

SAN DIEGO REGIONAL ECONOMIC VITALITY CONVERSATION

convened by
California Center for Regional Leadership
&
San Diego Regional Economic Development Corporation
on behalf of
Governor Schwarzenegger's Cabinet



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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**

Sunne Wright McPeak

Secretary

Business, Transportation & Housing Agency

The Governor and his Cabinet are reaching out to solicit the best ideas on how state government can support short-term economic recovery and long-term global competitiveness. As California is a state of regional economies, the Administration is seeking guidance from regional business, labor, civic, and community leaders through a series of Regional Economic Vitality Conversations. Building and sustaining strong economies is a shared responsibility and requires a true partnership among the regional private, nonprofit, and local government sectors, if we are to secure future prosperity and quality of life for all Californians.

Julie Meier Wright

President & CEO

San Diego Regional EDC

San Diego Regional EDC is delighted to have hosted the conversation between Secretary Sunne McPeak and stakeholders from San Diego's business community. We know she is listening to our input and getting to the hard work of fiscal reform, recovery strategies and long-term economy growth plans. Governor Schwarzenegger's willingness to actively promote California, visit companies and engage in the state's economic development activities is a real boon to the Golden State. He's sending a positive message to the business community and San Diego is behind him 100%!

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 Mc Peak and the Cabinet in sponsoring these Conversations. This is one of a dozen such Conversations we will host 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 intent of these meetings is to solicit and discuss ideas on how the state government can help stimulate and sustain economic growth in California's regions -- ideas that will then be brought for consideration to the Governor and his Cabinet. The following represents a summary of comments from the San Diego event, organized by key questions posed to participants.

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

Establish Strategic Tax Initiatives and Business Incentive Policies

- Reinstating the manufacturing investment tax credit
- Reforming the state-local fiscal relationship to give local governments certainty over their revenue streams and to ensure equity. Local government uncertainty equals a bad business climate. Ensure that the reformed tax structure encourages the creation of middle-class cluster industries and housing, not sales tax-producing retail establishments.
- Considering simplifying the state's tax code.
- Providing some sort of tax advantage to companies choosing to relocate to California.
- Re-assessing legislation and regulations that are repeatedly blamed for driving businesses out of state. Ensure that the economic consequences are factored into legislative and regulatory decision-making.



Control the Cost of Doing Business in California

- Redesigning the workers' compensation system to discourage litigation and abuse, encourage rational allocation of costs and benefits, and reduce premiums.

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Control the Cost of Doing Business in California, Cont'd



- Implement tort reform to reduce frivolous lawsuits and limit runaway jury awards.
- Control wage/hour class action litigation.
- Explore ways to reduce health care costs.

Support International Trade

- Aggressively cultivate trade opportunities with Mexico and other Latin American countries, with a particular focus on border areas.

Streamline Government and Reduce Regulation

- Restructure tax agencies into a single entity
- Require every state department to set up a task force to review regulations for effectiveness and cost benefit. Eliminate regulations that are poorly written, duplicative, or unnecessarily burdensome, or that have unintended consequences.
- Develop regional “one-stop shops” where businesses can take care of all of their business with the state in one place.
- Make sure state employees are responding to constituents’ needs in a timely, efficient, and accurate manner.
- Overhaul the bureaucracy and bring it into the 21st century. Eliminate arcane ways of doing business.

Market California

- To be effective at attracting businesses and jobs, understand what California offers that businesses can’t get elsewhere. While the state may never be the least expensive place to do business, there are other factors that make it unique and appealing.
- Tout the state’s culture of entrepreneurship, which has produced amazing results in innovation, business growth, jobs, and investment. This culture cannot be easily replicated elsewhere in the short term and thus sets California apart.

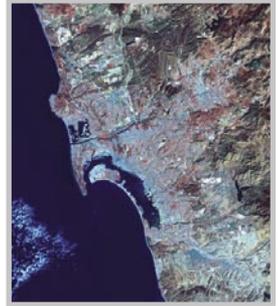


Market California, Cont'd

- Encourage the Governor to continue actively promoting the state and personally visiting companies looking to relocate or expand here.

Improve Affordable Housing

- Establish low-income housing incentives for builders.
- State-sponsored loan guarantee program for lower income workers buying their first home.
- State leadership on getting local communities to approve and build affordable housing.



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

Support Technology Transfer and Emerging Industries

- Reinstate the CalTIP program or develop some other program to support the commercialization of technologies
- Support research and development, perhaps through a tax credit.
- Develop state policies to support high-risk innovative start-up companies with global competitiveness potential
- Exert state leadership on getting the University of California's technology transfer process to make it less expensive, less fragmented, and a less daunting process. The current system discourages businesses from taking advantage of the system's rich academic resources. Look to Stanford's process as a model.

Invest in Education and Workforce Development



- Provide adequate funding for both K-12 and higher education to ensure that the state will have a future workforce that can compete on a global scale.
- Support education in the trades.

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Invest in Education and Workforce Development, Cont'd



- Improve math, science, and technology education. The state cannot stay on the cutting edge of technology if it is not raising a technology-savvy future generation.
- Develop a coherent strategy for workforce development that enables adults to refocus their skills in growing or emerging industries.

Establish Policy Priorities

- Develop and clearly articulate a statewide economic development strategy based on the work of the Economic Strategy Panel and other existing efforts.
- Create a collaborative environment that does not place the state at the center of the universe but as one player in a greater strategy that involves multiple entities. Success comes from partnerships, not from a top-down approach.
- Focus on new and emerging opportunities, not on static or dying industries and skills. This kind of forward thinking helps cultivate future advantages for both established and emerging businesses.
- Develop a region-based statewide goods movement strategy and assure that projects consistent with the strategy are supported.
- Ensure a reliable and reasonably priced energy supply through an effective state energy policy.
- Ensure water supply reliability through a greater focus on conservation.

Invest in Infrastructure

- Invest in projects that will improve the state's goods movement infrastructure (ports, rail, truck, ship, and air).
- Ensure that transportation dollars are used to fund a balance of projects (roads, rail, etc.) and are distributed equitably throughout the regions.
- Balance investments between maintaining and upgrading existing infrastructure and building new systems.



Invest in Infrastructure, Cont'd

- Support the development of improved technology infrastructure in both urban and rural areas.
- Understand that constructing mass transit systems is not only critical for improving mobility and linking cities, but is also a way to create high-paying jobs.



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

Play to Strengths and Leverage Existing Partnerships

- Build the state's strategy around the tremendous resources that exist at the local and regional level for economic development. Recognize that the state isn't one single economy but a number of local and regional economies with different dynamics and needs.

Establish Coordinated Region-State Structures

- Ensure regular and meaningful communication between the state and the regions on economic issues and ensure that the results are regularly reported to the Administration. Make sure business leaders, including those from emerging technology sectors, are engaged in this process.
- Institutionalize annual state-sponsored regional workshops involving key players from government, business, labor, community groups, etc., to encourage regional cooperation on issues.
- Assure regional representation on state regulatory commissions



- Base the state-regional partnership around state funding that incentivize matching investments from local agencies that support job creation, education, and training at the regional level.
- Help the regions by providing access to research and information and by helping to develop and implement tailored regional economic strategies.

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