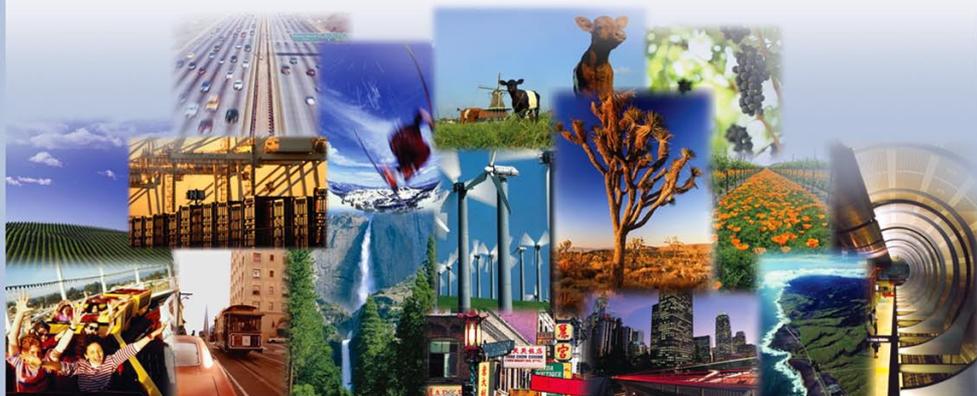


ORANGE COUNTY REGIONAL ECONOMIC VITALITY CONVERSATION

convened by
California Center for Regional Leadership
&
Orange County Business Council

on behalf of
Governor Schwarzenegger's Cabinet



MADE POSSIBLE THROUGH GENEROUS SUPPORT FROM
PACIFIC GAS AND ELECTRIC COMPANY AND BANK OF AMERICA



ECONOMIC VITALITY CONVERSATION

January 6, 2004 State of the State Address: *"We must restore the state's business climate. Creating and retaining jobs - and the businesses that provide them - must be a priority of this Legislature. Jobs provide a solid foundation for families. Jobs add revenues to the state budget. Jobs give stability to our society. Jobs. Jobs. Jobs. The more jobs the better.* -- **Governor Schwarzenegger**

Victoria L. Bradshaw

Secretary

Labor and Workforce Development Agency

Economic success for business and prosperity for workers are not mutually exclusive ideals. They are instead the result of carefully crafted policies devoted to creating an environment where business thrives and workers gain the skills necessary to make themselves and their employers competitive at home, throughout the nation and abroad. The goal of this Administration is to successfully balance the continuing and ever-changing needs of California's employers and workers in a dynamic and competitive landscape. California can and should be known for its high skilled jobs in growth industries and for having a skill-building infrastructure to support its workforce in the jobs of the future.

Stan Oftelie

President & CEO

Orange County Business Council

Emerson said, "The best of life is conversation, and the greatest success is confidence, or a perfect understanding between sincere people." The Economic Vitality Conversation helps build that perfect understanding between regions and the sincere people in Sacramento. Thanks for opening an important conversation with the regions of California.

Lynn Pike

California Market President

Bank of America

Bank of America works at the local, state, and national levels to revitalize and strengthen communities, with a focus on affordable housing, small businesses, consumer loans, and economic development. The EVCs represent an important pathway for the bank, its customers, community leaders and many others to engage with state government to improve California's economic well being. We applaud the initiative taken by the Governor, his Cabinet, and CCRL. Bank of America is committed to continue working with the EVC participants to improve California's economic well being.

Nick Bollman

President & CEO

California Center for Regional Leadership

We are pleased to join Secretary Bradshaw and the Cabinet in sponsoring these Conversations. This is one of a dozen such Conversations we hosted across the state during 2004. They are not only historic in the extent of outreach to develop new strategies for economic success, but are also a testimonial to this Governor's commitment to engaging Californians in active partnership with their state government.

The California Center for Regional Leadership, in cooperation with partner organizations, is conducting a series of Regional Economic Vitality Conversations around the state with representatives from Governor Schwarzenegger's Administration and a diverse group of regional business and civic leaders. The purpose of these Conversations is to generate, gather, discuss, and promote ideas to stimulate California's short-term economic recovery while improving long-term economic competitiveness and comparative advantage. Addressing both region-specific and statewide issues, the intent of the Orange County Conversation was to solicit the best ideas from the region's leaders to bring to the Governor and his Cabinet for consideration. The following is a summary of participants' comments in response to key questions.

What State actions will have the most immediate positive impact on California's economic recovery?

Establish Strategic Tax Initiatives and Business Incentive Policies

- Provide incentives or rewards to businesses for creating good jobs (those meeting certain criteria for longevity, compensation level, benefits level, etc.), with the incentives tailored to the size of the business.
- Provide tax credits or incentives to businesses for specific purposes, such as healthcare, workplace training, or employer-assisted housing, that have economic benefit and that ultimately reduce costs for state government. Ensure strict accountability measures.
- Develop tax credits for capital investment and employee training.
- Reinstate the manufacturing investment tax credit or provide some other tax relief to the manufacturing sector, such as a credit for the installation of production equipment.



ECONOMIC VITALITY CONVERSATION



- Pursue tort reform.

Streamline Government

- Reduce layers of government by eliminating programs rather than creating new ones.
- Create more transparency in laws and regulations and eliminate contradictions to allow for greater certainty for business and individuals.

Reform Workers' Compensation

- Reform workers' compensation legislation to ensure that businesses see savings, not just insurers.

Assess Impact of Legislation and Regulation

- Find a better balance between legislation that discourages businesses from staying in or coming to California and legislation that protects workers and the environment.

Market California

- Work to change the state's image as not being business-friendly, both by reducing regulations and the cost of doing business and by promoting the positive aspects of the state that set it apart from other locations, such as a skilled labor force and a high quality of life.
- Focus on selling the state's region's to one another so that businesses see that all of their needs can be met without leaving the state. Determine the relative strengths of each region and cross-sell.



What State actions will result in the most significant long-term improvement to California's economic competitiveness and comparative advantage?

Invest in Education and Workforce Development



- Expand (or at least stop reducing) funding for education and workforce development. A skilled workforce is one of the most important factors for businesses in deciding where to locate. If California continues to reduce funding for education and workforce development, the state will not produce the quality workers necessary to attract and retain businesses.

- Encourage more public-private partnerships to leverage available funds.
- Reduce the high school drop-out rate.
- Focus on reducing the cost of higher education or else talented students will be driven out of state in search of more affordable schools.
- Increase rigor in the state's educational system to ensure that tomorrow's workers can compete with those from around the globe.
- Tailor workforce development programs to focus on the industry clusters important to each region.
- Ensure that workforce development activities are focused on supporting training for jobs that have career ladders (employee growth potential) and/or that contribute to the long-term competitiveness of a regional industry cluster.
- Provide incentives to companies within targeted regional clusters to work with local post-secondary educational institutions to assist in employee training.



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Invest in Infrastructure

- Target transportation policies and investments towards making alternatives to driving—walking, bicycling, transit, and light and heavy rail—more viable and to reduce the burden on already crowded roads.
- Improve and expand the state's energy infrastructure to avoid a

repetition of the energy crisis and to ensure greater reliability for businesses.

- Ensure that California receives its fair share of federal transportation dollars.

Devise Affordable Housing Strategies

- Promote the production of workforce housing close to job centers to reduce suburban commutes and improve mobility.
- Send property taxes back to local governments rather than the sales tax to reduce the constant need to chase retail development at the expense of housing.
- Eliminate regulations that hamper the ability of jurisdictions to act in a coordinated manner on regional housing solutions.
- Add more teeth to the state housing law to provide cover to local governments in fighting those who block housing production.
- Allow fast-track approval for affordable housing projects that do not have significant environmental impacts.
- Shorten the entitlements time in general to increase the speed of housing production.
- Support creative partnerships to increase the availability of funds for affordable housing.



How do we best structure an effective partnership between the regions and the State around economic strategy?

Play to Strengths and Leverage Existing Partnerships

- Rather than reinventing the wheel, build partnerships around a specific regional strategy or project that has already proven successful.
- Stop focusing on “one-size-fits-all” solutions that do not take into account the unique attributes of each region.



Establish Coordinated Region-State Structures

- Provide state expertise and funding to help regions that have not already done so to identify key industry clusters and to adopt a cluster-based economic development strategy.
- Ensure that the dialogue between the state and the regions is ongoing to allow for collaborative regional solutions.
- Provide state seed funding and technical support to create “regional cluster competitiveness collaboratives,” which would focus on regional solutions to the variety of factors that contribute to economic competitiveness, including affordable housing, transportation, quality of schools, competitive wages commensurate with the region’s cost of living, and availability of quality health care and child care.



- Support the re-creation of Team California and an online tool to facilitate coordination between the various players.
- Clearly establish the regions in cooperation with existing local governments, and then have the state support each region’s economic development goals within the context of broader statewide economic goals and policies.

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