

SAN DIEGO REGIONAL ECONOMIC PROSPERITY STRATEGY

**Toward a Shared Economic Vision
for the San Diego Region**

July 1998

San Diego



**ASSOCIATION OF
GOVERNMENTS**

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The Prosperity Strategy offers an assessment of the strengths and weaknesses of the San Diego region in two ways:

- **Comparative snapshot** - how well the San Diego region is doing compared to twenty similar metropolitan regions in other parts of the nation.
- **Comparative trends** - how well the San Diego region is faring over time compared to the larger, more aggregate trends of the state and nation.

For each type of judgment - whether a comparative snapshot or a dynamic look over time - indicators that address key questions in four areas: economic and social performance; business vitality; resource capacity; and publicly supported infrastructure capacity, were examined.

Call for Action - A Strategy to Keep Us on Top

Our region's future economic prosperity depends upon a timely response to the challenges we face and our ability to take advantage of the opportunities they offer. The Advisory Committee has created a strategy that is ambitious, yet simple. The Strategy's recommended actions call for infrastructure investment and public policy support in order to strengthen the region's economic foundation.

The Strategy's recommended actions are intended to strengthen our existing industries, our emerging growth companies, and our universities and research and development institutions that create new enterprises. These actions represent important opportunities for the region; they are part of the foundation on which our future economic prosperity depends. Above all, these actions are designed to replace and create middle-class jobs which will ensure a rising standard of living.

In addition to benchmarking the San Diego area against similar regions, and state and national trends, the ability of the region's collaborative effort to carry out the Strategy's recommended actions has been tracked. These actions call for investment in human and physical infrastructure and changes in public policies that are necessary to meet the region's economic restructuring challenges. Our investments will allow the region to reinvent itself, influencing the quality of our economic growth.

The strategy is ambitious, recommending specific infrastructure investments and public policy support to facilitate the restructuring of our regional economy.

...the County Water Authority is discussing an agreement with the Imperial Irrigation District that would substantially increase the local supply of water...

...recycling programs have substantially increased local solid waste capacity...

...high school student drop out rates have improved because of better monitoring programs...

The San Diego County Water Authority has partnered with the private sector to conduct its business survey programs designed to increase efficiency and conservation awareness. In addition, the CWA has developed a Water Resources Plan for the region, identifying five major sources of water. One source is a pending landmark agreement with the Imperial Irrigation District that could substantially increase our supply of water. The ever-present perception of a looming water shortage in the region would quickly evaporate with the consummation of this agreement. The Air Pollution Control District, with the support of the City and County of San Diego and the region's private sector, has adopted pollution control measures that achieve cleaner air standards. In addition, the local APCD successfully protected local businesses from undue financial expenditures related to a 1999 deadline for new air quality standards, by showing that our air quality is affected by airborne contaminants produced outside the region.

Since 1990, local jurisdictions have launched the regional Integrated Waste Management Plan. The Plan calls for waste diversion programs, such as recycling, to reduce waste generation by 50%, making better use of existing capacity. As a result, the region currently meets its state mandated fifteen-year capacity requirements.

During 1990, the San Diego Unified School District established a better student monitoring procedure, known as "Connections", to track high school dropouts to determine their actual status. This change has led to a decline in high school student four-year dropout rates from above 25% to about 13% in 1996.

To reduce the regulatory burden on business, most local jurisdictions have acted to streamline or clarify their development and other business-related regulations.

The level of cooperation between these agencies, and their progress on regional infrastructure and regulatory issues has been helpful to the economic recovery that began during 1994.

...still, more needs to be done to facilitate the restructuring of the local economy.

So, with all this activity and progress, is there anything else to do? Yes, and the region already has been working on it as well, but more needs to be done: We need to provide an economic focus for our regional infrastructure investment decisions, and we must try to ensure that the local, federal and state regulations that affect this region are understandable, achievable, beneficial, and cost effective.

To move forward on restructuring the local economy, the committee that produced this report recommended a set of actions that should be taken on infrastructure investment and regulatory reform. In addition, the committee also identified the most appropriate organizations and agencies to carry out the recommendations. The committee's recommendations are listed below.

Recommended Action 1

Support the continued development of a collaborative effort by organizations, agencies and other interests to carry out the required investments in human and physical infrastructure and public policy changes necessary to meet our economic restructuring challenges identified in the Strategy.

Our primary goal should be improved economic performance, measured by a rising standard of living.

Our primary goal should be improved economic performance, measured by a rising standard of living. The San Diego region is currently faced with a shrinking middle class. The problem with our region's economy isn't that we've lost jobs. It would be easier to fix if that were the case. Our problem is that we're trying to survive as an economic region in the 1990s on an income that's lower in real dollars than the income we had in the 1970s. What's worse, we're headed on a track that will keep us at or below this level for the next 20 years.

To reach our primary goal we must work to remove or mitigate our competitive disadvantages.

For the San Diego region, a key will be our ability to compete successfully, not merely within southern California, the state and the United States at large, but also with our global competitors in Europe, Asia and Latin America. We should recognize that we compete with the world, whether we do it well or not.

Recommended Action 5

Promote public policy changes and investments that continue to diversify the region's sources of water and work with local, state, and federal officials and other interested parties on providing California with a competitive water market. Included in these discussions should be representatives from the Republic of Mexico.

The San Diego County Water Authority is the primary agency responsible for providing the region with a safe and reliable water supply.

Imported water is an essential resource in the San Diego region. It will continue to influence the long-term business expansion and location decisions of our existing and emerging growth industries. The CWA should continue its efforts to purchase water from the Imperial Irrigation District in order to strengthen and diversify our regional water supply.

The CWA also should continue with its capital improvement program, which has strengthened the region's water-carrying infrastructure and will provide us with a more adequate emergency water storage system.

To complement these investments, the CWA should be an advocate for the development of a competitive water market within the State of California. A water market should consider water sources from throughout the state, including the Central Valley Project, as well as other western states. In addition, the CWA should continue to work with the private sector and agricultural users on water conservation efforts, and the general public on reclamation and re-purification.

The CWA, in coordination with local agencies, should continue its discussions with representatives from the Republic of Mexico, through the Tijuana/San Diego Border Water Council, on water related issues that are mutually beneficial. The San Diego region and Baja California are parts of a vibrant interrelated region with growing economic relationships. The primary water supply for both regions is imported water from the Colorado River. A reliable supply of water for Tijuana and the San Diego region is vital to ensure current and future economic prosperity. The Border Water Council, formed under the Boarder

The purchase of water from Imperial Irrigation District will turn a once competitive disadvantage into a competitive advantage.

The State of California needs to move towards an open, competitive water market.

A highly reliable water supply is vital to ensure growth and prosperity in the Baja/San Diego region.

Liaison Mechanism, provides a mechanism for effective cross-border communication on water issues. This effort should examine the possibilities of joint opportunities for meeting the future water supply needs of the Tijuana/San Diego region. The potential supply options for joint cooperation include: imported water conveyance and storage optimization, "recycled water", and groundwater.

Recommended Action 6

Improve the collaborative effort on the part of private sector organizations and government agencies that are jointly responsible for maintaining and improving the region's access to domestic and international markets. Included in these discussions should be representatives from the Republic of Mexico.

The San Diego Unified Port District is the agency most responsible for maintaining or influencing the region's trade-related infrastructure in three important areas: our airport, water port and rail linkages.

International trade is the fastest growing sector of our nation's Gross Domestic Product, a measure of the total value of the nation's output of goods and services. Today, international trade accounts for between 25% and 50% of the annual growth in the nation's GDP. This proportion is expected to rise to 80% soon after the turn of the century, despite the recent slowdown in Asia. If our region wants to take advantage of the most rapidly growing sector of the nation's economy, we must have access to international markets.

The regional economy continues to develop-high paying jobs in industrial clusters that are by nature dependent upon access to a quality export-oriented infrastructure system. To ensure the retention and continued growth of our current industrial clusters and the establishment of new emerging ones, the region's private and governmental sectors must maintain an adequate system of trade-related infrastructure.

The prosperity of the local and national economy is increasingly dependent on access to world markets.

If we want world class businesses we must provide them with world class infrastructure.