

The Public Record

SERVING ALL OF THE DESERT CITIES AND UNINCORPORATED AREAS OF RIVERSIDE COUNTY IN THE COACHELLA VALLEY



ONE ON ONE with Todd Buchholz

BY BOB MARRA

On Friday, October 22 former White House Director of Economic Policy, Todd Buchholz, will be the keynote speaker at CVEP's Coachella Valley 2010 Economic Summit. I was able to catch up with Todd last week to discuss his thoughts on some of the critical big picture economic issues facing the United States and California in anticipation of his presentation at the Summit.

Buchholz, a much sought after consultant, keynote speaker and high-profile media commentator, characterizes his role in this regard as trying to "connect the dots" in an effort to help make more sense out of the endless stream of headlines that are thrust upon us every day. He adds, "I try to address questions like, 'Are we going into a double dip recession in the U.S.?', 'Do the coming midterm elections really matter?' and 'Is China taking over the world?'"

In terms of his general outlook, Buchholz says he is more of an optimist than perhaps the average forecaster "because I don't believe a double dip recession is coming." However he cautions, "I'm not saying we're going to see a rip roaring recovery, though, so I wouldn't invest in champagne to toast the end of our economic challenges."

Below are some other great insights from Buchholz on a range of important issues.

Housing

Marra: Should the federal government be doing more or less to help people who are in the foreclosure process to stay in their homes or should we let the free market shake out the system?

Buchholz: You can't dictate uncompetitive prices. Not even Stalin could do it. If someone bought a home for \$400,000 and it's now worth \$250,000, the government can't come in and guarantee the higher price.

Compare California to Florida. Here's one example, where California doesn't look so bad. In most of California, home prices have stabilized. In Florida, they're still sinking. Why? Because the foreclosure movement has been swifter in California, allowing the market to work again. In Florida, the foreclosure system is frozen, which has disabled the market, which, mixing metaphors, has led to a further collapse in prices. We are undergoing an excruciatingly painful process that has ruined lives. But that doesn't mean the government has a tool to eliminate the pain.

California

Marra: How do you think the rest of the country and the international community view the problems going on in California? Is our reputation as bad out there as we might think it is? What should we focus on to turn around the state's economy?

Buchholz: California is both a place of envy and a running joke. People envy not just our weather but the diversified economy: tech, tourism, pharmaceuticals, entertainment, aerospace, agriculture, etc. We have the capability to bounce back, but we have set up some awfully high stumbling blocks in front of us.

Unfortunately, the laugh's on us in some regard, as we confront crippling pension costs in the years ahead. In particular, I'm trying to figure out the difference between California and Greece. Our coastal climate is Mediterranean. Our governor used to look like Hercules. Our public employees threaten strikes. And our finances smell like yesterday's fish haul, rotting on the beach. Greeks must pay interest rates far higher than Germany. Here in the U.S., California must pay more to borrow than almost every other state.

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CVEP's Climate for Success conference focuses on local economy

BY CARA VAN DIJK

With attracting new jobs and investment a more competitive challenge than ever before, the Coachella Valley – through the Coachella Valley Economic Partnership (CVEP) – is rising to meet it by actively reassessing its local strategies.

Variations in year-to-year net employment and declining participation in the local workforce are causes for concern, as are comparatively low employment percentages in top technology and information sectors. Additionally, worker skills need to be upgraded, and there is a wide disparity of wages, incomes and housing values across the region.

These issues, along with brighter news, will be addressed in depth at CVEP's Coachella Valley Fall 2010 Economic Summit on October 22 in Indian Wells. Titled "Climate for Success," the annual conference will feature noted regional economist John Husing, Ph.D., president of Redlands-based Economics & Politics, Inc, who will present his work on the official Coachella Valley 2010 Economic Report. Todd Buchholz, former White House Director of Economic Policy and a widely acclaimed orator and debater, will be the keynote speaker.

With the economy an ongoing hot-button topic, this year's Economic Report will offer timely, substantive information on the local trends and indicators that impact Valley businesses and the overall desert economy. Dr. Husing, in his analysis of data from the housing, tourism, health care, agriculture and retail sectors, acknowledges the rough road the region has recently traveled but sees glimmers of cautious optimism on the horizon.



John Husing, Ph.D.



Wesley Ahlgren

"There are now some positive signals that we're starting to see recovery," Dr. Husing said. "There isn't going to be a double-dip recession because those signals clearly show that we're in a slow, but in fact upbeat recovery. We'll be restrained because of the amount of damage we have to undo – particularly with how far out of whack the housing market got. But that doesn't mean things won't be turning positive from here going forward."

ON UNEMPLOYMENT:

"Part of the problem is that we've tended to look at public health issues coming from air quality and the environment.... But we have to figure out a way to change that conversation, because putting people back to work is, in fact, dealing with public health."

—John Husing, Ph.D.

Economist

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JUAN VARGAS

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We can make California work again!

My public policy priorities are:

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- Solar and green power economic growth
- Educational opportunity for all children
- In-home supportive healthcare services for the aged and infirmed
- Fixing the budget mess created by the politicians currently in Sacramento



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CVEP's Climate for Success conference focuses on local economy

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During his presentation at the Summit, Dr. Husing will emphasize that creating a climate for success means "getting people back to work."

"We've had a lot discussions in California about, 'Are people pro-business? Are they anti-business? Are they pro-environment? Are they anti-environment? Are they pro-public health?' The bottom line is that we need to be *pro-jobs*," he said. "No one can tell me that families that are unemployed or underemployed don't have health issues as a direct consequence. They do. Part of the problem is that we've tended to look at public health issues coming from air quality and the environment... but we have to figure out a way to change that conversation, because putting people back to work is, in fact, dealing with public health."

Wesley Ahlgren, Chief Operating Officer of CVEP, stresses that the Summit is not merely a "temperature check," but an opportunity to evaluate how successful CVEP and its Economic Blueprint have been during its first six months of implementation. The Summit's featured experts will discuss how the Coachella Valley can move toward a more balanced and sustainable economy from the perspectives of economic development, education, building and industry, and regional government policy decisions.

"The Valley is battling double-digit unemployment, a still-soft housing market and other challenges," said Ahlgren, who is hosting the Summit and will supply a Blueprint update. the welcoming and closing remarks. "Yet there are signs that recovery is building in strength and momentum. The renewable energy boom is about to hit our region and we need to be ready to capture our market share. Increased hotel occupancy rates hint at a better 'season' for the Valley's all-important hospitality industry, which exposes more people to the opportunities in our Valley. And home affordability is up while mortgage rates are low — key components of relocation strategies for companies."

"The Summit will provide a forum to flesh out critical data and create effective strategies to blunt potentially negative impacts," added Ahlgren.

Along with opening remarks by CVEP Chairman of the Board Clifford Daniels, the event's agenda includes an early-morning Sponsor Showcase, a CVEP update, the

ON DESERT OPPORTUNITY:

"There are signs that recovery is building in strength and momentum. The renewable energy boom is about to hit our region and we need to be ready to capture our market share"


—Wesley Ahlgren,

Chief Operating Officer, CVEP

release of business survey results, and the presentation of the Powerful Partner Award (and other awards to be announced). Among the Summit's many sponsors are Desert Regional Medical Center, JFK Memorial Hospital, Southern California Edison, Union Bank, KPSP Local 2TV2, The Desert Sun, The Desert Radio Group, A.A. Webb & Associates, Agua Caliente Band of Cahuilla Indians, Verizon Foundation, County of Riverside, EDA, First Solar, Solar Millennium, LLC, Noble Company, LLC, Seecon Management and The Printing Place. Becky McCambly, CVEP Senior Support Specialist, is the chair of this year's Summit.

The Coachella Valley Fall 2010 Economic Summit will be held at the Renaissance Esmeralda Resort & Spa, 44400 Indian Wells Lane, in Indian Wells.

Late registration fees for investors are \$75 per person and \$650 per table of 10; for non-investors, \$105 per person and \$950 per table of 10. Reservations must be made online at www.cvep.com.

CVEP is an action-oriented, non-profit corporation dedicated to expanding the economy of the Coachella Valley desert region while maintaining the quality of life for a resort environment. The organization has devoted attention to strategies of business attraction, expansion and retention during the past decade. Currently, CVEP also is focusing attention on planning and nurturing the growth of new industry clusters, which include Healthcare and Life Science, Clean Technology/Energy, Supply Chain Management/Logistics and Creative Arts, Media & Design. For more information, visit www.cvep.com. 



**COACHELLA VALLEY
ECONOMIC PARTNERSHIP**

CLIMATE FOR SUCCESS

One On One with Todd Buchholz

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In Europe, it looks as if Germany and France will end up trying to bail out Greece. But who will bail out Californians? Texans? California's jobless rate is 12.6% compared to just 8.2 for Texas. And it's not just a big state on the west coast. Tiny states in the East like Rhode Island are hobbled with a budget gap nearly 25% of state GDP!

Here's the problem: States like Rhode Island, California, Massachusetts, New York and New Jersey have been chasing away private jobs and paying public union employees too much. Each year about 100,000 private workers in California pack up their woodies, strap surfboards to the roof and drive east through the desert – where there's no ocean! It's "California, Here We Go!" These trends took hold before the "Great Recession of 2009."

How do these states chase away jobs? Well, they all rank near the top for highest tax rate.

Because public pensions are so large, in some states it seems as if half the people go to work each morning just to prop up the other half. And the public workers – prison guards, teachers, nurses, asphalt repairmen – are highly organized and brilliant at scare tactics. In California, all Governor Schwarzenegger has to do is mumble through his cigar that he thinks we need to cut spending, and the radio airwaves buzz with slick commercials warning that the governor wants to pull the plug on grandma, fire great teachers and then give felons jobs as school playground monitors.

Schwarzenegger played Kindergarten Cop in the movies, but he's been under

house arrest since he took office. He's just like the rest of us in this golden state and in states throughout the U.S. that better learn some lessons from the fall of Greece.

Healthcare

Marra: Do you think the recently enacted healthcare plan is helpful or hurtful to the U.S. economy?

Buchholz: It's retarding the recovery. Premiums are going higher, and small businesses are scared of hiring more workers, for fear that they will then be subject to either onerous penalties or onerous obligations to provide coverage. Perhaps worst of all, the plan discourages consumers from carefully shopping. It disdains high deductibles and seeks to almost wipe out Health Savings Accounts – two measures that help contain costs. Ultimately, more employers will cancel their coverage. And it's breeding a sense of illegitimacy. McDonalds announced it would cancel coverage because it can't meet the new mandates. Then what do you know? The Health and Human Services Department decides to grant McDonalds a waiver. So is the health care reform subject to the whim of bureaucrats? What if the Secretary had a grudge against Big Macs? Then they wouldn't get a waiver?

Outsourcing

Marra: Given the massive loss of United States-based jobs outsourced to foreign countries during the past two decades, is it possible for the country to recapture any of the lost ground in manufacturing? Is it worth trying?

Buchholz: There's a difference between manufacturing and manufacturing

employment. The U.S. has kept its big market share in worldwide manufacturing – but we're doing it with fewer people. I visited the Boeing plant in Washington State. It looked like a holiday. They assemble the planes with very few people on the shop floor. We've been losing manufacturing jobs through efficiency and technology, not just imports. But guess what? Japan, Germany and even China have lost manufacturing jobs! So the question isn't getting jobs back; it's generating new jobs that don't rely on screwdrivers and assembly lines.

China

Marra: Should the United States business community be looking at China as a threat to our economic security, as an untapped opportunity or some of both of these views? What are the key current issues with China that are shaping the world economy that we should be thinking about?

Buchholz: What's all the bellyaching about? Look at recent data: Wages are jumping; economic growth is robust, and exports are flying out of factories. Now I have to confess: I'm not talking about the U.S., I'm talking about China.

I recently returned from Asia and saw good news for us. Chinese wages are rising. Of course, it took workers jumping out of windows to their death to make the point, but the fact remains. Now, some of you are thinking, even with a wage hike, they're slaving away for pennies. But remember that old schoolyard bet: "Would you rather have a thousand dollars now – or a penny that doubles every day for a month?" If you choose the penny, you end up with over \$5

million. Well, when wages start with a 30% leap, pretty soon you have a formidable middle class.

And what is the Chinese middle class beginning to do...go shopping! Forget all the hype you hear about American consumers. New York's Fifth Avenue and the "miracle mile" of Michigan Avenue in Chicago look like flea markets compared to spanking new malls in Shanghai and Beijing. Now, all we have to do is make things worth buying. Thank goodness for exporters like Caterpillar, Disney, Boeing and Apple. Yes, I know many Apple parts are made in China, but the brains and design come from California. Soon the iPad will be as common in China as chopsticks – and worth a heck of a lot more than a couple frail sticks of wood. The Chinese dragon is on the run, and it could be a good run for us.

Todd Buchholz is the managing director of the \$15 billion Tiger hedge fund. Before joining Tiger in 1996, he was President of the G7 Group, Inc., an international consulting firm, whose clientele included many of the top securities firms, investment banks and money managers in New York, London, and Tokyo. From 1989 to 1992 he served at the White House as a Director for Economic Policy. Buchholz won the Allyn Young Teaching Prize at Harvard and holds advanced degrees in economics and law from Cambridge and Harvard. He also holds several engineering and design patents and is a co-producer of the Broadway smash "Jersey Boys." Don't miss him at the CVEP Coachella Valley 2010 Economic Summit. For more information about the conference, visit www.cvep.com.

TPP

Budget compromise protects jobs, though Governor's vetoes are shortsighted

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By STATE ASSEMBLYMEMBER V. MANUEL PÉREZ

LOCALLY RELEVANT PROVISIONS IN THE BUDGET

- **Special Distribution Fund:** \$30 million will be transferred from the Indian Gaming Special Distribution Fund to local governments impacted by tribal gaming.
- **IID Ratepayer Protections:** The California Infrastructure Bank now has the authority to provide the Imperial Irrigation District (IID) a guarantee, enabling it to issue revenue bonds for water conservation, as required in the Quantification Settlement Agreement (QSA). Without the guarantee, residents could be overly exposed to rate increases should there be reduced water transfer revenues or any changes to the QSA, currently in litigation.
- **UCR Medical School:** \$10 million has been authorized for the start up costs of the University of California Riverside Medical School, scheduled to accept its first students in 2012.
- **Mandates:** A payment plan expedites the reimbursement of mandates, also beneficial to our Coachella Valley city governments.