

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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Revised January 23, 2002



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August 10, 1998

A Message from the San Diego Regional
Economic Prosperity Strategy Advisory Committee:

After nearly two decades of economic stability, the San Diego region received a wake up call during the 1990s as job growth declined and long-time residents began to leave. The recession that began in 1990 turned out to be, for this region and for the State of California, the worst recession in the last 50 years. At the root of the local recession was the basic restructuring of San Diego's regional economy. The restructuring, which cost our region thousands of high-paying jobs and many of the businesses that created them continues, even as the economy recovers.

Since 1990, the San Diego Association of Governments (SANDAG) has been working on evaluating and monitoring the local economy. Recently, the Advisory Committee overseeing this work completed its assessment of the economy's fundamental strengths and weaknesses. This assessment was the first step toward the preparation of a plan for strategic action that could help our region through the continuing economic restructuring and into the next century. This strategic plan for action is now complete. It is entitled the *San Diego Regional Economic Prosperity Strategy*.

The Advisory Committee has created a Strategy that is ambitious, yet simple. The Strategy identifies key issues that will help improve the condition of the local economy and subsequently our standard of living. The Strategy calls for infrastructure investment and public policy support to strengthen the region's economic foundation and make it more competitive. These investments and public policy efforts will allow the region to reinvent itself, influencing the quality of our economic growth.

The Advisory Committee is convinced our economic prosperity is not keeping pace with our major competitors or with trends nationwide. A timely response to the challenges we face will allow the region to take advantage of opportunities these challenges may offer. As such, we must act together in a collaborative manner to aggressively implement the Strategy's Recommended Actions.

The Strategy's Recommended Actions are intended to strengthen our existing industries, emerging growth companies, universities and research and development institutions that together create new enterprises. It also contains recommendations on the roles for business, labor, education and local government to aid in economic diversification. The Strategy's focus is to retain and expand local businesses and create more well paying jobs.

MEMBER AGENCIES: Cities of Carlsbad, Chula Vista, Coronado, Del Mar, El Cajon, Encinitas, Escondido, Imperial Beach, La Mesa, Lemon Grove, National City, Oceanside, Poway, San Diego, San Marcos, Santee, Solana Beach, Vista, and County of San Diego.

ADVISORY/LIAISON MEMBERS: California Department of Transportation, U.S. Department of Defense, S.D. Unified Port District, S.D. County Water Authority, and Tijuana/Baja California.

One clear message of the Committee's work is that old approaches and old solutions will not solve the problems we are currently facing. On the one hand, what had once been considered "social issues", namely education and housing, must now be recognized for what they always were, "business issues". On the other hand, we must respond to current and future "global" changes, such as the expected growth in the importance of international trade. It is clear that our region competes with the world, whether we do it well or not.

If we're going to trigger a change in our economic and social conditions and create the foundation for a 21st century economy, it will require that people, companies and organizations work together in new collaborative ways. For this reason, the Committee proposes as one of its key recommendations, that the region rely on existing organizations and agencies to implement the Strategy. The agency or organization most responsible for carrying out the Strategy's Recommended Actions are identified and tasked with the responsibility of achieving results. This "leadership" process ensures a broad-based collaborative approach and minimizes the problems that arise when a new organization or agency is formed to oversee the implementation of the Recommended Actions.

At its July 1998 meeting, SANDAG's Board of Directors approved the *San Diego Regional Economic Prosperity Strategy* as an element of the *Regional Growth Management Strategy*.

Sincerely,

The San Diego Regional Economic
Prosperity Strategy Advisory Committee

Copies of the Prosperity Strategy and its companion document entitled *Evaluating Economic Prosperity in the San Diego Region: 1998 Update* can be obtained from SANDAG by contacting Ms. Eunice Tanjuaquio at (619) 595-5347. In addition, these documents are available from SANDAG's Web site at <http://www.sandag.cog.ca.us>

ABSTRACT

TITLE: San Diego Regional Economic Prosperity Strategy

AUTHOR: San Diego Association of Governments

DATE: June 1998

SOURCE OF COPIES: San Diego Association of Governments
401 B Street, Suite 800
San Diego, CA 92101
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NUMBER OF PAGES: 103

ABSTRACT: The SANDAG Regional Economic Prosperity Strategy Advisory Committee prepared the Regional Economic Prosperity Strategy. This report includes a strategy designed to prepare the San Diego region for the economic opportunities of the new century. The report contains a series of recommended actions designed to ensure the region's residents of a rising standard of living. The data utilized in formulating the recommended actions are contained in this report and in a companion document, available through SANDAG, entitled *Evaluating Economic Prosperity In the San Diego Region: 1998 Update*.

ACKNOWLEDGEMENTS

This report was prepared with the assistance of
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**TOWARD A SHARED ECONOMIC
VISION FOR THE REGION**

TOWARD A SHARED ECONOMIC VISION FOR THE REGION

After decades of rapid job growth, accompanied by no increase in our standard of living, the San Diego region received a loud "wake-up" call in the 1990's as the number of jobs and household income declined dramatically.

The objective is to develop an on-going assessment system that is widely understood and accepted in the region as a valid means of judging the area's economic and social well-being.

An Alarm Sounds

What a turnaround – the decade of the 1990's has seen the San Diego region and most of California emerge from the worst economic recession in 50 years. The primary question now is where do we want our local economy to be positioned to seize opportunities and enhance the region's competitiveness in the global marketplace as we enter the 21st century.

The alarm sounded in the San Diego region in the 1990's as job growth declined and long-time residents began to leave. We woke to find a basic restructuring of the region's economy. The restructuring, which cost the region thousands of high-paying jobs and many of the local businesses that created them, continues today, even as the economy recovers.

In response to the recession and restructuring of the economy, agencies and organizations throughout the region are mobilizing. Their objectives are to minimize the damage caused by the recession, reduce the recession's effects, and take advantage of the opportunities created by the restructuring.

Crafting a Strategic Assessment System for the 21st Century

SANDAG (the San Diego Association of Governments) and other institutions in the San Diego area report on economic and social conditions. Those reports help to highlight major problems in the region. Yet putting the region on notice was not enough. What is also needed - and what the Prosperity Strategy provides - is a way of measuring the progress, or lack of progress, being made to solve these recognized problems. The Prosperity Strategy provides an ongoing assessment system that is widely understood and accepted in the region as a valid means of judging the area's economic and social well-being.

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

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.

Consensus is emerging on the essential parts of a long-term economic vision for the San Diego region.

The failure of growth today is the young worker with a family who must drive an hour or two to work in order to find affordable housing.

By making the Prosperity Strategy an element of the Growth Strategy, SANDAG has inextricably linked economic growth, opportunity and prosperity to quality of life.

Challenge to Leadership

How does a region go about carrying out a regional strategy? There may be as many answers to this question as there are regions. The San Diego region has chosen to rely on existing organizations and agencies to implement the Strategy. The Strategy contains a set of recommended actions, in the form of goals, with suggested ways to achieve them. The agency or organization most responsible for carrying out the recommended action is identified and tasked with the responsibility of achieving results.

This process ensures a broad-based collaborative approach and minimizes the problems that arise when a new organization or agency is formed to oversee the implementation of the recommended actions.

The Bottom Line: Livability and Quality of Life

Livability, or quality of life, is the glue that holds this region's story together. In order to maintain and expand the San Diego region's economic vitality, we need to continue to retain the best and brightest people to live and work here. Companies make location decisions too, and research shows that CEO's are significantly influenced by the quality of life they can expect for themselves, their families, and their employees in a new location.

The Prosperity Strategy is an element of SANDAG's Regional Growth Management Strategy, which applies a quality of life approach to growth management. The Growth Strategy establishes quality of life standards and objectives for the region and recommended actions to achieve them. The purpose of the Growth Strategy is to link federal and state mandates and regional initiatives together into a consistent plan. The plan is intended to facilitate decision-making by elected officials on growth related issues, creating a framework for managing growth in the region.

*Regions - not cities
nor the suburban
counties that
surround them - will
be the units of
economic
competition.*

*How we define our
region should
influence our
regional economic
planning process
and decisions.*

Preparing for Global and Regional Collaboration

The San Diego-Baja California binational region faces increasing domestic and global competition. Everyone seems to be aware of globalization, but few understand that regionalization is the other side of the coin. As Neal Pierce, a nationally syndicated columnist and others have observed, only regions have the necessary scale and diversity to compete in the global marketplace. Regions have an asset profile more capable of competing in the global market-place than do individual counties or cities, which lack essential infrastructure or a sufficiently skilled pool of labor.

How we define our region becomes the basis for defining our region's competitive assets. On one hand, for example, our region depends on the transportation infrastructure located in the greater Los Angeles area as a way to access the domestic and international market-place.

Does this relationship make the San Diego economy part of the southern California region? On the other hand, we are dependent on Baja California for an important part of our labor pool. Does this relationship make the San Diego economy part of the binational San Diego-Baja California region?

Perhaps the answers to these questions are not as important as recognizing how these relationships may influence our regional economic planning process and decisions.

The centerpiece of our binational relationship with Baja California is our international border crossings, the busiest in the world. These crossing facilities also form the basis of our economic relationship, which today are based primarily on structural and economic differences; especially differences in our labor forces. When combined, these differences provide the binational region with a competitive advantage in the global economy. The highly successful maquiladora operations, for example, are a result of businesses taking advantage of our region's economic differences.

Our Cities and County must embrace strategies of regional collaboration.

We must use our scarce investment capital more productively.

Our region should recognize that we compete with the world, whether we do it well or not.

In the face of intense global competition, local companies are involved in a revolution that is fundamentally changing how they do business. Leading-edge firms are focusing on customer satisfaction, reducing time-to-market, controlling costs, continuously improving product quality, and serving niche markets - wherever they may be. To help achieve these goals, companies are focusing on what they do best, and contracting out for the rest. They are locating activities globally to take advantage of each region's unique offerings. To get our companies into a position so they are leading the revolution of changing business practices, we must have a collaborative advantage.

If we want world-class companies we need to provide them with access to world-class infrastructure. Most people agree that to sustain our region's comeback depends on our ability to connect our cluster companies to a world-class infrastructure. This is a traditional and appropriate economic development response to our restructuring challenges. Creating such a 21st Century economy will require that people, companies, and organizations work together in new, collaborative ways.

Companies increasingly look beyond their walls for resources and relationships to help them compete. Companies require access to highly skilled people and international markets, advanced telecommunications capacity, information networks, and other resources to be successful. This "regional infrastructure" must be quality-oriented in terms of customer satisfaction, cycle-time reduction, and as flexible as the companies it supports. To compete effectively, regions have to be cohesive and capable of solving problems and seizing opportunities in a timely fashion.

The San Diego Region's Export Engines

Why are Industrial Clusters Important?

In the most advanced economies worldwide, one or more industry clusters serve as the driving force of the regional economy.

Industrial clusters are groups of complementary, competing, and interdependent industries that drive wealth creation in a region, primarily through export of goods and services.

Without healthy clusters, the rest of our region's economy - retail, services and government - cannot prosper.

The key to rebuilding our middle class jobs is the expansion of employment opportunities in our high value-added clusters.

The productivity of regional economies, including ours, depends on the sophistication and efficiency of all its industries. All industries contribute to determining the output per worker of the economy. However, it is important to distinguish between those industries that are primarily local and those that sell their products and services nationally or internationally. These two types of industries have very different roles in economic growth.

In the most advanced economies worldwide, one or more industry clusters serve as the driving force of the regional economy. At the core of the cluster are geographic concentrations of interdependent, internationally competitive firms in related industries. These firms can include companies that make or help make a final product as well as specialized suppliers and service providers. Clusters include large companies and small companies, and both domestic and foreign firms.

In addition to selling their products and services locally, cluster firms sell globally and bring outside dollars into our region. These dollars drive the regional economy as firms buy products from other sectors in the area. Their employees also spend their paychecks at local stores and restaurants, and buy homes. The prosperity multiplier effect (not employment multiplier) of high tech cluster firms is exceptionally strong.

Industries that compete nationally and internationally have far greater long-term growth potential. Because they compete nationally and internationally, opportunities for growth in these industries are not constrained by the size of the local market, and they can expand far beyond it.

The paradigm that determines competitiveness for regions has shifted.

A competitive advantage today is driven by the ability of firms to continuously innovate and upgrade.

The San Diego region has sixteen export-oriented industrial clusters.

A salient feature of clusters is that they are self-regenerating.

Determinants of Competitiveness

At one time, firms competed based on factor costs (e.g., labor, raw materials, capital, infrastructure), and the firm with the lowest factor costs won. The changing nature of competition now supersedes this historical model. Globalization allows firms to source factors such as raw materials, capital, and even generic scientific knowledge from international markets, and to locate selective activities overseas to take advantage of low-cost labor. At the same time, technological advances give firms the ability to eliminate, nullify, or circumvent weaknesses in local factors. For example, high product quality and meeting extraordinary technical standards can offset high wages.

The most dynamic and innovative companies outpace the competition, even those entrenched competitors enjoying economies of scale. Intense competition and close cooperation spur innovation across industries, often spawning the development of entirely new companies and industries. As they develop, cluster firms create demand for new types of products and services, some of which can be supplied by existing or new local firms. In short, the cluster dynamic gives companies and their regions a competitive leg-up against others.

Our Modern Export-Driven Economy

Driving our economy are sixteen export-oriented industrial clusters. (Figure 1.) During 1996, our clusters employed over 331,000 residents, accounting for 32 percent of the region's total employment in that year (1,017,200 jobs). Employment in these cluster industries grew by six percent between 1990 and 1996, at the same time total employment in the region grew by four percent. (Figure 2.)

During the recession in the early 1990's some of our emerging clusters were expanding rapidly, offering new job opportunities at a time when other clusters were contracting. Since 1990, the number of residents employed in our Recreational Goods and Biotechnology/Pharmaceuticals clusters has doubled, and the number of new jobs created in our Communications and Software/Computer Services clusters has increased by more than 50 percent.

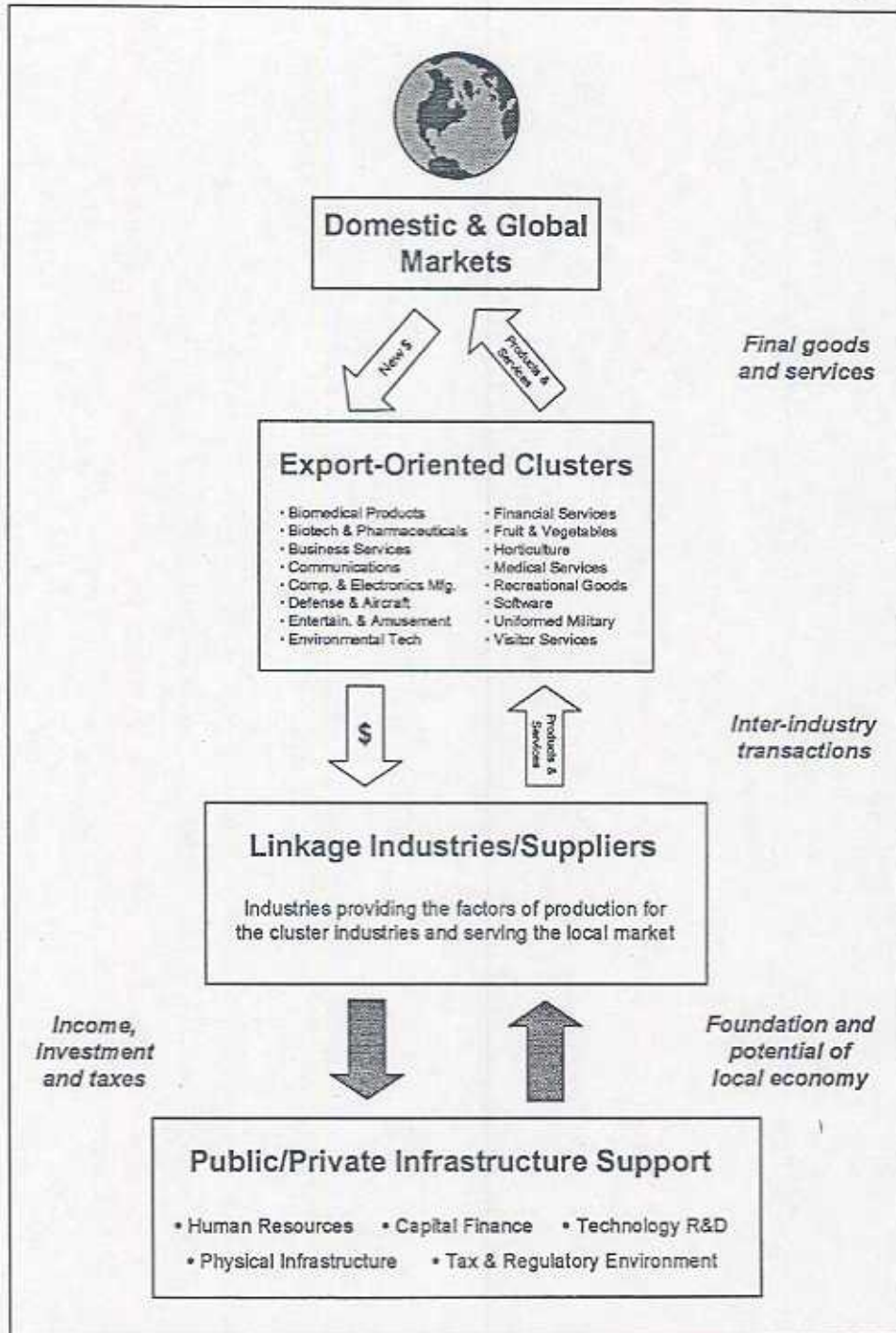
Economic diversity and stability are important attributes to a regional economy.

Our ability to create wealth and high quality jobs is dependent on the health of our regional clusters.

Since 1990, employment in our Visitor Services cluster has been stable. Stability from one of the region's largest employers during a deep recession proved to be an important contribution to the region. This is a good example of the importance of a diversified economy. In addition to the Visitor Services cluster, the Amusement/Entertainment cluster, Uniformed Military cluster, Fruit/Vegetables cluster, and the Horticulture cluster provide diversity and stability to the regional economy, giving us the ability to maintain a relatively low-unemployment rate during economic downturns. Diversity and stability are important attributes to a regional economy.

Equally important to creating new jobs are the average earnings per worker in these clusters. The average wage rates in our fastest growing high technology clusters range between \$37,700 and \$63,500 per employee. (Figure 3.) These wage rates are 30 percent to more than 120 percent above the average wage rate for all jobs in the region (\$28,800). Our ability to create wealth and high-quality jobs - to create prosperity - throughout our entire economy is dependent on the health of our regional clusters.

Figure 1
Modern Export-Driven Economy
Cluster Industries are Emerging as the Engines of Economic Activity



Source: San Diego Regional Technology Alliance, compiled by SANDAG.

Figure 2
Average Annual Employment¹, 1990 and 1996
San Diego Regional Industry Clusters

	1990	1996	Change	
			Numeric	Percent
Recreational Goods Manufacturing	3,152	6,512	3,360	107%
Biotechnology & Pharmaceuticals	11,017	21,725	10,708	97%
Communications	6,890	11,433	4,543	66%
Software & Computer Services	8,804	13,643	4,839	55%
Entertainment & Amusement	10,958	15,823	4,865	44%
Environmental Technology	3,111	4,154	1,043	33%
Business Services	48,159	61,771	13,612	28%
Computer & Electronics Manufacturing	26,531	27,658	1,127	4%
Medical Services	50,757	52,691	1,934	4%
Visitor Industry Services	70,266	70,656	390	1%
Fruit & Vegetables	3,541	3,493	-48	-1%
Horticulture	6,328	6,217	-111	-2%
Biomedical Products	7,363	6,431	-932	-13%
Financial Services	15,750	10,257	-5,493	-35%
Defense & Transportation Manufacturing	39,114	18,571	-20,543	-53%
Total Cluster Employment	311,741	331,035	19,294	6%
Total Regional Employment	977,400	1,017,200	39,800	4%

Figure 3
Annual Payroll Per Employee^{1,2}, 1990 and 1996
San Diego Regional Industry Clusters

	1990	1996	Change	
			Numeric	Percent
Recreational Goods Manufacturing	\$26,512	\$37,713	\$11,201	42%
Software & Computer Services	\$45,515	\$63,543	\$18,028	40%
Financial Services	\$35,424	\$43,595	\$8,171	23%
Computer & Electronics Manufacturing	\$42,313	\$48,800	\$6,487	15%
Biomedical Products	\$35,233	\$39,431	\$4,198	12%
Environmental Technology	\$34,928	\$38,765	\$3,837	11%
Entertainment & Amusement	\$25,388	\$26,997	\$1,609	6%
Fruit & Vegetables	\$13,113	\$13,314	\$201	2%
Horticulture	\$17,308	\$17,478	\$170	1%
Defense & Transportation Manufacturing	\$42,743	\$43,120	\$377	1%
Visitor Industry Services	\$12,692	\$12,798	\$106	1%
Biotechnology & Pharmaceuticals	\$49,120	\$49,109	-\$11	0%
Communications	\$48,385	\$48,004	-\$381	-1%
Business Services	\$30,626	\$30,114	-\$512	-2%
Medical Services	\$40,844	\$36,360	-\$4,484	-11%
Total Cluster Employment	\$31,928	\$33,239	\$1,311	4%
Total Regional Employment	\$27,830	\$28,790	\$960	3%

Source: Employment Development Department, 1997; Regional Technology Alliance, 1997; SANDAG, 1997

¹ The San Diego region contains a Uniformed Military cluster. It is export-oriented because it brings in significantly more tax dollars than the region pays. Because information on the Uniformed Military cluster is more limited than the other clusters, it has been excluded from further analysis.

² Adjusted to 1996 Dollars. Average annual payroll data for some clusters are affected by a significant number of part-time workers. Information on full-time equivalent jobs was not available from the California Employment Development Department.

**STRATEGIC ASSESSMENT SYSTEM
FOR THE 21st CENTURY**

STRATEGIC ASSESSMENT SYSTEM FOR THE 21st CENTURY

The objective is to develop an ongoing assessment system that is widely understood and accepted in the region as a valid means of judging the area's economic and social well-being.

In sum, this strategic assessment system looks at how the San Diego region compares with twenty other similar regions, and how the region has changed over time compared with state and national trends.

How do we best provide a framework for measuring progress and comparing the San Diego region against its competition? A vast array of information is available for assessing the challenges facing the region. Perhaps the most difficult task is organizing the information so it portrays the big picture. Who is the competition? How do we stack up against them? What are the region's assets? Where do we need to improve? What investments do we need to make today to be healthy and prosperous tomorrow? Are our goals realistic in terms of available resources? What additional resources are needed in order for the region's goals to be achieved?

Along with knowing some of the questions to ask, we also need a way to judge the answers. SANDAG proposes to accomplish this by providing sufficient information to make two kinds of judgments on a set of indicators that have been grouped into four categories. The first judgment we need to make for each category is the strengths and weaknesses of the San Diego region compared with a sample of similar metropolitan areas in other parts of the nation. This will provide a comparative snapshot. The second type of judgment is how the San Diego region has fared over time. This will provide a dynamic look at the region, and address whether the region is improving, stable or declining.

The comparison of data regarding the San Diego region is presented in two ways. Firstly, cross-sectional data are used to compare the San Diego region to twenty selected metropolitan areas ("comparative" metropolitan areas), and secondly, time-series data comparing the United States, California, and the San Diego region are used to observe changes since 1980.

The twenty metropolitan areas used for comparison are: Atlanta, Georgia; Dallas, Texas; Denver, Colorado; Fort Lauderdale, Florida; Fort Worth, Texas; Houston, Texas; Kansas City, Missouri-Kansas; Las Vegas, Nevada; Miami, Florida; Norfolk-Virginia Beach, Virginia; Orange County, California; Orlando, Florida; Phoenix, Arizona; Portland, Oregon; Riverside-San Bernardino, California; Sacramento, California; Salt Lake City-Ogden, Utah; San Jose, California; Seattle, Washington; and Tampa-St. Petersburg, Florida.

ECONOMIC AND SOCIAL PERFORMANCE: Major Indicator Category 1

The economic and social performance measures show how the San Diego region is performing in terms of measures that relate directly to people. The indicators attempt to assess a bottom line: is the quality of life improving for adults, and will children have an opportunity for an even better life?

Four categories of economic and social performance are examined:¹

- **Population and Employment** - the extent to which the region is attracting people and providing jobs for those who want them. Measures include population growth, new migration, short-term and long-term employment growth, unemployment rate, and labor force participation rate.
- **Earnings and Income** - how much people get paid for their work and how their overall income fares. Measures include average earnings at work, the growth in average earnings, per capita total income, the growth in per capita total income, the share of total income that comes from earnings at work, poverty level, and household buying power.
- **Social and Cultural Conditions** - aspects of people's social and physical environment that are not directly related to their employment. Measures include access to recreational and cultural facilities, crime rate, infant mortality rate, poverty level, cost of living, and value of property.
- **Intra-Regional Disparities** - how the economic and social fortunes within the region vary between its central city (City of San Diego) and its suburbs (other cities and the unincorporated communities). Measures include the ratio of central city to suburban, crime rate, SAT scores, per capita income, poverty level, tax revenue per capita, and total government expenditures per capita.

¹ Not all of the data collected is presented in this section. Additional data are available from SANDAG in a companion document, "Evaluating Economic Prosperity in the San Diego Region: 1998 Update."

Population and Employment

Population Growth

Since 1990, the region's population growth has been about equal to the state, and slightly greater than the nation. Our population growth rate ranks the San Diego region 14th out of 21 comparable metropolitan regions for the period of 1990-1996, compared to ninth of out 21 for the period of 1980 to 1990. (See Figure 4.)

Annual Change in Population and Employment

Between 1990 and 1996, our population grew at twice the rate of employment. (See Figure 5.)

Ethnic Makeup of the Population

Hispanics, the fastest growing ethnic group in the region, accounted for 55 percent of the region's population growth between 1990 and 1996. Asian/Other accounted for 20 percent of the region's population growth. Eighteen percent of the region's growth was attributable to non-Hispanic whites. The black population accounted for nine percent of the region's population growth.

Unemployment Rate

Compared to the twenty "comparative" metropolitan regions, the San Diego region ranked sixth lowest in 1996. The region's unemployment rate (5.3 percent) was two percentage points less than the state, and equal to the nation in 1996. By 1997, it had dropped to 3.5 percent.

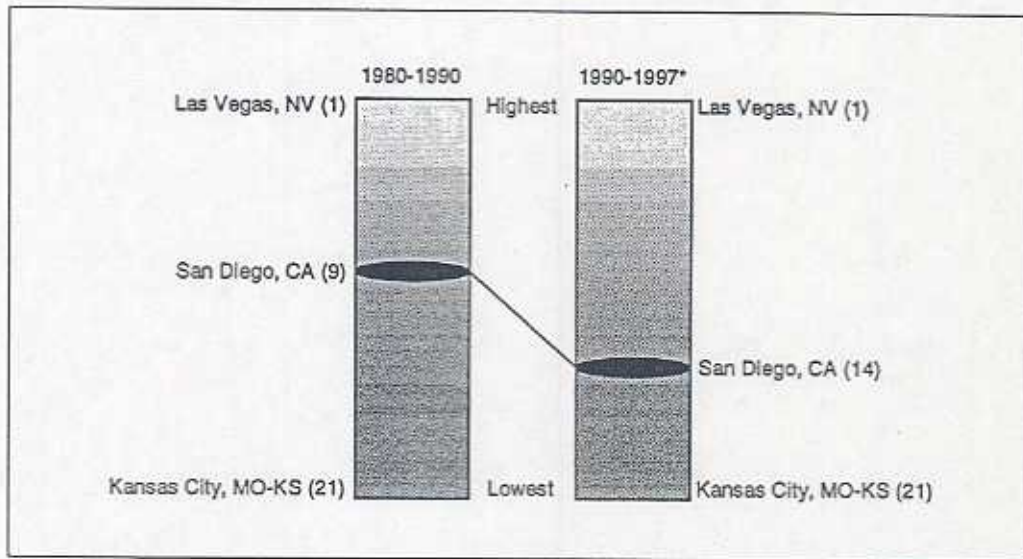
Our population growth rate was greater than the state's and nation's from 1990 to 1996.

The region lost nearly 20,000 jobs from 1990 to 1993.

The Hispanic population accounted for over half the population growth from 1990 to 1996.

In 1997, the region's unemployment rate was 3.5 percent.

Figure 4
Population Change Rankings, 1980-1990 and 1990-1997
San Diego Region Compared to Selected Other Metropolitan Areas



Source: *Places Rated Almanac* (New York: Prentice Hall, 1997)
 * 1997 population data is an estimate

Figure 5
Annual Change in Population and Employment, 1980-1996
San Diego Region



Source: California State Department of Finance, 1997; California Employment Development Department, 1997; SANDAG, 1997

The region's real per capita income was lower than both the state and the nation in 1994.

Earnings and Income

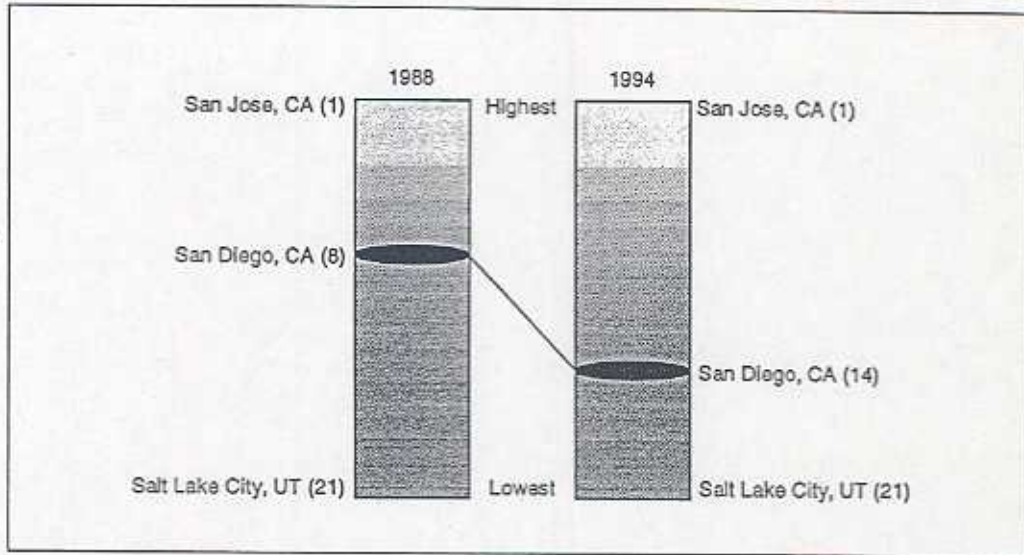
Real Per Capita Income

Per capita income is a broad measure of standard of living. During 1994, per capita income was estimated to be \$21,627 locally, \$22,345 statewide, and \$22,047 nationally. When compared to the twenty "comparative" metropolitan areas, the region ranked 14th out of the 21 areas in terms of per capita income. (See Figure 6.) That was down from the eighth ranking in 1990. Increases in our standard of living have not kept pace with the nation. Between 1980 and 1994, the nation's standard of living has increased three times faster than ours. (See Figure 7.)

Earnings

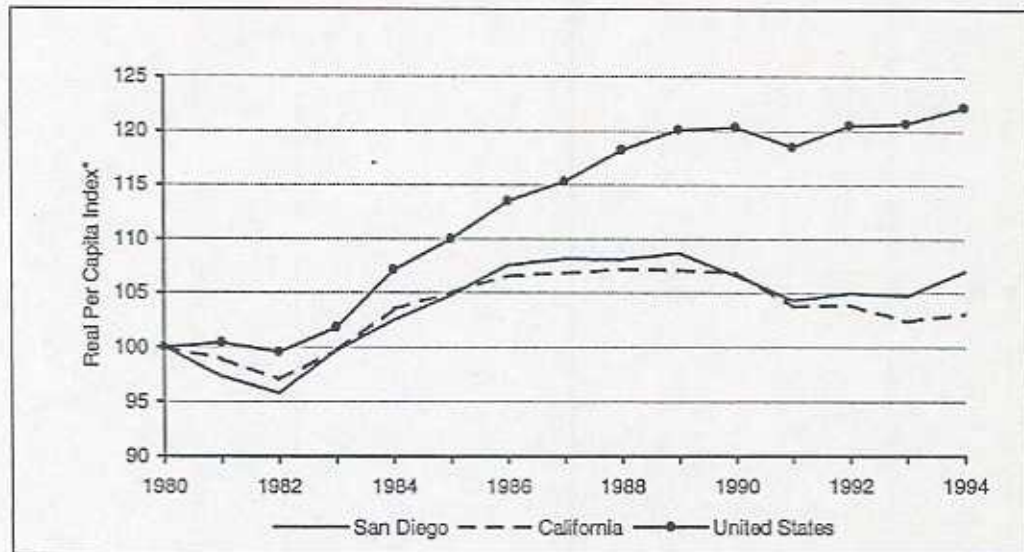
The average annual pay of employees in the region was \$27,260 during 1994, which represented a 2.7 percent increase from 1993. During the period 1989 to 1994, the average annual pay has risen 5.5 percent. The region's average was \$900 higher than the national average, but over \$2,600 less than the state average.

Figure 6
Per Capita Personal Income Rankings, 1988 and 1994
San Diego Region Compared to Selected Other Metropolitan Areas



Source: U.S. Bureau of Economic Analysis, Survey of Current Business, June 1996

Figure 7
Change in Real Per Capita Income, 1980-1994
San Diego Region, California and the United States



Source: U.S. Department of Commerce, Bureau of Economic Analysis, 1995
 * 1980 = 100

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Earnings and Income

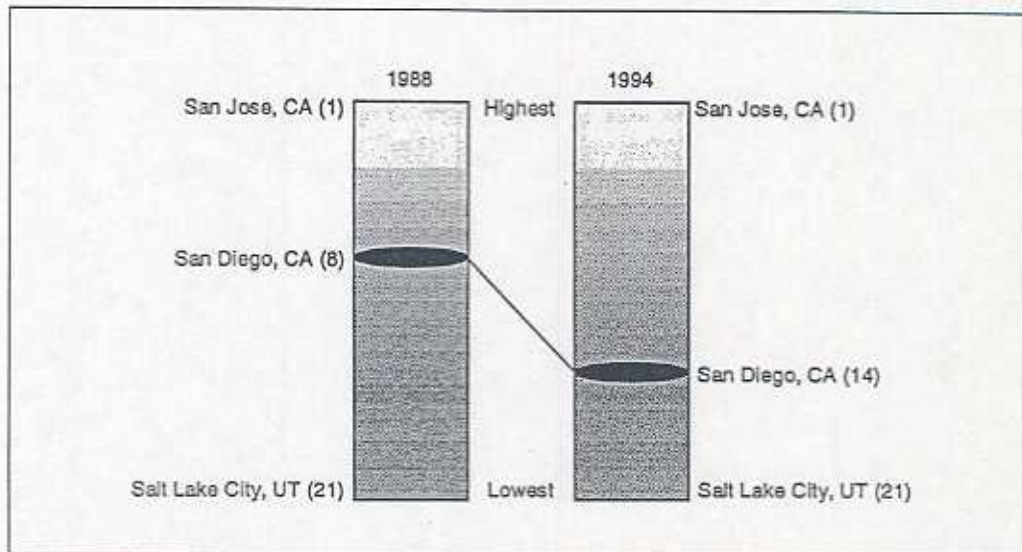
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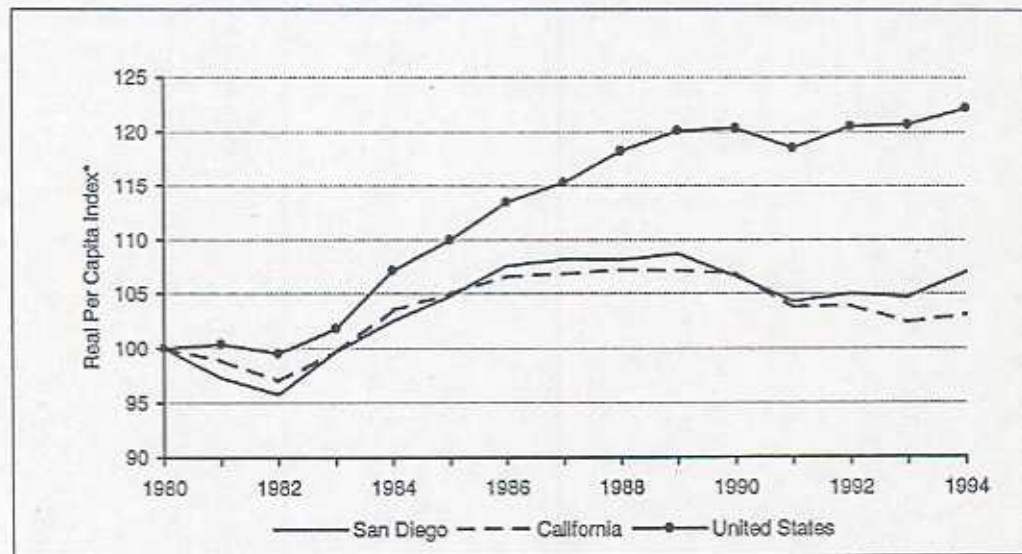
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San Diego Region, California and the United States



Source: U.S. Department of Commerce, Bureau of Economic Analysis, 1995
 * 1980 = 100

Social and Cultural Conditions

Infant Mortality

Infant mortality rates in the region are lower in most years than the state and national rates. The region's infant mortality rate ranked 17th out of 21 in 1993, compared to 15th out of 21 in 1987. (See Figure 8.) From 1980 to 1993, the infant mortality rate in the San Diego region declined 46 percent, compared to a decline of 29 percent for the U.S. and 27 percent for California. (See Figure 9.)

Births to Teenage Women

Births to teenage women was 11 percent of total births in the San Diego region in 1993. This ranked our region 15th out of 21 in 1993, compared to 17th out of 21 in 1987.

Births to Unmarried Women

The number of births to unmarried women fell to 14,281 in 1993 from 14,489 in 1990. This was a ten percent decrease from 1991.

Cost of Living

The rate of change in the cost of living, measured by the consumer price index (CPI), was the highest (worst) of the "comparative" metropolitan regions in 1990. The San Diego region ranked first again in 1994. The CPI rose 2.6 percent annually from 1990 to 1994.

Crime Rate

Since 1990, the region's total crime rate has fallen 38 percent. By 1996, property crime had dropped 42 percent, while violent crime had decreased by 26 percent. The region ranks fourth lowest when compared to the "comparative" metropolitan regions in property crime, and ninth out of 21 in violent crime.

Affordability Index

Using such factors as home mortgage, utilities, transportation, and income taxes, the region ranks as the third least affordable region compared to the twenty similar metropolitan areas in 1996.

The region had the fifth lowest infant mortality rate in 1993.

Births to teenage women was 11 percent of total births in 1993.

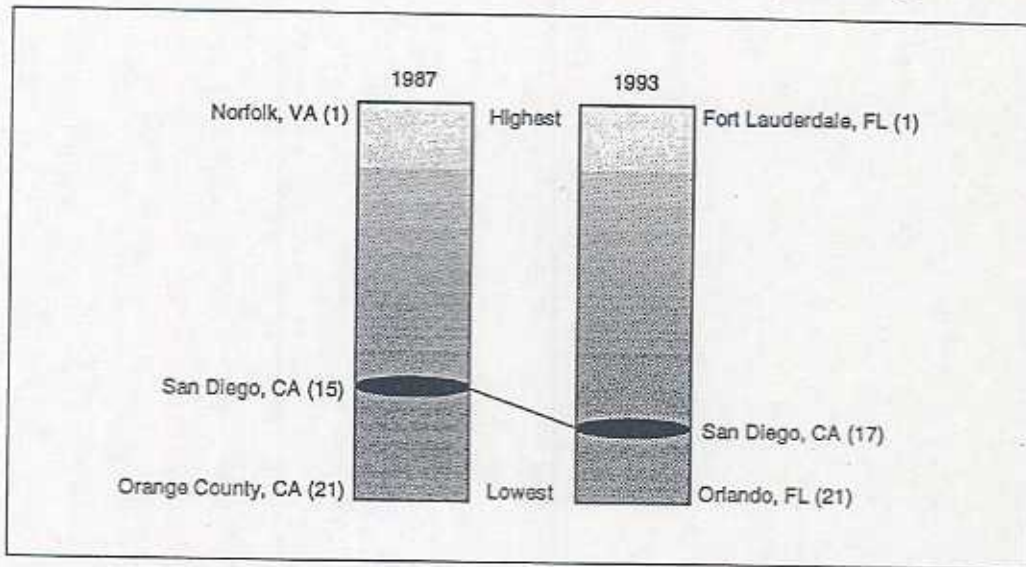
In 1993, 31 percent of all births were to unmarried women.

The change in CPI was 1.2 percent from 1994 to 1995, marking the lowest inflation rate in over a decade.

Crime Rate has fallen almost 40 percent since 1990.

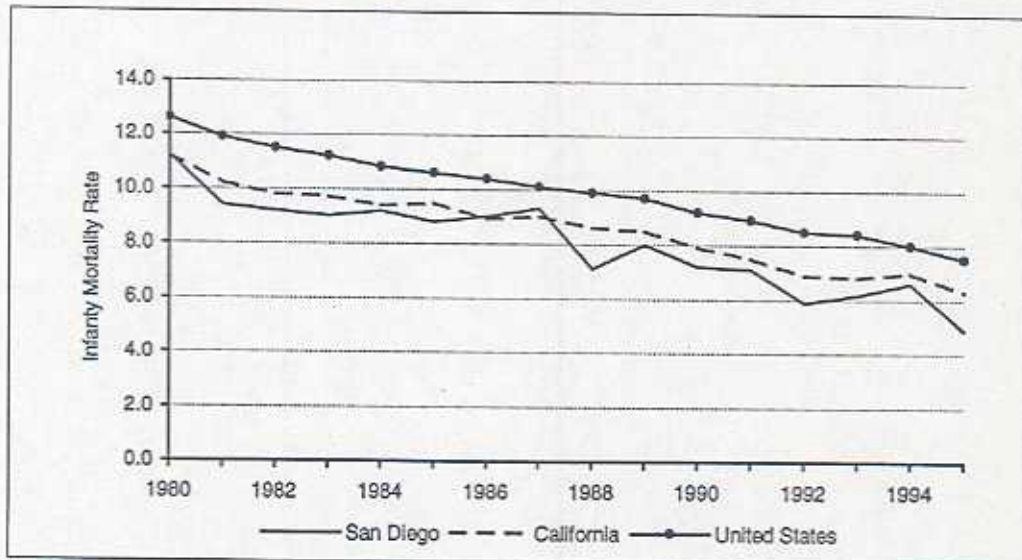
The region is the third least affordable area compared to twenty similar metropolitan areas.

Figure 8
Infant Mortality Rate Rankings, 1987 and 1993
San Diego Region Compared to Twenty Selected Metropolitan Regions



Source: U.S. Bureau of the Census, U.S. Counties, 1994

Figure 9
Infant Mortality Rate, 1980-1995
San Diego Region, California and the United States



Source:
 San Diego - California Department of Health Services, Vital Statistics, 1996
 California - California Department of Health Services, Vital Statistics, 1996
 United States - National Center for Health Statistics, 1996

Intra-Regional Disparities

Household Income

Between 1990 and 1996, real median household income in the San Diego region decreased three percent, from \$39,678 in 1990, to \$38,477 in 1996. The City of National City had the lowest real median household income in the region, \$25,410, while the City of Del Mar had the highest real median household, \$60,476. (See Figure 10.)

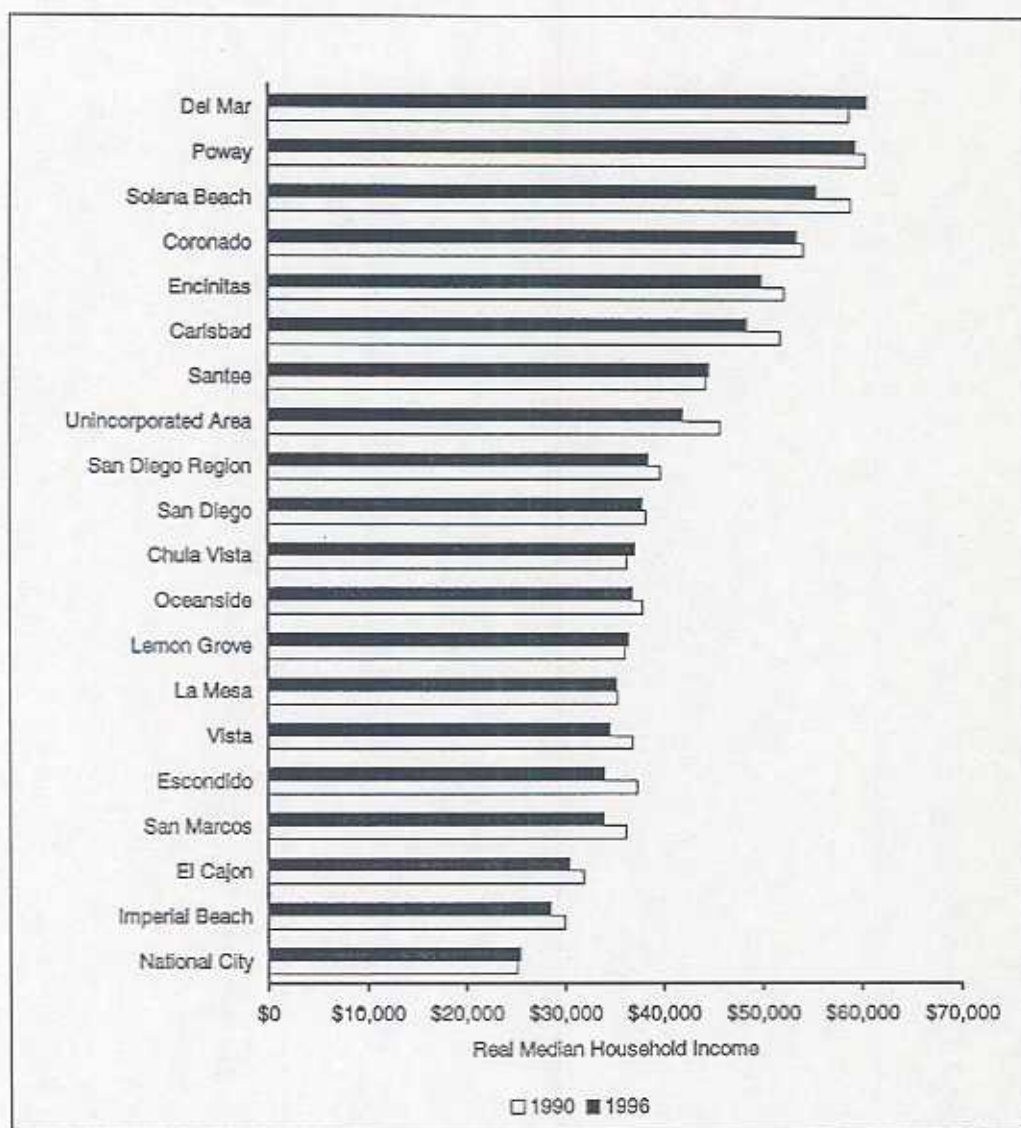
Employment Growth

From 1990 to 1992, the region experienced an average annual loss in employment of 1.9 percent. Overall, from the period of 1990 to 1995, total employment in the San Diego region had increased by one percent. The City of Vista had the highest employment growth (27 percent), while the City of National City had lost employment (-14 percent).

The region's real median household income decreased three percent from 1990 to 1996.

The City of San Diego showed the greatest loss in jobs at over 33,000 from 1990 to 1995.

Figure 10
Real Median Household Income, 1990-1996
Jurisdictions in the San Diego Region



Source: U.S. Census, 1997; SANDAG Demographic Characteristics Estimates, 1997
 Note: For comparability with the 1990 census, which reports incomes for calendar year 1989, the 1996 estimates report income for calendar year 1995

BUSINESS VITALITY: Indicator Category 2

In considering the business vitality in the San Diego region, the focus is on how existing and new businesses are faring. This focus addresses the realization that most of a region's new job growth comes from "home grown" entrepreneurs and businesses, not from outsiders. Between 75 percent and 80 percent of new employment growth comes from new business start-ups and on-site expansions of existing businesses. In addition, more than half of all new jobs are produced by independent businesses less than five years old.

Two main categories were used to evaluate business vitality in the region:²

- **Existing Business Trends** - how strong are the region's businesses measured by such changes as employment of existing businesses, the level of retail sales, bankruptcies, and the dependency on the federal government.
- **Entrepreneurial Activity** - the trends in new business formation and growth through measures of new company formation rates, percent of fast-growth new businesses, level of new business job creation, venture capital investment, banking institutions and deposits, and the percent of women and minority entrepreneurs.

² Not all of the data collected is presented in this section. Additional data are available from SANDAG in a companion document, "Evaluating Economic Prosperity in the San Diego Region: 1998 Update."

Existing Business Trends

The Region's Economic Base

Since the 1980's, the region's economic base has continued to shift away from Manufacturing and toward other non-manufacturing sectors. Manufacturing's share of total employment represents 12 percent of total employment in the region. This sector peaked in the 1960's at 30 percent of total employment. Services, on the other hand, rose to 32 percent of total employment since 1990.

Industry Share of Total Employment³

The general performance of employment within the San Diego region reflects the economic recession the region experienced from 1990 to 1994. Employment in the major sectors of our economy generally fell, while national employment levels rose. (See Figure 11.)

Within the local manufacturing sector, only printing and publishing experienced positive employment growth. Locally, employment growth in the communications and apparel and accessory stores exceeded the national level by more than seven times. But while employment in transportation equipment nationally decreased 13 percent, the San Diego region experienced a 37 percent decrease from 1990 to 1994. The Transportation Equipment sector contains most of the companies that contract with the U.S. Department of Defense.

Manufacturing's share of total employment is shrinking.

Employment in the major sectors of our economy fell, but employment rose nationally.

³ Employment data are only available by industry for the nation and most other metropolitan regions.

Figure 11
Percent Change in Industry Share of Total Employment, 1990-1994
San Diego Region and the United States

Major SIC Divisions Major Activity Groups*	% Change 1990 - 1994	
	San Diego	United States
Agriculture, Forestry, and Fishing		
Agricultural Services	-9.3%	10.3%
Construction		
General Contractors	-39.0%	-16.2%
Manufacturing		
Instruments and related Products	-9.3%	-15.0%
Printing and Publishing	3.2%	-4.5%
Industrial Machinery	-6.2%	-8.2%
Transportation Equipment	-37.3%	-13.5%
Transportation and Public Utilities		
Electric, Gas, and Sanitary Services	-8.8%	4.9%
Communication	14.4%	2.7%
Wholesale and Retail Trade		
Building Materials/Garden Supplies	-22.2%	3.6%
Apparel and Accessory Stores	9.2%	-0.6%
Eating and Drinking Places	-5.4%	7.2%
Food Stores	-11.4%	-0.9%
Wholesale Trade-Nondurable Goods	3.3%	4.1%
Furniture and Home Furnishings	-8.2%	5.5%
Wholesale Trade-Durable Goods	4.0%	-1.5%
Automotive Dealers/Service Stations	-11.5%	-0.3%
Miscellaneous Retail	1.2%	-0.3%
General Merchandise Stores	-8.4%	2.8%
Finance, Insurance and Real Estate		
Depository Institutions	-11.3%	2.9%
Real Estate	-13.3%	-0.3%
Insurance Carriers	4.9%	9.4%
Nondepository Institutions	10.5%	4.0%
Services		
Engineering and Management Services	4.1%	8.8%
Legal Services	0.5%	3.3%
Educational Services	0.7%	14.6%
Business Services	8.2%	21.9%
Health Services	4.4%	20.6%
Membership Organizations	16.1%	10.3%
Hotels and Other Lodging Places	-5.9%	0.9%
Social Services	25.8%	22.1%
Amusement and Recreation	29.7%	20.6%
Personal Services	-8.7%	4.1%
Auto Repair, Service, and Parking	-2.5%	6.7%
Total Activity groups listed*	-2.2%	3.7%

Source: Bureau of the Census, *County Business Patterns, California and United States, 1994*
 * Activity groups which represent more than 0.5% percent of total 1994 employment in San Diego are presented in this table.

From 1980 to 1994, a higher proportion of jobs were created in low paying industries than in high paying industries (44 percent vs 31 percent).

Locally, per capita retail sales have exceeded both the state and nation since 1992.

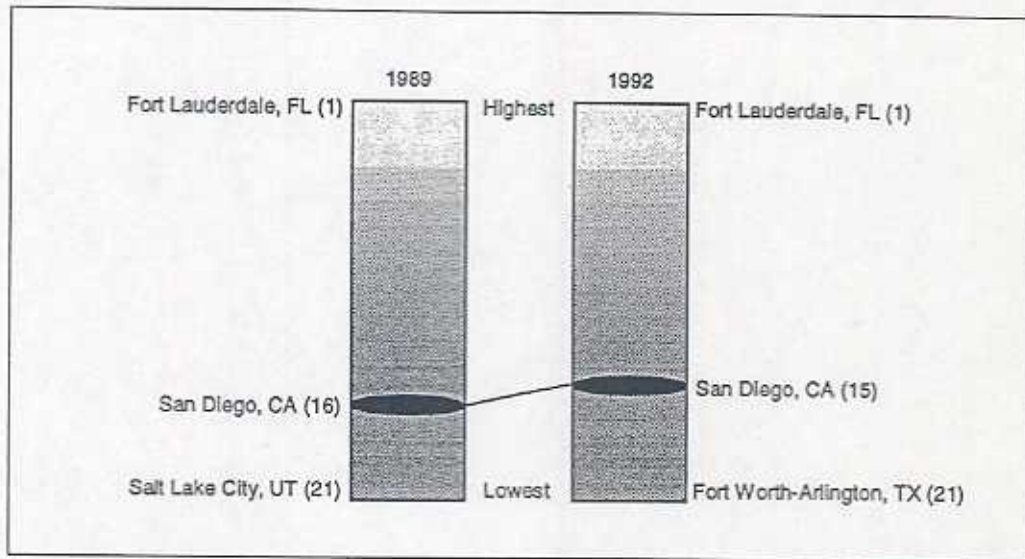
Quality of Job Growth

Wages paid to workers in the region have not kept up with rates of inflation. Since 1980, high-paying industries experienced a seven percent decline in average pay, while low paying industries experienced a 15 percent decrease. High and low paying industries did not necessarily follow the same trend from 1980 to 1994. The average pay gap between high and low paying industries continued to grow. While high paying industries' average annual pay actually increased four percent from 1990 to 1995, low paying industries continued their decline, sliding two percentage points.

Retail Sales

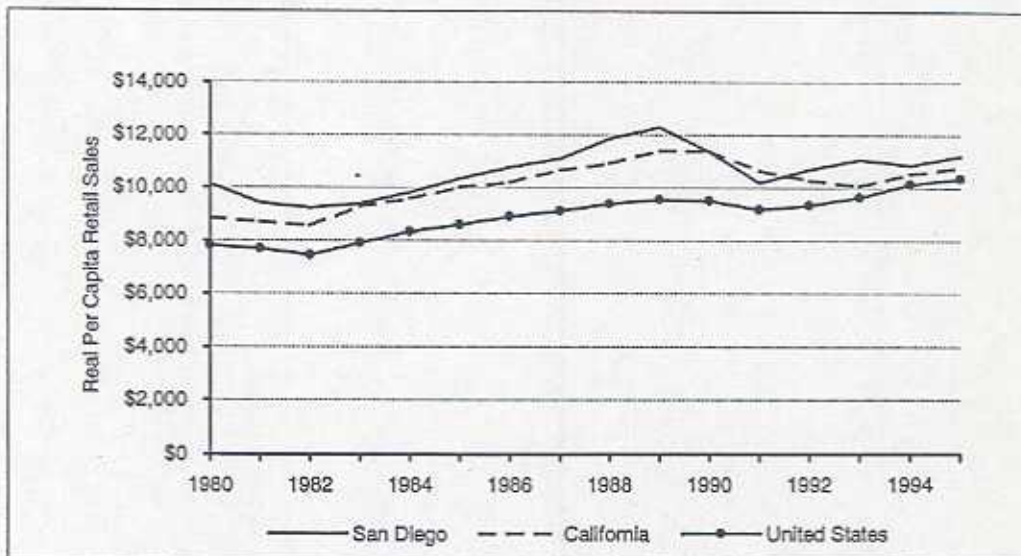
The consistent low ranking of retail sales per capita in the San Diego region compared to the twenty similar metropolitan regions is caused by our low per capita income ranking. (See Figure 12.) Since 1990, however, the region's average annual growth rate in real per capita retail sales has been 2.5 percent, enabling the region to stay above the state and nation. (See Figure 13.)

Figure 12
Per Capita Retail Sales Rankings, 1989 and 1992
San Diego Region Compared to Selected Other Metropolitan Areas



Source: U.S. Bureau of the Census, 1992 Census of Retail Trade

Figure 13
Real Per Capita Retail Sales¹, 1980-1995
San Diego Region, California and the United States



Source:
 San Diego - California Statistical Abstract, 1996
 California - California Statistical Abstract, 1996
 United States - DRI/McGraw Hill - History Tables for U.S. Economy: 1970-1995
¹ 1995 Dollars

Entrepreneurial Activity

Venture Capital Investment

Venture capital is one of three primary sources used to start and grow new companies.

Venture capital is one of three primary sources used to start and grow new companies. Other sources include personal savings and investments by family and friends. Typically, only firms with potential for exceptionally high rates of growth (25%-40% annually) over a five- to ten-year period will attract venture capital.

Nationwide, the region ranked 11th in total venture capital investment in the first quarter of 1997.

Venture capital investment in the Silicon Valley was ten times greater than in the San Diego region, whereas the Los Angeles/Orange County area was about two times greater. (See Figure 14.) The first quarter of 1997 saw a total of \$2.3 billion in capital investments, with \$33 million (1.4 percent of the national total) invested in the San Diego region.

The amount of venture capital invested in a region is a predictor of future job and output growth.

The amount of venture capital invested in our region and the types of industries supported are predictors of future job and output growth.

Financial Resources

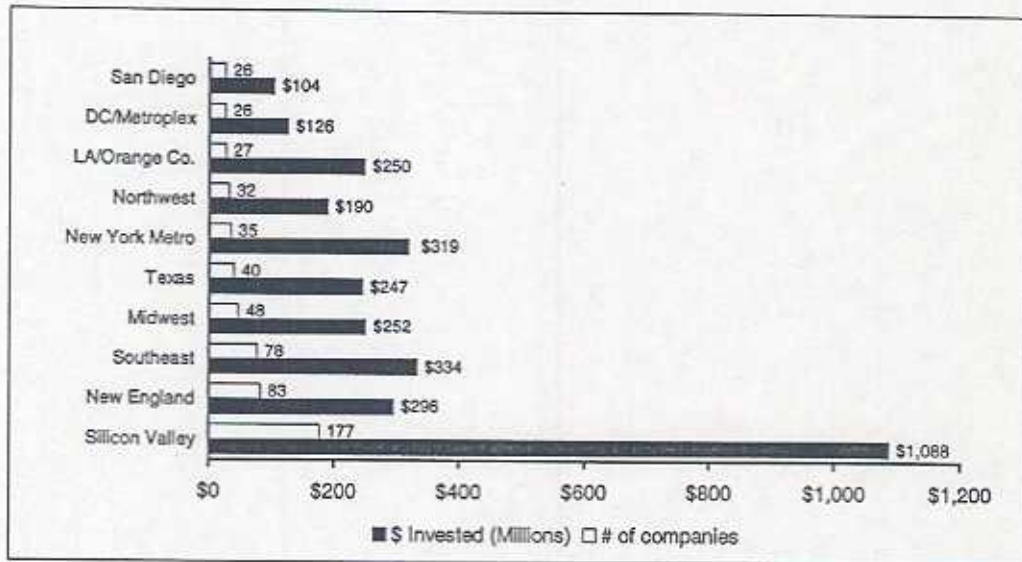
The number of financial institutions located in the region declined during the early 1990's, including the loss of three of our largest. In 1996, the region ranked fairly low at 17th out of 21 for the number of banking institutions per capita, and 19th out of 21 for commercial deposits per capita. (See Figure 15.)

Small Businesses

Small businesses employ 35 percent of the workers in the region.

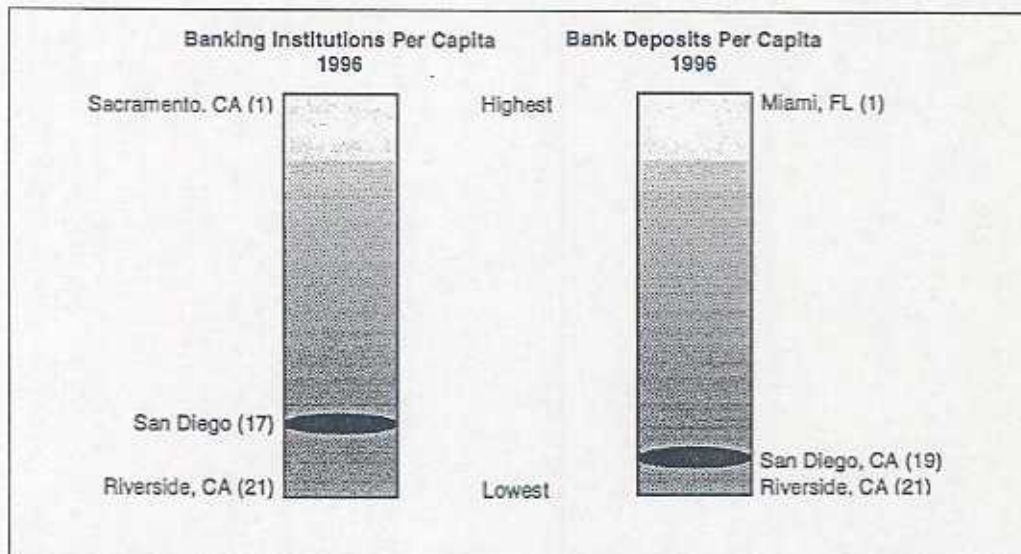
In 1995, the San Diego region contained 73,424 firms, of which 96 percent were small businesses. During that same year, the region added more than 6,700 new businesses; an increase of 10.5 percent. The region experienced a greater increase in small businesses from 1982 to 1992, than the state.

Figure 14
National Venture Capital Investment Over \$100 million, Third Quarter 1997
United States



Source: *Venture Capital Roundup Report, Price Waterhouse, 1996-1997*

Figure 15
Banking Institutions Per Capita and Bank Deposits Per Capita, 1996
San Diego Region Compared to Selected Other Metropolitan Areas



Source: *Federal Deposit Insurance Corporation's "Quarterly Banking Profile", June 1996*

Hispanic-owned firms represented 30 percent of total minority businesses in 1992.

Minority Businesses

The number of Hispanic-owned firms increased 83 percent, while the number of Asian-owned firms increased 76 percent from 1987 to 1992. The number of Black-owned firms increased nearly 70 percent from the period of 1987 to 1992. The region ranked above average at sixth out of 21 similar metropolitan regions in total minority firms; tenth out of 21 in non-Hispanic black-owned firms; fifth out of 21 in Hispanic-owned firms; and fourth out of 21 in Non-Hispanic Asian-owned firms.

ECONOMIC DEVELOPMENT CAPACITY: Indicator Category 3

The development capacity measures are intended to provide a look to the future - how the community may fare in the years to come. An effort is made to evaluate the quality of critical resource capacities that people and businesses in the San Diego region will draw upon for advancement and growth.⁴

- **Educational Performance and Investment** - the level of educational performance and the allocation of educational resources in the region. Measures include: high school dropout rates, student performance of the SAT, the percentage of students needing remedial training, and the allocation of funding within the region's K-12 and higher education institutions.
- **Housing Resources** - the affordability and quality of housing in the region. Measures include median price of single-family homes, rental rates for a two-bedroom apartment, rate of home ownership, age of housing stock, and extent of overcrowding.
- **Health Resources** - the availability and breadth of medical services in the region, measured by examining the number of general family practitioners per capita, number of medical specialists per capita, number of surgical specialists per capita, and breadth of services offered by area hospitals.

⁴ Not all of the data collected is presented in this section. Additional data are available from SANDAG in a companion document, "Evaluating Economic Prosperity in the San Diego Region: 1998 Update."

Educational Performance and Investment

A primary factor that will determine our ability to compete in knowledge-based cluster industries will be our region's development of a work force capable of mastering not only traditional skills like reading, writing, and mathematics - but also skills which foster the means to discover and apply knowledge. Our success in the global marketplace is increasingly dependent upon our region's ability to produce a well-educated and flexible work force that can disseminate and process information that inspires innovation and strong productivity. Unfortunately, comparable data in this area is not available. Below is information for the San Diego region.

Dropout Rates

Curbing regional K-12 dropout rates is important if our young people are to acquire the skills and knowledge necessary to participate in the workforce. Between 1992 and 1996, the annual dropout rate in the San Diego region fell by 0.6 of a percentage point. The regional dropout rate of three percent in 1996 was also 0.9 of a percentage point under the average for California.⁵ (See Figure 16.) However, much of the improvement seen in this regional dropout rate is attributed to better monitoring procedures implemented by our 43 K-12 school districts.

SAT Performance

Regional performance on the Scholastic Aptitude Test (SAT) in 1996 indicates that the region's secondary school students are performing at a level above the average for California on both the math and verbal portions of the exam.⁶ However, regional performance on the verbal part of the examination is below the national average. (See Figure 17.)

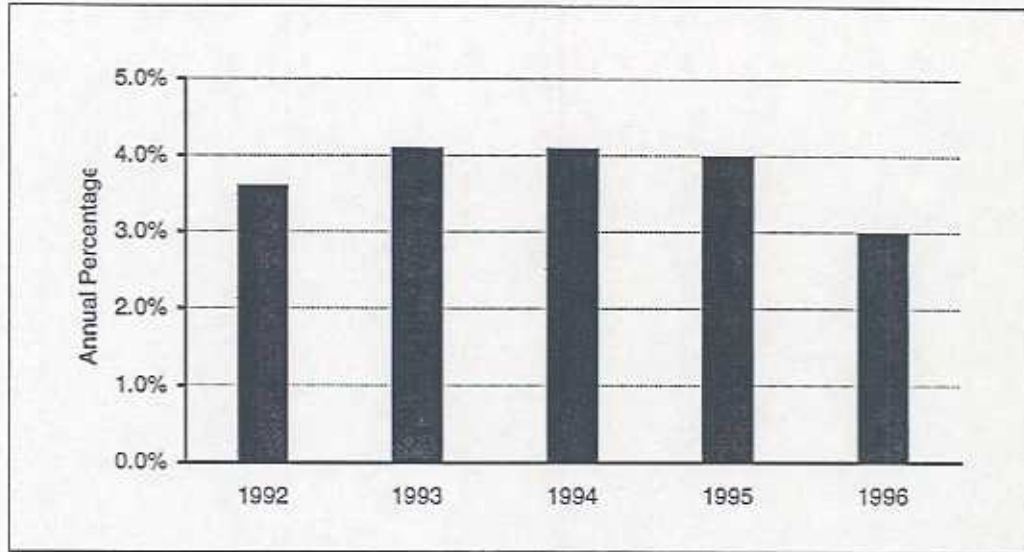
Dropout rates in the San Diego region are below the state average.

Regional SAT scores are below the national average in the verbal category.

⁵ California Department of Education, 1997

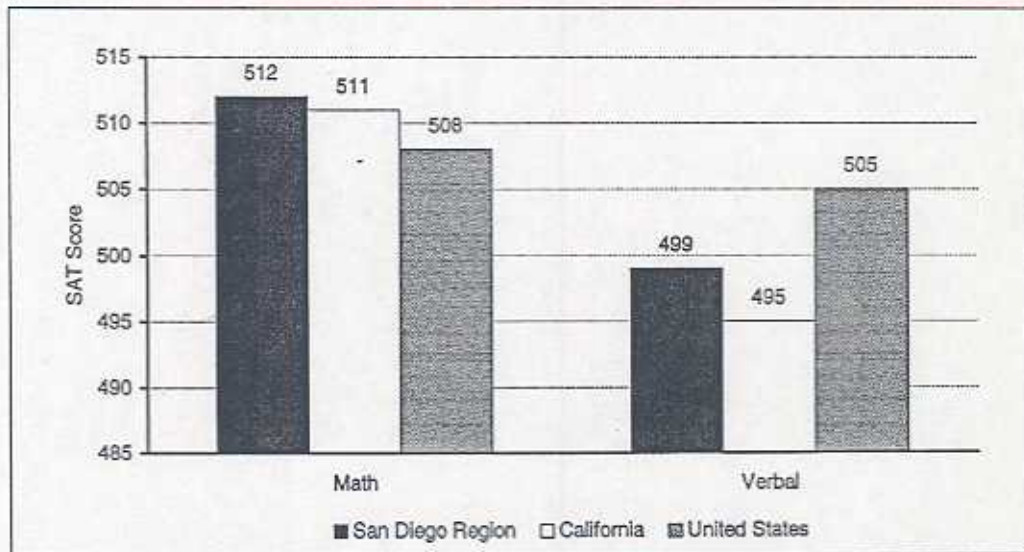
⁶ San Diego County Department of Education, 1997

Figure 16
Annual Dropout Rate (Grades 9-12), 1992-1996
San Diego Region



Source: California Department of Education, 1997

Figure 17
SAT Scores, 1996
San Diego Region, California and the United States



Source: San Diego County Department of Education, 1997

Important workforce and behavioral skills are not being tracked in the region.

More than one third of the region's top ten percent of high school seniors can not meet basic U.C. English Standards.

The SDCCD has 10,500 students in various remedial programs.

Behavioral Skills

School districts in the region maintain their own internal accountability measurements to track student performance. These measurements differ among the 43 school districts and, therefore, frustrate attempts to monitor regional K-12 student performance in a number of important areas. Additionally, workforce behavioral skills in our young people, deemed insufficient by many regional employers, continue to not be targeted or tracked by the region's school districts in the same way as scholastic grades.

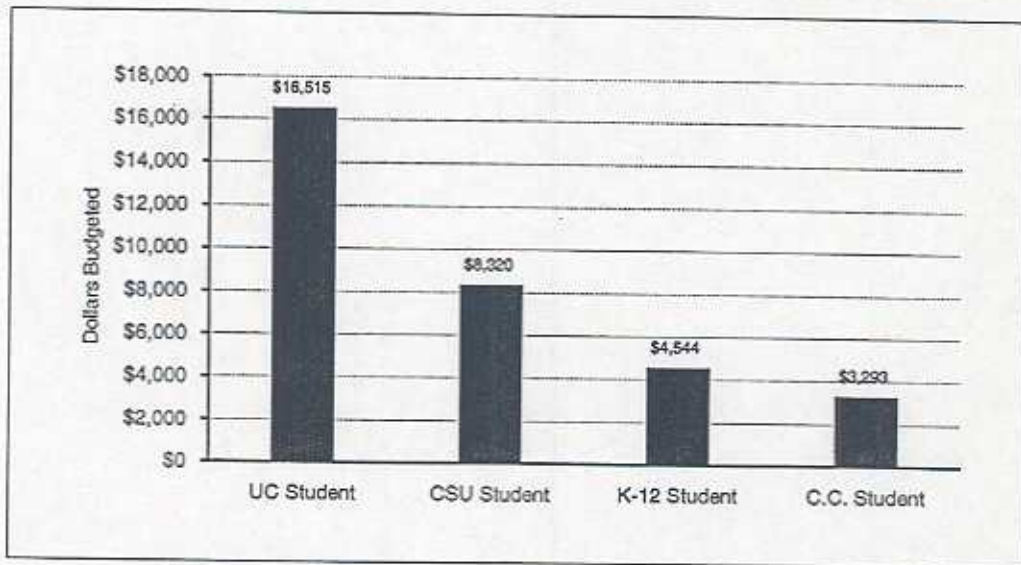
Percentage of Students Needing Remedial Training

The percentage of students entering the University of California from our regional K-12 districts that fail to meet basic U.C. English standards was 35.5 percent in 1994.⁷ Although better than the state average, this figure indicates that more than one third of the top ten percent of high school seniors in the San Diego region can not meet basic U.C. English standards. Worse yet, nearly 50 percent of students entering the California State University system (CSU) fail English standards for admittance. The CSU system spends more than \$10 million a year on remedial programs to bring incoming freshmen up to basic standards.

The region's community colleges also indicate an increase in the number of incoming students needing remedial training. The San Diego Community College District (SDCCD) has approximately 10,500 students enrolled in remedial education programs.

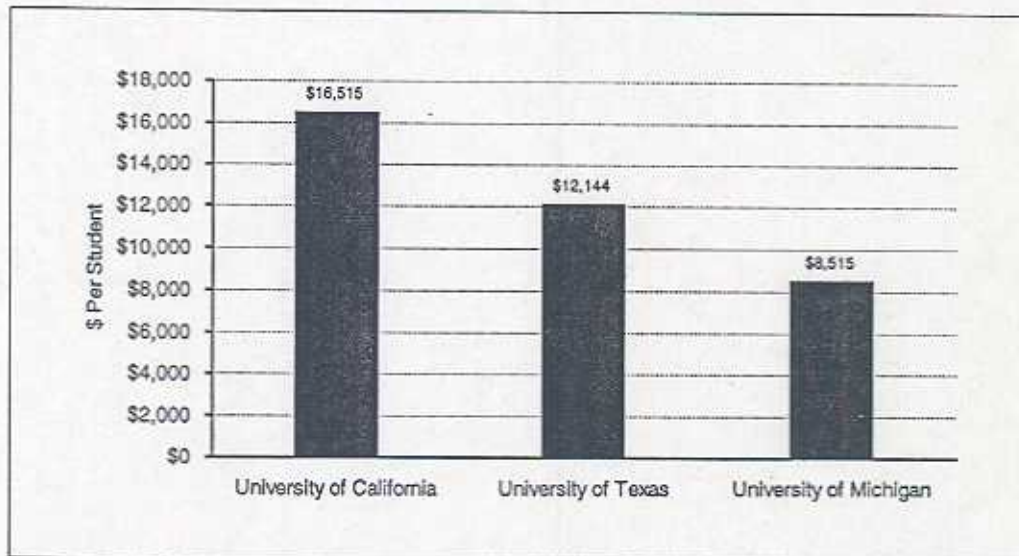
⁷ San Diego County Department of Education, 1997

Figure 18
Budgeted California State Expenditures, FY 1996/97



Source: LAO Analyses (Budget), State of California, 1997

Figure 19
Per Student Expenditures, 1996
State University Systems



Source: Texas State Budget; University of Texas; State of Michigan; University of Michigan; LAO Office, State of California, 1997

California ranks sixth out of the largest eight states in total education expenditures, but first in higher education allocations.

California annually spends 26 percent more to support a UC student than Texas does for a UT student.

The allocation of educational monies by the state of California may hinder student performance in some areas.

Allocation of Educational Funding

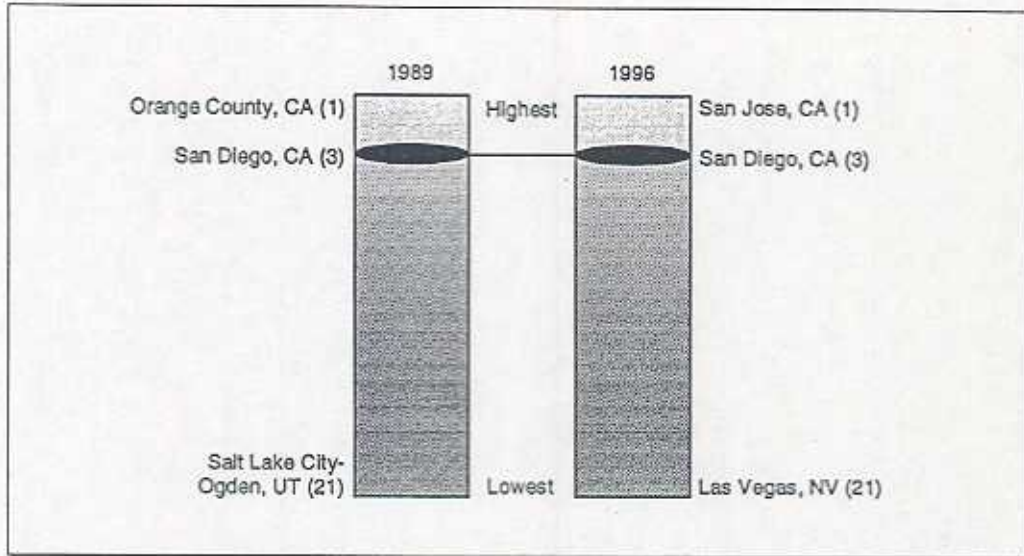
The level and allocation of funding by the State of California in support of education may be hindering our future workforce development. Of the eight largest states in the nation, California ranked sixth in per-capita education expenditures. However, California ranks first in the nation in the amount of money it spends in support of higher education. For example, a University of California student was allocated \$16,515 of state money during FY 1997. By comparison, a K-12 student in California received \$4,544 from Sacramento during FY 1997. The UC student received 363 percent more funding than a K-12 student during FY 1997.⁸ (See Figure 18.)

California's allocation of funding in support of higher education is also significantly higher than other university systems across the United States. For example, California spends 26 percent more to support a UC student than Texas (the next largest state university system in the United States) spends for a University of Texas student. (See Figure 19.)

Although figures from national comparisons demonstrate that California's per capita educational expenditures are less than other large states, the problem may be more complicated than aggregate expenditures. The allocation of money within the State of California in favor of universities may also hinder student performance at the K-12 level. The question to be answered by California may be: is it better to invest in our workforce at the beginning of the educational cycle or at the other end of the spectrum in higher education?

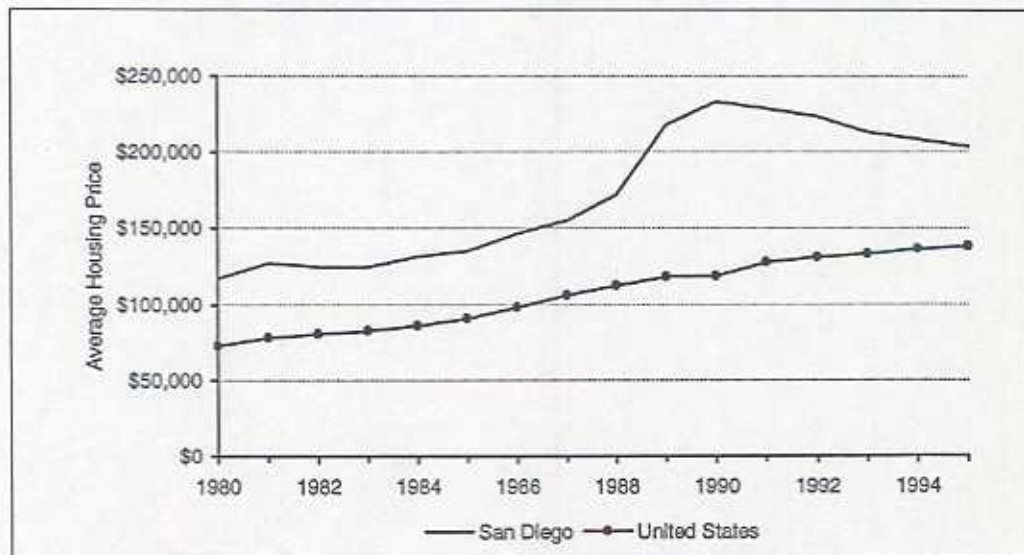
⁸ LAO California, 1997; U.S. Census Bureau, 1997

Figure 20
Total Housing Costs¹ Rankings, 1989 and 1996
San Diego Region Compared to Selected Other Metropolitan Areas



Source: *Places Rates Almanac* (New York: Prentice Hall, 1997)
¹ Total Housing Costs = Mortgage+Utilities+Property Taxes

Figure 21
Average Housing Price, 1980-1995
San Diego Region and the United States



Source:
 San Diego - *Economic Research Bureau, Greater San Diego Chamber of Commerce, 1997*
 United States - *DR/McGraw-Hill, History Tables for the U.S. Economy: 1970-1995*

Over the past five years, the San Diego region has been one of the five least affordable housing markets.

Housing Resources

Housing Costs

The region ranked third highest in housing costs compared to the twenty metropolitan areas. (See Figure 20.) The average price of a house was \$203,900 during 1995, a decline of over 14 percent since 1990. (See Figure 21.) The average price of a house locally was 48 percent higher than the national average in 1990. During 1995, the average price of a house in the region had dropped to 32 percent above the national average.

Health Resources

Number of Hospital Beds

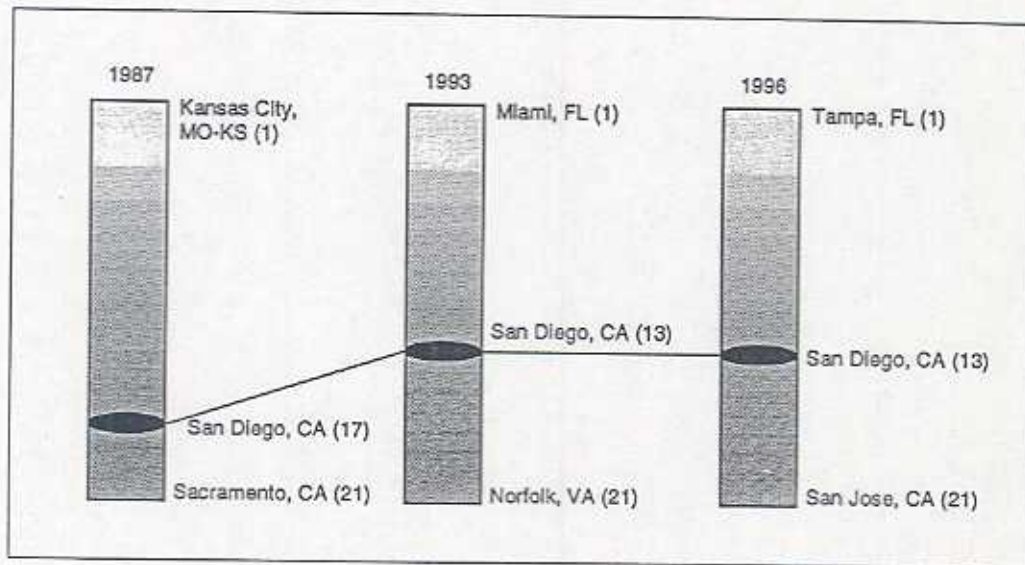
The region ranked below the midpoint, at 13th out of 21 metropolitan regions, in the number of hospital beds per 10,000 residents in 1996. By comparison, the region ranked 17th in 1987. (See Figure 22.)

Number of Family Practitioners

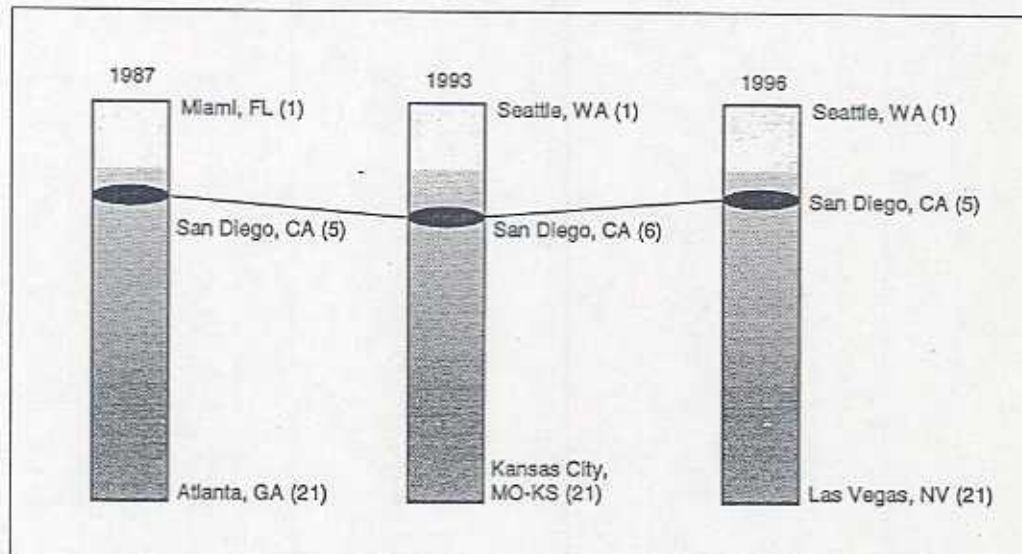
The region had the fifth highest number out of 21 in the number of family practitioners per 10,000 residents in 1996. By comparison, the region also ranked fifth in 1987. (See Figure 22.)

Figure 22
Health Resources Rankings, 1987, 1993 and 1996
San Diego Region Compared to Selected Other Metropolitan Areas

Hospital Beds (per 10,000 residents)



Family Practitioners (per 10,000 residents)



Source: *Places Rated Almanac* (New York: Prentice Hall, 1997)

REGIONAL INFRASTRUCTURE CAPACITY: Indicator Category 4

Several public and one private agency maintain the region's physical infrastructure that our economy depends upon. The quality and efficiency of this regional infrastructure will, in large part, determine the success of our industrial clusters and the level of participation the San Diego region will have in global markets. This category is measured by:⁹

- Comparative levels of investment in physical infrastructure
- Specific investments in the region's airport, water port, rail, fiber optic and road infrastructure
- Variations in commuting times for residents to and from their places of work

⁹ Not all of the data collected is presented in this section. Additional data are available from SANDAG in a companion document, "Evaluating Economic Prosperity in the San Diego Region: 1998 Update."

Investment in regional physical infrastructure largely determines the strength of a modern economy.

A per capita expenditure of \$4,824 is needed to upgrade the U.S. infrastructure system.

The San Diego region spent \$455 on a per capita basis for capital improvements in FY 1997.

Regional Infrastructure Capacity

The strength of a regional economy is largely determined by two components: the quality of its human resources and the adequacy and efficiency of its physical infrastructure. In its broadest definition, physical infrastructure can be defined as those physical items that an economy depends upon to produce and distribute its goods and services. Physical infrastructure also supports the five means of accessing international and domestic markets: air, water, rail, road, and electronic communication systems. The level of investment made in support of regional infrastructure will largely determine our level of economic prosperity and the business success of our cluster industries.

National Infrastructure Deficiencies

Since international trade opportunities and our future economic growth depend upon high quality infrastructure, there has been much discussion as to the level of investment necessary to repair and improve our national physical infrastructure. A recent study indicates that \$1.3 trillion is currently needed in capital investment to repair the infrastructure our national economy relies upon.¹⁰ This infrastructure backlog on a per-capita basis amounts to \$4,824 for each person in the United States.

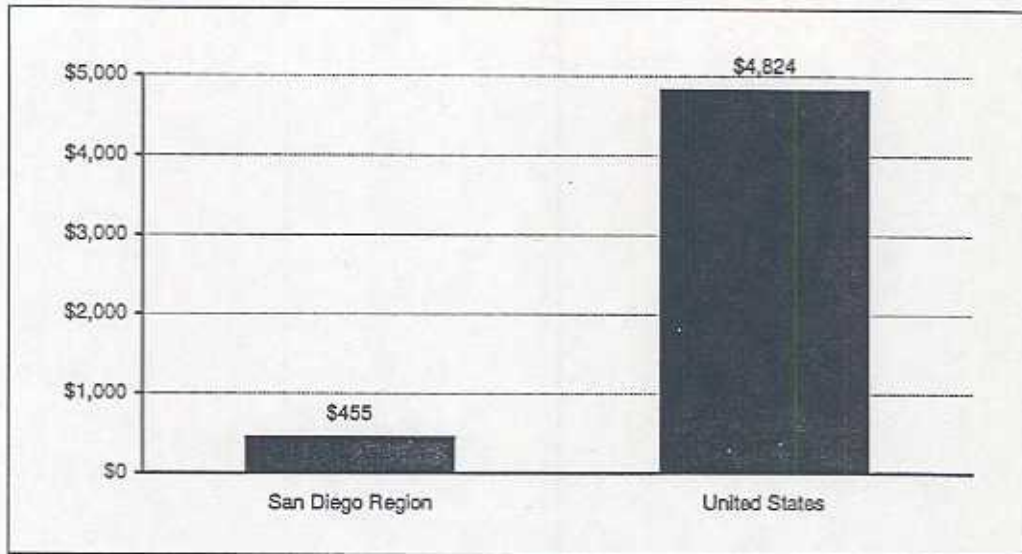
Regional Infrastructure Investments

The latest figures compiled by SANDAG indicate that the San Diego region invested approximately \$1.24 billion in total regional capital improvements during FY 1997. On a per-capita basis, this amounted to an investment of \$455 for each person in the region during FY 1997. The national figure for infrastructure deficiencies indicates that the San Diego region would have to invest almost eleven years of its current level of capital expenditures to bring our infrastructure system up to standard. (See Figure 23.)

The level of investment made during FY 1997 to support the region's five means of accessing markets amounted to 38 percent of the region's total capital expenditures, or \$468 million dollars. On a per-capita basis, this amounted to an investment of \$172.

¹⁰ American Society of Civil Engineers, 1997

Figure 23
San Diego's Regional Per Capita Capital Improvement Expenditure
vs. National Per Capita Infrastructure Deficit, FY 1997



Source: American Society of Civil Engineers, 1997; and Agency Capital Improvement Budgets, 1997

Figure 24
Regional Capital Improvements Supporting the
Five Means of Accessing Markets, FY 1997

Air, water and rail port improvements	\$132.0 million
Road improvements	\$186.3 million
Electronic (fiber optic) improvements	\$150.0 million
Total	\$468.3 million

Source: Agency Capital Improvement Budgets, 1997

The region's airport, even with a \$237 million expansion, may not accommodate passenger demands much beyond the first quarter of the 21st century.

Seventeen million dollars in water port improvements have improved capacity and efficiency. However, the port needs an additional four feet of dredging to accommodate new classes of vessels.

Twenty-three million dollars in rail improvements have increased vehicle-loading capacity.

The region's fiber optic infrastructure was supported by \$150 million in capital improvements during FY 1997.

Airport - The region's airport has undergone a \$237 million expansion, its first since 1979. Among the improvements were the construction of a new 300,000 square-foot terminal and reconfiguration of the airport's roadway system. The airport improvements have increased air cargo capacity to 80,000 tons a year and passenger capacity to 14 million a year. Even with these improvements, however, the long-term question facing the Port is: will the airport be able to accommodate the region's demand for air service?

Water Port - The region's water port has been the recipient of several improvement projects in recent years. The \$17 million in improvements have increased access depth from 36 to 42 feet, and expanded cargo capacity by 30 percent from 25,000 to 35,000 tons per vessel. In addition, a new 100,000 square-foot cold storage facility was constructed to support increasing flows of perishable goods. However, the region's water port needs an additional four feet of dredging in San Diego Bay to accommodate forthcoming classes of cargo vessels.

Regional Rail - The region has invested \$23 million in water port to rail improvements. These improvements have increased vehicle-loading operations and increased efficiency at the National City Marine Terminal. However, the region still lacks a vital second rail link that could be provided by the San Diego & Arizona Eastern railway.

Fiber Optics - Maintained by Pacific Bell, the region's fiber optic infrastructure is considered the finest in the United States. More than 183,000 miles of fiber optic line and 70 digital switching stations serve the San Diego region. Pacific Bell invested approximately \$150 million in capital improvements to support this regional system in FY 1997.

The region's road infrastructure saw an investment of \$186 million during FY 1997.

The region ranked sixth highest amongst twenty metropolitan areas for round-trip commute times in 1996.

Road Infrastructure - The region received \$186.3 million during FY 1997 in road improvements. This money has supported several key road improvements in the San Diego region, including: SR-125; I-5; I-805 and I-8. These road transportation improvements help support the San Diego region's linkages with Los Angeles and Mexico in addition to ensuring the efficient movement of workers and goods within the region. Even with these investments, the San Diego region is faced with increasing traffic flows between Mexico and the USA along Route 905 and increasing truck traffic related to international trade along major north-south corridors.

Commuting times to and from work also impact the overall economic efficiency of the region. During 1996, the ability of the roadway network, measured in commute time, to get to and from work in the San Diego region was ranked sixth best when compared to twenty other metropolitan areas. Regional residents require 46 minutes to commute to and from work each day, compared to a total of 41 minutes required in 1989.

RECOMMENDED ACTIONS

RECOMMENDED ACTIONS

In response to the recession and restructuring of the local economy, many agencies and organizations throughout the region began to mobilize.

Objectives of the mobilization effort are to minimize damage caused by the recession, reduce its duration, and take advantage of opportunities created by restructuring.

For example, the City of San Diego acquired \$5.7 million in defense conversion funds, in part to help fund the San Diego Regional Technology Alliance...

...the RTA funded East County EDC to produce a web based connectory...

...the Regional EDC and UCSD's Connect Program joined forces on workforce development issues...

Recognizing the Region's Actions

The recession that began in 1990, for this region, has turned out to be the worst recession in the last fifty years. The recession is the most difficult manifestation of what many observers describe as a basic restructuring of the San Diego area's economy. This restructuring, which, so far, has cost the region thousands of good jobs, is going to continue, even as the economy recovers.

Fortunately, however, much is already being done to minimize the damage caused by the recession, to reduce its duration, and to take advantage of the opportunities it has created. There are numerous projects being undertaken by both business and government to help the economy.

For example, the City of San Diego has successfully allocated more than \$5.7 million of defense conversion money to help establish the San Diego Regional Technology Alliance and convert the HBJ Building for occupation by the San Diego World Trade Center. In addition, this defense conversion money has funded several programs including high technology incubators and other resource centers like the Border Environmental Commerce Alliance (BECA).

The Regional Technology Alliance, the County of San Diego and the East County Economic Development Council have jointly funded and devised a web-based "Connectory" that established better business linkages in the eastern half of the region. This web-based approach is serving as a model for similar economic development efforts across the region.

There has been much collaboration by agencies focusing on the regional labor force. For example, the San Diego Regional Economic Development Corporation has joined efforts with University of California at San Diego's Connect Program on workforce development issues, especially those relating to high-tech industries, while the San Diego Regional Technology Alliance has continued to target funding opportunities for emerging businesses. Also, in collaboration with the state of

...elementary school districts and community colleges have started programs, such as school-to-career, to prepare students for higher education or entry into the workforce...

...the San Diego Chamber of Commerce, World Trade Center and the Port District have worked together to develop a trade-related legislative agenda...

California's Trade and Commerce Agency, the San Diego Regional EDC established "Team San Diego" to focus both private and public sector support on the region's economic development. The Corporation had, as one of its goals, the addition of 40,000 new jobs in the region over a five-year period, beginning in 1992. The California Employment Development Department (EDD) is connecting local employers and job seekers through an Internet-based job listing system call CalJOBS, which links to the America's Job Bank. EDD staff place approximately 2,500 San Diego regional job openings on the system each month.

The San Diego Workforce Partnership and the County of San Diego continue to jointly address and find solutions for the welfare-to-work labor issues facing the region. The San Diego Community College District has expanded and tailored its curriculum, with the aid of the private sector, to ensure its students are able to compete in the global economy. In addition, the San Diego Community College District has been working with the San Diego Unified School District on a variety of workforce and educational issues, including school-to-career programs to ensure the region's K-12 students are adequately prepared for higher education or entry to the regional workforce.

Regional physical infrastructure issues have also enjoyed similar levels of collaboration. The San Diego Unified Port Authority, under its new Master Plan, has worked with member cities to tailor its development programs to both the economic and civic needs of the region. The San Diego Chamber of Commerce and the World Trade Center of San Diego have worked with the Port Authority and other agencies on the development of trade-related legislative agendas. UCSD's San Diego Dialogue continues to partner with other organizations, including SANDAG and select federal agencies on issues that relate to border infrastructure and other binational issues. SANDAG has convened a Committee on Binational Regional Opportunities (COBRO) to discuss border-related issues such as water supply and transportation infrastructure, including roads, highways, and a railway that would establish an east-west link.

...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.

To help organize the region's efforts to restructure the local economy, our many economic development organizations should take the lead in communicating private sector needs to public agencies.

The San Diego Regional Economic Development Corporation has adopted one such collaborative effort which spans both the public and private sector. Partnership for the New Century Economy is a regional cluster-based economic development initiative that is designed to increase the global competitiveness of the San Diego region. The Navigation Committee identified in the Partnership for the New Century Economy is most responsible for the successful implementation of this collaborative program. The Partnership initiative is private-sector driven, with corporate leaders from targeted industries serving on an Industry Leadership Alliance that defines critical industry needs and develops action plans to address them. The Committee felt strongly that the Industry Leadership Alliance should have representatives from small business. These representatives should be from firms employing twelve or fewer employees. Participation by public agencies and educational institutions will complement the Industry Leadership Alliance. Relevant agencies and institutions will respond to initiatives created by the Industry Leadership Alliance.

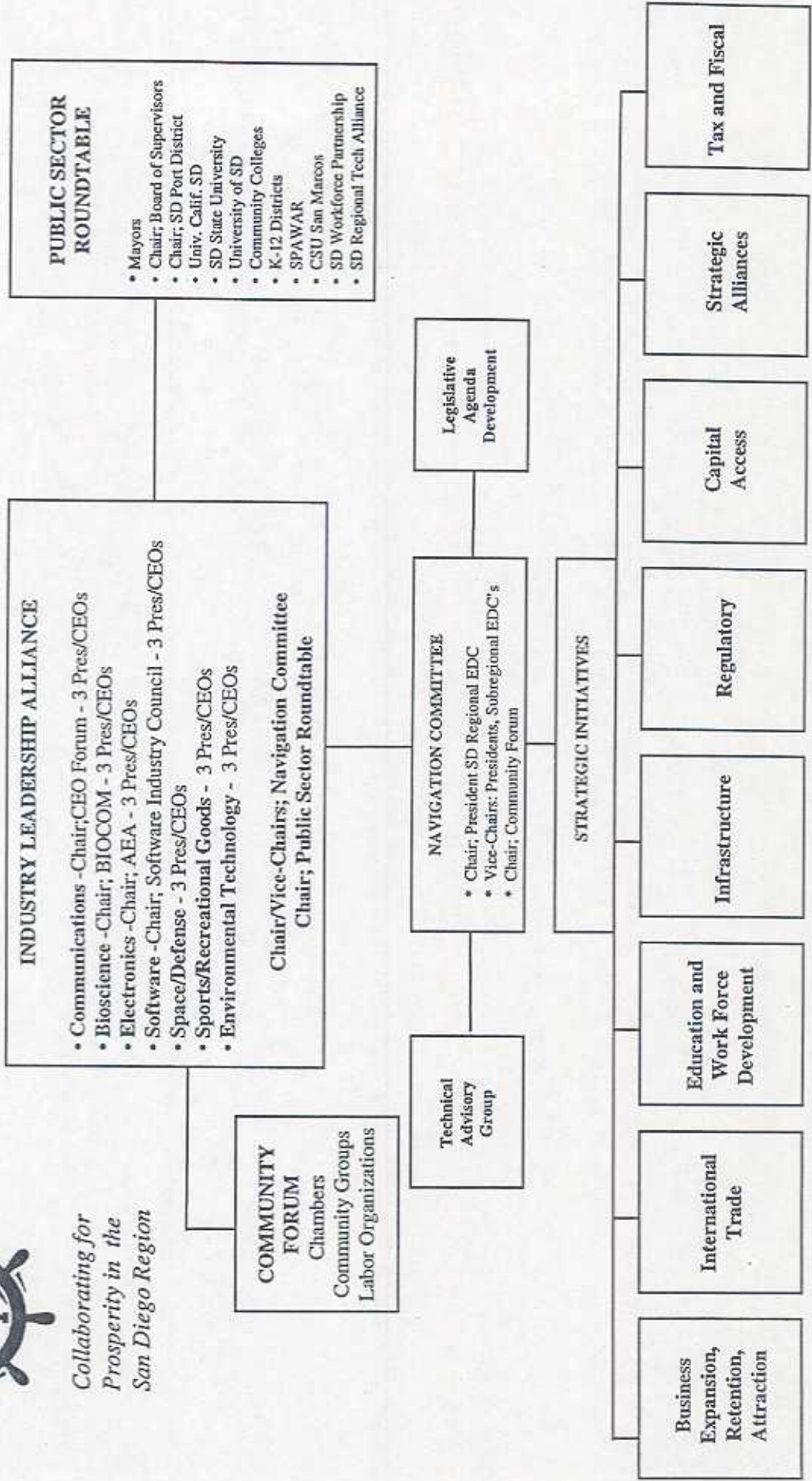
The Partnership initiative defines critical industry needs and develops action plans to address them. The Partnership initiative and the organizational chart on the preceding page, are not intended to be representative of all industries or clusters in the San Diego region. The Partnership is limited in its scope, focusing only on the seven high-technology clusters chosen by the San Diego Regional Economic Development Corporation (the San Diego region has sixteen clusters in total). While the Advisory Committee recognizes the importance of the seven high-technology clusters identified in the Partnership initiative, it also recognizes that the Partnership initiative is not a comprehensive action plan for the regional economy.

Acting as facilitators, the region's various economic development organizations and local government can create partnerships for investment in needed infrastructure and improve regulatory conditions for business. Local government should continue to work collaboratively with our economic development organizations, labor groups and other interested parties on efforts to encourage the growth of our regional industrial clusters.

PARTNERSHIP FOR THE NEW CENTURY ECONOMY *



*Collaborating for
Prosperity in the
San Diego Region*



* This is an organizational chart for the Partnership Initiative, which is a dynamic process and will change over time.

Recommended Action 2

Provide for the establishment of a closer link between workforce requirements and educational programs.

Investment in physical infrastructure to improve our regional competitiveness and productivity forms one of this Strategy's core objectives. The other core objective is workforce training and educational investment in our young people, preparing them for a career opportunity in a high-tech industry.

Our workforce must be prepared to take advantage of opportunities that arise from a restructured economy.

One of our region's goals should be to become as famous for the quality of our math and science students and teachers as we are for our visitor attractions and research institutions.

Student and teacher internships are examples of programs that require a partnership with business and help prepare students and teachers for changes in the work place.

A strengthened and broadened partnership between businesses in our technology clusters with our K-12 institutions focuses on the improvement of student performance in math and in science. Three ways in which math and science achievement by our young people can be strengthened is through greater student enrollment in more difficult math and science classes and through internships and after school programs. The region's public school districts, by encouraging increased enrollment in more difficult math and science courses, will help to better prepare students for continuation of these subjects at our region's higher educational institutions. Internships will provide students with the chance to observe the practical application of math, while after-school programs will permit student's additional time to voluntarily develop and practice their science and math skills. Such a partnership will help to ensure that our region's young people will have the necessary training and skills to participate in tomorrow's technology driven workplace - helping them to earn wages which guarantee a rising standard of living.

In addition to student internships, there should be the development of K-12 teacher internships in partnership with our private sector. These internships will increase teacher connectivity and competency with modern business and workforce demands, helping to ensure that our K-12 students receive the most applicable education skills available. These internships will also help strengthen the overall link between our regional educational institutions and the private sector.

K-12 institutions need a more specific and focused grading system to evaluate student behavior and attitude.

K-12 students must have better access to technology driven teaching tools and up-to-date computers.

Continue to expand programs that offer life-long learning opportunities to insure work force development and advancement.

Also of importance to regional employers are the behavioral attitudes of tomorrow's work force. The region's K-12 institutions should begin a program to monitor student progress in this important job skill area much in the same way scholastic grades are evaluated. For example, A-F grades could be attributed to such desirable job skill traits as on-time attendance, working in groups, and classroom behavior. The region's K-12 institutions can help foster these skills through the increased interaction of employers and work force development agencies in programs designed to instill these important traits in our young people. Our regional employers can then use these behavioral grades when evaluating applicants for employment opportunities.

Access to quality computers and other technology based teaching tools are needed by our young people if they are to compete in the modern workforce. The region's public school districts must identify additional resources that will ensure that our K-12 students have adequate access to technology driven teaching tools in the classroom. Failure to provide these critical educational tools to our young people will handicap their future education and professional opportunities. Our region's private sector may be able to assist the region's K-12 districts through specific financial assistance programs and/or the donation of computer hardware and software.

As the largest education and training providers in the San Diego region, the community college districts play a critical role in workforce development efforts – particularly in preparing well qualified workers for employment in targeted high-tech industry clusters. The extensive workforce development efforts of community colleges prepare students for entry into the workforce; help currently employed individuals upgrade skills for their present job and prepare for advancement to higher-level positions within their chosen occupation; retrain individuals for a different occupation; and prepare students for transfer to four-year colleges/universities to pursue education for professional-level positions. In addition, community colleges contract with employers to provide customized, on-site training for company employees as well as provide technical services to help improve company performance.

To keep life-long learning programs focused we need to track the success of their graduates.

These community college districts should continue to work in concert with the private sector, other workforce development agencies, and economic development organizations to meet the workforce education and training needs of the region's employers – both to prepare workers for entry into the workforce as well as to provide continuing/lifelong education for the incumbent workforce. One example of an important future collaborative effort is the need for business and industry to work with community colleges on the development and maintenance of a high-tech infrastructure that will disseminate instruction to companies in targeted industry clusters as well as provide for the delivery of instruction to learners at the time, place and pace of their choosing. These collaborative efforts have proven successful in the past, and should be expanded to ensure that individuals served by the region's community colleges continue to receive the highest quality education and training possible based upon identified industry requirements. Such efforts will assist students in acquiring and maintaining jobs that pay above the regional average and help them to increase their standard of living.

Private sector board members of our region's community college districts and the San Diego Workforce Partnership should provide direction in workforce development efforts. Specifically, these private sector board members should help ensure that the curriculum and employment programs implemented by these agencies, are consistent with the skills requirements of the modern workplace. The San Diego Workforce Partnership and the region's community college districts should take the lead in working collaboratively with other regional workforce development efforts, such as the defense conversion programs at UCSD and SDSU. In addition, the San Diego Workforce Partnership should track the success of training and educational program instituted through collaborative efforts and the efficiency of matching these programs to labor market demands.

Establish graduate level business programs in our primary research university to merge technical talent with business practices.

Our education skill and training programs need to be accessible to everyone.

"The skills of the labor force are going to be the key competitive weapon in the 21st century", Economist Lester Thurow.

Under current General Plans, the region will not have a sufficient supply of urban land available to accommodate its housing needs much beyond the year 2005.

The region's primary research institutions should establish graduate business programs that foster entrepreneurial talents in high technology. These programs will help to ensure that our established and emerging cluster industry entrepreneurs will have access to programs that provide them with the tools to merge their technical talents and ideas with an understanding of business practices. These business program opportunities will help to strengthen our homegrown technology businesses.

Our regional education efforts should encompass all aspects of our society. The region's community college districts and universities should expand programs that reach-out and assist underrepresented students with higher education opportunities.

The cost to the region of these educational investments and the energies they demand to be implemented will be far less than our failure to provide them. Our future prosperity will be defined by our ability to provide these resources and opportunities to our young people and workforce.

Recommended Action 3

The cities, in cooperation with the County, should decide how, if, and when local general and community plans should be amended to accommodate the region's projected residential and employment growth. An adequate supply of employment and residential land is essential to the region's business expansion and retention efforts. Special focus should be given to the needs of the cluster industries targeted in the Partnership for the New Century Economy, an effort spearheaded by the Regional Economic Development Corporation.

The cities and the County have not designated enough land in their general plans with urban level densities to accommodate forecasted population growth. Without changes to these general plans, the region will not have sufficient urban land available to accommodate its housing needs much past the year 2005. SANDAG's Forecast 2020 projects that 406,000 new housing units will be needed to accommodate the region's population growth over the next 25 years. SANDAG, as a regional forum, is working with the cities and the County to develop a regional consensus on this issue.

Concern has been expressed about pending shortages of employment land in specific locations in the region.

A collaborative process to provide a complete inventory of available employment land is underway.

Our solutions to accommodate future growth and prosperity should not be limited to the supply of vacant land.

There is rising concern among local jurisdictions, economic development organizations, and the real estate community that an insufficient amount of land is available in specific locations to accommodate the projected growth in our cluster industries. To address the scarcity of employment land several jurisdictions in the region are evaluating methods to increase the supply of developable land. In addition, to help make up for this shortage, the region's older and more densely populated communities should be considered as a possible location for the region's expanding clusters.

The San Diego Regional Economic Development Corporation has established an Industrial Land Committee, which includes real estate professionals, property owners, and representatives from the cities, the County, and SANDAG. The purpose of the Industrial Land Committee is to: 1) develop a consensus on land inventory (both finished and unfinished); 2) identify areas in the region that are suitable for business park development; 3) identify opportunities for redevelopment and infill development; and 4) develop policy recommendations on methods to increase land supply. Once the Industrial Land Committee has reached a consensus on these issues, it will present the information to decision-making bodies throughout the region.

The activities of the Industrial Land Committee should continue to be supported by having its conclusions available for local general and community plan updates. General and community plans should identify: 1) how infrastructure needs can be met and adequate standards maintained as a result of the changes in, or intensification of, uses; and 2) how incentives can be used to assist expanding cluster industries, with special emphasis given to locating on infill and redevelopment sites.

Health Care is the largest employer in the San Diego region.

Health Care annually brings in the largest share of venture capital funds.

The lack of a low-radiation waste storage facility forces the health care industry statewide to store its waste on site, putting us at a competitive disadvantage.

Recommended Action 4

Local and state elected officials should continue to work collaboratively with our federal representatives to resolve the problem of on-site storage of hazardous waste.

The region's many high technology and healthcare businesses produce low-level radioactive waste during research and production activities. Due to the lack of a low-level radiation waste facility, these firms store this material on site. To date, there are hundreds of permitted "temporary" low-radiation waste storage sites across the region.

A centralized and secure state-of-the-art waste disposal facility poses less of a health risk than do hundreds of temporary storage sites. Also, these healthcare related industries contain some of our region's highest paying and fastest growing job opportunities. A low-level radioactive waste site is an important piece of infrastructure necessary to help retain and encourage the expansion of the state's health care industry.

The United States Department of the Interior should follow the recommendations of the National Academy of Sciences, the pre-eminent scientific body in the nation. According to the Academy, a low-level radioactive waste storage site at Ward Valley poses a negligible threat to the Colorado River basin. We should acknowledge that the lack of such a disposal site hinders economic development and retention efforts across the western United States. Our local and state elected representatives should continue to work with the Department of the Interior to transfer the control of the Ward Valley site to the State of California at the earliest possible date.

If Ward Valley fails to be transferred, the State of California should work on locating another suitable disposal site.

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 Liaison

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.

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.

Nationwide, airports ship 2% of the volume of foreign trade and 40% of the value.

Improving the region's air access to international markets should be elevated above all other considerations.

Dredging and pier improvements are necessary to improve our water port's competitive position.

Highway improvements are necessary to improve the flow of trade with Baja California.

The integration of trade related infrastructure is more important in determining its capability and capacity than the size of its individual components: i.e. air, water, rail, electronic, and road systems.

The Port District must ensure that Lindbergh Field is able to accommodate current and projected passenger and cargo demands in the region. To further increase capacity and efficiency, the District should work collaboratively with MCRD and the Department of Defense on options that jointly address the needs of Lindbergh field and MCRD. The region's jurisdictions should support Port District efforts that expand capacity and increase efficiency at our airport. The jurisdictions should elevate these efforts above other considerations in order to maintain Lindbergh Field as a valuable piece of regional infrastructure necessary to access world markets. If Lindbergh Field is unable to adequately accommodate the trade requirements of our export-driven cluster industries or our regional passenger capacity demands, an alternative long-term strategy is appropriate.

The region's water port should be improved to accommodate larger forthcoming classes of cargo ships. These improvements will help to further establish our region as a niche-port and may help support our cross-border industrial clusters. The Port should set as a priority the dredging and pier improvements at the 10th Avenue and 24th Street terminals.

The Port District, in cooperation with SANDAG and Caltrans, should research the opportunities that barging goods between the ports of LA/Long Beach/San Diego and/or Ensenada would offer. SANDAG and Caltrans should examine the impact this form of goods movement would have on I-5 and SR-905 congestion management programs.

The San Diego Unified Port District, SANDAG, MTDB and our region's binational and economic development organizations should continue to work for the reopening of the San Diego and Arizona Eastern railway. This rail line would provide an important second rail link with domestic markets to the east and with the Republic of Mexico. These agencies, in collaboration with the region's local elected officials, should continue to advocate the reopening of this line to our congressional delegation. Also, the San Diego Dialogue, along with other binational organizations, should encourage their memberships to urge the timely completion of upgrades on the Mexican portion of the line when the operational concession is transferred.

SANDAG and Caltrans should continue to pursue programs that improve our road linkages with the Los Angeles goods distribution system and with Mexico. Specifically, the region's private sector, economic development organizations and governmental agencies should continue to advocate the improvement of SR-905 to the appropriate federal representatives and agencies. SANDAG and the state should work collaboratively to secure federal funding for the SR-905 improvements, recognizing the highway's role as a major trade corridor on which goods travel that are distributed throughout the nation.

Those agencies with infrastructure items under their control or are responsible for the funding and planning of infrastructure pieces, should prioritize capital improvements on a regional level. This prioritization will ensure that the region receives the primary infrastructure it needs to be competitive in the modern export-driven economy.

Recommended Action 7

Expand our region's direct access to banking and venture capital resources. The region's economic development organizations should collaboratively identify capital resources and funding opportunities for our emerging industrial clusters.

The disappearance of many of our regional financial institutions over the past several years has made the unique relationship between local lender and local business a part of our past. As a result, our regional cluster industries, especially our emerging ones, lack the same kind of direct access opportunities to financial institutions that once aided our local businesses.

In addition, much of the region's private sector capital improvement funding in the past was provided by large Department of Defense (DOD) contracts. As the region lost jobs associated with defense contracts, we also lost billions of dollars that would be spent for capital improvements. The region is now more dependent on the private venture capital market for these important capital investment funds.

The success of restructuring parts of our economy will depend on our ability to attract venture capital funds.

In the past, much of the region's investment capital was provided by DOD funds and contracts.

Our region needs to develop a large and permanent venture capital presence.

The San Diego Regional Economic Development Corporation and the San Diego Regional Technology Alliance should work collaboratively with cluster industry associations, like BIOCOM and the AEA, to replace these lost capital improvement funds. One way to begin to replace these funds may be to encourage businesses to concentrate their financial transactions to a single or limited number of locally based financial institutions. The purpose of this consolidated effort would be to build a more substantial local financial presence. Through this partnership, these financial institutions could be encouraged to create a venture capital department that could become a local source of financial resources for our emerging and expanding cluster industries. These advocacy organizations should consider setting a goal of establishing a financial/venture capital presence in the region that would eventually replace the lost DOD capital improvement funds.

Recommended Action 8

Improve the business environment by reducing the costs imposed on business by government.

Local governments in the San Diego region should take the lead in instituting the changes necessary to reduce the costs imposed on business by government.

One major challenge for this region is to move beyond the misconception that there is conflict between economic opportunity and environmental health.

We need to recognize that the region's governmental agencies have acted and continue to act to achieve this goal. To reduce the regulatory burden on business, most local jurisdictions have acted to streamline or clarify their development and other business-related regulations.

Regulations affecting business should be subjected to four criteria.

To further reduce costs, government should consider actions in two areas: regulatory reform and privatization.

Regulations affecting business should be: (a) cost effective, (b) administered consistently using procedures understandable to those being regulated, (c) evaluated periodically to ensure that they are directed toward and specifically contribute to the standard or objective to be achieved, and (d) based on achievable and beneficial standards or objectives. This effort will not, and should not compromise environmental standards.

The provision of public services and facilities should be opened up to competition.

Services provided to the public should be efficient and reliable. The provision of public services and facilities should be opened up to competition. Neither the public nor the private sector is innately more efficient and reliable than the other. Government should be able to consider both public agency and private sector alternatives in the provision of public services. "Privatizing" is a valid option. Most recently, this occurred with the County of San Diego's solid waste services and facilities.

Having a choice in providing services fosters a more informed opinion about how tax money should be spent. It also encourages frequent performance evaluations, to determine if citizens are getting their money's worth in public services.

Recommended Action 9

Housing affordability needs to be redefined as an economic problem as well as a "land-use" problem. Public policy in the region should recognize that affordable housing is a fundamental determinant of a family's quality of life.

True growth management, as well as economic prosperity and affordable housing, is inextricably linked to statewide fiscal reform...recognizing that people and homes are the primary source of all tax revenue, not where we choose to spend their money.

The failure of growth today is the young worker with a family who must drive an hour or two to work each day to find affordable housing.

To better address the problem, the region's residential builders and local governments should focus on the housing needs of communities and neighborhoods within jurisdictions to produce more affordable, market-priced housing. Suggested steps in this kind of program are:

- Increasing our standard of living. The annual rate of growth in our real per capita income should equal or be greater than the nation's growth rate. When incomes rise faster than home prices, housing is more affordable. The creation of jobs that pay above the regional average will help this trend.
- The cities and the County should act to ensure that there is adequate land for urban development in the region to accommodate the demand for new housing units. An inadequate supply of housing units will push the price of housing higher. SANDAG has shown that the existing, adopted city General Plans do not have sufficient land available to accommodate projected housing demand.

We are all pushing hard to create jobs, but where will our businesses' workers live? And what are we doing to keep housing affordable?

As housing becomes less affordable, the greater our competitive disadvantage, and the less likely we are to achieve our full economic potential.

Twenty percent of the daily commute traffic south of Lake Hodges originates in southern Riverside, where homes are more affordable.

Highlighting problems and putting the region on notice is not enough to sustain the will and momentum necessary to implement changes.

- Curbing litigation problems associated with condominium development. This action will help to make this form of affordable housing more available to the region's residents.
- Analyzing the directional impact of government fees and costs levied on housing. SANDAG's Regional Growth Management process should identify fees and other development costs that can help direct the occurrence of new development. This process should start by comparing development fees and costs between incorporated and unincorporated communities in the region.
- The cities and County should consider programs like the one established between the City of San Diego and the federal Department of Housing and Urban Development to establish low-interest-rate loans for first-time buyers with limited incomes. These programs could help to make housing more affordable to a greater number of families in the region.
- Emphasizing community and neighborhood-based solutions. Conduct community-based housing market analyses to document for residents, builders and lenders the real housing needs of the communities and neighborhoods within the jurisdictions.
- Sponsoring housing design exhibitions. Local governments, builders and other interested parties should illustrate the types of units that best meet local market needs. This step gives local residents and prospective builders a better idea of how new housing will fit into the existing community(s).

Recommended Action 10

Establish an on-going monitoring process that will result in the periodic evaluation of the region's economy.

In order to ensure that the region is headed in the right direction, progress toward achieving regional goals should be specifically evaluated on a regular basis. SANDAG should take the lead in evaluating and monitoring the region's progress.

What is needed - and what the Prosperity Strategy provides - is a way of measuring our progress, or lack of progress being made to solve these problems.

The Prosperity Strategy identifies the strengths and weaknesses of our regional economy...

...and offers a set of recommended actions designed to meet our challenges...

...moving us toward a shared economic vision for the San Diego region.

We should evaluate our success by continuing a monitoring program that quantifies progress toward achieving the goals outlined in the Regional Economic Prosperity Strategy. This program tracks the effects of existing as well as new economic policies and investments, compares our region with other metropolitan areas, and helps determine which areas of our economy have recorded the most progress and which areas might require additional attention. Specific areas of focus should be:

- Ensure a rising standard of living for our region that is equal to or above the nation's and other comparable metropolitan areas. Changes in standard of living can be measured by real per capita income.
- Ensure a more productive labor force by properly educating, training and preparing new entrants. Initially, our progress can be measured by our ability to reverse the rising trends in births to unwed mothers, status high-school drop out rates, and the number of crimes committed per 1000 residents. These indicators should be lower than national averages and below other comparable metropolitan areas.
- Encourage the enhancement and development of regional capital facilities (infrastructure) and public policy changes that are necessary for the expansion and retention of local businesses. These include the region's access to domestic and international markets, a statewide competitive water market, a low-level radiation waste site facility, a locally based venture capital fund, sufficient urban land to accommodate projected population growth, and a more open and competitive process for the provision of public services.
- Encourage the expansion of locally owned businesses that will create job opportunities that require skilled labor. The proportion of job opportunities created in our high value added cluster industries can measure our success.
- Development of a more refined cross-border economic development strategy.

APPENDIX A
Response to Comments

RESPONSE TO COMMENTS

Regional Economic Prosperity Strategy and Evaluating Economic Prosperity in the San Diego Region: 1998 Update

This appendix summarizes the public comments received on the draft Regional Economic Prosperity Strategy and its supporting document entitled, *Evaluating Economic Prosperity in the San Diego Region: 1998 Update*. All public comments received by the Committee and its responses to these comments are summarized below.

The comments are organized chronologically, based on the date of the letter, memo, facsimile, or email. Comments that relate to the *Regional Economic Prosperity Strategy* are identified by the four-letter acronym "REPS"; while comments addressing the document entitled *Evaluating Economic Prosperity in the San Diego Region: 1998 Update* are identified by the word "UPDATE". Parties interested in reviewing the complete text of the public comments are asked to contact Jason Anderson at (619) 595-5603.

1. County of San Diego (February 3, 1998)

COMMENT: Address the impact of current welfare recipients entering the regional work force. Additionally, continue to identify a new regional airport as an unresolved issue and expand data on water usage and the location of fiber optic trunk lines.

RESPONSE: The welfare to work issue is outside of the purview of this study. However, with the local unemployment rate near three percent and a long track record of producing a large supply of entry-level employment opportunities in the region, the condition of the local economy is nearly ideal for a program of this type.

Recommended Action 6 suggests that if Lindbergh Field cannot accommodate our regional demands for air service, then an alternative long-term strategy is appropriate (p. 67 REPS).

As requested, a graph indicating current and projected water usage was included into the Evaluation document (p. 37 UPDATE).

The requested fiber optic maps will be developed during the summer of 1998 and included into SANDAG's Regional Economic Development Information System (REDI).

2. San Diego Community College District (February 5, 1998)

COMMENT: Recommended Action 2 should establish a closer link between job creation efforts and educational programs.

RESPONSE: Recommended Action 2 identifies the fundamental relationship between economic prosperity and the educational investments being made in the San Diego region. In specific, Recommended Action 2 identifies specific changes for K-12 and workforce development agencies that will foster a closer link between employment opportunities and educational programs (p. 57-62 REPS).

3. Dr. Norris Clement, San Diego State University (February 17, 1998)

COMMENT: Expand section on Baja California with additional information and analysis on Baja's manufacturing sector and economic relationship with the San Diego region.

RESPONSE: The Committee expanded Appendix C with information and analysis on Baja California's manufacturing sector (p. C13-C17 UPDATE).

Recommendation 10 was amended to include a reference to SANDAG's commitment to produce a more refined cross-border economic strategy. This strategy will identify the economic relationship shared between the San Diego region and Baja California (p. 73 REPS).

4. San Diego Regional Incubation Alliance (February 18, 1998)

COMMENT: Expand the discussion of small businesses and their economic contributions to the regional economy.

RESPONSE: The Committee acknowledged the importance of the region's small businesses and their fundamental role in the regional economy. Recommended Action 1 was amended to include representatives from small businesses (12 or fewer employees) in the *Partnership for the New Century Economy* (p. 57 REPS).

5. Consulado General de Mexico (February 19, 1998)

COMMENT: The Consulate in San Diego utilized information from the evaluation document in the preparation of briefing papers for the Mexican Ambassador to the United States during his visit to the region in February 1998.

RESPONSE: The Advisory Committee appreciated the Consul's inclusion of the data into the Ambassador's briefing papers.

6. City of San Diego (February 24, 1998)

COMMENT: Expand discussion of the City's economic development activities and institute a quantifiable methodology for judging the region's progress on previous Recommended Actions. Additionally, ensure that cluster data being produced from the Committee be as consistent as possible with cluster information in the 1995 report, *San Diego Economic Opportunities*.

RESPONSE: The Committee created a section that outlines regional progress in greater detail. Expanded commentary on the City of San Diego's activities was included (p. 53 REPS).

The Committee indicated that the methodology used in evaluating the progress made on previous Recommended Actions is sufficient. In addition, SANDAG has committed to producing a report similar to the *Index* produced annually by Joint Venture Silicon Valley.

The cluster data in the Regional Economic Prosperity Strategy is consistent with the cluster data in the *San Diego Economic Opportunities* report.

7. United States Marine Corps (February 25, 1998)

COMMENT: Representatives from MCRD would like to participate on the Regional Economic Prosperity Strategy Advisory Committee. In addition, all land-use options should be evaluated when constructing capacity expansion alternatives for Lindbergh Field. These evaluations should not focus entirely on land currently occupied by the San Diego Marine Corps Recruit Depot (MCRD).

RESPONSE: MCRD was asked to appoint a representative to the Advisory Committee. The Committee decided to keep the focus on MCRD as the primary expansion alternative for Lindbergh Field. The Committee amended Recommended Action 6 to include language which indicates that efforts to increase capacity at the regional airport should be conducted in collaboration with MCRD and the Department of Defense (p. 67 REPS).

8. City of Chula Vista (February 25, 1998)

COMMENT: Expand commentary on industrial land-use issues in the *Regional Economic Prosperity Strategy*.

RESPONSE: The Committee expanded Recommended Action 3 to address the specific concerns of "...local jurisdictions, economic development organizations, and the real estate community that an insufficient amount of land is available to accommodate the projected growth of our cluster industries" (p. 61 REPS).

Furthermore, the Advisory Committee indicated that the Industrial Land Committee, organized by the San Diego Regional Economic Development Corporation, should have its conclusions included into local general and community plan updates (p. 63 REPS).

9. Dr. Curtis Dowds (March 2, 1998)

COMMENT: More refined methods of identifying regional clusters (through the usage of expanded qualitative analysis) will assist in the production of stronger data sets.

RESPONSE: The goal of the Committee is to develop regional cluster data sets that are standardized through an objective and replicable methodology. While qualitative surveying may enhance the understanding of some sub-sector relationships, the main purpose of the Committee is to create a system that will allow for objective economic analysis and projections.

Both the Prosperity Strategy and the Evaluation document outline the importance of establishing a replicable cluster methodology. The Committee is following this methodology, which may assist in the development of a statewide cluster analysis program by California's Employment Development Department (p. 8-10 REPS; p. 114-131 UPDATE).

10. San Diego County Water Authority (March 19, 1998)

COMMENT: Replace parts of the Progress Section in the evaluation document with provided language and water usage figures (p. 35-38 UPDATE).

RESPONSE: The Committee revised the Progress Section with the suggested language and water usage figures provided by the San Diego County Water Authority (p. 35-38 UPDATE).

11. Grossmont-Cuyamaca Community College District (March 25, 1998)

COMMENT: Ensure that Recommended Actions support the allocation of industrial land in sufficient quantities to ensure future cluster growth.

RESPONSE: Recommended Action 3 calls on jurisdictions to ensure that there is a sufficient amount of industrial land available to accommodate the projected growth of our cluster industries (p. 62-63 REPS).

12. City of San Diego (March 25, 1998)

COMMENT: Include into Recommendation 3 language that identifies the region's older and more densely populated communities as a possible location for expanding cluster industries.

RESPONSE: Recommended Action 3 was amended with language supporting the consideration of older and more densely populated communities as a possible location for the region's expanding clusters (p. 63 REPS).

13. San Diego Workforce Partnership (March 26, 1998)

COMMENT: The San Diego Workforce Partnership will continue to assist in collaborative efforts which support the development of the region's industrial clusters and enhance workforce linkages between the public sector, educators, and employers.

RESPONSE: The Advisory Committee indicated that it would acknowledge the Partnership's efforts in the Regional Economic Prosperity Strategy (p. 54 REPS).

14. San Diego County Farm Bureau (April 8, 1998)

COMMENT: Expand Recommended Actions to include a greater discussion of agriculture's contribution to the regional economy and the water issues facing the industry.

RESPONSE: The Committee's cluster analysis has identified two agricultural industries as regional clusters. The economic contributions of these industries are outlined in the Prosperity Strategy and in the Evaluation document (p. 8-12 REPS; p. 114-131 UPDATE).

The Committee indicated that the development of a competitive water market for the San Diego region was the primary goal of Recommended Action 5. The Committee indicated that water pricing or subsidies for industries should not form part of Recommended Action 5 (p. 65-66 REPS).

15. Consulado General de Mexico (April 10, 1998)

COMMENT: Include suggested footnotes on maquiladoras into Appendix C (p. C13-C17 UPDATE) and include reference to the Border Water Council into Recommended Action 5 (p. 65-66 REPS).

REPSONSE: Revised maquiladora section with suggested footnotes (C13-C17 UPDATE).

Included reference to the Tijuana/San Diego Border Water Council into Recommended Action 5 with expanded commentary on binational water issues (p. 65-66 REPS).

16. City of Chula Vista (April 17, 1998)

COMMENT: Amend Recommended Action 3 in the *Regional Economic Prosperity Strategy* with provided language.

REPOSNSE: The Committee agreed to include the suggested language into Recommended Action 3 (p. 62-63 REPS).

17. City of Chula Vista (April 21, 1998)

COMMENT: Include provided language and expand discussion on industrial growth and land-use requirements.

RESPONSE: The Committee altered Recommended Action 3 with the suggested language (p. 62-63 REPS).

Industrial development is discussed in both the Prosperity Strategy and the Evaluation document. Land-use issues relating to industrial demand are being undertaken by the Regional EDC, with SANDAG providing technical assistance and analysis. (p. 8-12 REPS; p. 114-131 UPDATE).

18. San Diego Community College District (April 23, 1998)

COMMENT: Include expanded recommended language on community colleges into the evaluation document.

RESPONSE: The Committee indicated that the language in the evaluation document is consistent with the recommended language provided in the letter. The committee indicated that no change was necessary to the evaluation document or to the *Prosperity Strategy* (p. 156-159 UPDATE).

19. Vista Economic Development (May 5, 1998)

COMMENT: Amend pages 53-56 in the *Prosperity Strategy* with provided wording.

RESPONSE: The Committee indicated that the language in the evaluation document is consistent with the recommended language provided in the letter. The Committee indicated that no change was necessary to the *Prosperity Strategy*.

20. City of San Diego (May 20, 1998)

COMMENT: Expand discussion of the City's economic development activities and include socio-economic indicators that will be used for a regional index.

RESPONSE: The Committee created a section in the REPS which recognized the region's actions after the City of San Diego's first letter on February 24, 1998. This new section recognized the City of San Diego's efforts along with other jurisdictions and agencies (p. 53-56 REPS).

SANDAG is committed to producing a report that monitors regional economic progress, similar to the *Index* report produced by Joint Venture Silicon Valley.

21. San Diego Convention and Visitors Bureau (May 26, 1998)

COMMENT: The annual payroll per employee statistic for the visitor industry reported in the *Regional Economic Prosperity Strategy* is misleading because of the high number of part-time and seasonal workers employed in the visitor industry.

RESPONSE: The Committee utilizes employment data from the State of California's Employment Development Department to formulate annual payroll data for the region's cluster industries. All clusters in the San Diego region employ part-time and temporary workers. Therefore, the visitor industry is not the only cluster experiencing these influences. The Committee added a footnote to the annual payroll per employee data tables, explaining the impact of these part-time and temporary workers on payroll figures (p. 12 REPS).

SANDAG staff has been working closely with California's Employment Development Department during the development of the methodology used to identify San Diego's regional clusters. Staff has indicated to EDD that there are several elements in the employment databases where improvement can be made so to facilitate cluster analysis in the region and across the State. This included problems presented by part-time, seasonal, and temporary workers.

22. Mr. Hans Jovishoff (May 28, 1998)

COMMENT: The *Prosperity Strategy's* Recommended Action 9 (housing affordability) needs to be strengthened. This can be achieved through: (1) consolidating housing departments from the incorporated jurisdictions with the County of San Diego's; (2) addressing the poor performance of the San Diego Housing Commission; (3) enforcing building codes to eliminate the cause for litigation. In addition, the *Prosperity Strategy* fails to address the need for apartments in the San Diego region.

RESPONSE: On the first issue, the Committee in Recommended Action 8 calls on local governments in the San Diego region to find new and innovative means to streamline regulatory processes. These efforts will ensure that all aspects of the economy receive more efficient governmental services. Consolidation may be one of several alternatives to be evaluated by local jurisdictions (p. 69-70 REPS).

On the second issue, the Advisory Committee has not recommended the dissolution of any agencies or organizations referred to in the *Prosperity Strategy*. The monitoring process to be carried out by SANDAG under Recommended Action 10 will result in periodic evaluations of the region's housing capacity and the programs instituted by agencies most responsible for carrying out needed public policy amendments and investments. In addition, SANDAG and the local jurisdictions will continue to work collaboratively on regional housing issues through the *Regional Growth Management Strategy* (p. 70-71 REPS).

On issue number three, the Advisory Committee's primary goal is to encourage methods which develop affordable, owner-occupied housing - not necessarily apartments. Recommended Action 9 outlines the necessary public policy amendments to ensure the region that there will be affordable housing in sufficient quantities available for its residents. One way in which to achieve this goal, is to curb litigation problems associated with condominium development (p. 70-71 REPS).

Above all, housing is an economic problem in the San Diego region. The Committee believes that the creation of jobs which ensure a rising standard of living will make housing more accessible to the region's residents (p. 70 REPS).

23. Metropolitan Transit Development Board (May 29, 1998)

COMMENT: Emphasize the need to create a more compact urban pattern in the San Diego region that is transit and pedestrian-friendly. In addition, support housing opportunities in more densely populated areas that can provide sought after "urban" amenities.

RESPONSE: The *Regional Economic Prosperity Strategy* identifies the region's older and more densely populated urban communities as potential sources of developable or re-developable land. By nature these older communities are more accessible to transit and pedestrians - achieving the dual goals of providing additional employment lands and ensuring expanded access to public transportation systems (p. 63 REPS).

Recommendation 9 in the *Regional Economic Prosperity Strategy* outlines a number of programs that can help support the development of attractive and affordable urbanized housing in the region (p. 70-71 REPS).

24. City of Chula Vista (June 1, 1998)

COMMENT: Include reference to the Border Environmental Commerce Alliance (BECA) in the section entitled *Recognizing the Region's Actions* (p.53 REPS) and circulate a consistency check list with the final draft of the *Prosperity Strategy*. In addition, give communities that provide the type of residential development promoted by SANDAG's *Regional Growth Management Strategy* and *Regional Economic Prosperity Strategy* a higher priority when distributing regional funding for public infrastructure.

RESPONSE: SANDAG Staff has included reference to the BECA in the *Regional Economic Prosperity Strategy*.

As part of Recommended Action 10, SANDAG will institute a monitoring process that includes an index of indicators. This monitoring process will evaluate the region's success in achieving the goals outlined in the *Prosperity Strategy*. The Committee indicated that this process is preferable to other methods of monitoring regional progress on the recommended actions (p. 72-73 REPS).

SANDAG has proposed a package of state and local fiscal reforms which help ensure that local jurisdictions in the San Diego region that provide more housing and accommodate more population growth, will receive proportionally more funding (generated through property taxes). In May of 1998, SANDAG's Board of Directors accepted for distribution to local jurisdictions the proposed package of state and local fiscal reforms.

25. Back Country Coalition (June 10, 1998)

COMMENT: Efforts to facilitate the attraction and retention of businesses in the San Diego region should not come at the expense of regulations that protect the region's environment. In addition, the Coalition does not support the building of additional housing units in the San Diego region through HUD programs, as they are not cost effective.

RESPONSE: The *Regional Economic Prosperity Strategy* states that the natural environment is essential to the region's quality of life and is an important element in business retention strategies. Furthermore, the region's diverse and unique environment has helped create and sustain the region's largest industrial cluster - the visitor industry. The regulatory and public policy amendments called for in the *Regional Economic Prosperity Strategy* are designed to create a sustainable community.

Recommendation 9 in the *Regional Economic Prosperity Strategy* outlines a number of programs that can help support the development of affordable urbanized housing in the region. The programs provided by HUD are just one way in which to make housing more affordable and accessible to a greater number of families in the region. Nevertheless, the Committee believes that raising per-capita incomes at a rate faster than home prices, may be the single best vehicle for ensuring more affordable housing for the region's residents (p. 70-71 REPS).

26. Mr. George J. Mitchell (June 10, 1998)

COMMENT: The *Regional Economic Prosperity Strategy* neglects to identify the need for a larger international airport in the region that can accommodate aircraft with non-stop intercontinental capabilities. Furthermore, the *Prosperity Strategy* should look north to Los Angeles as the main source of future economic opportunities for the San Diego region instead of Mexico.

In addition, the San Diego region suffers from a lack of political leadership and an entrenched elite - the *Regional Economic Prosperity Strategy* perpetuates this negative situation by relying on existing agencies to implement the recommended actions.

RESPONSE: The *Prosperity Strategy* and its companion evaluation document both address the long-term demands for air service in the region and Lindbergh Field's capacity to accommodate these current and projected demands. The San Diego Unified Port District indicated that the recent expansion efforts at the region's airport will provide adequate service into the next century. However, the Committee supported the acquisition of additional land adjacent to Lindbergh Field to satisfy the need for additional staging areas in the absence of an alternative regional airport (p. 67 REPS).

The *Prosperity Strategy* indicates that the region's system of infrastructure support domestic and international trade linkages. In addition, the *Strategy* states that this system of physical infrastructure should ensure efficient trade linkages with Los Angeles and its goods distribution system (p. 66-68 REPS; p. 132-149 UPDATE).

As to the comment on political leadership: the Advisory Committee believes that established governmental agencies and non-governmental organizations are the best vehicles for carrying out the recommended actions outlined in the *Prosperity Strategy*. The creation of a new entity to carry out the recommended actions would lead to redundancy in efforts and expand bureaucratic systems. The Committee believes that governmental agencies are reflective of the choices made by the region's voters and that the membership of non-governmental agencies guides the policies of these NGO's. The Committee believes that the region's voters and the private sector membership of non-governmental agencies therefore ultimately determine the policies and priorities of these agencies and organizations (p. 4 REPS).

27. United States Marine Corps (June 16, 1998)

COMMENT: Amended Recommended Action 6 to reflect MCRD's desire to avoid an "either/or" solution for Lindbergh Field's expansion at the expense of MCRD. To achieve this, strike the statement "...above other considerations" in the text of Recommended Action 6.

RESPONSE: The Advisory Committee and the San Diego Unified Port District's designated representative to the Committee have indicated that Recommended Action 6 will remain as written in the *Prosperity Strategy*. The Committee, after the first letter provided by MCRD on February 28, 1998, did add supportive language that states that the Port District, "...should work collaboratively with MCRD and the Department of Defense on options that jointly address the needs of Lindbergh Field and MCRD." The Committee believes that this statement is sufficient in conveying the Committee's desire that all agencies involved with, or affected by Lindbergh Field's expansion be involved in collaborative discussions with the San Diego Unified Port District (p. 66-68 REPS).

28. San Diego Regional Technology Alliance (June 16, 1998)

COMMENT: Ensure that physical infrastructure and public policy amendments are defined by the region's private sector. Furthermore, indicate in the *Prosperity Strategy* that the Partnership for the New Century Economy is still a work in progress. With this consideration, the Partnership for the New Century Economy should not be included into the *Prosperity Strategy*.

Simultaneously continue the focus on both emerging and existing clusters and ensure that a number of organizations (names provided) are involved in accessing venture capital resources for cluster industries and the region's small businesses. Additionally, institute a cost/benefit approach to Recommended Action 8 and identify a single organization as being responsible for collecting and organizing the results of the monitoring process outlined in Recommended Action 10.

RESPONSE: The region's economic development organizations have an established and collaborative working relationship with the private sector. The Committee believes that the region's economic development organizations will convey necessary public policy amendments and infrastructure investments, as defined by the private sector, to the responsible governmental agencies.

On the issue of the Partnership of the New Century Economy, the Advisory Committee requested the inclusion of this proposed program into Recommended Action 1 (p. 56-58 REPS).

The purpose of focusing on existing clusters is to create high-paying jobs in the region. However, the cluster analysis methodology utilized by the Advisory Committee is flexible enough to identify emerging clusters in the region (p. 8-12 REPS, p. 114-131 UPDATE).

The Committee's recommendation on venture capital is designed to develop a localized source of capital funding. Over time, the Committee believes that these efforts will assist the region's private sector better than attracting venture capital resources from outside of the region (p. 68-69 REPS).

The objective of Recommended Action 8 is to offer suggested means by which local governments can deliver quality and efficient services at competitive prices. To reduce costs, the Committee recommended that local governments consider both regulatory reform and privatization (p. 69-70 REPS).

On the issue of Recommended Action 10, SANDAG will continue to monitor the regional economy. SANDAG will work closely with other agencies and organizations during this monitoring process (p. 71-72 REPS).

29. San Diego-Imperial Counties Labor Council, AFL-CIO (June 22, 1998)

COMMENT: The REPS should examine income distribution in the San Diego region - not only the per-capita income indicator. Furthermore, the REPS should promote policies that will lead to a rising standard of living in Baja California.

Labor should be allowed to participate in the San Diego Regional Economic Development Corporation's Partnership for the New Century Economy.

Recommended Action 2 (Education) should be expanded to examine the following areas: (1) greater resource allocation in support of education; (2) increase technology access for lower-income families; (3) parental and community involvement in the development of positive behavioral skills.

Recommended Action 8 (Business Environment) should not conflict with the public interest - private firms are not as accountable as public agencies while the privatization of services may impact per capita income as contractors use low-wage workers.

The San Diego-Imperial Counties Labor Council would like to work with SANDAG on identifying "...areas of focus..." during the monitoring process identified in Recommended Action 10.

RESPONSE: Real per capita income is widely accepted and utilized by local, state, and federal agencies and many non-governmental organizations as a broad-based measurement of standard of living. Also, the Recommended Actions in the REPS are all designed to create and foster growth in middle-class jobs that will allow the region to reverse the trend in creating more low-paying rather than middle-class employment opportunities (p. 56-72 REPS).

In regard to Baja California, the comment that "...*unionization and increased citizen participation in their [Mexico's] government*" is needed in order to bring about prosperity in Baja California is well outside the purview of the REPS. Mexico is an autonomous nation with unique social and political structures. Policies that will lead to an increased standard of living in Mexico must be identified and pursued by the Mexican people themselves. The REPS only identifies mutual infrastructure issues and opportunities, like transportation and water, which support economic opportunities for the binational region.

The Committee supported the inclusion of labor organizations into the San Diego Regional Economic Development Corporation's organizational chart, *Partnership for the New Century Economy* (p. 57-58 REPS). Furthermore, the Committee reiterated that all organizations are welcome and encouraged to participate in the REPS meetings.

The Committee shares the Labor Committee's view that a broad-based and strategic partnership between the public/private sector should be encouraged in the region. In support of this, Recommended Action 2 contains a number of specific action items designed to support this goal. Educational resource allocations, as discussed by the Committee, is one aspect to this multi-faceted issue (p. 59-62 REPS).

To the issue of access to technology for low-income families: Recommended Action 2 indicates that "...business and industry work with community colleges on the development of high-technology infrastructure that will...[deliver] instruction to learners at the time, place and pace of their choosing." The REPS Committee wishes to provide educators and institutions the flexibility to deliver educational resources and technology by the methods they see most fit to serve the widest range of our citizens (p. 59-62 REPS).

The Committee shares the Labor Council's belief that only a collaborative effort will succeed in instilling desired workforce and behavioral skills in our young people. Once again, the Committee believes that the organizations involved in the collaborative should identify the methods necessary to accomplish this and any other goals outlined in the REPS.

Recommended Action 8 is designed to provide additional options to government agencies when delivering public services. In no way does the Recommended Action support low-wage contracting. Privatization of services and competitive bidding processes are designed to ensure that citizens receive their public services by the most efficient means possible. Wages are one of many factors involved in the decision making process when jurisdictions and governmental agencies outsource services. Furthermore, the Committee does not support any efforts which would take away the accountability of organizations charged with delivering public services (p. 69-70 REPS).

The REPS Advisory Committee and SANDAG welcome public comment and collaboration on the development of the Prosperity Strategy and any of its components - including the socio-economic index and monitoring process called for under Recommended Action 10 (p. 71-72 REPS).

30. San Diego Economic Conversion Council (June 23, 1998)

COMMENT: Broaden the collaborative effort indicated in Recommended Action 1 of the REPS to include labor organizations. Furthermore, ensure labor's inclusion into the San Diego Regional Economic Development Corporation's *Partnership for the New Century Economy* and expand the focus of the *Partnership* to ensure broader participation.

The monitoring process under Recommended Action 10 in the REPS should be expanded to include elements of sustainable development.

RESPONSE: The Committee altered Recommended Action 1 to include labor organizations in collaborative efforts like the San Diego Regional Economic Development Corporation's Partnership for the New Century Economy. In addition, the San Diego Regional Economic Development Corporation has expanded its Community Forum element in the Partnership to include labor representatives (p. 56-58 REPS).

SANDAG will work collaboratively with groups wishing to participate in the development of the monitoring procedures called for under Recommended Action 10 (p. 71-72 REPS). Many of the environmental and social issues which are popularly attached to the term *sustainable development* are currently being tracked and studied by SANDAG's Regional Growth Management Strategy (of which the REPS is one component). As such, the monitoring procedures to be developed will most likely concentrate on economic indicators rather than replicate efforts of other groups.

31. San Diego Dialogue (June 24, 1998)

COMMENT: The REPS should consider the sustainability of development and the "...ecological carrying capacity of the region." In addition, the Committee may wish to examine the distribution of income and whether the region's industrial clusters are, "...capable of providing prosperity for all the region's citizens."

During the monitoring process called for under Recommended Action 10, integrate indicators for Baja California/Tijuana with those for the San Diego region. This integration will help highlight trends and assist in comparing the San Diego/Baja California region with other metropolitan areas in the United States.

RESPONSE: SANDAG's Regional Growth Management Strategy currently employs a number of mechanisms that track the environment in the San Diego region. The REPS, as a component of the Regional Growth Management Strategy, provides the economic evaluation used by SANDAG and the region's jurisdictions. As such, the REPS will continue to focus on those socio-economic issues that do not replicate other efforts by SANDAG and the local jurisdictions.

The region's cluster industries on their own are not expected to provide jobs for all of the region's residents. However, clusters do provide important employment opportunities. Whether or not prosperity is achieved, is however dependent upon many factors. Opportunities for our citizens and prosperity for our region will depend upon the successful implementation of programs like those outlined in the Recommended Actions of the REPS (p. 56-72 REPS).

The Committee has directed SANDAG staff to identify and where applicable integrate socio-economic indicators from Baja California with those from the San Diego region. However, methodological and statistical differences continue to plague many comparative efforts between Baja California and the San Diego region. SANDAG staff will work with other interested agencies and groups during the development of these Baja California indicators to ensure accuracy and applicability (p. 71-72 REPS).

SANDAG staff anticipates that it will continue to utilize San Diego region specific information in the development of the comparative analysis with similar metropolitan areas in the REPS (p. 15-49 REPS, 53-105 UPDATE). This will ensure compatibility with the historical data produced by the REPS process.

32. Mr. Earl Johnson, Exploring Paradigm Shifts (June 25, 1998)

COMMENT: Expand the REPS to include the three dynamics of sustainable development: "economy, ecology and equity." Follow the examples (provided) of other research efforts and entities to ensure that the 21st century's challenges are not addressed with out-of-date processes.

RESPONSE: The REPS Advisory Committee produces the economic analysis needed to compliment SANDAG's other work programs under the Regional Growth Management Strategy. The Regional Growth Management Strategy combines this economic analysis with environmental, transportation, demographic and land-use research to produce a combined strategy which addresses much of the popular conceptualization of *sustainable development*.

The REPS is a document that examines the economic characteristics of the San Diego region and identifies the specific challenges and opportunities facing the region as it moves into the 21st century. The Committee designed the REPS to be a forward-looking document by addressing the needs of not only today's economy, but also the opportunities we can provide for our young people.

33. Center on Policy Initiatives (June 25, 1998)

COMMENT: The REPS should be expanded to examine the growing income disparity between high-tech industries and service industries. Furthermore, the lack of health insurance and family-supporting wages for many residents is an impediment to economic growth in the region.

To address these issues, the REPS should include indicators that examine the percentage of residents with health insurance and the number engaged in temporary employment. In addition, income distribution in the region should be measured by a regional GINI coefficient.

Recommended Action 8 must include provisions to ensure that businesses provide benefits, employee training programs, and wages that support families and expand career advancement possibilities.

RESPONSE: The issue of income disparity, or the distribution of income amongst a region's residents, is a complicated one. For the most part, local governments cannot influence income distribution. The federal government is able to redistribute wealth in society through a plurality of welfare and tax policies. What local government can do, is to ensure greater wealth for all its residents through sound educational and infrastructure investments. The Committee believes that the Recommended Actions in the REPS outline the necessary programs that local government can institute to ensure a rising standard of living (or a more equitable distribution of *opportunities*) for all of the region's residents (p. 56-72 REPS).

Recommendation 10 calls for SANDAG to establish a monitoring process for the regional economy. One element of this monitoring process, is the development of an index that will track a number of socio-economic indicators in the San Diego region. SANDAG will work collaboratively with other groups and agencies in the development of this index and in the selection of the indicators to be tracked. Healthcare, temporary employment figures, and the GINI coefficient will be evaluated as possible candidates for inclusion into this index (p. 71-72 REPS).

The Committee acknowledges that the region's private sector maintains a social responsibility - in the San Diego region, more often than not, the region's private sector has been a valuable partner in both community and economic development efforts.

As to the issue of wages and benefits: wages are determined by the quality of the worker (education, skill, training) and by the supply and demand of labor in the marketplace. For the foreseeable future, workers will be in short supply not only in the San Diego region, but also across the United States (due to a declining birth rate). This means that each worker will become more valuable, as there are fewer workers available for employment. On its own, this phenomena would mean that the wages of each worker should increase as the labor market becomes constrained. However, labor supply is just one element that enters into the wage equation.

The other component of the wage equation that local governments can influence, is the quality of each worker's education, skill and training. In general, the better the education of the worker, the higher the wage for him and his family. Employers recognize the value of education, as productivity and creativity are directly linked with educational attainment. As such, workers with a sound education demand better wages for themselves and their families (p.158-159 UPDATE). The Committee believes that the educational programs and investments called for under Recommended Action 2 will strengthen the educational quality of our regional workforce (p. 59-62 REPS). These investments and programs will help ensure that our region's young people will be able to earn family-supporting wages and achieve a rising standard of living in the San Diego region.