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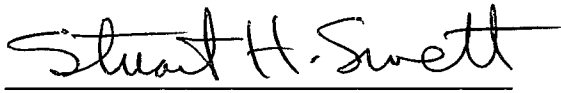
RESOLUTION NUMBER R- 289190

ADOPTED ON SEP 16 1997

BE IT RESOLVED, by the Council of The City of San Diego, that Mayor Susan Golding's proposed new economic development strategy entitled "Charting a Course for the 21st Century - A Strategic Economic Plan for San Diego's 'New Economy'", as more particularly described in Mayor Golding's memo dated September 5, 1997, and attached hereto as Exhibit A, is hereby approved.

APPROVED: CASEY GWINN, City Attorney

By



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OFFICE OF MAYOR SUSAN GOLDING
City of San Diego

MEMORANDUM

DATE: September 5, 1997

TO: Honorable City Councilmembers

FROM: Mayor Susan Golding 

SUBJECT: Charting a Course for the 21st Century - A Strategic Economic Plan
for San Diego's "New Economy"

Introduction

During the 1996 Annual State of the City Address, I released a proposed new economic development strategy entitled *Charting a Course for the 21st Century - A Strategic Economic Plan for San Diego's "New Economy."* The goals of the strategy are to raise the standard of living of San Diego metropolitan area residents through the generation of higher incomes, create abundant new 21st century jobs, and create a competitive workforce by preparing the student population for entry into career opportunities within six targeted industry clusters.

On March 3, 1997 the Rules Committee reviewed the strategy and received public testimony. The Committee voted unanimously to accept the strategy and to send it out for a sixty day public review and comment period. The public review and comment period ended on May 7, 1997.

Background

The San Diego regional economy is undergoing a fundamental and profound structural change in the aftermath of the ending of the Cold War era and the most recent national economic recession. The simultaneous occurrence of these two historic events resulted in the worst economic downturn in the San Diego region since the Great Depression. Between 1990 and 1993, over 58,000 jobs were lost - many of them in the high paying manufacturing sector. The aerospace industry - once the flagship of the local economy - was decimated. In addition to the loss of jobs the per capita incomes for the San Diego metropolitan area declined by 13%.

Unlike many other economic recoveries that have taken place over many years, the current upswing in the economy is not happening because of another round of defense spending. The region's economic dependence on the military and defense spending has, historically,

been both the cause of local downturns and the reason for recoveries. With the local economy tethered to the Pentagon, San Diego's economic fortunes and misfortunes ebbed and flowed with the defense expenditures emanating from Washington, D.C. Cyclical boom-bust periods became a well-entrenched feature of the local economy as economic downturns attributable to curtailed defense spending has occurred in each of the decades since the 1940s.

What we have begun to understand is that the current economic upswing that is underway is not another cyclical recovery from a recession but a restructuring of the local economy. What we are witnessing today in the San Diego metropolitan area is the birth of a "new economy." The industries that are forming the foundation of the "new economy" are powerful economic engines that are based on high technology and are export-driven.* They are industries that are positioned to produce consumer goods and services that are in greatest demand in the international marketplace. And they are industries in which the average pay is over 50% higher than the current regional average.

The restructuring of the regional economy is a story of remarkable resilience. It is the story of the skills and entrepreneurship of thousands of individuals and hundreds of companies formerly dependent upon the defense industry who have commercialized their operations and entered the worldwide marketplace.

Between the end of the recession in 1993 and the present, all of the jobs lost have been replaced plus an additional 9,000 new jobs have been added. Nonetheless, the San Diego Association of Governments (SANDAG) projects that unless special efforts are made, the region's per capita incomes will be lower in 2015 than they were in the 1970s.

Charting a Course for the 21st Century is an action oriented strategic plan that is designed to nurture the conditions that allow for the core industry clusters of our "new economy" to blossom and flourish. In so doing, we will help increase the incomes of the residents of the region and create new 21st century job opportunities in the very industries that will sustain our economic prosperity.

Overview of *Charting a Course for the 21st Century*

Charting a Course for the 21st Century employs an analytical tool that has revolutionized economic development planning across the nation. Clusters are groups of companies concentrated within a particular geographical area and, though competitive, are interrelated through the buyer-supplier "food-chain", draw from a common labor force, technology, and support base. Clusters are the basic building blocks of a regional economy and have a higher concentration in a particular geographical area than the national average.

The industry clusters that are the driving forces behind the creation of our new economy, and whose average pay is greater than the existing regional average are:

* Economists project that 80% of future growth in the Gross National Product will be from international trade.

- communications
- biosciences - biotechnology
- electronics manufacturing
- software
- defense manufacturing
- financial and business services

A major element of the strategic plan are eight strategic elements that contain action items designed to help the targeted industry clusters become more competitive and profitable.

The eight strategic elements include:

- Business Retention, Expansion, and Attraction
- International Trade
- Financial Services
- Human Resources
- Infrastructure
- Legislative
- Strategic Alliances
- Tax, Fiscal, and Regulatory

The strategic elements contain over thirty specific action items that will help the targeted industry clusters expand in the San Diego metropolitan area. Examples of these include:

- Create 5,000 new jobs per year in the targeted industry clusters;
- Conduct public forums for all targeted industry clusters to determine the constraining factors inhibiting maximum expansion potential in the San Diego region;
- Identification of the fastest growing international markets, determination of existing and future products and services in demand in these foreign markets, and positioning San Diego companies for entry into these markets;
- Prepare the student population for careers in the targeted industry clusters through development of industry determined standards for certificates and degrees, development of apprenticeship programs, industry review of curricula for relevance in the worksite and revision as necessary;
- Actions to complete crucial infrastructure projects such as border infrastructure, Port District maritime improvements, guaranteed water supplies, and San Diego and Arizona Eastern Railway;
- Development of a regional legislative advocacy agenda centered around the needs of the targeted industry clusters;
- Resolving access to credit problems through the creation of San Diego Advanced Technology Fund and related actions;
- Memoranda of Understanding with universities, Space and Warfare System Command (SPAWAR), and industry associations;
- Develop a regional benchmarking system and identification of regulatory barriers

Response to Public Comment Period

Following the Rules Committee's unanimous acceptance of the strategic plan, a sixty day public comment and review period commenced which ended on May 7. Sixty public agencies and organizations received copies of the strategic plan and were invited to submit comments and recommendations to the Mayor's office. Attachment 1 contains a listing of the organizations receiving copies of the strategic plan. The following is a summary of responses to the public comment period:

San Diego State University

SDSU President Stephen L. Weber offered congratulations on the strategic plan and is pleased that the University is considered to be an active partner in this initiative. He noted that the strategic plan corresponds to the University's efforts to create a "shared vision" between faculty, staff, student, alumni, parents, and community members. He supports the creation of strategic alliances with the university community, notes the University's contribution in defense conversion efforts, and offers the support of university resources such as the College of Business Administration, Health and Human Services, and Sciences and Engineering. In concluding, President Weber writes: *" . . . it is important for economic planners in the region to understand the crisis implications of higher education funding in California and its impact on the city's future economic health. Because San Diego State produces the city's workforce and an informed, responsible citizenry, both of whom are critical, the city must involve itself meaningfully in the public policy questions of access to and funding for higher education. "*

County of San Diego

San Diego County Board of Supervisors Chairman Bill Horn offered congratulations for providing a *"clear strategic framework for regional action on economic development issues"* He states that *"in this important document you have pulled together the wide array of public and private sector initiatives in our transborder region tackling the challenges of economic competitiveness in the new global market place."* He notes that his major theme for the State of the County Message earlier this year was regional cooperation to find common solutions to our many mutual problems. He suggests the addition of another industry cluster: recreation and sports manufacturing which currently employs over 6,000 people in the region. He also notes that the County has recently convened a new Regional Economic Task Force which could be connected to the Mayor's proposed strategic plan.

City of Carlsbad

Mayor Bud Lewis wrote to offer the City of Carlsbad's support and *"concurs with the industry clusters which have been identified as part of San Diego's "new economy"*. He notes that the Carlsbad City Council adopted a 5-year Economic Development Plan which identified targeted industries consistent with the Mayor's proposed plan. He strongly

encourages including all of the region's cities and agencies in the County to ensure that the economic issues are being addressed are being done so from a regional perspective.

City of Poway

Mayor Don Higginson wrote to applaud the efforts *"to create a new vision of the future that transcends the reliance of San Diego's economy on defense spending."* He notes that *"we must forge an economic blueprint that preserves our quality of life, provides future employment for ourselves and our children according to our abilities and aspirations, and provides for the global competitiveness for our industries."* He concludes by suggesting that strategic plan *"is a solid first step to progress and prosperity in the region."*

City of Chula Vista

Mayor Shirley Horton complimented the strategic plan's efforts and supports its approach. She suggests that an additional industry cluster be added as a target: environmental technologies. She recommends that the Border Environmental Commerce Alliance (BECA) be incorporated into the strategic plan as an economic development partner. She added that *"as a goal of the 21st Century plan is to nurture export-oriented, technology-driven industries, adding an environmental focus to the plan will take advantage of the public and private partnerships BECA has already established to perform technology transfer work, foster environmental products export, and create jobs in the region."* She further recommends that the Western Regional BioProcessing Center (WRBC) - a research, training, and production facility - be added to the discussion of the biotechnology and biosciences industry in the strategic plan.

San Diego Regional Economic Development Corporation

Donald M. Ings, President of Solar Turbines, Inc. and Chairman of the San Diego Regional Economic Development Corporation offered congratulations *"on a truly visionary strategic plan that correctly identifies the key industry clusters that will form the foundation of our "new economy" and the strategic actions that must be taken in order to help these industries become more prosperous and competitive in the international marketplace."* He recommends the addition of the Recreational Goods industry cluster to the strategic plan because the San Diego region now has more golf manufacturers than any metropolitan area in the world. This is also an industry whose average pay exceeds the existing regional average by 16%.

American Electronics Association

Mr. Walt Foley - Chair of the AEA Executive Committee - and Mr. W. Erik Bruvold - Manager for Field Relations - wrote that they *"are generally pleased with the recommendations and vision set forth in the strategic document. If carried out, the plan should raise the standard of living in San Diego and increase the level of economic*

prosperity in our region.” They suggest the addition of several items to the strategy. Regarding the Human Resources Element, AEA suggests that the strategic plan emphasize that the school districts improve students’ performance in writing, science and math. Also, the City and the school districts should *“undertake an assessment of the current basic skill levels being taught in the district’s schools and the needs of the industries identified in the strategic plan.”* They recommend that the City call on the state to establish higher standards that must be met before a new teacher can receive a credential. For community colleges, more investment should be made in vocational education. Also suggested is to work with the San Diego Regional Economic Development Corporation to *“bring together the academic community with industry representatives to develop a strategic plan to meet the demand for additional engineering talent.”* Other recommendations include: expansion of Lindbergh Field and the timely completion of the Port of San Diego’s master plan, include the completion of State Route 56 in the Infrastructure Element, develop partnerships with local trade associations to create state and national legislative agendas, and expand the benchmarking practices to include housing, utilities, transportation, land and construction costs.

San Diego County Water Authority

Mr. Peter MacLaggan - Water Resources Director - wrote in support of the strategic plan and that the CWA *“concur with the steps proposed in Action Item 22, and commends Mayor Golding and her staff for including a water supply reliability element in the proposed economic development strategy.”*

Space and Naval Warfare Systems Command (SPAWAR)

Admiral G.F.A. Wagner, Commander, Space and Naval Warfare Systems Command, writes to express his appreciation for the inclusion of SPAWAR in the strategic plan. He noted that SPAWAR is looking *“forward to participating in this exciting opportunity as San Diego strives to build its ‘new economy’ and provide a better life for its citizens.”* He also writes that he is *“confident that the SPAWAR organization has much to offer the region, and I am excited at the prospect of working with the Mayor to achieve our vision in making San Diego a national resource for computer and software system development and integration.”*

San Diego Community College District

Chancellor A.P. (Augie) Gallego emphasized the District’s commitment to tying workforce preparation and development to economic development. He suggests adding the San Diego Technology Incubator at City College to the list of initiatives included in the strategy, to designate the District as a partner with the City by working together to develop certificate and apprenticeship programs to prepare *“the sophisticated technicians and technologists required to support those clusters”*, to expand the strategic plan’s Strategic Alliances Element to include the District’s Center for Applied Competitive

Technologies (CACT), and to broaden the scope of the strategy to include all of the community colleges in the San Diego region.

Union Bank of California

Executive Vice President and Area Executive Ronald H. Kendrick responded that the strategy *"is on the right track."* He suggests that a major emphasis be placed on a *"structure for measuring and ensuring completion of the action items."* He questions the statements made in the Financial Services Element which state that many San Diego high technology and biotechnology companies experience serious access to capital problems. He states that *"to the best of my knowledge there are not any objective surveys indicating there is a shortage or inaccessibility to capital."* He suggests approaching the idea of using the City's retirement fund as an advanced technology investment fund cautiously since these investments can be high risk. He supports the strategic plan's action items relating to surveying and benchmarking against other competing regions to determine areas of lack of competitiveness.

Software Industry Council

John P. Neal, Chairman & CAO of TCG Management, supports the strategic plan and believes the correct industry clusters have been identified. He notes that creating the next generation of innovation will depend on the level of support for university based research, increased public/private research and development, creation of industry cluster business parks, and high speed and affordable telecommunications infrastructure. He states that *"a critical point that cannot be overemphasized in the Human Resources Element of the plan is the need for fundamental literacy."* He suggest that *"bureaucratic overhead must be reduced and resources redirected to increasing educational productivity."* He clarifies that while the strategy implies that the software industry consists of former defense dependent companies the recent growth has been overwhelmingly non-defense oriented. He concludes by suggesting that the major constraining factor for continued expansion for the software industry is a *"lack of access to capital and an insufficient supply of qualified personnel."* He suggests the development of a seed fund of \$10 to \$50 million for early stage software companies.

Lance Burris

Mr. Burris offered his congratulations for *"this outstanding work product."* He notes that the plan lacks a core implementation strategy. He proposes the addition of a new urban economic model which he calls "eco-infrastructure" which is a balance between economic development and natural resource conservation. He sites the San Dieguito River Valley Regional Open Space Park and the Multiple Species Conservation Program as examples of ecological projects that create economic value. He recommends that a computerized data base that reaches from Camp Pendleton to Ensenada be developed composed of standardized maps that provide the *"visual vocabulary needed to coordinate planning*

with adjoining communities and Mexico and explain the critical role of economic and ecological infrastructure to the neighborhoods."

Douglas Henton

Mr. Henton is a principal with Collaborative Economics, an economic development research consulting firm based in Palo Alto, California. He supports the fundamental direction of the strategic plan and notes that one of the most important elements of the plan is the cluster forums as a way to determine constraining factors to the expansion of the industry clusters.

Mayor Golding's Recommendations

1. Adopt *Charting a Course for the 21st Century - A Strategic Economic Plan for San Diego's "New Economy"* with the following changes:
 - a. Add the Recreational Goods cluster to the strategic plan in accordance with the recommendations submitted by San Diego County Board of Supervisors Chairman Bill Horn and the San Diego Regional Economic Development Corporation.
 - b. Add the Environmental Technologies cluster to the strategic plan, include a discussion of the Western Regional BioProcessing Center (WRBC), and incorporate the Border Environmental Commerce Alliance (BECA) into the plan in accordance with City of Chula Vista Mayor Shirley Horton's recommendation.
 - c. Add the changes recommended by Chancellor A.P. (Augie) Gallego including incorporating the San Diego Technology Incubator at City College into the strategy, designate the District as a partner to the City by developing certificate and apprenticeship programs, expand the Strategic Alliances Element to include the Center for Applied Competitive Technologies, and broaden the scope of the strategy to include: Mira Costa College, Palomar College, Southwestern College, and Grossmont-Cuyamaca Community College District.
 - d. Incorporate the suggestions made by the American Electronics Industry into Human Resources Element, Infrastructure Element, Legislative Strategic Element, and Tax, Fiscal, and Regulatory Element.
 - e. Incorporate *Partnership for the New Century Economy* as the initiative to create a regional application of the strategic plan as described in Attachment 2.
 - f. In cooperation with the Office of the Mayor and the City Manager and in collaboration with the County Board of Supervisors, cities throughout the region, industry associations, and subregional economic development organizations, request the San Diego Regional Economic Development Corporation to return to the City Council with an implementation plan for the *Partnership for the New Century Economy* initiative as described in Attachment 2.

ATTACHMENT 1

The following organizations and agencies were mailed copies of *Charting a Course for the 21st Century* and invited to submit comments and recommendations during the public comment period from March 3 through May 7, 1997:

Asian Business Association	San Diego County Taxpayers Assn.
Hispanic Chamber of Commerce	City of Carlsbad
Black Economic Task Force	City of Chula Vista
Greater San Diego Business Association	Center for Wireless Communication
San Diego Regional Economic Development Corp.	Elementary Institute of Science
CEO Forum	San Diego JETRO Representative
Software Industry Council	UCSD-International Relations and
BIOCOM	Pacific Studies
American Electronics Association	City of Coronado
SANDAG	City of Del Mar
UCSD CONNECT	City of Encinitas
San Diego World Trade Center	City of Escondido
Space and Warfare System Command (SPAWAR)	City of Imperial Beach
Digital Multi-Media Association	City of La Mesa
San Diego Dialogue	City of Lemon Grove
Building Industry Association	City of National City
San Diego Unified Port District	City of Oceanside
San Diego Community College District	City of Poway
San Diego Consortium and Private Industry Council	City of San Marcos
Greater San Diego Chamber of Commerce	City of Santee
San Diego County Water Authority	City of Solana Beach
San Diego Convention and Visitors Bureau	City of Vista
San Diego Regional Technology Alliance	Supervisor Greg Cox
CDC Small Business Technology Alliance	Supervisor Dianne Jacob
San Diego Baja Communication Council	Supervisor Ron Roberts
Union Bank of California	Supervisor Bill Horn
Bank of America	Supervisor Pam Slater
University of California, San Diego	California Southern Small Business Corporation
San Diego State University	Collaborative Economics
University of San Diego	San Diego Unified School District

ATTACHMENT II

*Partnership for the New Century Economy:
Collaborating for Prosperity in the San Diego Region*

The emergence of the global economy brought about by the communications revolution, integration of the international financial institutions, and removal of trade barriers has resulted in the movement of worldwide capital investment that has little respect for national boundaries. In his landmark book *The End of the Nation State: The Rise of Regional Economies*, renowned international business strategist Kenichi Ohmae has written that the pervasive globalization of competition has led to intensified regionalization of production and that the classical nation-state model is yielding to regional complexes of economic activity.

Regions - not individual cities, communities, states, or nations - have become the basic unit of economic competition in the global marketplace. Regions - not individual cities or communities - have the optimal scale and diversity to compete on a global level. Modern day industries depend on *regional* labor forces, *regional* transportation facilities, and *regional* infrastructure. And to compete successfully, regions need to be cohesive and capable of collective problem solving and collaborations.

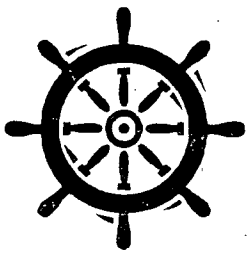
If the mission, goals, and objectives of *Charting a Course for the 21st Century* are to be achieved, the strategic plan will need to be carried out at the regional level. Individual companies that comprise the targeted industry clusters are found throughout the entire San Diego region. Workers employed in these companies reside in every city and community in the region. Suppliers and subcontractors who provide the essential components and inputs to production are found in every city and community in the region. Success in achieving sustainable economic prosperity will require a collaborative process that cuts across political jurisdictions and across the spectrum of business, government, and educational communities throughout the San Diego region.

The suggested initiative to regionalize the strategic plan is *Partnership for the New Century Economy*. Inspired by the highly successful *Joint Venture Silicon Valley* which was initiated in 1992 to regain Silicon Valley's preeminence as a high tech production capital of the world, *Partnership for the New Century Economy* would be driven by industry leaders from the targeted industry clusters who would provide the leadership in identifying key issues in need of resolution to make these companies more competitive in the global marketplace.

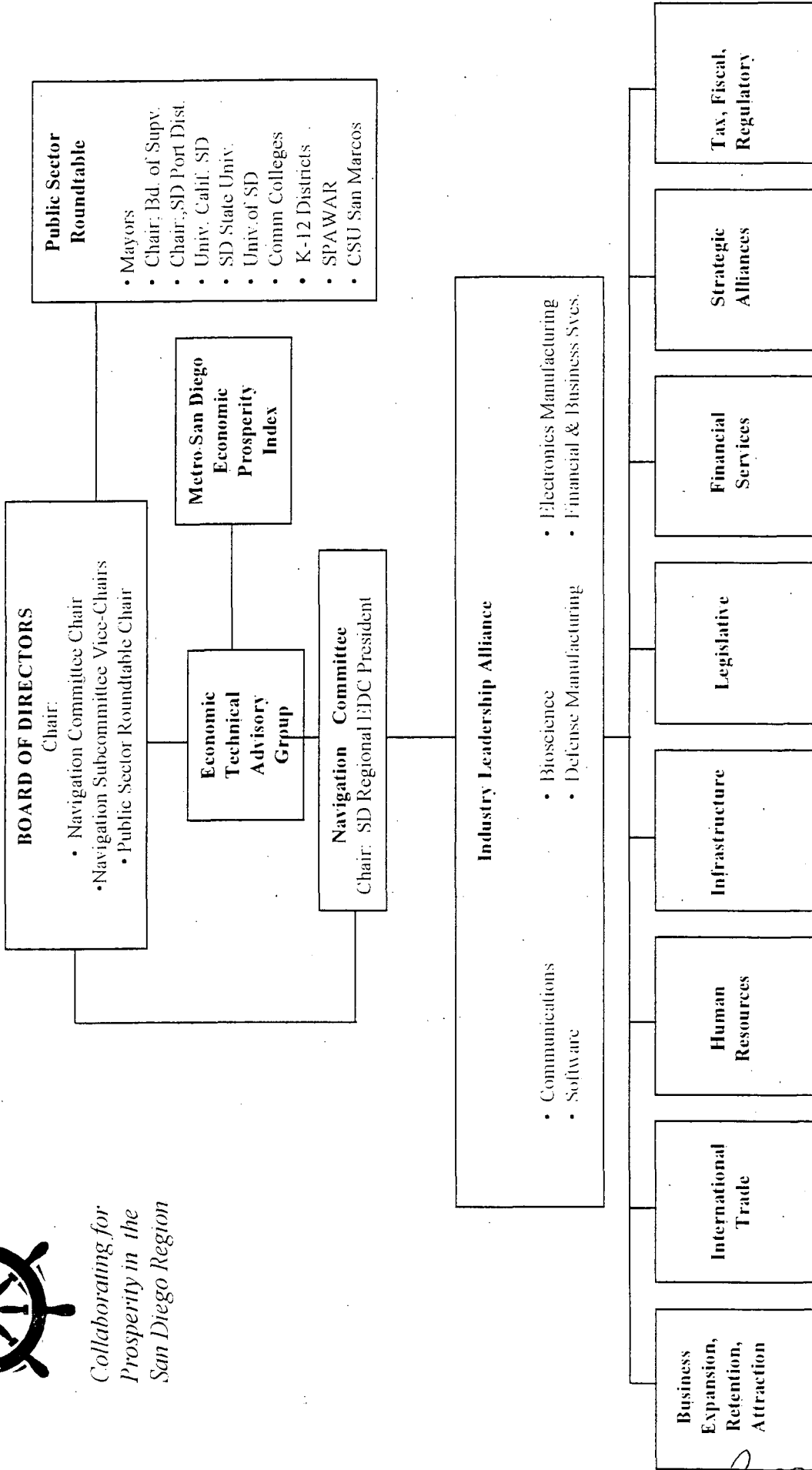
The organizational structure of *Partnership for the New Century Economy* would include a Board of Directors comprised of corporate leaders from the targeted industry clusters, allied industry leaders, and the Chair of the Public Sector Roundtable - a forum composed of the region's mayors, Chairman of the

Board of Supervisors, San Diego Unified Port District, presidents of the region's educational institutions, and the military. A technical advisory group would also advise the Board of Directors on issues of cluster development and would produce a San Diego Regional Economic Prosperity Index. The index would track the annual change in employment, wages, land inventory, rents, vacancy rates, SAT scores, school drop-out rates, research and development expenditures, and other indicators that would gauge the progress towards meeting the goals and objectives of *Charting a Course for the 21st Century*. A Navigation Committee and Industry Leadership Alliance would be composed of key corporate leaders from the targeted industry clusters and allied business leaders who would carry out the action items contained in the strategy as well as others that would be subsequently added as the process of collaboration yields additional input and recommendations. (See attached organizational chart)

PARTNERSHIP FOR THE NEW CENTURY ECONOMY



*Collaborating for
Prosperity in the
San Diego Region*



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