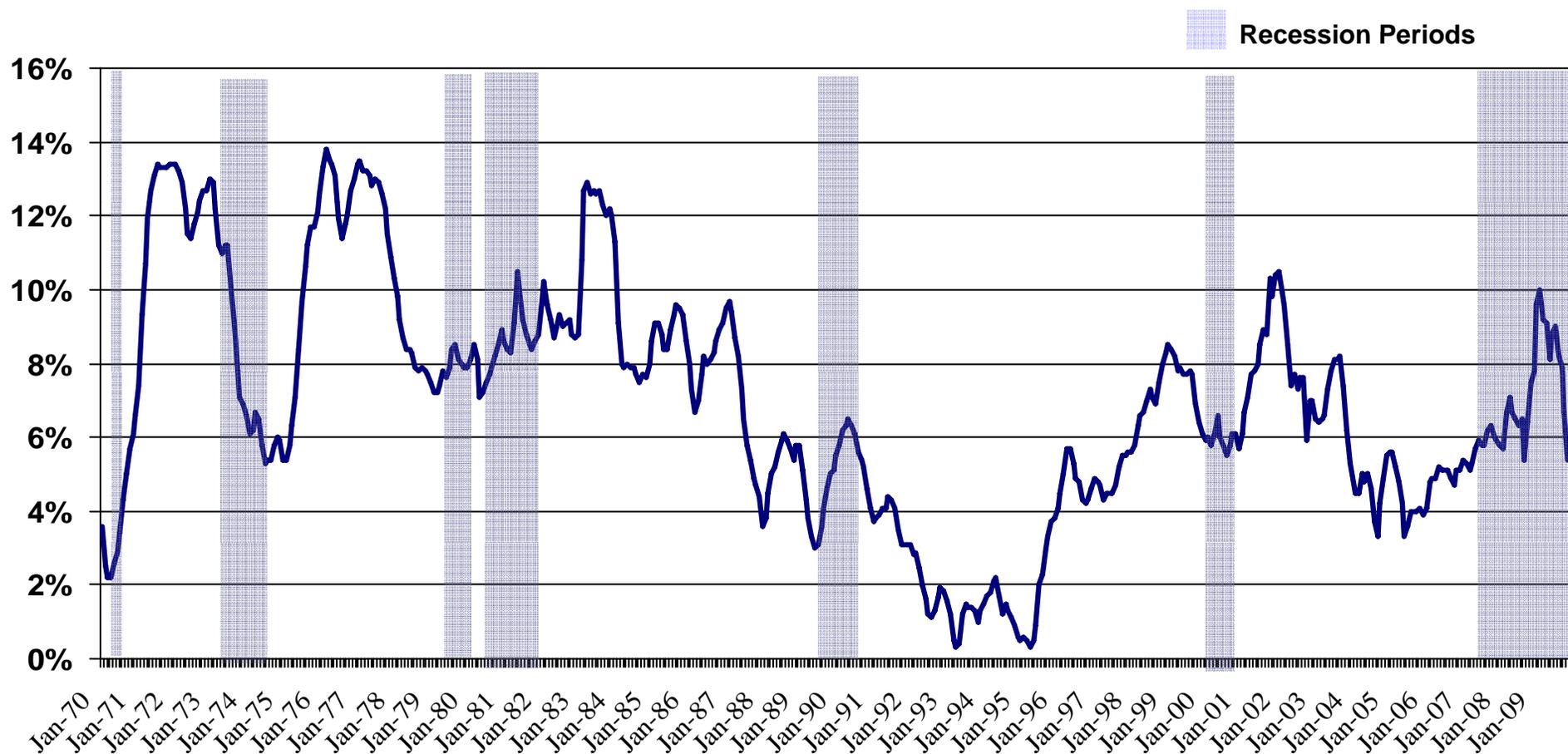


Elliott D. Pollack & Company

*Monetary base comprises only coins, paper money and commercial bank reserves with the central bank..

M2 Supply* Percent Change Year Ago 1970 – 2009**

Source: Federal Reserve



**Data through October 2009



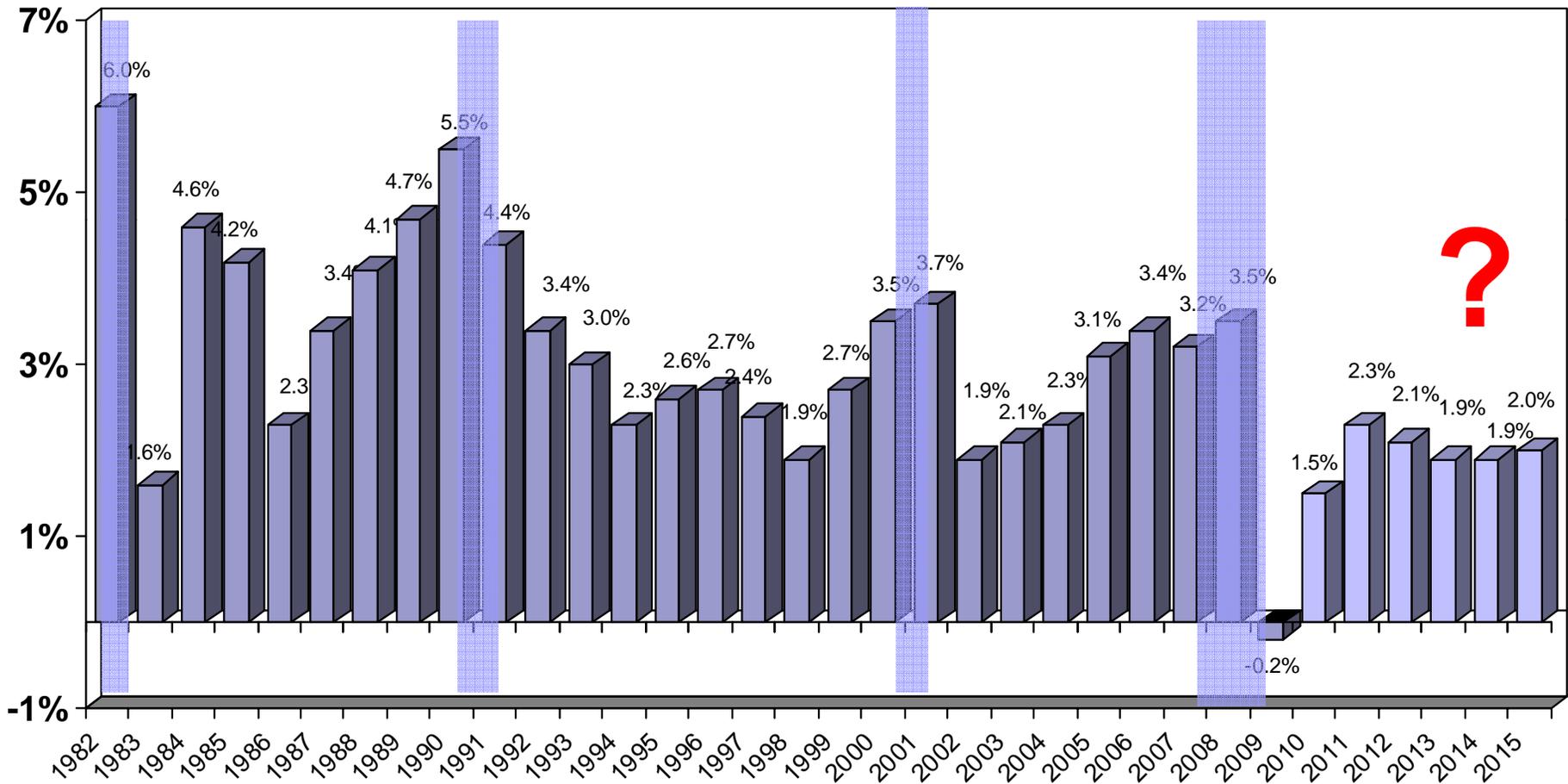
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*M2 includes a broader set of financial assets held by households. M2 includes M1 plus (1) savings deposits (2) small denomination time deposits and (3) money market balances.

CPI-West Urban

Annual Percent Change 1976–2015*

Source: Bureau of Labor Statistics / University of Arizona

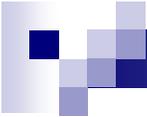


Recession Periods



Population Characteristics





Maricopa County Population

Source: U.S. Bureau of Census; Arizona Department of Commerce

<u>Year</u>	<u>Population</u>	
1950	331,770	
1960	663,510	
1970	967,522	
1980	1,509,052	
1990	2,122,101	
2000	3,072,149	
2010	4,100,370	??
2015	4,707,405	??



Maricopa County Population Rank

(population 1970-2000; Source: U.S. Department of Commerce, Bureau of the Census)

Rank	1960	1970	1980	1990	2000	2008
1	Los Angeles County					
2	Cook County					
3	Wayne County	Wayne County	Harris County	Harris County	Harris County	Harris County
4	Kings County	Kings County	Wayne County	San Diego County	Maricopa County	Maricopa County
5	Philadelphia County	Queens County	Kings County	Orange County	Orange County	Orange County
6	Queens County	Philadelphia County	Orange County	Kings County	San Diego County	San Diego County
7	New York County	Harris County	Queens County	Maricopa County	Kings County	Kings County
8	Cuyahoga County	Cuyahoga County	San Diego County	Wayne County	Miami-Dade County	Dallas County
9	Allegheny County	Allegheny County	Philadelphia County	Queens County	Queens County	Miami-Dade County
10	Bronx County	New York County	Miami-Dade County	Miami-Dade County	Dallas County	Queens County
11	Nassau County	Bronx County	Dallas County	Dallas County	Wayne County	Riverside County
12	Harris County	Nassau County	Maricopa County	Philadelphia County	King County	San Bernardino County
13	Middlesex County	Orange County	Cuyahoga County	King County	San Bernardino County	Wayne County
14	Erie County	Middlesex County	Allegheny County	Santa Clara County	Santa Clara County	King County
15	Milwaukee County	San Diego County	New York County	New York County	Broward County	Clark County
16	San Diego County	Dallas County	Middlesex County	San Bernardino County	Riverside County	Santa Clara County
17	Dallas County	Miami-Dade County	Nassau County	Cuyahoga County	New York County	Broward County
18	Baltimore city	King County	Santa Clara County	Middlesex County	Philadelphia County	Tarrant County
19	Miami-Dade County	Suffolk County	Suffolk County	Allegheny County	Middlesex County	New York County
20	King County	Erie County	King County	Suffolk County	Tarrant County	Bexar County
21	Essex County	Alameda County	Bronx County	Nassau County	Alameda County	Suffolk County
22	Alameda County	Santa Clara County	Alameda County	Alameda County	Suffolk County	Middlesex County
23	Hamilton County	Milwaukee County	Broward County	Broward County	Cuyahoga County	Alameda County
24	Hennepin County	Maricopa County	Erie County	Bronx County	Bexar County	Philadelphia County
25	Westchester County	Hennepin County	Oakland County	Bexar County	Clark County	Sacramento County
26	Suffolk County	St Louis County	Bexar County	Riverside County	Nassau County	Bronx County
27	Bergen County	Essex County	St Louis County	Tarrant County	Bronx County	Nassau County
28	St Louis city	Hamilton County	Milwaukee County	Oakland County	Allegheny County	Cuyahoga County
29	Orange County	Oakland County	Hennepin County	Sacramento County	Sacramento County	Palm Beach County
30	St Louis County	Baltimore city	San Bernardino County	Hennepin County	Oakland County	Allegheny County
31	Marion County	Bergen County	Hamilton County	St Louis County	Palm Beach County	Oakland County
32	Oakland County	Westchester County	Franklin County	Erie County	Hennepin County	Hillsborough County
33	Hartford County	Franklin County	Westchester County	Franklin County	Franklin County	Hennepin County
34	Bexar County	Bexar County	Tarrant County	Milwaukee County	St Louis County	Franklin County
35	Franklin County	Hartford County	Essex County	Westchester County	Hillsborough County	Orange County
36	Suffolk County	Marion County	Bergen County	Hamilton County	Fairfax County	Contra Costa County
37	Maricopa County	Fairfield County	Hartford County	Palm Beach County	Erie County	Salt Lake County





Will Maricopa County Surpass Harris County?

(population 1970-2000; Source: U.S. Department of Commerce, Bureau of the Census)

Rank	<u>2010</u>	<u>2015</u>
1	Los Angeles County	Los Angeles County
2	Cook County	Cook County
3	Harris County	Maricopa County
4	Maricopa County	Harris County
5	Orange County	Orange County



Maricopa County Vital Statistics

Source: Arizona Department of Health Statistics

Year	Births	Deaths
1999	51,503	22,348
2000	54,470	22,600
2001	55,624	22,790
2002	56,614	23,490
2003	59,000	23,549
2004	60,635	23,533
2005	62,232	24,902
2006	66,160	25,176
2007	65,931	24,417
2008	62,667	24,304

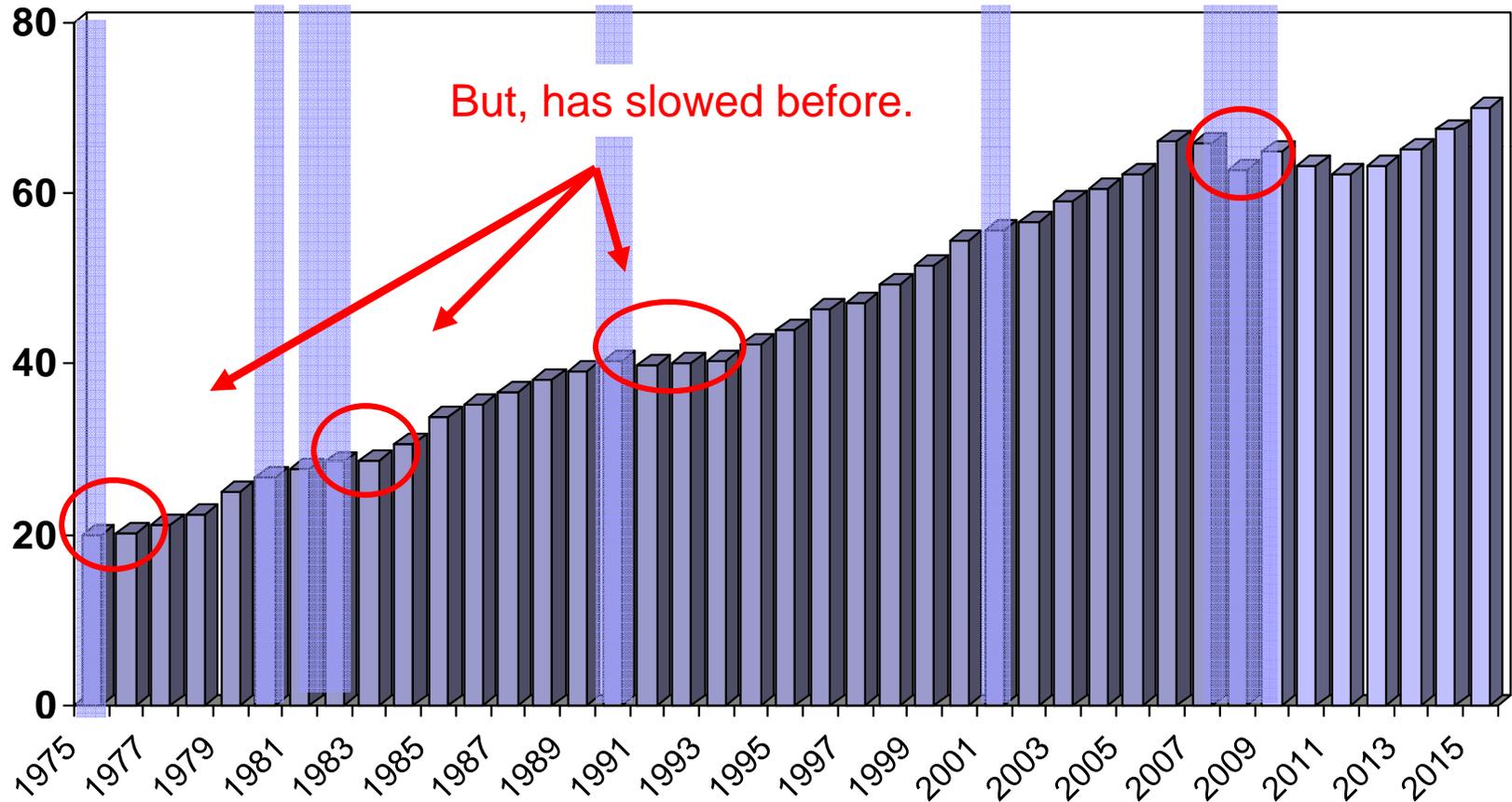
First time slowed in recent history.



Maricopa County Births 1975–2015

Source: University of Arizona

Recession Periods



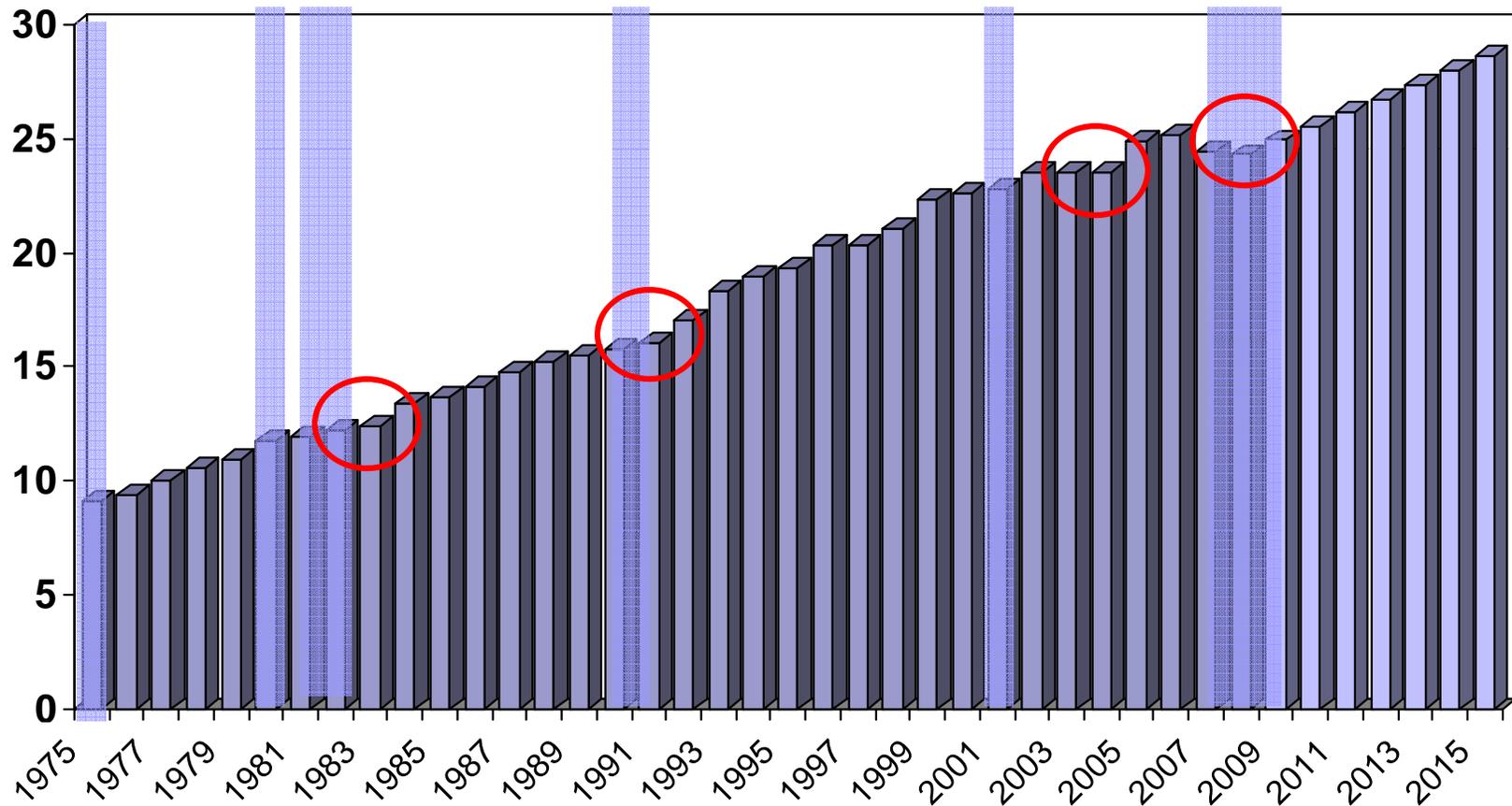
But, has slowed before.



Maricopa County Deaths 1975–2015

Source: University of Arizona

Recession Periods





Births and Deaths:

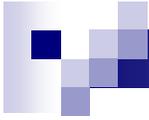
- Employer sanctions act
- Nobody showing up
- At present, population growth could be flat
- It could even be negative.





Aging of the Population





**Baby Boomers make up
25% of population.**

**Baby boomers start to reach
65 years (retirement) in 2011.**

Delayed??





Median Age Projections

Source: U.S. Bureau of the Census; ESRI

	<u>2000</u>	<u>2010</u>	<u>2015</u>
Maricopa County	33.0	34.6	34.9
United States	35.3	37.2	37.3

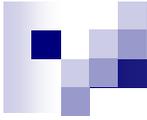


Maricopa County Population by Age

Source: U.S. Bureau of the Census; ESRI

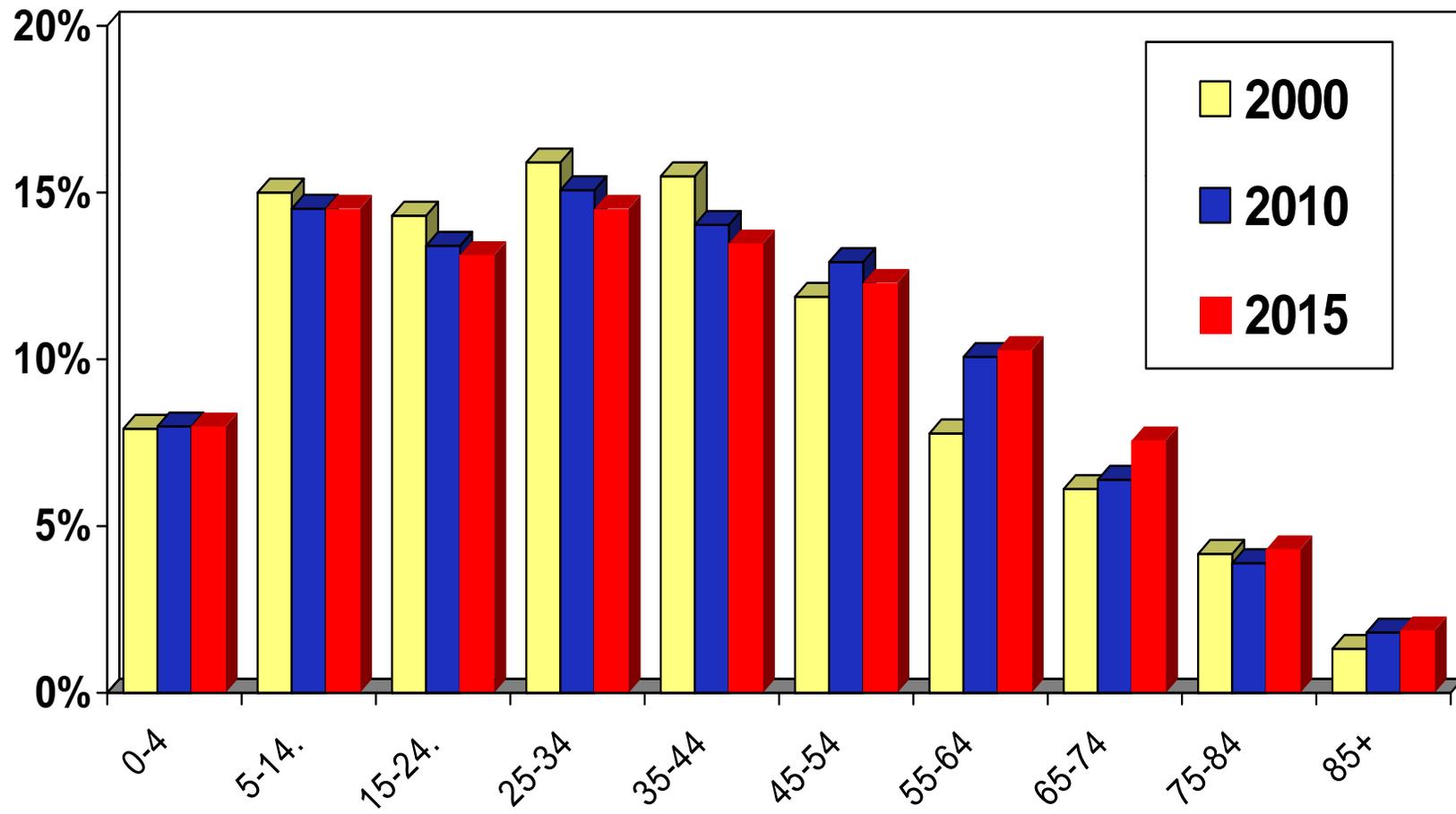
	2000	2010	2015		
0-4	7.9%	8.0%	8.0%		
5-9	7.8%	7.7%	7.5%		
10-14	7.2%	6.8%	7.0%		
15-19	7.0%	6.6%	6.4%		
20-24	7.3%	6.8%	6.7%		
<u>2000</u>			<u>2015</u>		
25-34	15.9%	15.1%	14.5%		
31.4%	35-44	15.5%	14.0%	13.5%	28.0%
	45-54	11.9%	12.9%	12.3%	
19.7%	55-64	7.8%	10.1%	10.3%	22.6%
	65-74	6.1%	6.4%	7.6%	
	75-84	4.2%	3.9%	4.3%	
	85+	1.3%	1.8%	1.9%	

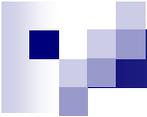




Maricopa County Population by Age Percent of Total Population

Source: ESRI





Maricopa County Population 55+ years

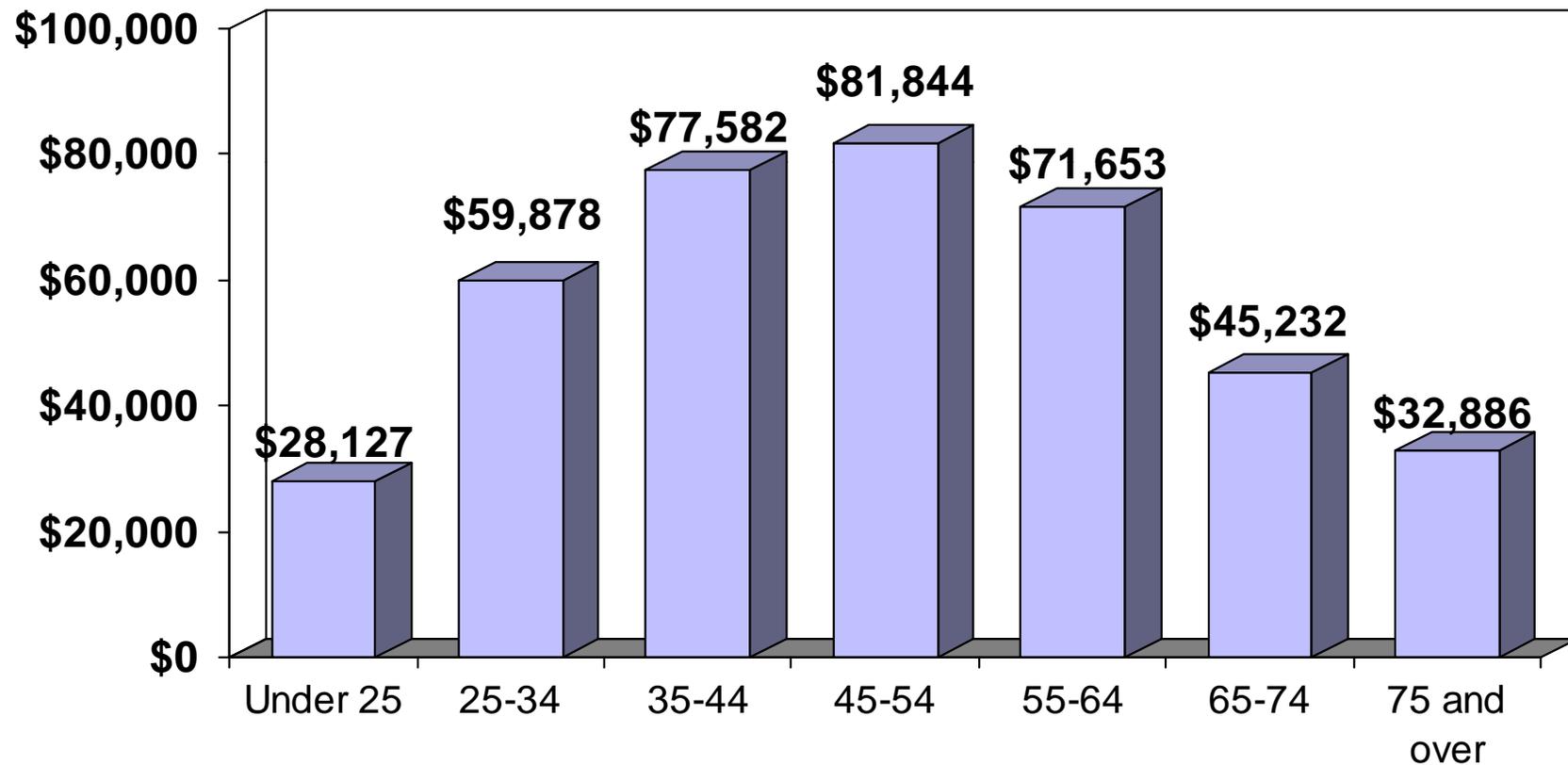
Source: U.S. Bureau of the Census; ESRI

	2000	2010	2015
55+ years	600,081	904,630	1,134,485
% of Total Pop	19.5%	22.1%	24.1%



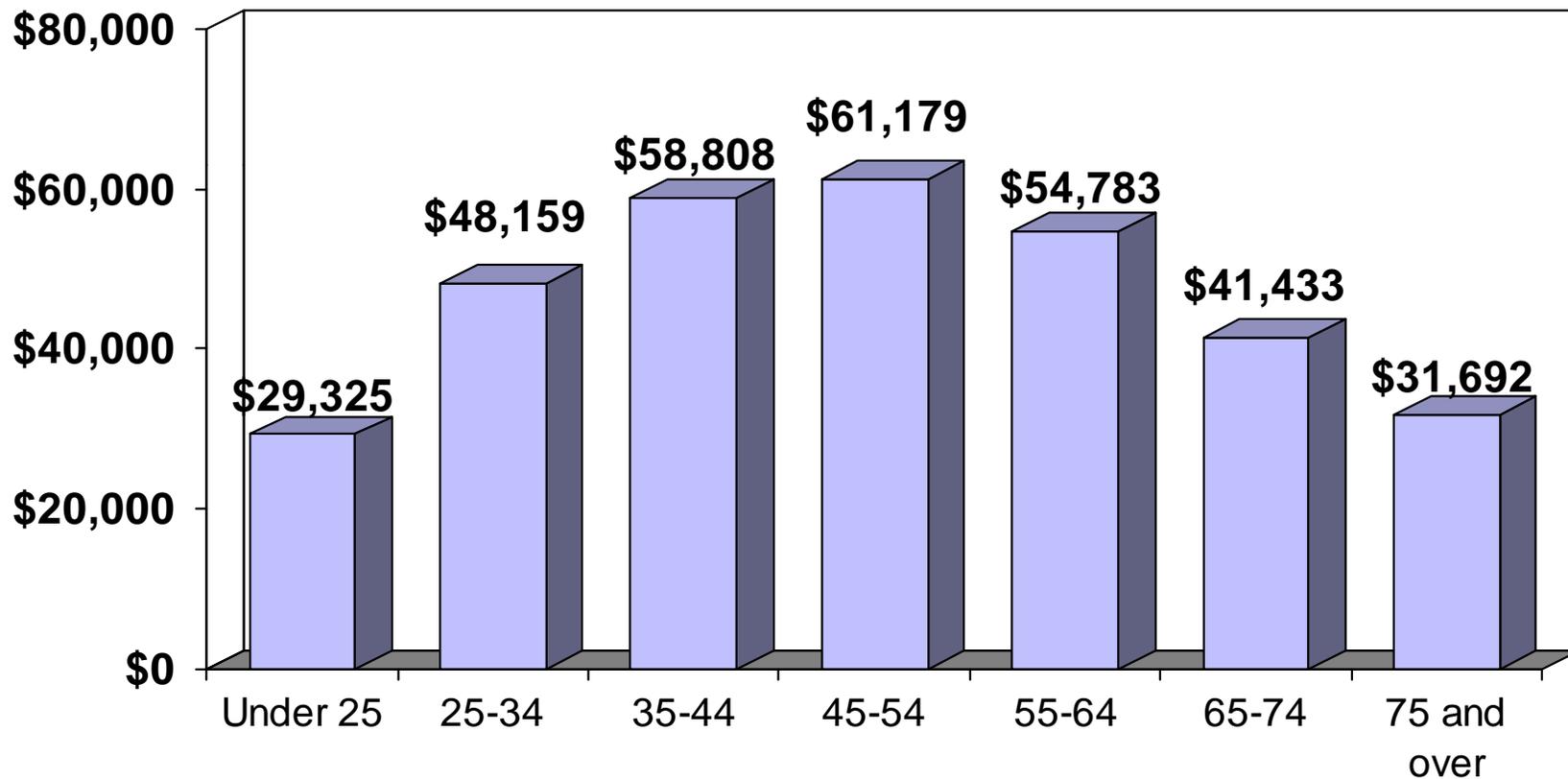
Incomes over the Life Cycle

Source: 2008 Consumer Expenditure Survey



Annual Expenditures over the Life Cycle

Source: 2008 Consumer Expenditure Survey



Population by Race

Source: U.S. Bureau of the Census; ESRI

	1990	2000	2010	2015
White	84.8%	77.4%	73.6%	71.5%
Black or African American	3.5%	3.7%	3.9%	4.0%
American Indian and Alaskan Native	1.8%	1.8%	1.8%	1.7%
Asian	1.7%	2.2%	2.7%	3.0%
Native Hawaiian or Other Pacific Islander	N/A	0.1%	0.2%	0.2%
Other Race	8.2%	11.9%	14.6%	16.1%
Two or more races	N/A	2.9%	3.3%	3.5%
Total Pop	100.0%	100.0%	100.0%	100.0%
Hispanic Origin (Any Race)	N/A	24.8%	30.3%	33.0%





Hispanic Origin

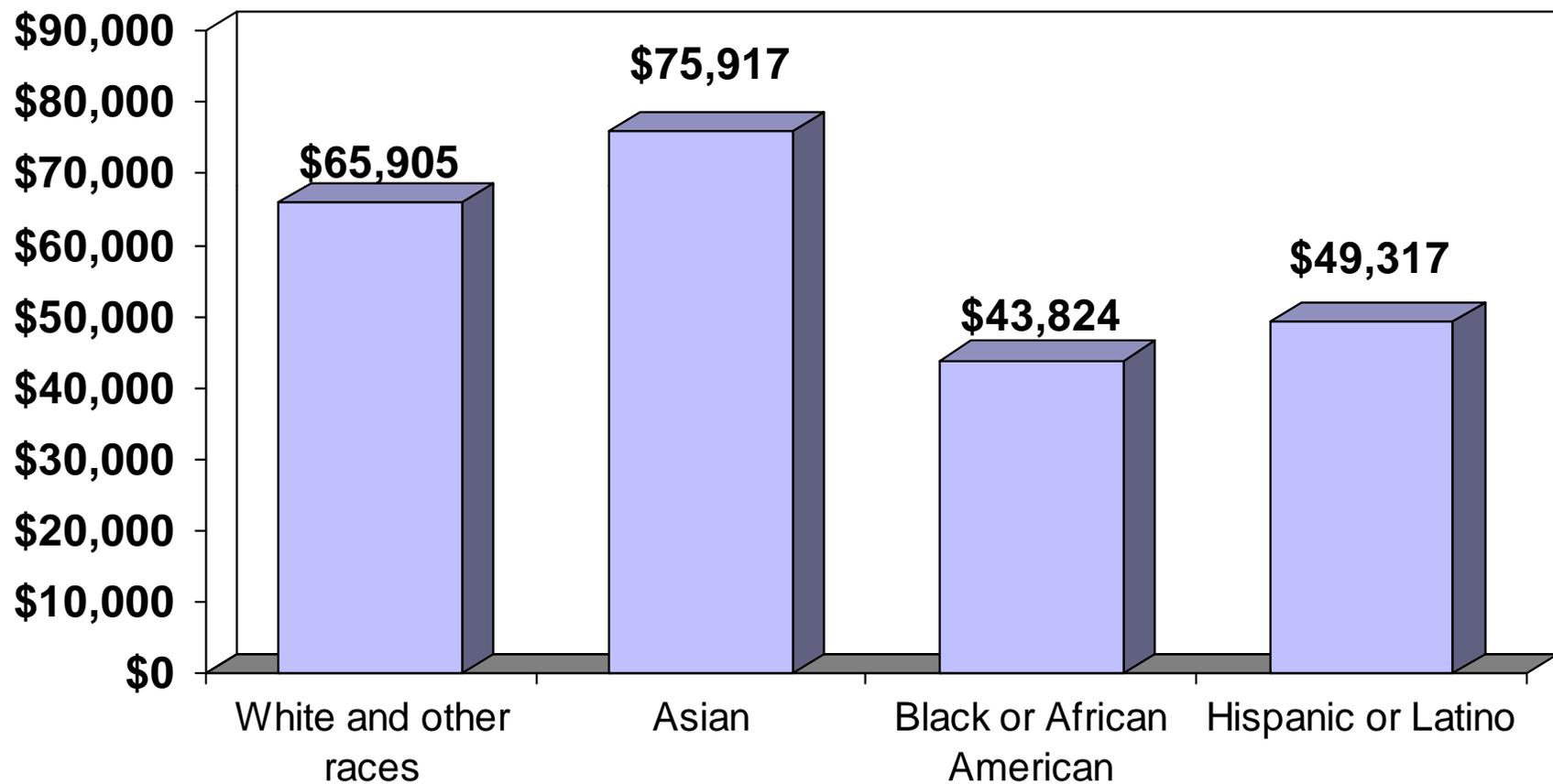
1/3 of Population

- Make up $\frac{1}{2}$ of children under 5 years old.
- Only 16% of spending.
- Home ownership rate of Hispanics increase as they age.



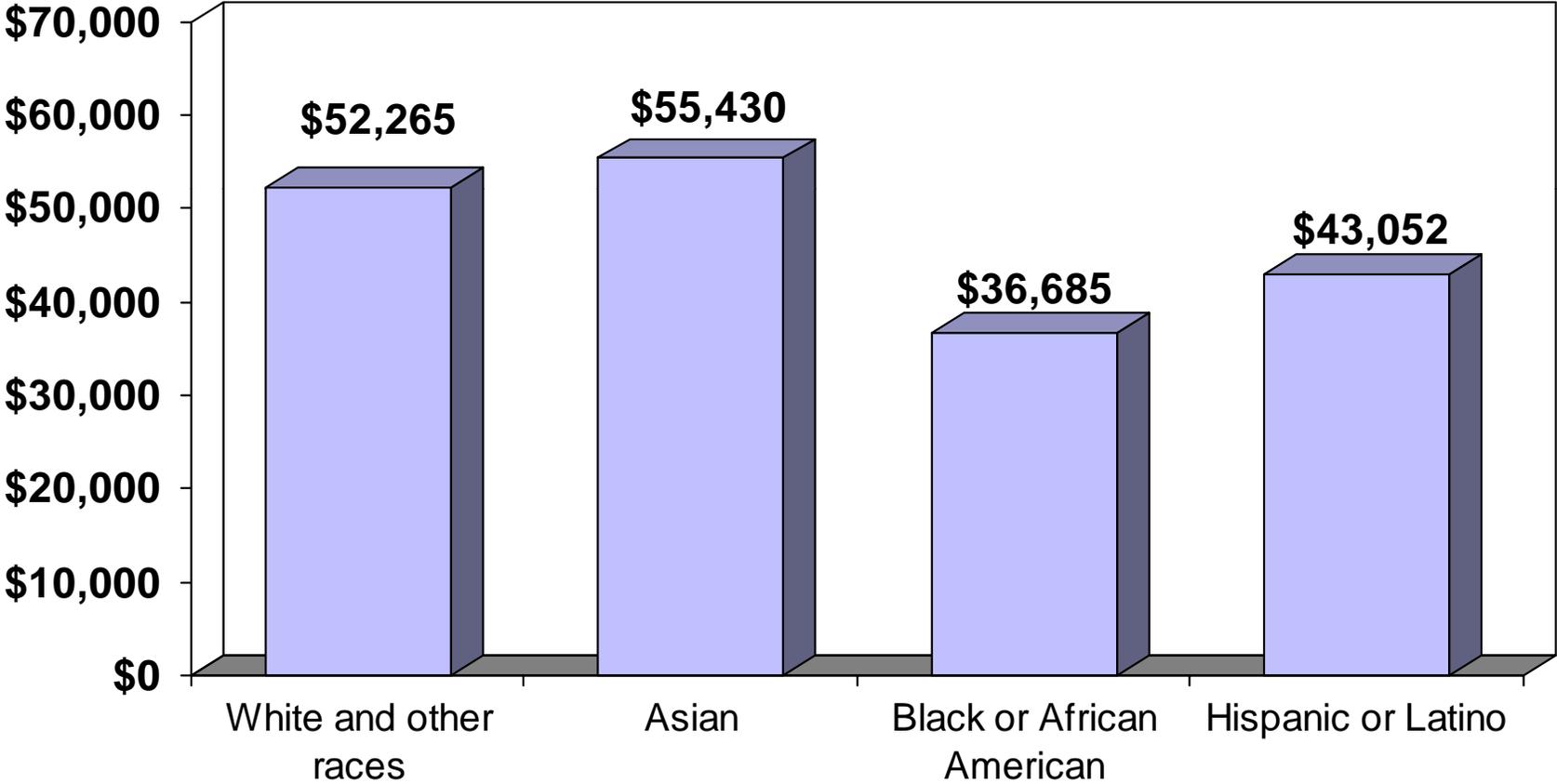
Incomes by Race

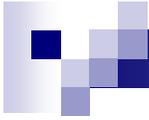
Source: 2008 Consumer Expenditure Survey



Annual Expenditures by Race

Source: 2008 Consumer Expenditure Survey





Crime Rates

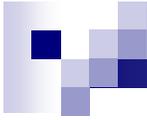


Crime Rates per 100,000 People Phoenix MSA v. U.S.

Source: Federal Bureau of Investigation

Year	Violent Crime	Property Crime	Vehicle Theft
<i>Phoenix Mesa MSA</i>			
2000	560.4	5,644.8	1,010.3
2008	455.2	4,256.2	629.4
<i>United States</i>			
2000	506.5	3,618.3	412.2
2008	454.5	3,212.5	314.7



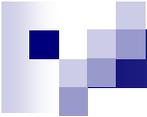


Crime Rates by Age

Source: Federal Bureau of Investigation

Age	Crimes per 1,000 people
Under 12	2.0
13 to 19	33.4
20 to 24	21.6
25 to 39	12.4
Over 40	2.4





Maricopa County Population 15-24 year olds

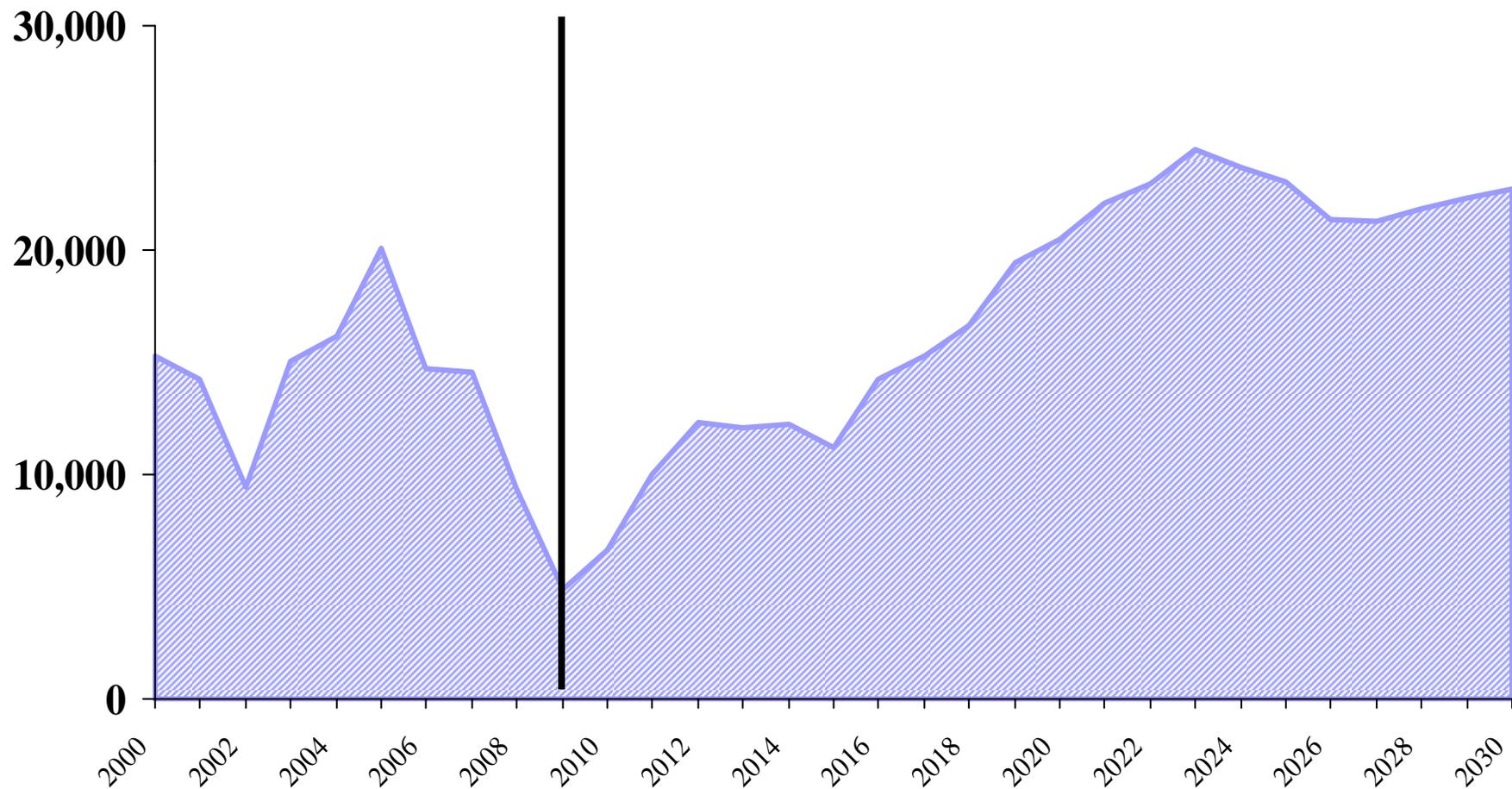
Source: U.S. Bureau of the Census; ESRI

	2000	2010	2015
15-24 yrs.	439,116	551,387	616,670
% of Total Pop	14.3%	13.4%	13.1%



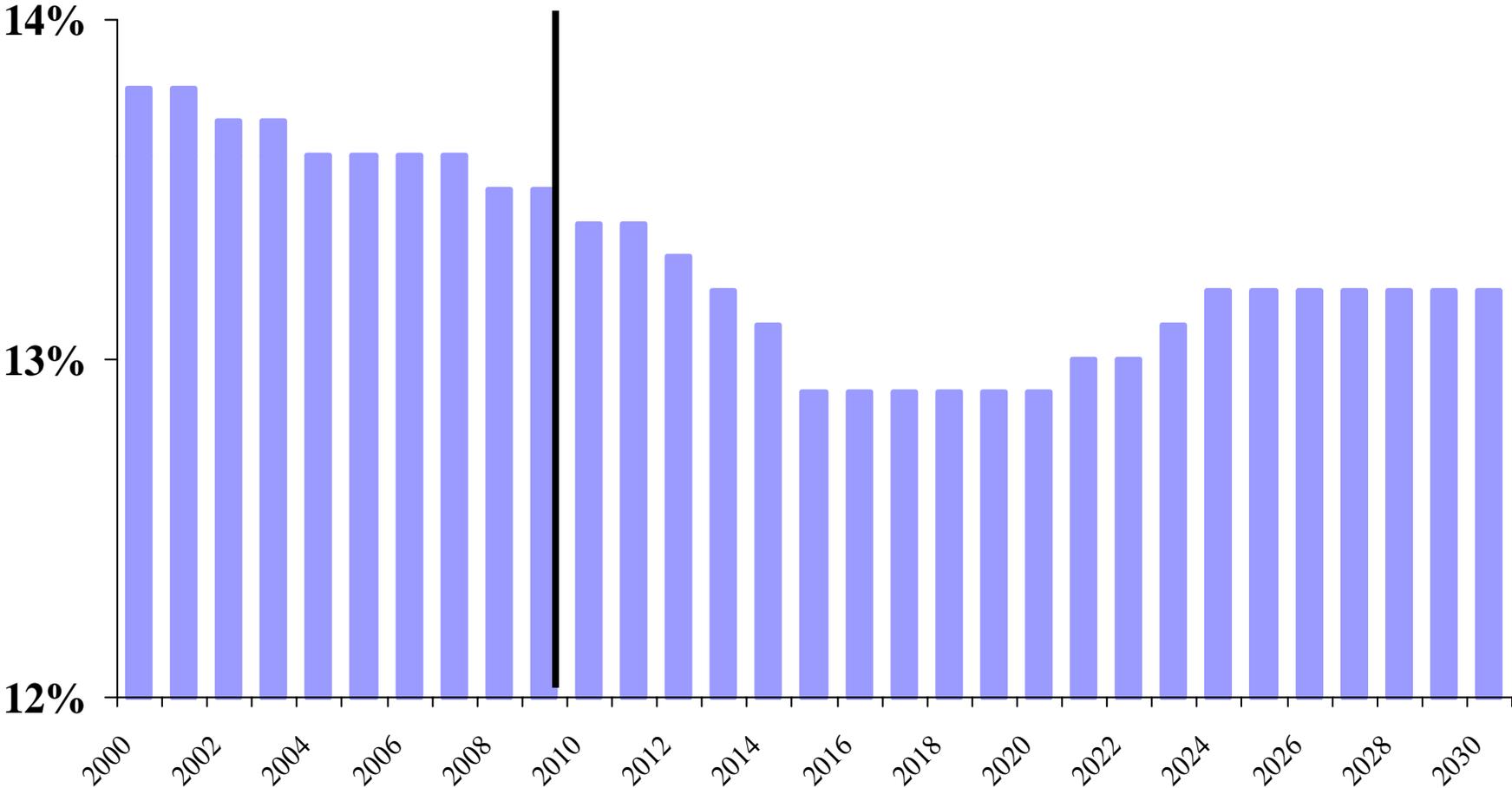
Net Change in Maricopa County Population Ages 15 to 24 2000 – 2030

Source: Arizona Department of Commerce; Research Administration



Maricopa County Population Ages 15 to 24 Percent of Total Pop 2000 – 2030

Source: Arizona Department of Commerce; Research Administration

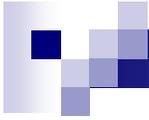


Law Enforcement Officers Peer Counties

Source: Federal Bureau of Investigation

County	Officers	Civilians	Total	Per 100K
Maricopa	767	2,785	3,552	89.1
Harris	2,370	1,437	3,807	98.3
King	520	312	832	45.8
Orange	1,854	1,791	3,645	123.8
San Diego	2,328	1,625	3,953	138.5
Santa Clara	522	161	683	40.2
Multnomah	97	724	821	120.4





Public Health Trends

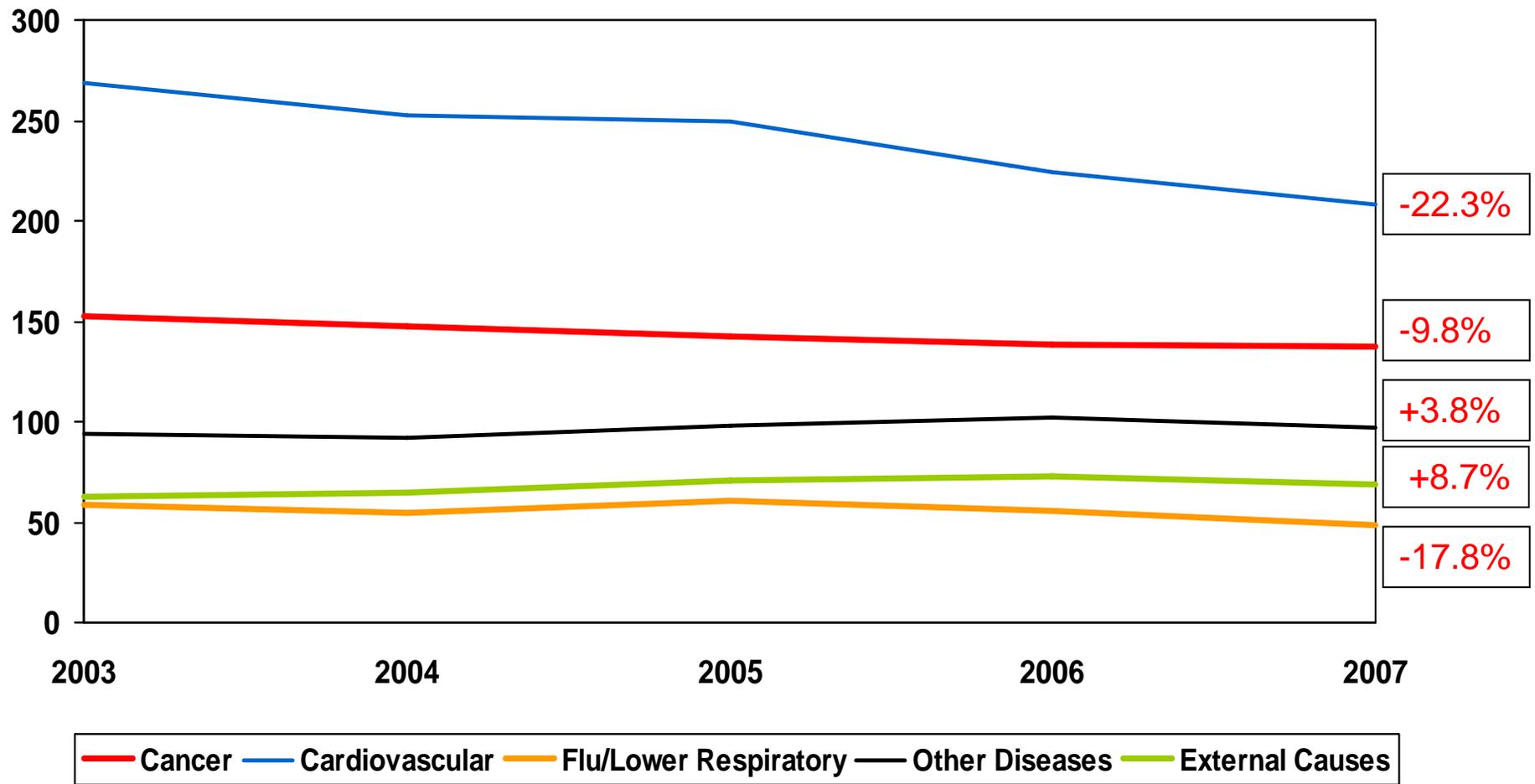


Underlying Causes of Death 2003 – 2007

Rate per 100,000 Residents

Maricopa County

Source: Department of Health





Heart Disease Mortality Rate

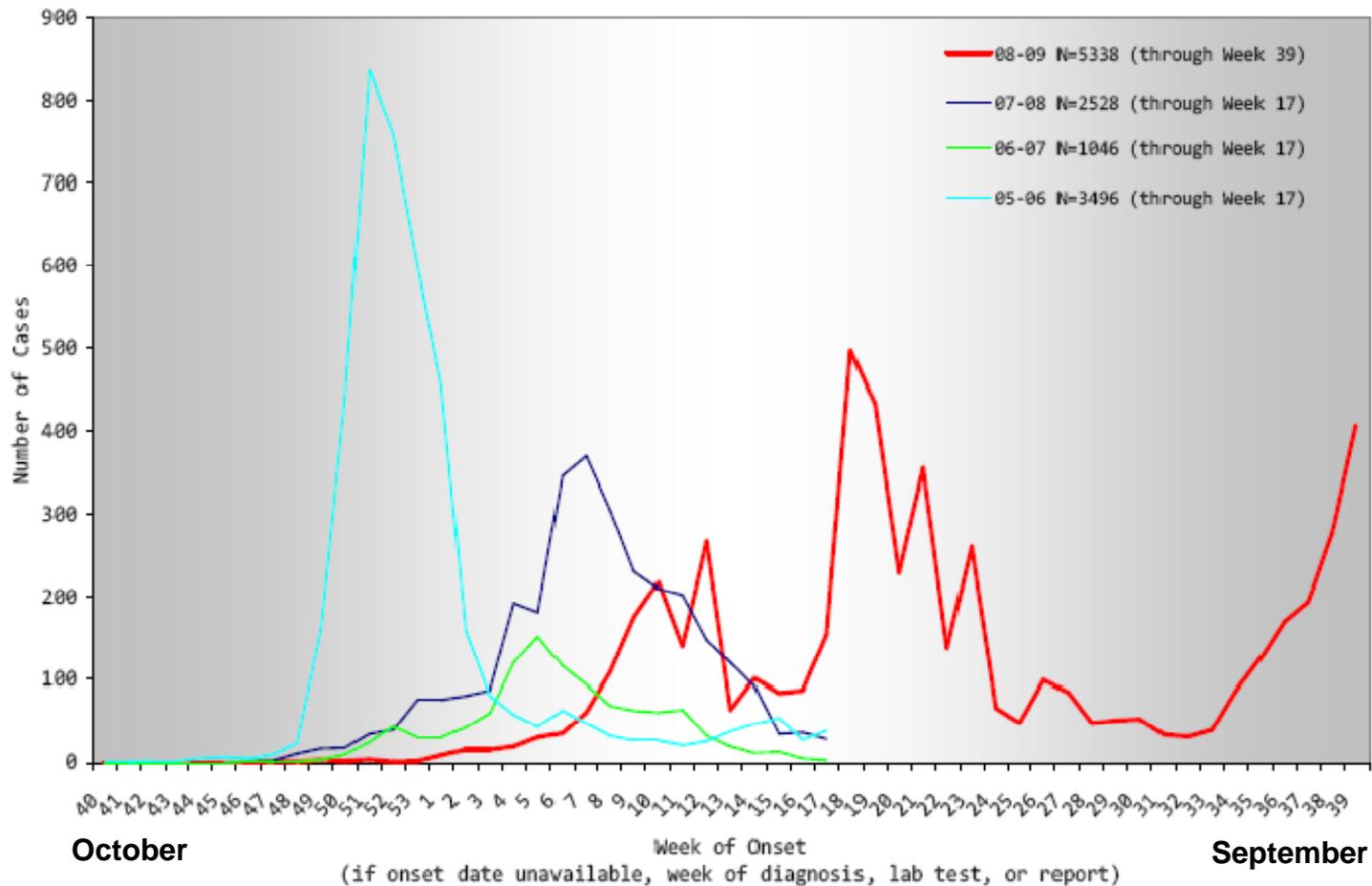
per 100,000 residents

Maricopa County (2007)	142.2
Clark County (2005)	243.8
San Diego County (2007)	151.9
Harris County (2005)	212.6
King County (2007)	142.2



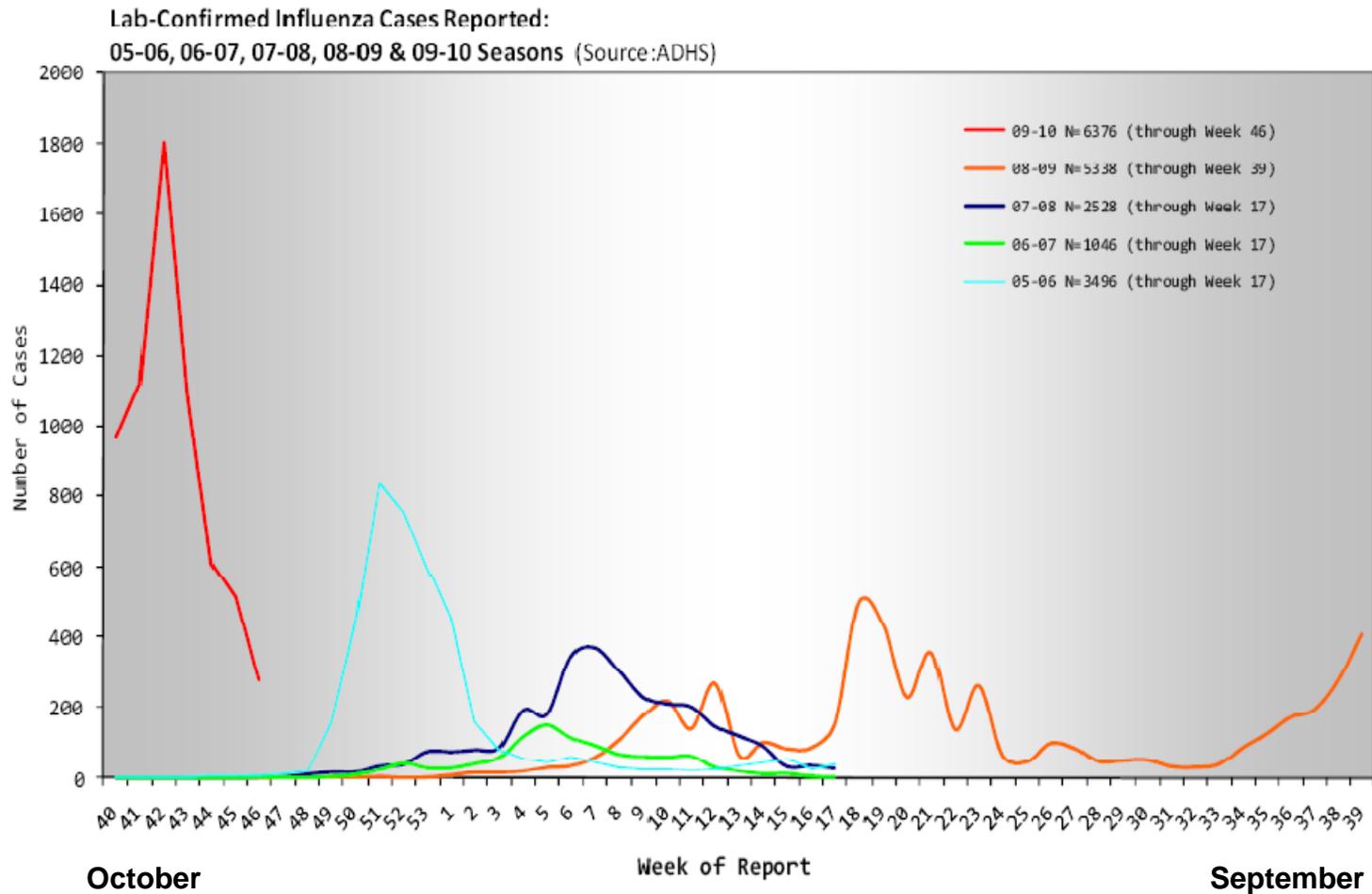
Flu Cases Through September 2009

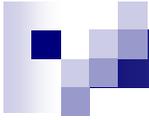
Lab-Confirmed Influenza Cases Reported:
05-06 Season, 06-07 Season, 07-08 Season, 08-09 Season



Flu Cases Through November 2009

Effects of a spike in H1N1





More to Come



Housing Market





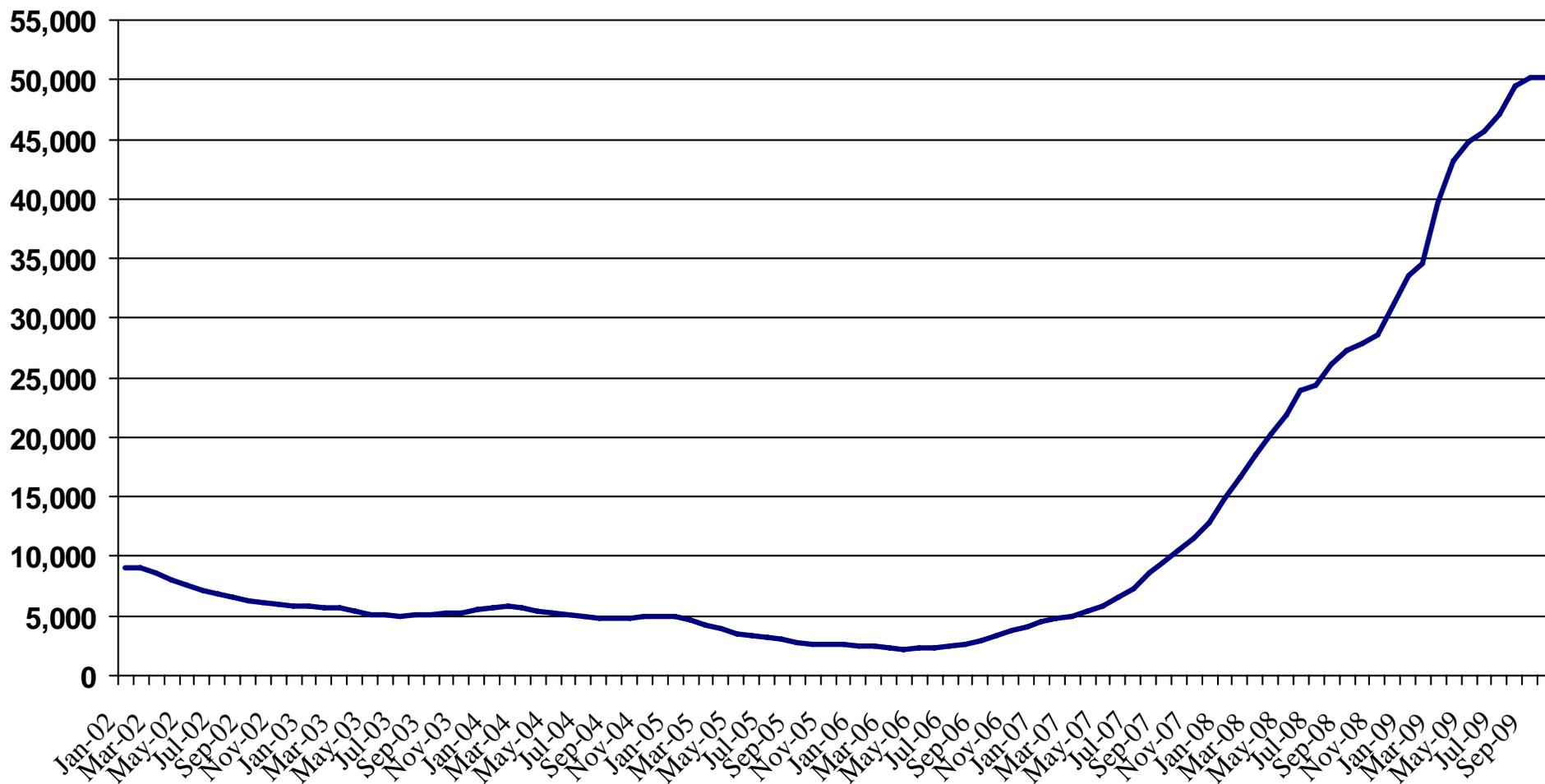
Reminder

- There is a 2 year lag in property tax collections.
- Declines in commercial volume & value could affect next 5 years.
- Not only value but level too.
 - Permits will be anemic in 2010 and 2011, back to normal levels in 2015.
- New commercial development likely to be weak most of 5 year period.



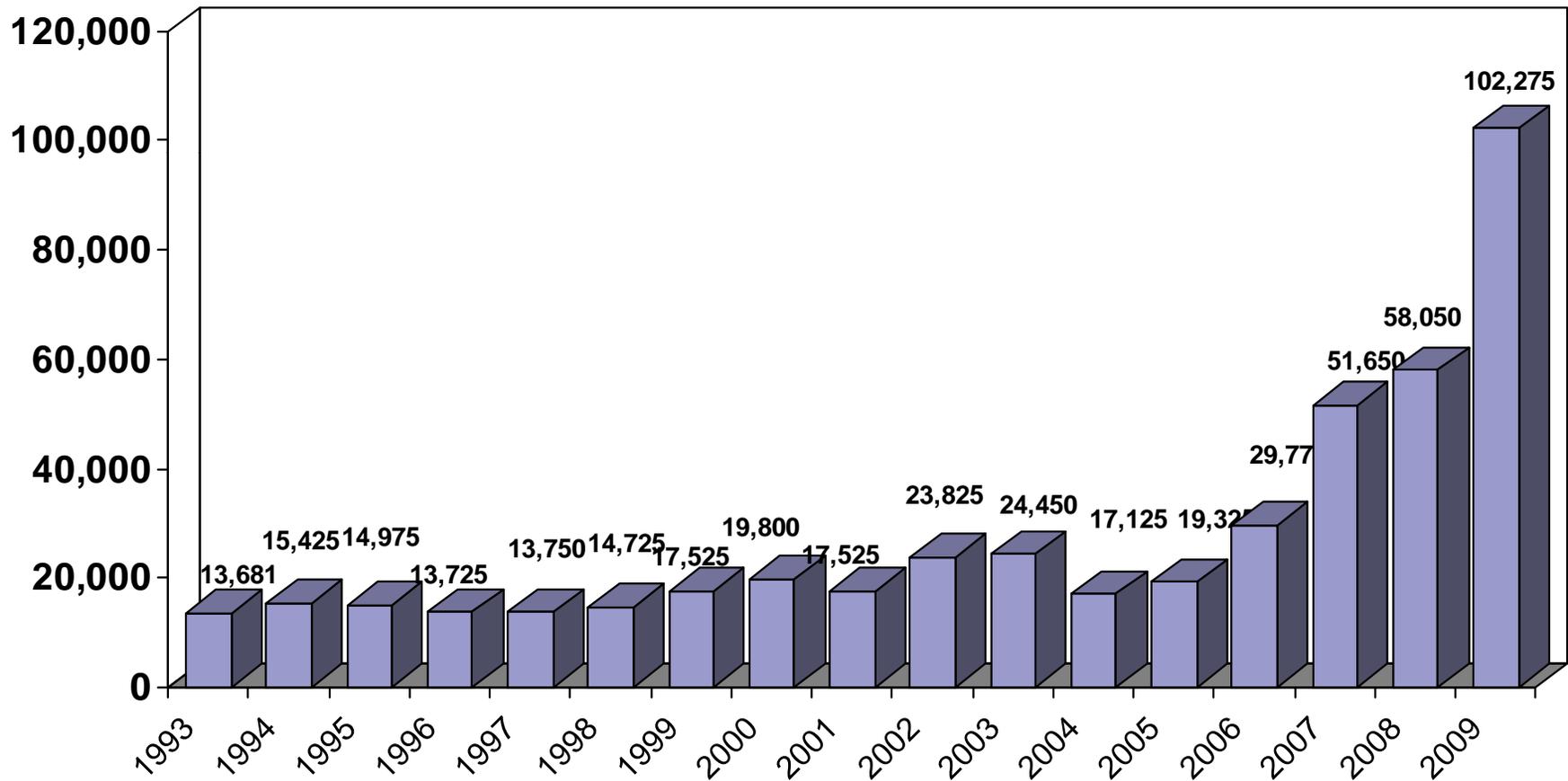
Properties in the Foreclosure Process Maricopa County 2002 – 2009

Source: The Information Market



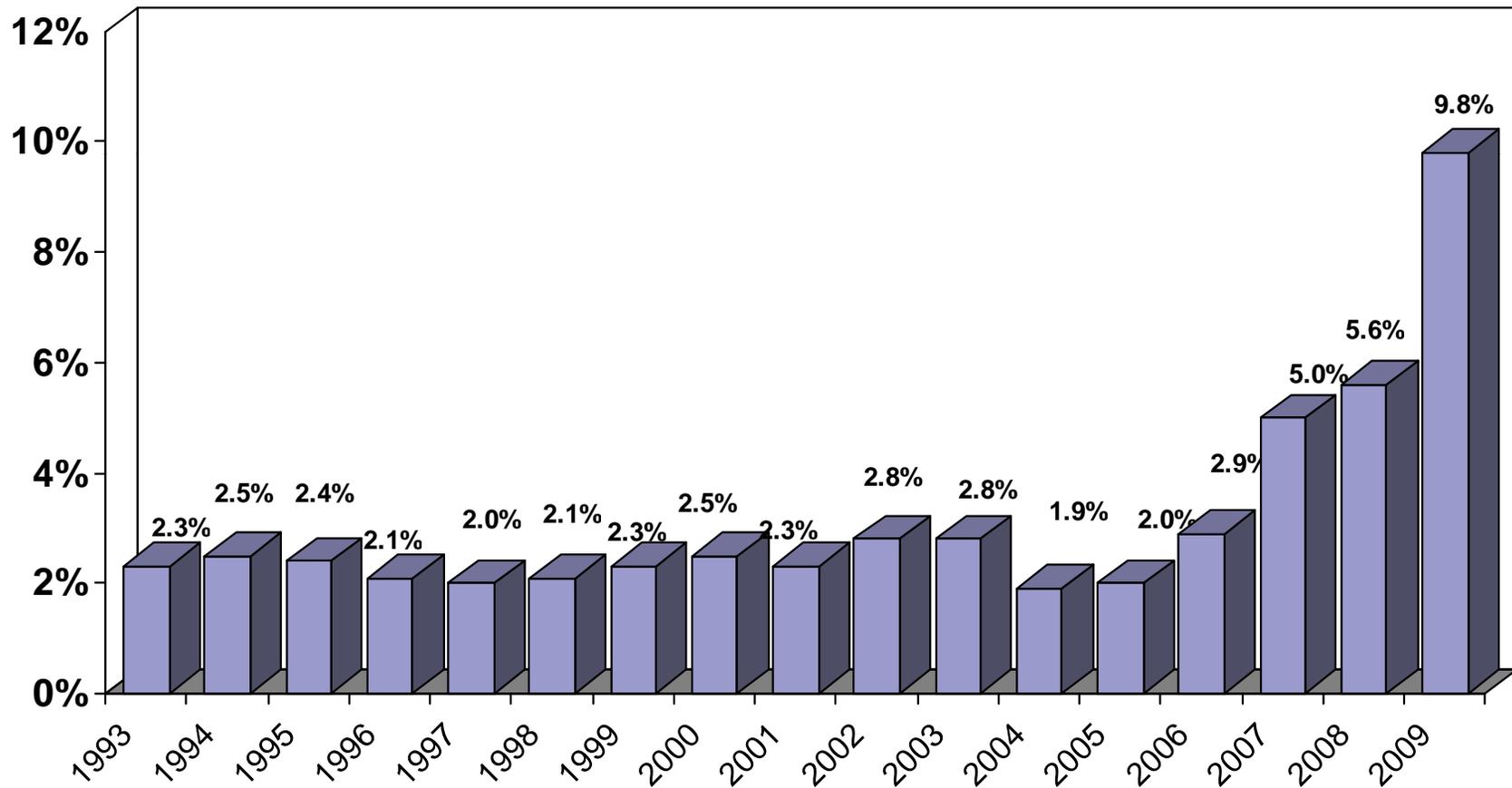
Single-Family Vacant Units Greater Phoenix 1993–2009q2

Source: PMHS



Single-Family Vacancy Rate Greater Phoenix 1993–2009q2

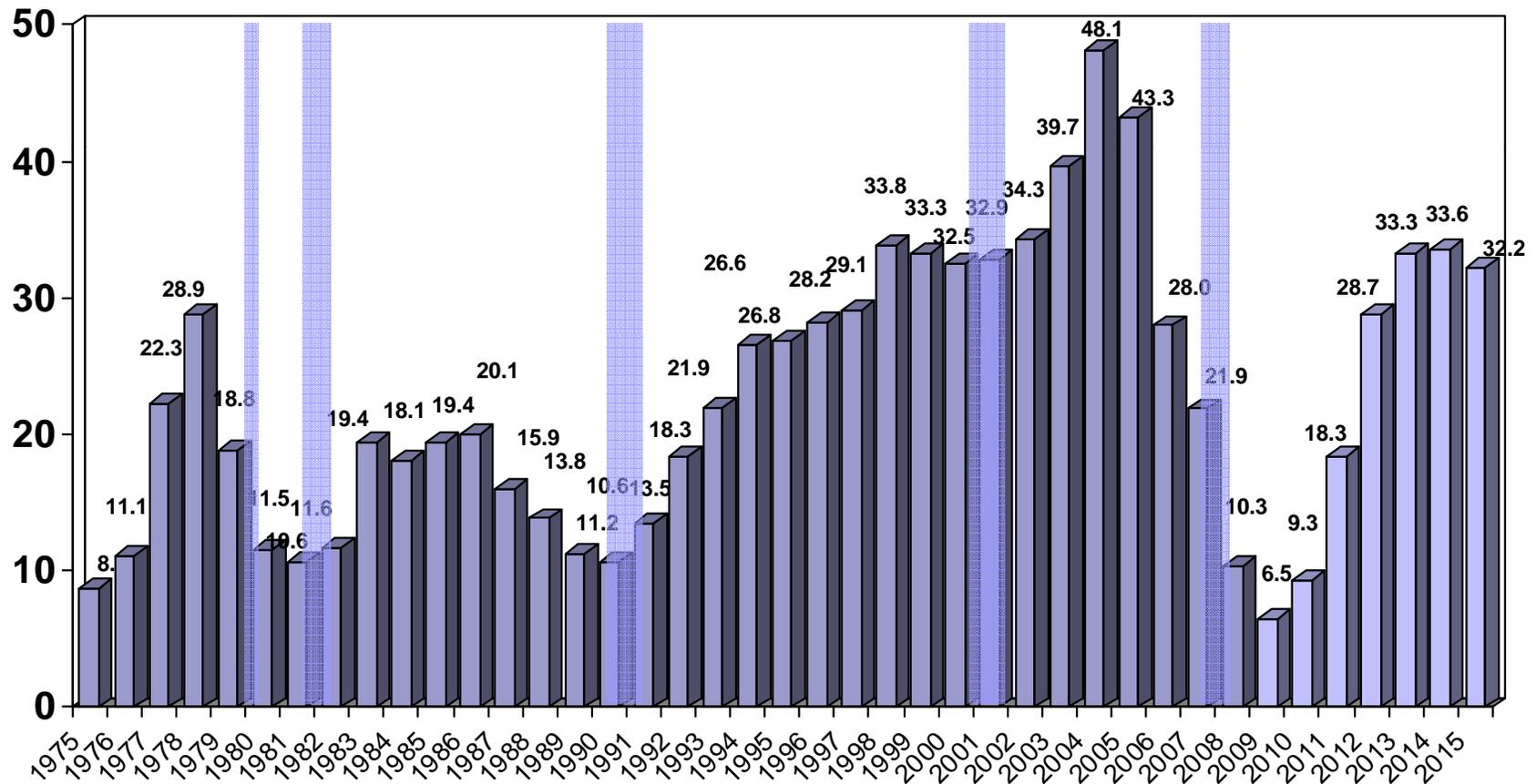
Source: PMHS



Single-Family Permits Maricopa County 1975–2015

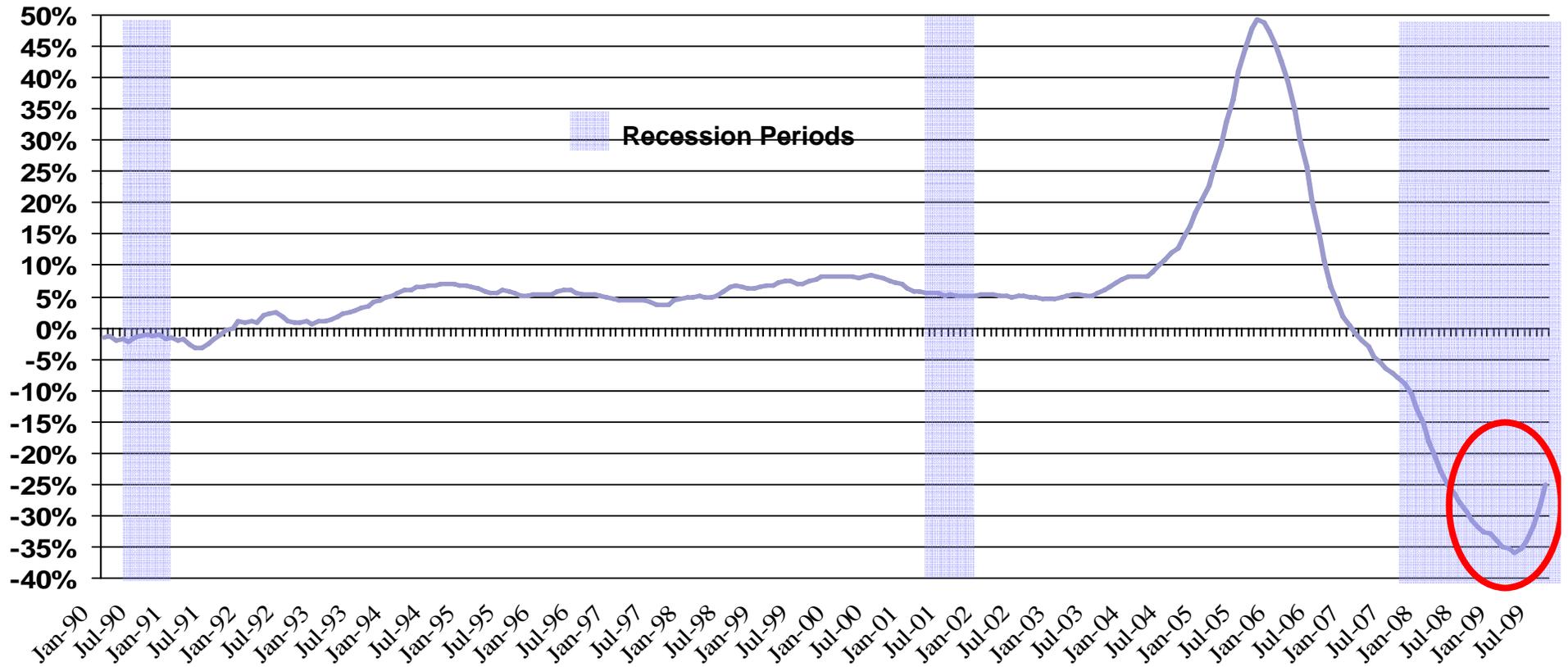
Source: ASU Realty Studies / University of Arizona

Permits



Greater Phoenix S&P/Case-Schiller Home Price Index** Percent Change Year Ago 1990 – 2009*

Source: Macro Markets, LLC



*Data through August 2009

**Measures changes in existing single family home prices given a constant level of quality.

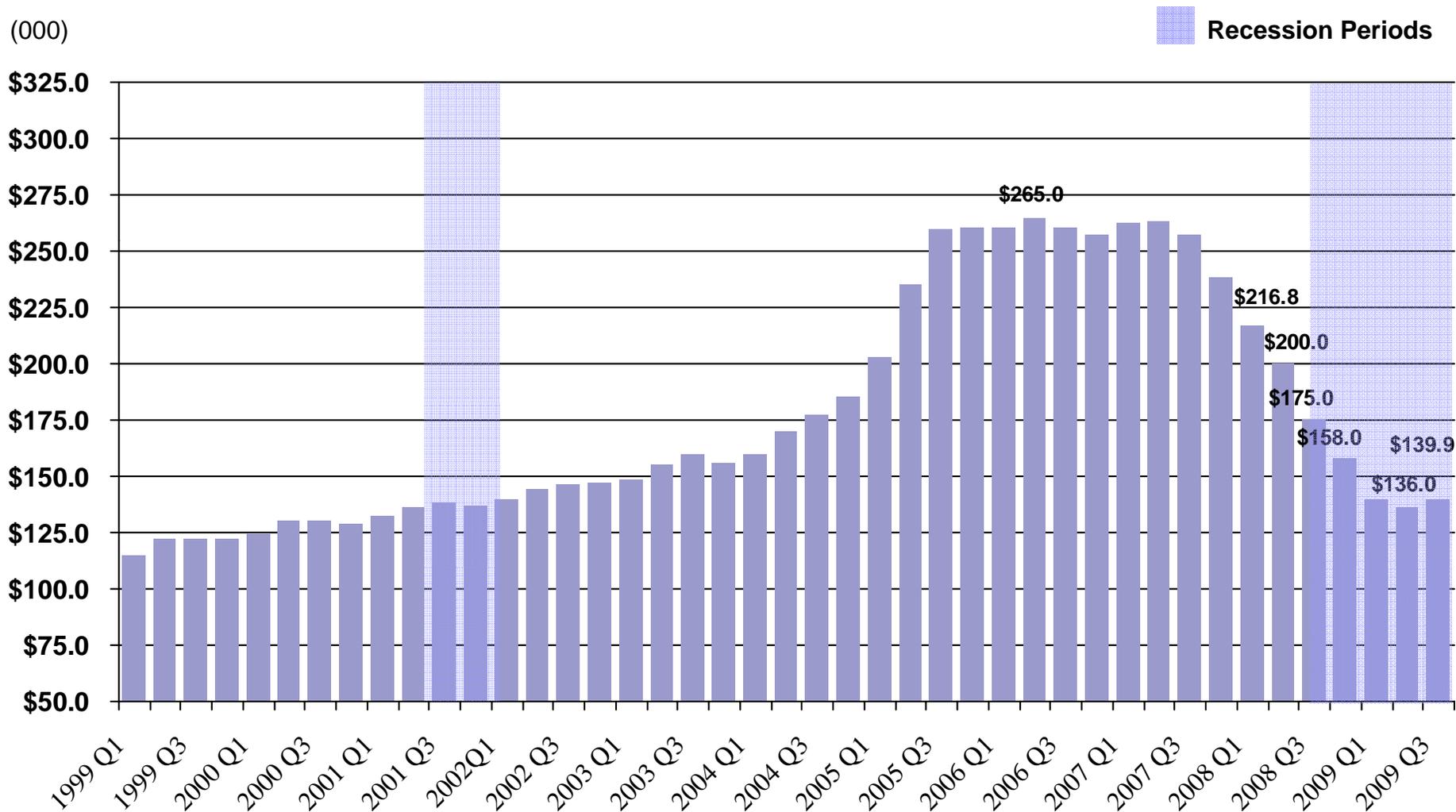


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Greater Phoenix Median Price of Single Family Homes - Resale

1982 – 2009*

Source: Realty Studies

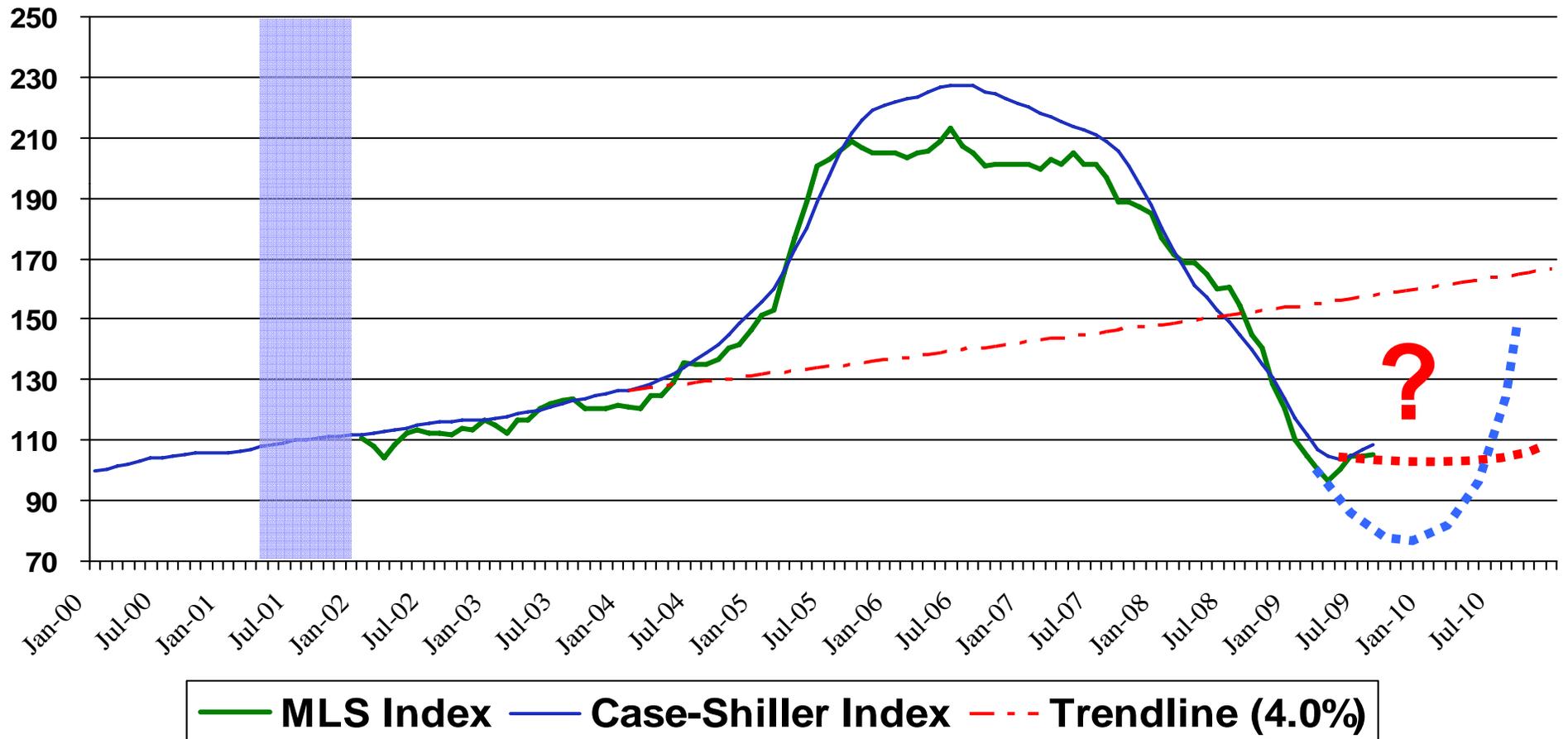


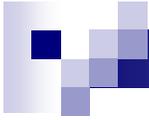
Home Prices Indices

2000 – 2009

Source: Macro Markets, LLC; AMLS

 Recession Periods



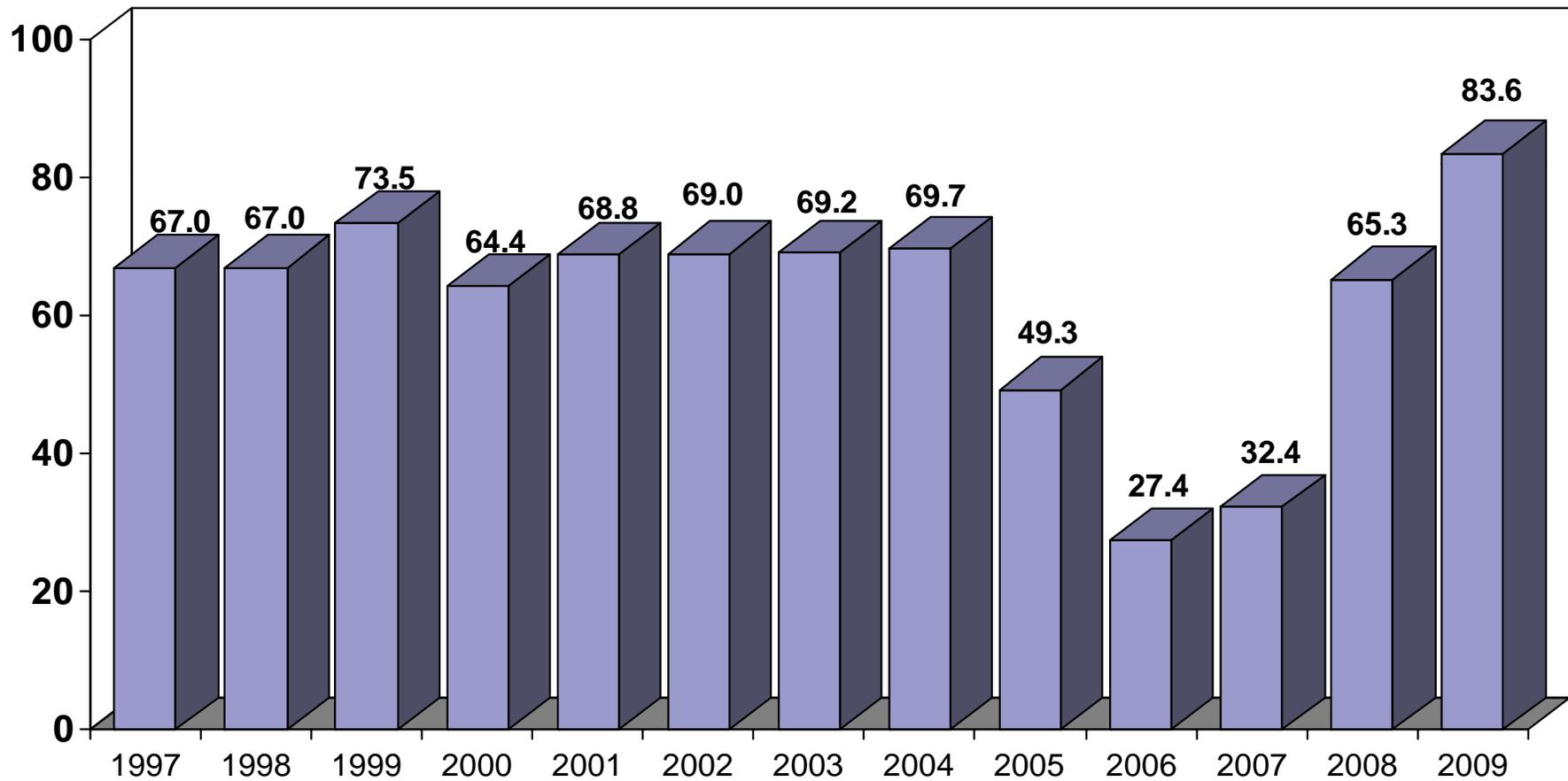


Affordability



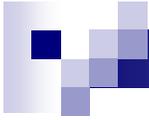
Greater Phoenix Housing Opportunity Index

Source: NAHB



Commercial Real Estate





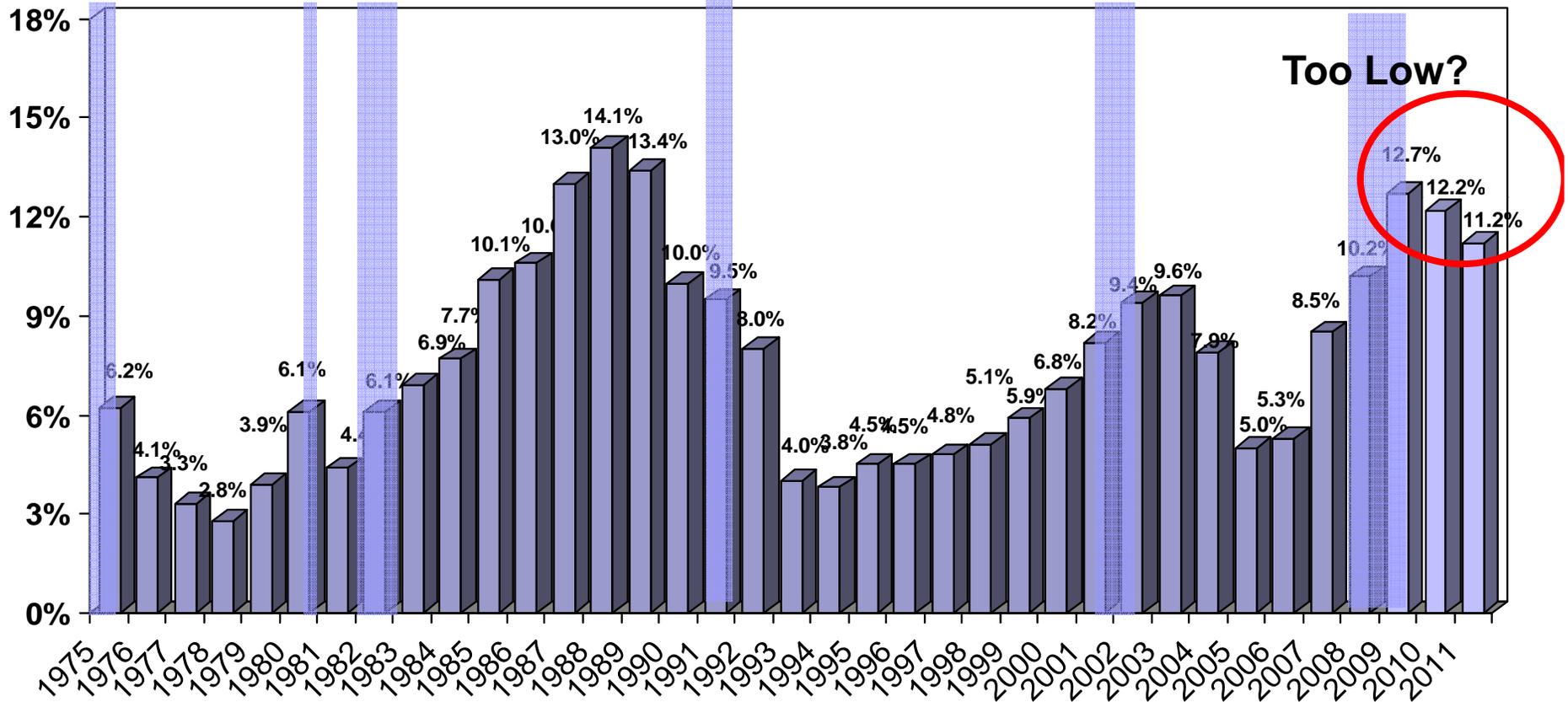
**The economic downturn has
rippled into the commercial
sectors.**



Multi-Family Year-End Vacancy Rates Maricopa County 1986–2011*

Source: ASU Realty Studies

Recession Periods



*2009 -2011 are forecasts from the Greater Phoenix Blue Chip





Multi-Family Construction Activity

Source: PMHS

	<u>Absorption</u>	<u>Chg in Inventory*</u>
2004	9,230	3,980
2005	4,756	(5,169)
2006	(4,653)	(3,828)
2007	(5,846)	4,979
2008	(4,466)	3,234
2009q3	(3,691)	5,684

*There were 19,949 condo conversion in the Greater Phoenix area from q1 2005 through q3 2009.



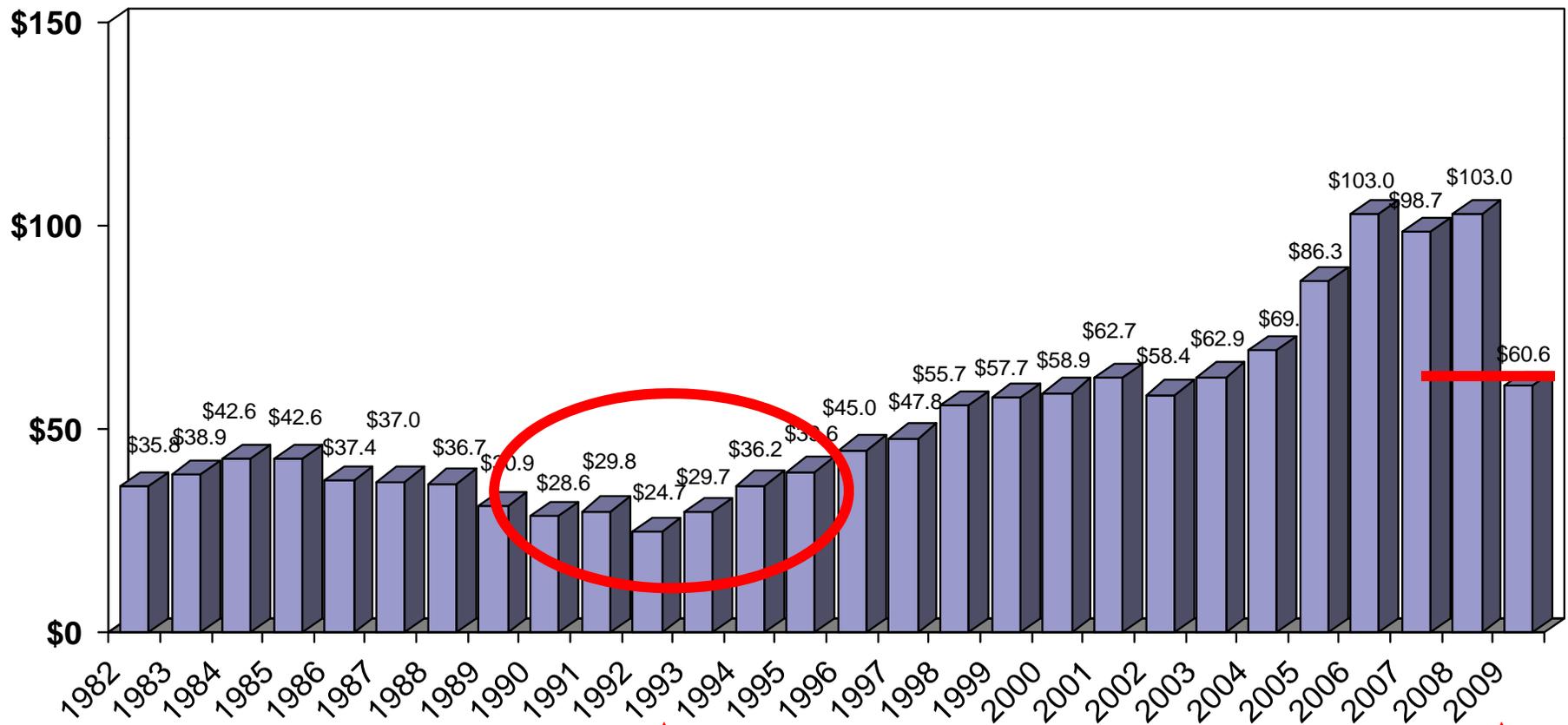


**There are currently
5,760 multi-family units under
construction (q3 09).**



Apartment Sales: Price per Square Foot Maricopa County 1982–2009

Source: Kammrath & Associates



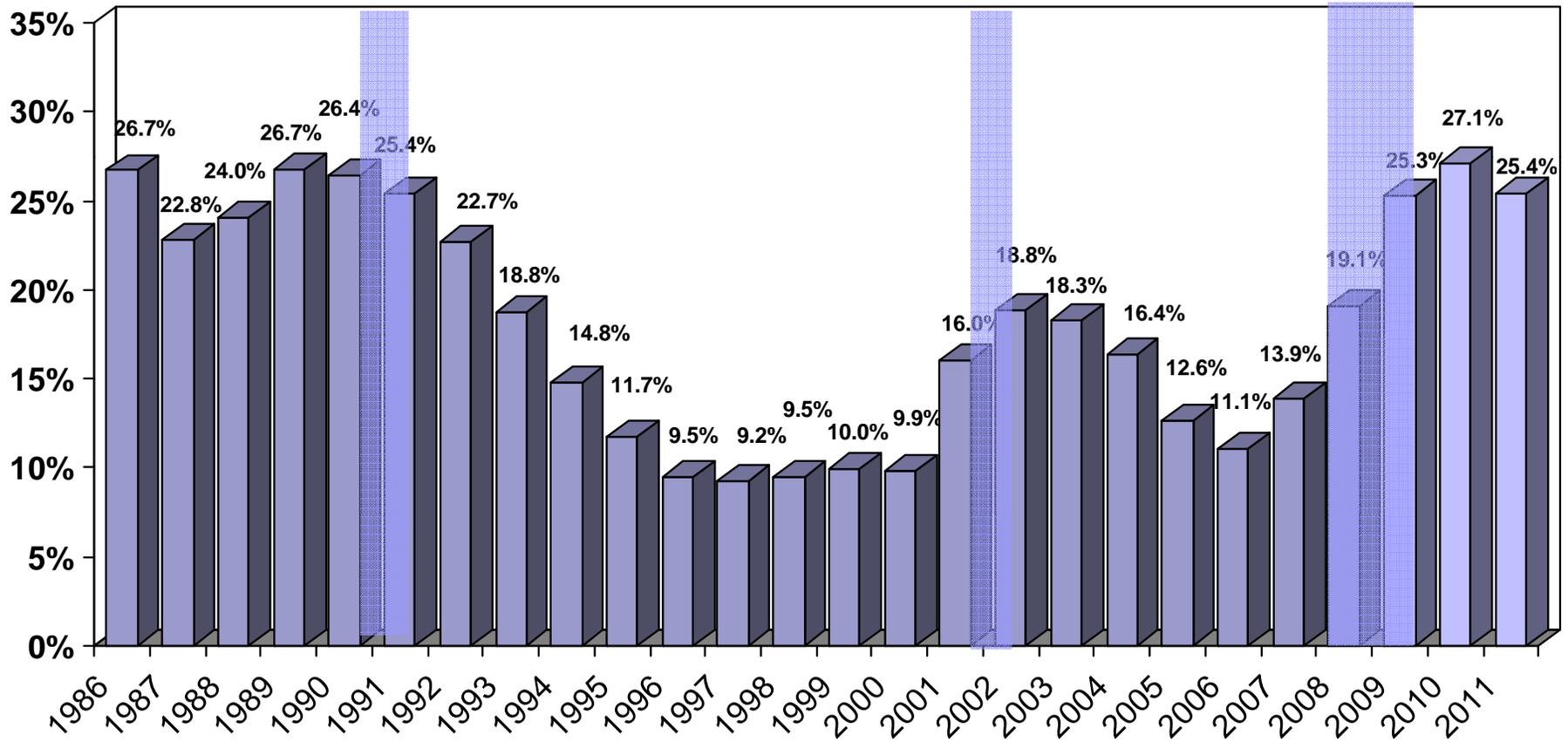
Elliott D. Pollack & Company

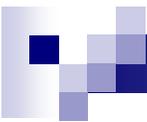
*Data through second quarter 2009.

Office Space Year-End Vacancy Rates Maricopa County 1986–2011*

Source: CB Richard Ellis

 Recession Periods





Greater Phoenix Office Market Construction Activity*

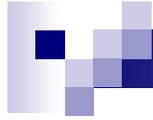
Source: CB Richard Ellis

	<u>Absorption</u>	<u>Chg in Inventory</u>
2003	1,245,156 sf	326,117 sf
2004	2,222,880 sf	1,620,860 sf
2005	3,119,293 sf	7,987 sf
2006	3,245,888 sf	2,320,302 sf**
2007	1,500,704 sf	4,905,374 sf
2008	(603,112) sf	3,402,646 sf
2009q3	(1,740,377) sf	1,153,810 sf

*Only includes multi-tenant space greater than 10,000 SF

** A number of buildings in downtown and mid-town are being converted to office condos.





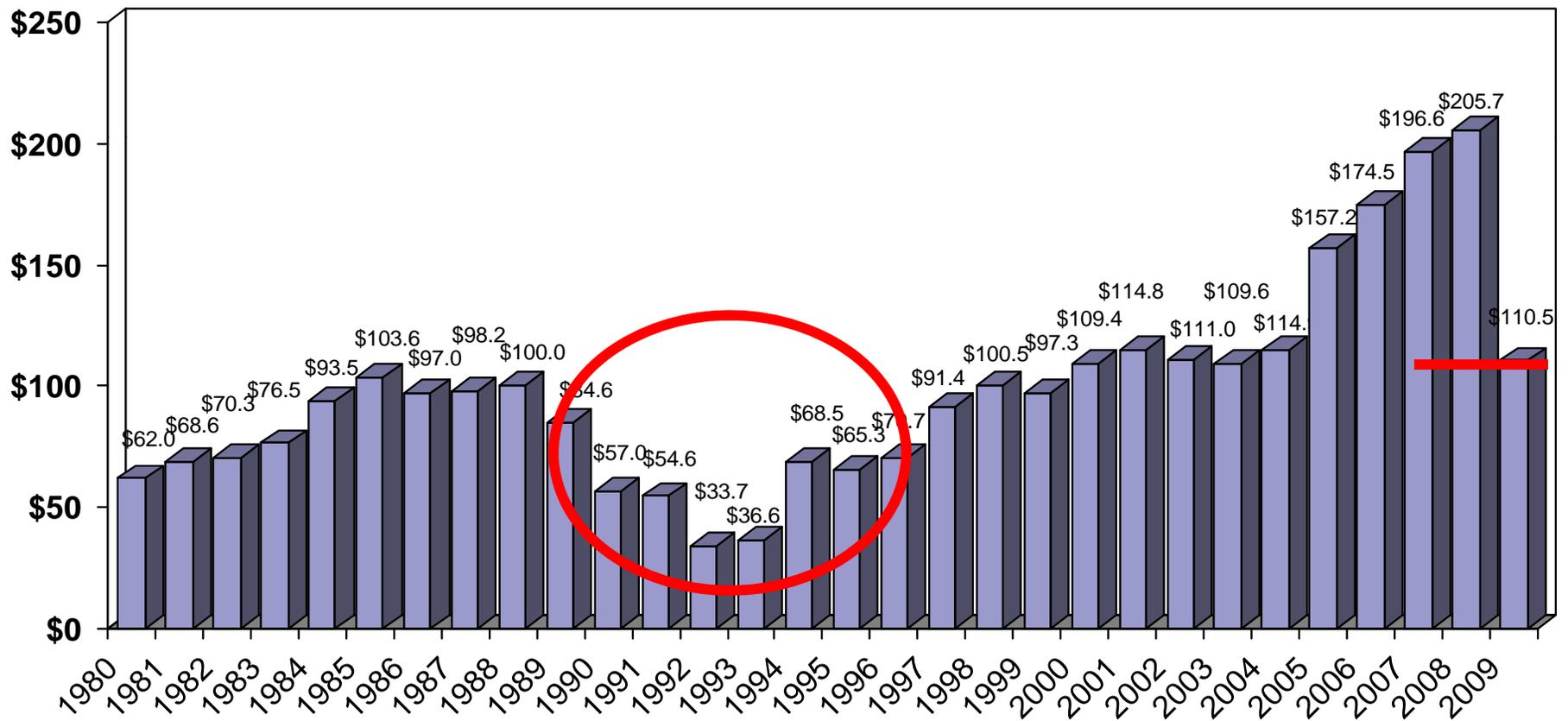
**There are currently
1.9 million square feet of office
space under construction (q3 09).**



Office Sales: Price per Square Foot Maricopa County 1980–2009

Source: Kammrath & Associates

 Recession Periods



*Data through second quarter 2009.



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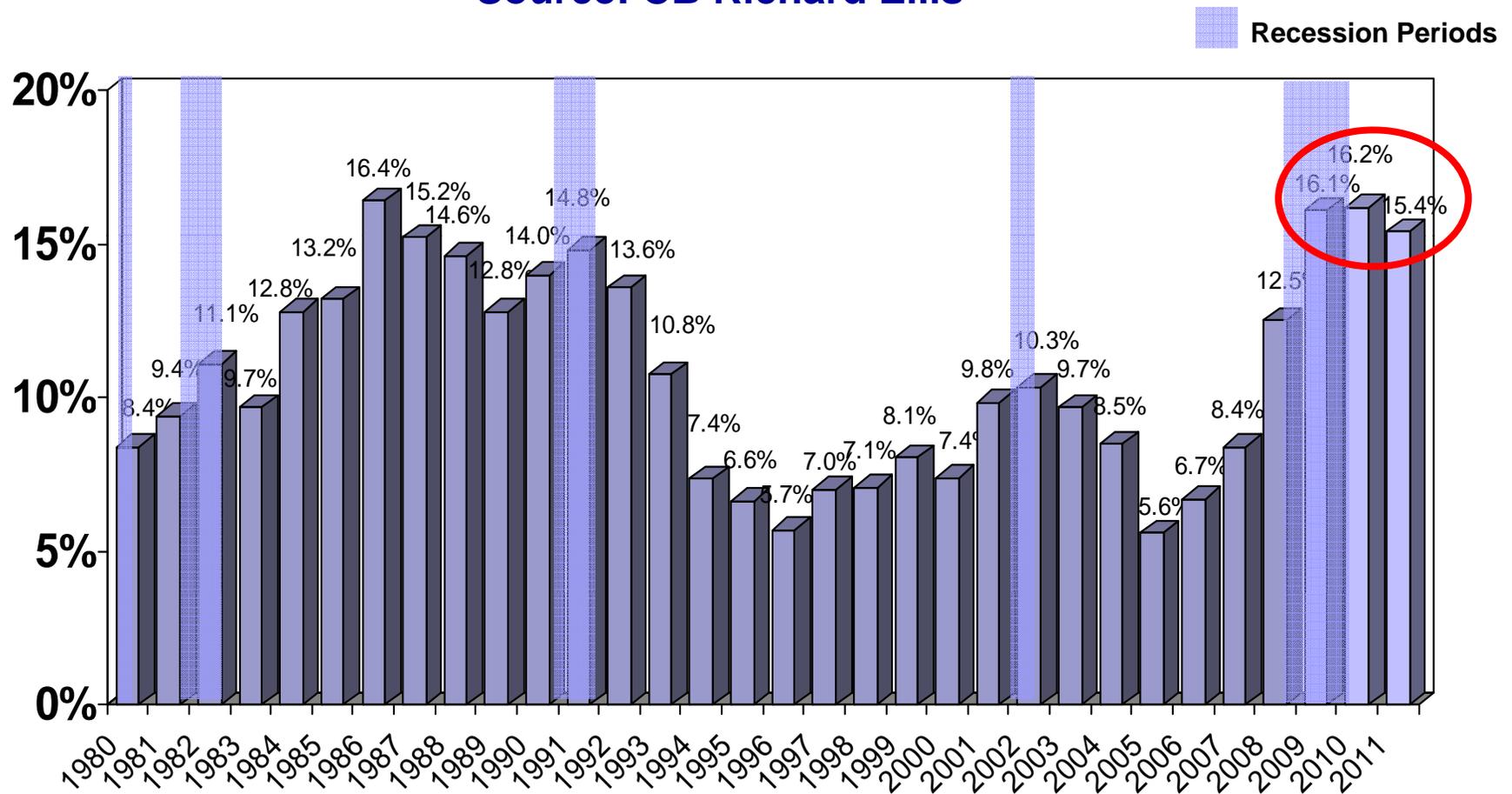


**No significant office
building in Greater
Phoenix for next 5 years.**



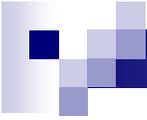
Industrial Space Vacancy Rates Maricopa County 1980 – 2011*

Source: CB Richard Ellis



* 2009 - 2011 are forecasts from CBRE





Greater Phoenix Industrial Market Construction Activity

Source: CB Richard Ellis

	<u>Absorption</u>	<u>Chg in Inventory</u>
2003	4,406,646 sf	4,801,910 sf
2004	6,273,847 sf	7,402,396 sf
2005	12,339,591 sf	7,071,477 sf
2006	6,032,175 sf	7,829,959 sf
2007	8,359,835 sf	13,914,612 sf
2008	2,297,084 sf	13,467,215 sf
2009q3	(8,113,532) sf	3,862,021 sf



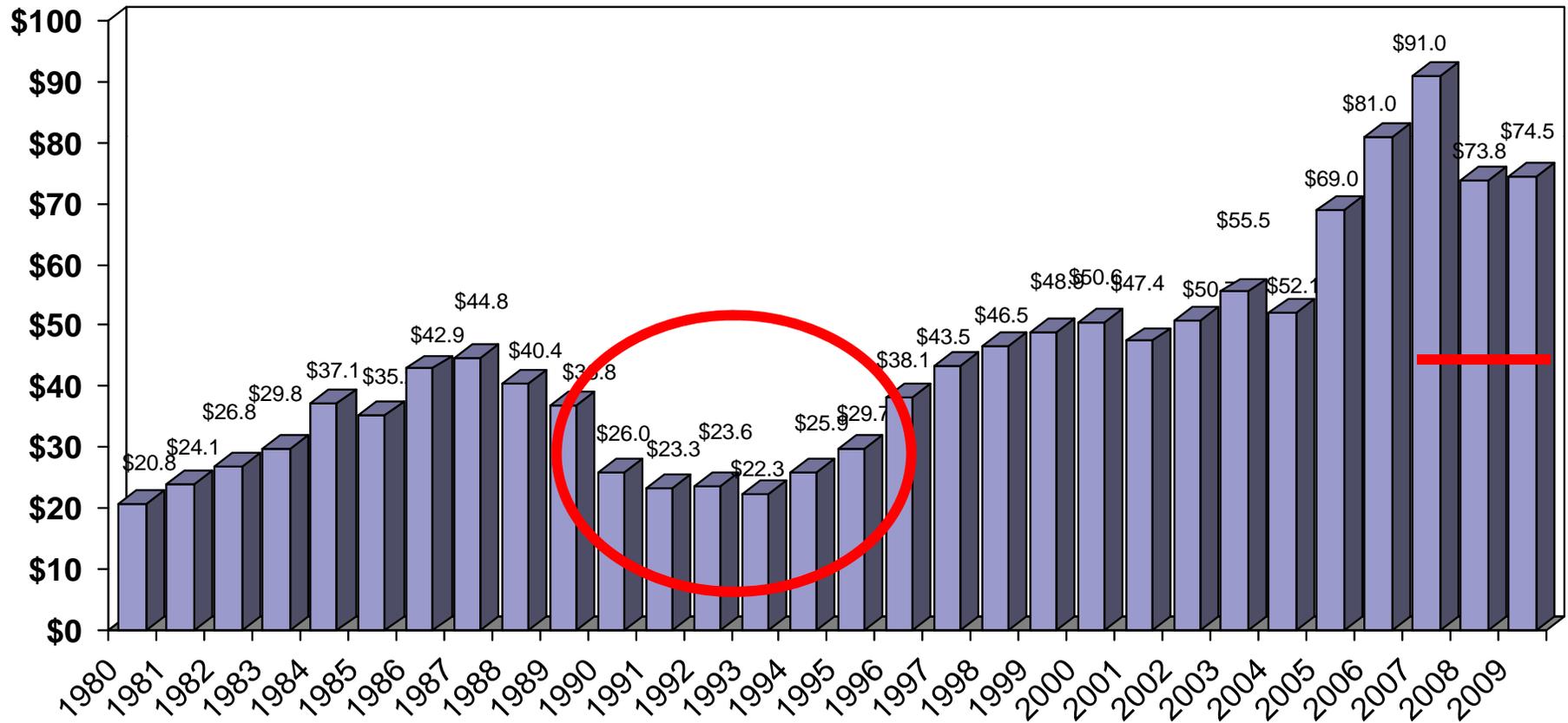


**There are currently
1.2 million square feet of
industrial space
under construction (q3 09).**



Industrial Sales: Price per Square Foot Maricopa County 1980–2009

Source: Kammrath & Associates



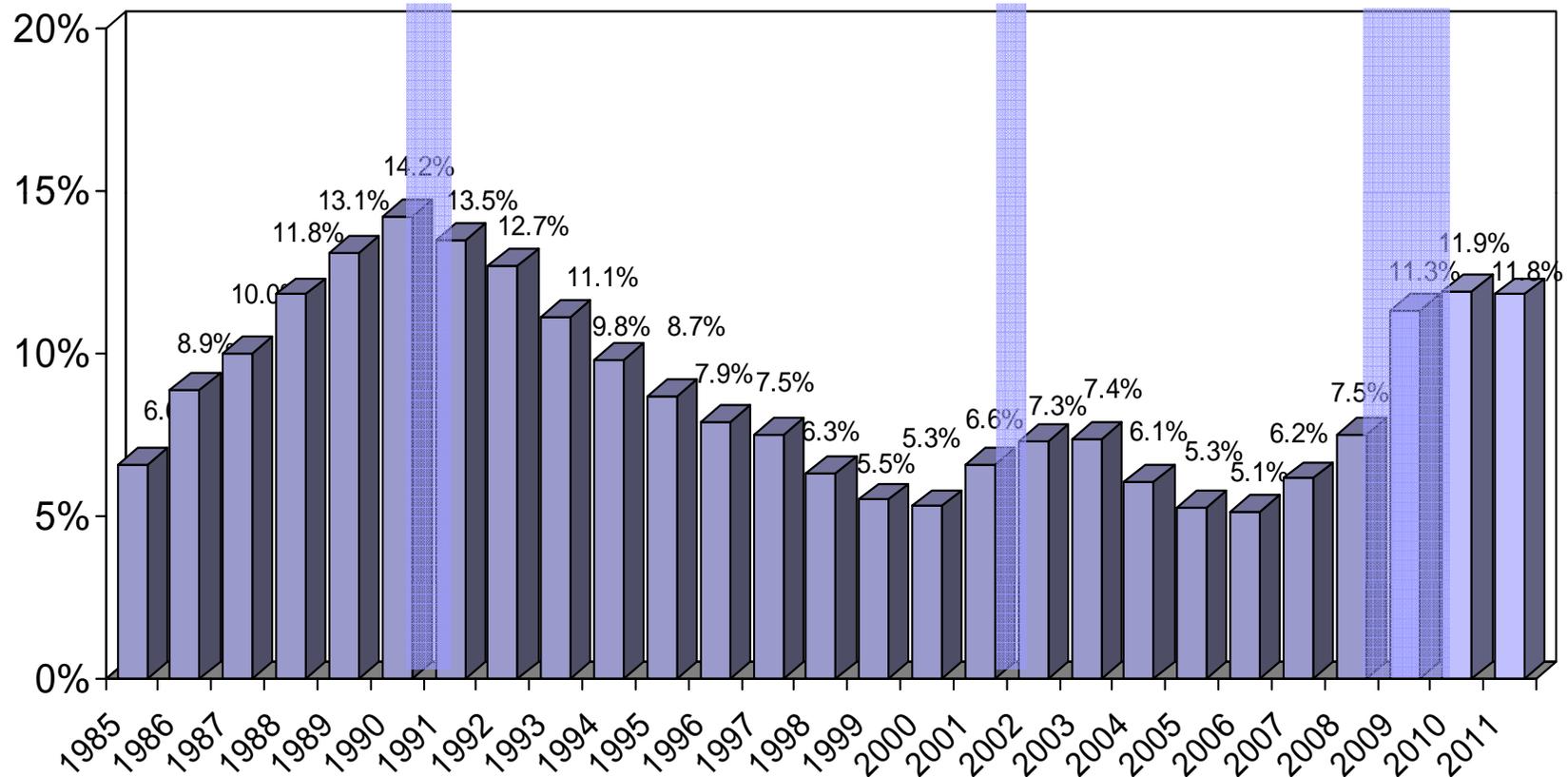
*Data through second quarter 2009.



Retail Space Vacancy Rates Maricopa County 1985–2011*

Source: CB Richard Ellis**

Recession Periods



* 2009 -2011 are forecasts from CB Richard Ellis

** Data prior to 1992 is from Grubb & Ellis





Greater Phoenix Retail Market Construction Activity

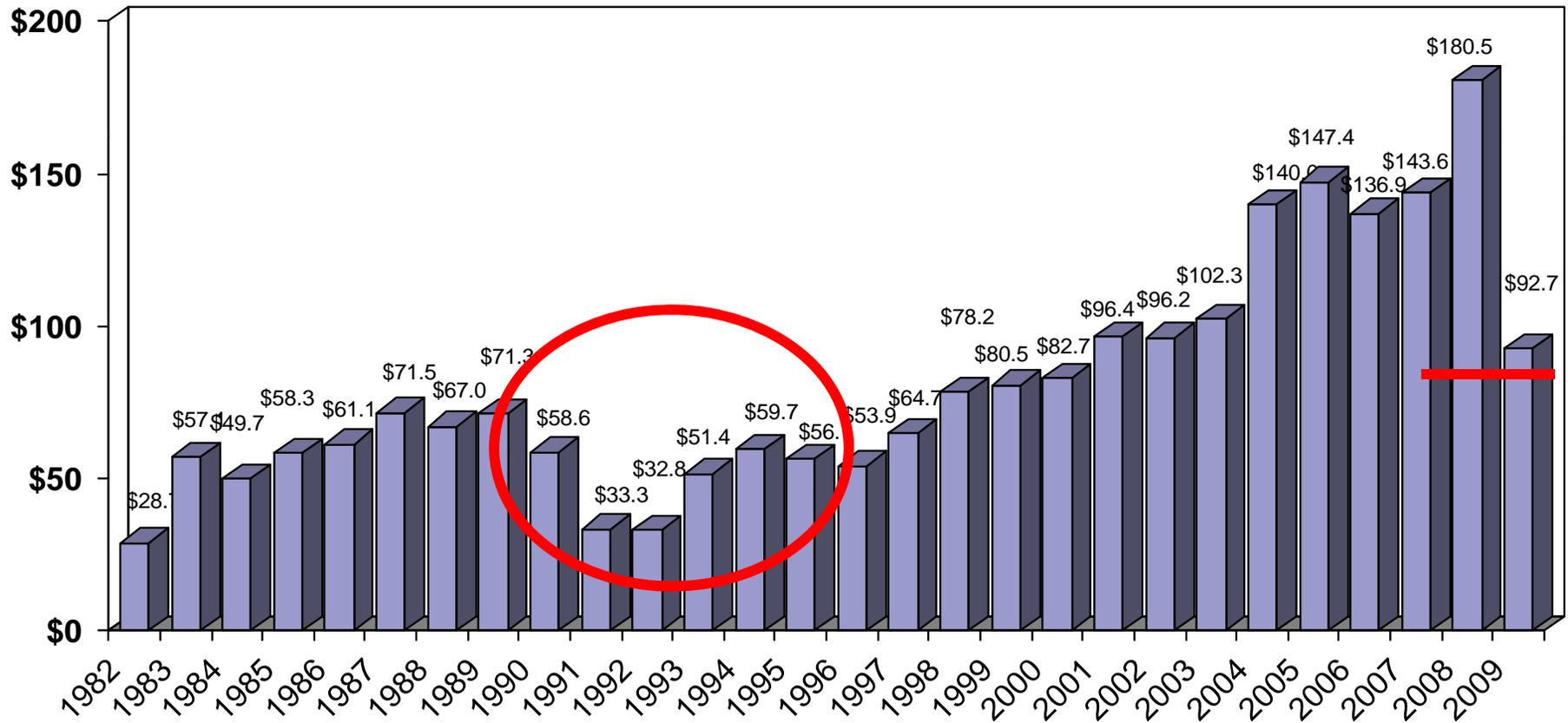
Source: CB Richard Ellis

	<u>Absorption</u>	<u>Chg in Inventory</u>
2003	4,118,612 sf	5,013,109 sf
2004	6,664,812 sf	5,501,706 sf
2005	6,708,155 sf	6,248,789 sf
2006	5,244,600 sf	4,582,618 sf
2007	9,424,600 sf	11,104,865 sf
2008	3,395,986 sf	6,229,205 sf
2009q3	(2,072,914) sf	3,646,358 sf



Shopping Center Sales: Price per Square Foot Maricopa County 1982–2009

Source: Kammrath & Associates



*Data through second quarter 2009.





It could take a *decade* before
prices get back to peak
levels in the commercial
markets.





Political Concerns

- National constraints
- State budget deficit
- Is the State at a crossroads?





Impact of recent government stimulus?

Modest at best





**If we direct our scarce capital
(particularly in times when credit is scarce)
to the “big” and incompetent,
we assure that there will be
insufficient capital available to fund
the growth of the small and competent.**





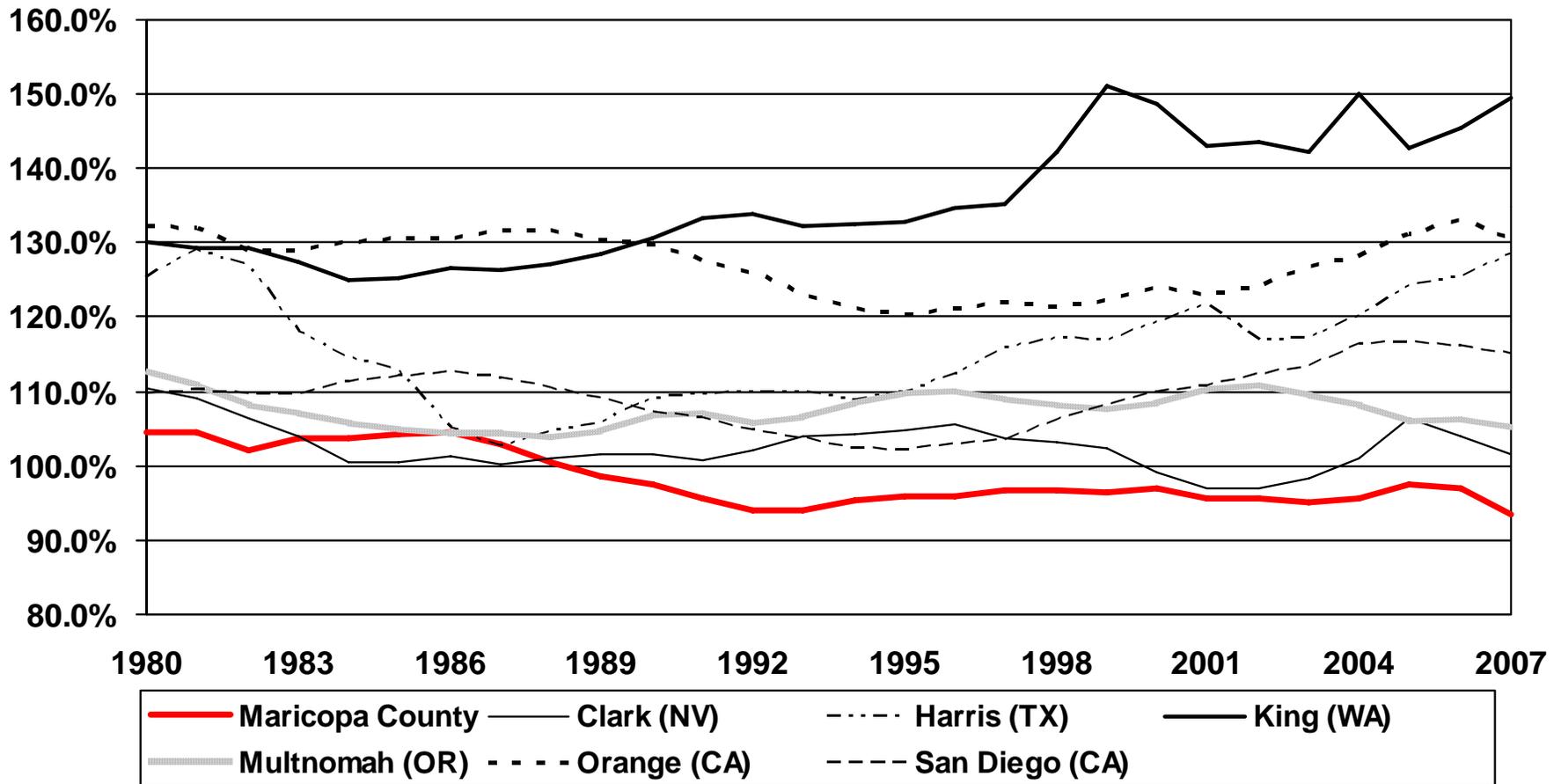
Is the State at a Crossroads?

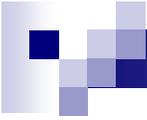
- Economic development decisions.
- State has opportunity... time is **now**.
- Need to create higher paying jobs.
- Up to State policy makers.
- If we fail, State's PCPI relative to the U.S. will continue to deteriorate.



Per Capita Personal Income as a Percent of U.S. Maricopa County v. Peer Counties

Source: Bureau of Labor Statistics

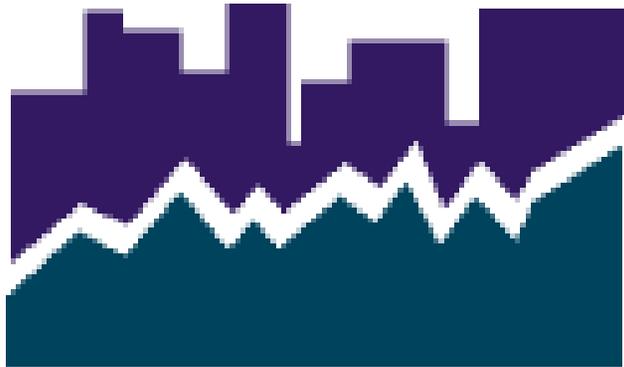
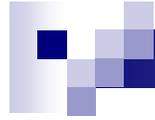




Summary

- Recovery will be sluggish.
- Local recovery will lag U.S.
- Recession is everywhere
 - Employment
 - Population
- Changing population characteristics will have an effect on spending patterns.
- Residential market will be weak in 2010 and 2011, but back to normal levels by 2015.
- Commercial market will be weak the entire 5 year time period.
- Political issues are a concern.





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