

ECONOMIC DEVELOPMENT COMMITTEE

Ed Brittain, Chairman

Dick Abraham

Cliff Burke

Jim Cook

BJ Jones

Wayne King

Kraig Westra



ECONOMIC DEVELOPMENT COMMITTEE

The Economic Development Committee had oversight and review responsibility for the following departments within the Economic Development Agency:

Economic Development
Community Development and Housing
Redevelopment Agency
Workforce Development

Subcommittees were formed and the following functions were reviewed:

Foreign Trade
High Desert Infrastructure
Senior Home Repair

Findings and recommendations from the reviews are detailed in the final report.

DEPARTMENT OF COMMUNITY HOUSING AND DEVELOPMENT

SENIOR HOME REPAIR PROGRAM AND SINGLE FAMILY REHABILITATION PROGRAM

BACKGROUND

The County of San Bernardino currently administers two programs, which are available to senior residents (60 years of age) or disabled homeowners of the county. These programs are Senior Home Repair Program and Single Family Rehabilitation Program.

Senior Home Repair Program

The Senior Home Repair Program has been in existence for 33 years. The program provides grants (up to a maximum of \$5,000) for the applicants to have repairs done to their home. This figure is self imposed for the program to reach more home owners. The work is usually performed by two-man teams, usually county employees, but a licensed contractor or vendor can be hired if necessary. At the time of the interview, September 2007, \$829,000 remained in the fiscal budget.

Single Family Rehabilitation Program

The Single Family Rehabilitation Program has been in existence since 1982. The program provides for a loan to be given to the homeowner with a beginning amount of \$3,000 and a maximum of \$60,000. In this program the homeowners deals directly with the contractor or contractors who are doing the work. The county in effect acts as a lender and disburses the funds as the work is completed. At the time of the interview, the program had an unencumbered balance of \$1.2 million generated by repayment of previous loans. In addition, there is an outstanding portfolio of approximately \$2 million.

Both programs have income limitations. In order to qualify, the applicant must have an income no higher than 80% of the median income for the county. The income figures are established by United States Department of Housing and Urban Development (HUD) and updated on a yearly basis. The funding for both programs is achieved through the use of a Federal Community Development Block Grant (CDBG) administered by HUD.

FINDINGS

The Senior Home Repair Program is initiated by the homeowner completing the application (Attachment A), and sending it to the Department of Community

Development and Housing. Once the application is received, it is handled on a first in, first out basis. The next step in the process is the visitation by a Housing Technician, where the necessary repairs are discussed. Members of the Grand Jury accompanied a Housing Technician on two initial calls to discuss the application and the work that was being requested. The first thing that the technician did was verify that the applicant was able to participate in the program. The ownership of the home was verified, as well as the annual income of the applicant. The technician reviewed the requested work to be done and assisted the applicant in prioritizing the work, due to the \$5,000 limitation that is imposed on each application. This limitation is in place so that the greatest number of homeowners can participate in the program. The first home owner prioritized the work as follows:

1. Repair, replace back stairs
2. Electrical – light over sink and light switch
3. Plumbing problems such as leaking faucets, front toilet
4. Smoke detector

The applicant was informed by the technician that the smoke detector is higher priority, because it is a safety issue. The applicant was informed of other agencies that may be able to help obtain additional benefits.

It was verified that the second applicant also met the requirements to participate in the program. The work that was being requested was as follows:

1. Repair, replace motor of furnace
2. Repair, replace broken window in door
3. Replace plastic windows in patio
4. Repair lock on sliding glass door
5. Repair, replace window cranks
6. Smoke detector

The same information was shared with the second applicant, as had been the first. For example, the smoke detector was a safety issue and would be a higher priority. The applicant became aware of the program because of work done at an acquaintance's home.

Both applicants were informed of a waiting period before work could be done, which is approximately four to six weeks.

The Grand Jury next accompanied the field supervisor to inspect two homes where the work had been completed. The first home had the following work done:

1. Reseal the roof
2. Replace a window
3. Replace a door
4. Rebuild front entry stairs

The owner was extremely pleased with the work and the personnel who performed the work. The second home had the following work done:

1. Reseal the roof
2. Replace a 30-gallon water heater
3. Repair, replace the laundry room door
4. Repair, replace a bathtub faucet

The owner of the second home was not present, however the replacement of the water heater was inspected as access to it was outside. It was apparent from the work order that the owner had changed the priority of the work to be done. Replacing the faucet had taken the place of working on the stairs. In viewing the stairs, both front and back, there was no safety issue and both appeared able to remain in use.

It should be noted that both units had work performed on the roof. The field inspector did not climb up on the roof to inspect the work. It is unknown if the roofs had been inspected previously or if it was planned to inspect them at some future time.

In discussing the programs with the department representatives, it was determined that the cost of each completed project was \$4,530 and \$3,183 respectively. As previously stated, the work for this program is usually done by county employees. The county has seven dedicated employees that perform the work and are supervised under the direction of County Facilities Management Department. Two-man teams do the work and the costs are computed at the rate of \$45 per hour per employee. The billing starts at the beginning of the day and lasts until the employee returns to the county facility. The second part of the computation is the cost of all material used to complete the work and mileage (62 cents per mile).

The county will accept complaints and perform any valid work corrections for a period of six months. The county is self-insured and there has never been an incident of the county being accused of faulty repairs.

The Grand Jury received a report for the last three fiscal years, showing the number of applications received and the number actually completed (Attachment B). Note that the applications designated as “rehab” refer to the Single Family Rehabilitation Loan Program. In analyzing the report, it becomes apparent that a large number of applications are not completed. This is true even after initial screening. (See section titled Total Termined After Opening – Attachment B).

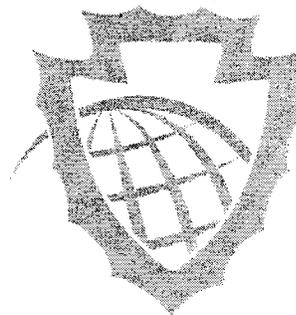
	Fiscal Year 05/06	Fiscal Year 06/07	Fiscal Year 07/08
Total open and loaded on system	479	383	337
Total termed contracts/not completed after being loaded on system	234	200	94

The program is administered by dedicated employees and serves the residents of the county.

RECOMMENDATIONS

- 08-14 Reconsider the amount available for the Senior Home Repair Program from \$5,000 to \$7,500 in order to qualify more people for the program.
- 08-15 Improve current application procedures to identify applicants that do not meet the program's requirements.
- 08-16 Review the necessity of routinely sending two-man teams to each project.

REPAIR SERVICE PROGRAM FOR SENIOR HOMEOWNERS



HOMEOWNERS

Enrolled in this program will receive a **ONE TIME GRANT** in the form of **LABOR & MATERIALS** for the purpose of making minor repairs to their homes. (*Unable to provide assistance with swamp coolers or air conditioners*).

LEAD BASED PAINT NOTIFICATION

Effective September 15, 2000, work involving unstable Lead Based Paint or work disrupting Lead Based Paint must adhere to HUD regulations. This may involve the homeowner vacating the premises and removal of furnishings, at owner's expense, until a clearance has been obtained.

GRANTS

Are available throughout the County of San Bernardino and all cities, **EXCLUDING THE CITIES** of Chino, Chino Hills, Fontana, Hesperia, Ontario, Rancho Cucamonga, Rialto, San Bernardino, Victorville, Upland, or the Town of Apple Valley. Upon completion send application to:

DEPARTMENT OF COMMUNITY DEVELOPMENT AND HOUSING
290 NORTH "D" STREET, 6TH FLOOR
SAN BERNARDINO, CA 92415-0040
(909) 388-0925

TO BE ELIGIBLE YOU MUST

1. Be an owner occupant of a single-family dwelling or mobile home at the time of application and have lived in the property for the last 12 consecutive months or more and the **HOME IS NOT FOR SALE**; and
2. Be an individual of 60 years of age or older, or permanently disabled, or a permanently disabled member from the immediate family residing full time in the residence; and
3. Have a maximum total family income (including all members of the household and all sources of income) of no more than

1 Person Household	\$33,150 Annual Gross Income
2 Person Household	\$37,900 Annual Gross Income
3 Person Household	\$42,600 Annual Gross Income
4 Person Household	\$47,350 Annual Gross Income



EQUAL HOUSING
OPPORTUNITY

NEED SOME HELP FIXING MINOR HOME REPAIRS?



PLEASE ANSWER EVERY QUESTION, OR YOUR APPLICATION WILL BE RETURNED TO YOU

(1) Applicant: _____ Co-Applicant: _____		OFFICE USE ONLY
(2) Address: _____ _____ _____ City State Zip Code _____ Mailing Address		ID# _____ Date App Received _____ Area Code _____ OPR# _____ Input Date _____ REP _____
(3) Applicant's Social Security # _____	Co-Applicant's Social Security # _____	
(4) What is the age of the head of your household? (please list date & check only one box) Applicant's Birth Date: ____/____/____ 1 <input type="checkbox"/> Under 18 years 2 <input type="checkbox"/> 18 to 24 years 3 <input type="checkbox"/> 25 to 44 years 4 <input type="checkbox"/> 45 to 59 years 5 <input type="checkbox"/> 60 to 64 years 6 <input type="checkbox"/> 65 or older		
(5) Yearly gross income \$ _____		
(6) If you have grant income, is it: 1 <input type="checkbox"/> Old Age Security 2 <input type="checkbox"/> Aid to Totally Disabled 3 <input type="checkbox"/> Aid to the Blind 4 <input type="checkbox"/> AFDC 5 <input type="checkbox"/> Social Security (SSI) 6 <input type="checkbox"/> Combination of Several		
(7) What is the sex of the head of your household? 1 <input type="checkbox"/> Male 2 <input type="checkbox"/> Female		
(8) Marital Status: 1 <input type="checkbox"/> Married 2 <input type="checkbox"/> Separated 3 <input type="checkbox"/> Unmarried		
(9) What is the race/ethnicity of the head of your household? (please check only <u>one</u> Race box, <u>one</u> Ethnicity box & <u>one</u> Language box) (a) Race: 1 <input type="checkbox"/> White 2 <input type="checkbox"/> Black/African American 3 <input type="checkbox"/> American Indian/Alaskan Native 4 <input type="checkbox"/> Asian 5 <input type="checkbox"/> Native Hawaiian/Other Pacific Islander 6 <input type="checkbox"/> Amer. Indian/Alaskan Native & White 7 <input type="checkbox"/> Asian & White 8 <input type="checkbox"/> Black/African American & White 9 <input type="checkbox"/> Amer. Indian/Alaskan Native & Black/African Amer. 10 <input type="checkbox"/> Balance/Other (b) Ethnicity: <input type="checkbox"/> Hispanic <input type="checkbox"/> Non-Hispanic (c) Language: 1 <input type="checkbox"/> English 2 <input type="checkbox"/> Spanish 3 <input type="checkbox"/> Other		
(10) Is the head of the household handicapped or disabled and receiving disability payments? <input type="checkbox"/> Yes <input type="checkbox"/> No		
(11) Are you an owner-occupant of the property to be repaired? <input type="checkbox"/> Yes <input type="checkbox"/> No 1 <input type="checkbox"/> Less than 1 year 2 <input type="checkbox"/> 1 to 5 years 3 <input type="checkbox"/> Over 5 years 4 <input type="checkbox"/> Not an owner-occupant		
(12) Total number of persons in household: _____		
(13) How did you first hear of this program? (please check only one box) 1 <input type="checkbox"/> Referral from Public Housing waiting list 2 <input type="checkbox"/> Referral from another agency 3 <input type="checkbox"/> Friend or relative 4 <input type="checkbox"/> TV 5 <input type="checkbox"/> Newspaper 6 <input type="checkbox"/> Radio 7 <input type="checkbox"/> Printed Pamphlet 8 <input type="checkbox"/> Community Bulletin Board 9 <input type="checkbox"/> At a Meeting 10 <input type="checkbox"/> Other (specify) _____		
(14) What year was your house built? _____ What year did you buy it? _____		
(15) Have you ever had this service before? <input type="checkbox"/> Yes <input type="checkbox"/> No		
TO THE BEST OF MY KNOWLEDGE, THE ABOVE INFORMATION IS CORRECT AND ACCURATE		
_____ Applicant's Signature	_____ Co-Applicant's Signature	_____ Date

FY 05/06		FY 06/07		ATTACHMENT B FY 07/08	
Total Received		Total Received		Total Received	
Rehab	108	Rehab	96	Rehab	64
Repair	360	Repair	407	Repair	429
Termed Prior to Opening		Termed Prior to Opening		Termed Prior to Opening	
Rehab	24	Rehab	21	Rehab	23
Repair	69	Repair	100	Repair	87
Total Opened		Total Opened		Total Opened	
Rehab	86	Rehab	74	Rehab	46
Repair	393	Repair	308	Repair	291
Total Termed after Opening		Total Termed after Opening		Total Termed after Opening	
Rehab	81	Rehab	63	Rehab	25
Repair	153	Repair	137	Repair	69
Total Completions		Total Completions		Total Completions	
Rehab	16	Rehab	17	Rehab	12
Repair	252	Repair	256	Repair	101

Total received is the total applications that we received into our office for that fiscal year.

Termed prior to opening is the number of applications that we received in that fiscal year that were termed before we input them into the database because the applications did not meet the requirements.

Total opened is the number of approved applications that we input into the database for that fiscal year, there is overlap between fiscal years.

Total termed after opening is the number of applications that were terminated for various reasons after we input them into the database.

Total completions is the number of applications that work was completed on and the case closed in that fiscal year.

ECONOMIC DEVELOPMENT AGENCY

CHINA TRADE MISSION

BACKGROUND

In 2002, the State of California ceased to have, sponsor or pay for foreign trade delegations. In an attempt to promote the County of San Bernardino, the Board of Supervisors authorized the reorganization of the Economic Development Department into the Economic Development Agency (2005/2006). A new administrator was hired to lead the agency. The agency's mission is to "foster sustainable economic growth, opportunities for job creation and revenue enhancement through comprehensive business expansion, attraction, and retention programs and services. The Department will create strategic partnerships with public and private entities to enhance global competitiveness and entrepreneurial development."

One of the ways chosen to promote the county was to sponsor, promote, and lead trade delegations (representing San Bernardino businesses) to China. The purpose of the trips was two-fold: First, to promote exportation of products from San Bernardino County, and second, to promote San Bernardino County as a natural distribution center for the products that are imported from China. This method of promotion was also recommended by a study prepared by California Policy Institute at Claremont, Claremont, California, December 2006.

FINDINGS

The 2007-2008 Grand Jury first became aware of the China Trade Mission when a presentation was made by the Economic Development Agency to the County Board of Supervisors. In its presentation, the agency projected as much as a \$65,000,000 gain for the county from its China Trip. The Grand Jury decided to investigate the cost of the trip and determine the actual benefit that the county was receiving from the trips. Interviews were with the administrator and other representatives of the San Bernardino Economic Development Agency (SBEDA), the County Administrative Officer, and Dr. Levitt, a professor at California State University, San Bernardino, who was asked to evaluate the trade mission.

The information regarding the recruitment, presentations and selection of the delegates was reviewed. There were two trips to China. The first in November of 2006 and the second in October of 2007. A survey was prepared by the Grand Jury and sent to the fourteen businesses that went on the 2006 trip (see copy of the letter "Attachment A" and survey "Attachment B"). Seven replies were received. The Economic Development Agency also provided copies of the surveys they had received from the participating businesses for both China trips. In reviewing all the information, two recurring

complaints were noted. First that more time needed to be taken to learn what the participating companies manufacture or promote, so that appropriate matches could be made with their Chinese counterparts. Second that the interpreters be more qualified to facilitate better communication. The following facts are being presented as a comparison between the two China Trade Trips:

2006 China Trade Trip	2007 China Trade Trip
Number of people attending: 17	Number of people attending: 14
Representing 14 businesses	Representing 14 businesses
Number of out-of-county businesses: 2	Number of out-of-county businesses: 5
Not applicable	Repeat businesses from 2006: 5
County employees attending: 5	County employees attending: 5
Elected officials attending: 3	Elected officials attending: 3
Staff of officials attending: 5	Staff of officials attending: 3
Cost of trip only: \$41,494	Cost of trip only: \$45,995
Total cost: \$70,425	Total cost: \$89,108

The Economic Development Agency is to be commended for hiring Dr. Levitt to accompany the China Trade Mission (2007) to evaluate the program and make recommendations for its improvement. Dr. Levitt’s report is attached (see “Attachment D”) in its entirety.

The actual cost of the China Trade Mission is higher than the number shown in the report when the cost of salaries and other fixed costs are included.

It became apparent to the Grand Jury that the administrator of SBEDA had no clear person of authority to whom he was accountable. The administrator dealt with the Board of Supervisors more as a courtesy than a requirement.

RECOMMENDATIONS

- 08-17 Adopt Dr. Levitt’s recommendations to improve and enhance the China Trade Mission, and continue to act as a consultant to assist the County in implementing her recommendations. (See attachment for specific recommendations)
- 08-18 SBEDA Administrator needs to be accountable to the County Administrative Officer.
- 08-19 Allow a maximum of two elected officials with one staff member each to accompany any Trade Mission.
- 08-20 Match the participating businesses with their foreign counterparts.
- 08-21 Hire skilled interpreters to enhance communication.

Attachment A

September 11, 2007

Name
Company
Address
City, State, Zip

Dear _____:

RE: China Trade Mission, November 2006

Your company participated in the Foreign Trade Mission to China in November of 2006. The 2007-2008 San Bernardino County Grand Jury is trying to determine the effectiveness of the county's efforts to bring additional economic growth to the county.

We are asking that you take a few minutes to evaluate the trip and its result for your business. After completing the attached questionnaire, please return it in the enclosed envelope. Be advised that all information provided will be held in complete confidence.

If you have any questions, please contact me at (909) 387-3820. Your cooperation is appreciated.

Sincerely,

GWENN PEREZ
2007-2008 Grand Jury Foreperson

GP/CB/mav

Attachment

Attachment B

Name of Company: _____

Date Completed: _____

Foreign Trade Mission – China
November 2006

BUSINESS QUESTIONNAIRE

1. Project sales and contracts proposed during delegation.

2. Actual sales completed to date.

3. Has your company increased the number of employees as a result of the trip?
If so, by how many?

4. Are you still generating sales from the contacts you made through the trade
delegation? If so, amount of sales from January 2007 through June 2007.

5. Do you consider the trade delegation a success? Please explain your answer.

6. Would you participate in future trade delegations? Please explain your
answer.

Please attach additional pages if necessary.
This document is held in confidence. Thank you for your response.

Attachment C

Summary of Dr. Levitt's Recommendations

- Purpose statements be developed and publicized from perspective of both the county and its delegates. (page 2)
- Delegates be recruited explicitly for facilitating business growth for the county. Match making be done to expand exports and SBEDA should develop relationships with the municipal governments to insure their appropriate match. (page 3)
- Clear and direct statements be translated to Chinese, and from Chinese to English for their partners. Statements written would become basis for selection for trip. (page 4)
- Supervisors have a separate schedule to meet local Chinese government officials to promote long-term business growth in San Bernardino County. (page 5)
- Use of consultants be focused and minimized. Any consultants, travel agents, etc., used should be located in the County of San Bernardino if possible. (page 6)
- Pre-mission surveys focus on desired goals and be translated to Chinese. Post surveys may still cover travel questions, but should be expanded to obtain what was learned. These surveys serve as a base for future surveys conducted weeks/months later to determine actual goal accomplishments. (page 8)

NOTE: Permission has been granted by Dr. Levitt to include a copy of her 2007 China Trade Mission evaluation in this report.

2007 San Bernardino County China Trade Mission



Audit provided to

Economic Development Agency

County of San Bernardino

by

College of Business & Public Administration

California State University, San Bernardino

February 11, 2008



CALIFORNIA STATE UNIVERSITY
SAN BERNARDINO

College of Business and Public Administration
Office of the Dean

February 11, 2008

Moises Cisneros
International Trade Manager
County of San Bernardino, Economic Development Department
215 N. "D" Street, Suite 201
San Bernardino, CA 92415

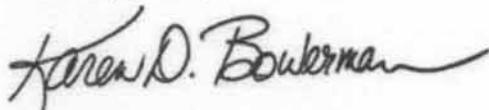
Dear Mr. Cisneros,

We share your vision that the economic growth of our region is closely tied to international trade. Your office's facilitation of two-way trade between County of San Bernardino businesses and their counterparts in China has enormous potential for impact on the economy. Various faculty from CSUSB's College of Business and Public Administration have attended your international trade seminars and found them to be informative. In addition, it was a pleasure to send Dr. Catherine Levitt on your second trade mission to China, October 6-14, 2007, so that she would be familiar with this County economic development program by immersion. Because she is an expert on international trade in China [see Appendix A], she was asked to prepare the content for an audit of the program.

The enclosed report is to fulfill the arrangement for CSUSB's audit in accordance with Phase I of the agreement signed on December 7, 2007. On December 29, 2007, CSUSB's College of Business and Public Administration provided a draft audit to Brian McGowan, then Director of the County of San Bernardino Economic Development Agency. We invited your Department's response, to be added to the final bound report. Your Department then submitted an opening statement that introduces this report, found on the following page. Your suggestions for the main report were incorporated into the body of the report, largely pointing out the fact that the CSUSB auditor went on the China Trade Mission and became involved in time for only a couple of pre-trip meetings with participants, rather than being engaged during the design phase.

The style of this report is intended to provide a basis for the strategic plan that follows. The audit is not written for the purpose of celebrating the trip, but rather for providing a solid base for a follow-up strategic plan to make future trade mission trips even more valuable and cost-effective. Therefore, it does not give ardent praise for the fact that a second China Trade Mission was arranged by the San Bernardino Economic Development Agency. This letter is to let it be known that we applaud you and the office staff for stepping out to address the challenge of setting up meaningful trade missions to China. Furthermore, taking the measure to have an impartial and objective outside party complete an audit is admirable. We also look forward to authorization for beginning work on Phase II [see Appendix B] which will provide Economic Development staff with practical steps to take for implementation of the strategic plan.

Sincerely yours,



Karen Dill Bowerman, Ph.D.
Dean

Jack H. Brown Hall • 909.537.5700 • fax: 909.537.7026

5500 UNIVERSITY PARKWAY, SAN BERNARDINO, CA 92407-2393

PURPOSE OF OBSERVATION: PHASE I

Leadership at the California State San Bernardino (CSUSB) selected Dr. Catherine Levitt to serve as the principal observer for the County's second trade mission to China in 2007. Given her background in international trade and China in particular, she was asked to complete this report to identify opportunities to improve the program, increase its effectiveness and measure results. This initial phase of the report is based on her one-week observation while traveling with County staff and trade mission delegates to China. She observed the one-on-one meetings held in each city and drew her conclusions for the report based on these observations, informal chats and documents generally available to all participants.

The primary purpose of Phase I was to initiate a query of the County of San Bernardino's second trade mission to China, including the purpose of the trade mission, recruitment, participation by County offices, use of consultants and what the delegates brought back to the U.S. as the basis for increasing trade with China. This management first-glance evaluation opens discussions on the effectiveness and suitability of underlying procedures and methods. The final report will serve as the base for development of a solid strategic plan that can bring both cost savings and higher levels of international trade resulting from subsequent trade missions.

With the initial observations in this Phase I, County staff will work with trade advisors and others to develop a valuable audit of the program. Phase II will utilize results of the completed report. As established in Phase I, Dr. Catherine Levitt, Associate Dean for Graduate and International Programs Frank Lin, Associate Dean for Administration Otto Chang and Dean Karen Dill Bowerman will team together to carry out Phase II, pending a final consulting contract with the University. As an addition to this portion of the audit methods are explored for the County of San Bernardino to partner with CSUSB in order to carry out the strategic plan. We appreciate the CSUSB team for their insights and efforts at forging stronger international connections in our region.

County of San Bernardino

Economic Development Department

INTRODUCTION

The primary purpose of Phase I is to audit the County of San Bernardino's second trade mission to China. This management audit evaluates the effectiveness and suitability of underlying procedures and methods. The audit is a useful evaluation method because it serves as the base for development of a solid strategic plan (Phase II) that can bring both cost savings and higher levels of international trade resulting from subsequent trade missions.

In a partnership with the County, CSUSB's College of Business and Public Administration looks forward to implementation of programs of mutual interest in expanding export and enhancing business opportunities for the Inland Empire. An example of such a program may be a Global Leader Exchange Program as highlighted for part of the County's international trade office draft plan. Funded by grants, sponsorships, and County seed money, the County envisions an exchange of about four weeks, sending two government leaders from San Bernardino County abroad annually, and hosting two of their counterparts annually. Following development of the strategic plan in Phase II, the College will propose specific means by which its continuing involvement and partnership can contribute to implementation of the plan. Internships, class projects, faculty participation, grants, etc. can all be used to help achieve our mutual objective of economic development for the County.

This audit assesses the following areas:

- Purpose of the trade mission
- Recruitment of U.S. and Chinese companies to participate in the trade mission
- Preparation of U.S. and Chinese companies for their participation in the trade mission
- Participation by County officials
- Use of consultants
 - Value of appointments made for U.S. companies by consultants
 - Destination points of Hong Kong, Suzhou & Shanghai
- What delegates brought back to the U.S. as the basis for increasing trade with China
- Pre and post surveys conducted with delegates

AUDIT REPORT

SBEDA Trade Mission to China

Purpose of the Trade Mission

There is no clear, concise and direct statement of the purpose of the Trade Mission in any of the promotional literature. The Trade Mission is part of Phase 1 Global Scout Mission, as stated in the San Bernardino Economic Development Agency (SBEDA) Strategic Plan. This Strategic Plan announced the following goals:

1. **Branding:** Promote our overseas connections, infrastructure and understanding of global markets to attract companies from throughout the U.S. and abroad.
2. **Facilitate Business Development Growth:** Provide County area companies with business development opportunities abroad and educate businesses on how to take advantage of export/import markets.
3. **Education:** Educate the general public, students and elected officials about the benefits of fostering a 21st Century, global business, free-trade environment.
4. **Partner:** When appropriate, the below should be built with partners from within local, state and federal entities to leverage existing resources, create stronger programs and raise awareness.

It is assumed that the Trade Mission 2007 to China was intended to foster these goals.

For future trade missions, it is suggested that purpose statements be developed and publicized from the perspectives of both the County and the delegates.

Recruitment of U.S. and Chinese Companies to Participate in the Trade Mission

The Trade Mission was promoted to potential U.S. participants through established channels including media, print and word of mouth. It was also promoted through the websites of the County and the travel agent. There was a screening process for applicants. Precisely what criteria were used to determine acceptance is unclear following initial observations by the auditor, as the participants were largely drawn from areas of Southern California outside the Inland Empire or San Bernardino County. Several of the participants had been on the 2006 Trade Mission to China and were

hoping to do better in 2007. Some participants were established entrepreneurs. Some were employees designated to participate by their company. Some were independent, potential entrepreneurs currently in some other profession. Most had limited experience outside their local area. All but one were more interested/only interested in importing (rather than in exporting). The one person interested in export was more interested in attracting Chinese investment than in exporting products. It should be noted that the direct favorable impact to local economies is many times greater when participants in the local economy are exporting rather than when they are importing. The advantage of first-mover in importing from China is gone. China has been exporting to firms in the U.S. for 24 years. The import advantage which continues to be available is based on economies of scale and there is no possibility that small business will reap the Wal-Mart advantage.

The selection of Chinese participants was left to a variety of consultants and the travel agent. There was no apparent, direct contact between county employees and Chinese participants prior to the meeting times. There was demonstrable familiarity between the consultants and the county employees. There were significant changes to the list of Chinese participants (both companies and their designated employee/consultant participant) and the timing of individual meetings. These changes required constant schedule revisions on the part of the county employees and an incredible amount of last minute clerical work.

It should be noted that the use of U.S.-based consultants to facilitate these matchmaking sessions added layers of cost, and circumvented the usual Chinese practice and protocol.

It should be noted that only one of the consultant groups had a direct connection with San Bernardino County (he is the representative for the City of Ontario in China). It is doubtful that any of the fees paid to consultants or travel agency would repatriate to San Bernardino County. The selection process for consultants is not obvious to the auditor upon observation.

For future trade missions, it is suggested that delegates be recruited explicitly for purpose of facilitating business development growth of the County. Matchmaking sessions for the primary purpose of expanding exports to China from the County would be set up for delegates utilizing methods consistent with the usual Chinese practice and protocol. This would mean that the SBEDA would need to develop relationships with the municipal governments most appropriate to the import/export match and would work with their counterparts to assure the accuracy of the matches. This would also mean that the SBEDA would need an in-depth understanding of the county participant companies and their products.

Preparation of U.S. and Chinese Companies for Their Participation in the Trade Mission

It appeared to the auditor, following initial observation, that there was a great effort expended by the Economic Development Agency to video tape each US participant explaining their goals for the trip and specifics about their import interests. These were then translated into Chinese and distributed to the consultants. It is unknown to the auditor how many of the Chinese participants had seen these tapes prior to the meetings. The statements of the participants were not as clear and direct as they might have been as many had less than specific interests, and some were highly technical or field specific. The translations were less clear than the original English.

It was unclear to the auditor if the U.S. participants had sufficient information about the Chinese counterpart prior to the meeting. They, however, did meet and develop some level of communication with each of the consulting groups. This may work well for the consulting groups' new client development.

Communication of trade mission and delegates' goals and objectives to the Chinese participants was handled by the travel agent and the consultants, usually through intermediaries.

For future trade missions, it is suggested that clear and direct delegate statements be developed well in advance so that translations are prepared with precision by Chinese-speaking representatives for the County. Cross translation would be essential. Matchmaking would be accomplished on the basis of those statements, with in-depth information provided to delegates before leaving the U.S. The SBEDA would need to be in possession of similar information from the Chinese match companies before departure.

Participation by County Officials

Two County Supervisors accompanied the Trade Mission along with a member from each of their staffs. A third Supervisor sent an official representative who was accompanied by his spouse. One of the Supervisors was ill for most of the trip and unable to attend meetings. The other Supervisor left the trip early. They made a number of taping sessions introducing the county which may have been aired on local television or used in promotion of the Hong Kong Forums. They had a different schedule and agenda than the other participants. They did not have as many appointments with Chinese government officials as would have been expected.

The consensus of participants was that the participation of the Supervisors was welcome and significant to their perception of the County of San Bernardino. They felt that the trip offered each of them an opportunity to develop a closer relationship not only with elected officials but with each other as well.

There were five Economic Development employees on the Trade Mission. Two arrived four days early to do advance work and make final arrangements. Two of these SBEDA employees spent very long hours (perhaps 12 per day each) managing the appointment schedule, facilitating the changes and seeing that the participants' needs were met. Two seemed to oversee the general arrangements, handle the public relations for the County and facilitate the consultants. One seemed to accompany the Supervisors but seemed unclear as to what her job with Economic Development would be as she had just been hired.

For future trade missions, it is suggested that any participating Supervisor has a special schedule with many Chinese government officials for the purpose of facilitating long-term business growth in the County of San Bernardino and supporting the goals of delegates for increased trade.

Use of Consultants

The use of consultants was an effort made to simplify the process and handle cross-cultural differences. The use of consultants added layers of cost without benefit, distanced the County officials from their counterparts in China (the usual source of trade information and matchmaking in a formerly socialist environment) and provided mismatches for the participants.

First to be explored in this audit is the value of appointments made for U.S. companies by the consultants. The consensus of participants was that most of the appointments were mismatches. Several felt that they had one match with good potential. Most felt that they had learned important lessons about international trade and about China. Most felt they would go back or pursue other opportunities for trade in China. Several felt they would take their families to China. The post survey asked the participants to quantify what this potential good match would mean if realized. Most responded to this question but said they had no idea when they might realize this potential. It should be recognized that the question is couched in such a fashion as to call for a volume of trade response, rather than how much profit or community reinvestment or job growth would be generated in San Bernardino. This can be very misleading when dealing with imports.

Second, the destination points of Hong Kong, Suzhou & Shanghai selected by consultants are evaluated. Hong Kong and Shanghai are both commercial centers rather than manufacturing centers. Since the location of the manufacturing centers are at some significant distance from the commercial trade centers, most of the appointments made in Shanghai and Hong Kong were with yet another layer of intermediaries rather than with principles of manufacturing companies. Suzhou is famous for high tech firms and garment manufacturers. Most of the high tech firms are strategic partnerships with Japanese, Singaporean or Western multinationals or provide OEM for these firms on contract or license basis. Most of the garment and textile firms are joint ventures with European or U.S. multinationals or provide contract manufacturing for such firms. Only two of the participants were involved in either of these industries and neither is interested in outsourcing to these firms...they are interested in buying finished goods in limited quantities. The other participants would have been better served by visits to areas where the products they are interested in are manufactured. Most of the U.S. participants are very hands-on members of their particular industries. They were looking for the opportunity to meet their counterparts. That did not happen for most. Three participants did arrange their own side trip from Hong Kong to a manufacturing area outside Shen Zhen. They were very satisfied with this site visit.

The primary reason for the selection of Hong Kong seems to be based on the travel agent's belief that the Hong Kong Forum would be a good entrance for the group and because of its reputation as the gateway to China (no longer true). Shanghai seems to have been selected because several of the consultants have offices there and because of its appeal as a cosmopolitan, world city. Suzhou is one hour from Shanghai. This would be an easy mission trip to package at reasonable cost.

For future trade missions, it is suggested that any use of consultants be focused and minimized. SBEDA should be working to position themselves as the only middleman the participants need. Methods should be identified for the County to assume "ownership" of selection of destination points and appointments made for delegates.

What Delegates Brought Back to the U.S. as the Basis for Increasing Trade With China

- Greater familiarity with and appreciation of China and Chinese people
- Loss of fear factors related to international trade and travel
- Realization that they need to do more research on suppliers in their field

- Greater appreciation of the efforts made for them by the Economic Development Agency in San Bernardino (they feel they can call a friend)

Future trade missions must retain the above benefits that were gleaned. Added to these results, it is suggested that delegates return to the U.S. with an informed action plan toward accomplishing their original goals that has been developed mutually with County officials and Chinese counterparts.

Pre and Post Surveys Conducted with Delegates

Surveys conducted before leaving the U.S. paralleled the form that would be used before a tour as opposed to a trade mission.

The post surveys provided an estimate of anticipated trade that would result from the contacts, and were served as a survey of satisfaction with the travel and accommodation. Specifically, delegates were asked to submit a one-page survey of four questions immediately following the visit to each of the three cities – Shanghai, Hong Kong, and Suzhou. With regard to the one-on-one meetings, delegates were asked: “Of the companies you met, which one(s) will you continue to have a working relationship with? Project the potential value of the relationship/transaction(s) for the next 12 and 60 months.” Those projections became the quantifiable estimate of trade results to be accomplished from the trade mission. Second, delegates were asked to describe how what they learned on that leg of the trip may affect their future development and planning. Third, delegates were asked to rate their overall experience on a scale of five: from the Suzhou visit, they rated dinner at the Shangri-La; from the Shanghai visit, they rated the reception at Le Meridian Royal Hotel; and from the Hong Kong visit, they rated the morning briefing, the Hong Kong Forum breakout session, the Victoria Peak dinner, and the dinner cruise. Last, delegates were asked to “tell us what we can do to make future trade missions a greater success.”

From informal discussions with participants, it was found that most participants did not feel comfortable making negative comments about goal accomplishment because such questions were not asked and/or questions were couched in a manner so as to elicit only positive responses. Most came away feeling that their own (pre-trip) expectations were unrealistic. Several felt that they would do more business with other U.S. participants who happened to be delegates on this trade mission than they would with China.

In general, the evaluation process should always begin with a measurement of participant reaction, as do the surveys currently in use. It is then valuable to find out in

follow-up surveys what the participants learned from their experience. The survey attempts to evaluate the extent to which the newly acquired knowledge and understanding about China is being used or applied in order to achieve original goals. Finally, there is an effort to go to "the bottom line" to measure the dollar amount of trade generated, or other quantifiable measures of original goals. From a business perspective, this "bottom line" justifies the County expenditure of time and resources on the program, even though for internationally-sophisticated participants, the cause-and-effect results are elusive to identify.

For future trade mission trips, it is suggested that pre-mission surveys focus on desired goals in anticipation of the delegate statements to be translated for Chinese counterparts. Immediate reaction post surveys may still cover satisfaction with activities and accommodations, but should be expanded to serve as a survey of what was learned. In turn, results from the immediate post surveys should serve as the base for follow-up surveys that are conducted weeks and months out from the mission and get to actual goal accomplishment and the bottom line as described above.

APPENDIX A

BIOGRAPHICAL BACKGROUND OF THE AUDITOR

Dr. Catherine Levitt was asked to serve as the principal investigator for completion of this audit. She became informed on this particular trade mission by immersion in the County's second trade mission to China, October 6-14, 2007 [Hong Kong, Suzhou & Shanghai] and she learned more about delegates by serving as coach to some. Catherine Levitt holds a B.A. magna cum laude in French and Philosophy from John Carroll University, a Master's degree in International Business from Pepperdine University, and a Doctorate in Business Administration in Strategic Management from United States International University. Dr. Levitt also holds another graduate degree in Southeast Asian Studies and Vietnamese Language and is a certified Commercial Contracts Negotiator. Dr. Levitt has more than 15 years of private industry experience at an executive level as well as several years with Department of Defense.

Dr. Levitt has lived, worked and taught in China, Vietnam, Taiwan, Japan, France, Germany and the Czech Republic. Her particular area of interest and expertise is in the privatization process that accompanies the transition from a command economy to free-market practice. Integral to this research, is study of the changing mindset and cultural change that accompanies and underpins economic change. Interested in languages, art and cultural formation, Dr. Levitt speaks English, German, French, Japanese, Vietnamese and Chinese well and can participate in conversations in a few other languages. She reads Spanish and Italian.

Currently, Catherine Levitt continues as Director of the Center for East-West Entrepreneurial Studies in Southern California and does consulting on privatizing industries in transitional economies. Dr. Levitt is the Representative at Large for the Americas to the Executive Council of the International Association for Chinese Management Research. She was Provost of Golden Gate University's Southern California Region from 1998-2000. Dr. Levitt was a nominee for the PriceWaterhouseCoopers' Ansoff Prize in Strategic Management, 2000.

APPENDIX B

PHASE II

Building on the audit conducted in Phase I of this work, Phase II utilizes results of the audit to plan for the future. As established in Phase I, Dr. Catherine Levitt is both informed on this particular trade mission and is an expert on international trade in China. She, Associate Dean for Graduate and International Programs Frank Lin, Associate Dean for Administration Otto Chang and Dean Karen Dill Bowerman team together to carry out Phase II. As an addition to this portion of the audit, and of course at no cost to the County, methods are explored for the County of San Bernardino to partner with CSUSB in order to carry out the strategic plan. It should be noted that CSUSB is the only four-year public university within the County.

It is proposed that there are two primary outcomes of Phase II – to identify means for determining actual trade results, and to develop a strategic plan for future trade missions.

- 1) Surveys to determine trade that resulted from trade missions #1 and #2
 - a) Surveys are designed and implemented for the two groups of delegates
 - b) Results are reported
 - c) Instruments are designed and recommended for future trade missions
- 2) Strategic plan developed for the future trade missions
 - a) Objectives of trade missions
 - b) Responsibility for results
 - c) Obtaining value by holding down cost
 - d) Organization of roles both pre-trip and during the trip
 - e) Marketing of program and recruitment of delegates
 - f) Preparation of delegates for trade and for the trade mission
 - g) Communication with Chinese for meaningful appointments
 - h) Ongoing support of delegates upon return to U.S. for results in trade