

A transcript for  
The Silicon Valley Leadership Group  
“Projections 2011: “Mobilizing for Reform and Recovery”  
Panel Discussion Four of Four  
James MacGregor, Publisher, Silicon Valley/San Jose Business Journal, Moderator  
Held at Santa Clara University Louis B. Mayer Theatre  
September 16, 2010

Panel members in order introduced:

Michael Klayko, CEO, Brocade Communications  
Roseanne Foust, CEO, San Mateo County Economic Development Association  
Chuck Reed, Mayor, City of San Jose

1 **Mr. Guardino:**

2 [Our moderator is the] publisher of our Silicon Valley/San Jose Business Journal, Mr. James  
3 MacGregor. And, as James comes out, let me introduce the people on his panel.

4 The CEO of Brocade, and the vice chair of the Silicon Valley Leadership Group Board of  
5 Directors, Mike Klayko, who just made the huge decision, and opened up last week, to build in  
6 San Jose with their new corporate headquarters. [Just added] 900 jobs in the last 18 months  
7 alone, 2,500 here. A huge commitment to our region.

8 The CEO of the San Mateo County Economic Development Association (SAMCEDA),  
9 as well as a local elected official, Ms. Roseanne Foust.

10 And we are very proud to have Mayor Chuck Reed of San Jose round out this stellar  
11 panel. Will you join me in thanking this panel? (applause)

12  
13 **Mr. MacGregor:**

14 Thank you, Carl, and good morning, everybody. Mike, let’s start with you. Prop 24 is on the  
15 ballot in November.

16 **Q:** Could you explain Prop. 24 for the audience here this morning, and how it would impact  
17 your company?

18  
19 **A:** (**Mr. Klayko**) Prop 24. My tax guys probably could, very well....I’m actually getting up  
20 to speed on it right now, reading about it, and,... I don’t mean to [offend] anybody. I’m not sure  
21 I support it, just from the standpoint that the best I can tell, it says it’s trying to make sure that  
22 big businesses pay their fair share of taxes, and to repeal some changes that have...been made, to  
23 incent people to stay in California. You know, in fact, what I could find is it affects about  
24 120,000 businesses, so that’s not just big businesses. It’s pretty much *all* business.

25 And we made a decision, as Carl [said] in the opening remarks, to stay here in California.  
26 And, frankly, it was not an easy decision. It was a...difficult one; but yet, when we made that  
27 decision, you know, we have a 15-year heritage here, [with] the vibrant economic it *can* be. It  
28 has all the attributes to go ahead and be a vibrant economic climate.

29 It’s got great students, that we bring -- You know, we hire new students into the company  
30 *all* the time. We grew the company in the last 15 years. I always say, we actually have a picture  
31 of this to validate it. It’s, you know, four guys sitting around a cardboard box. A beer keg was

32 actually employee number one, so that tells you about the startup mentality of Silicon Valley.  
33 And then we've consistently grown that...Five years ago, we had about 700 employees. Now  
34 we have almost 5,000 employees. So we *are* growing, and, frankly, we need to make sure that  
35 California is a good state [in which] to continue to do business, because I'm adding really good  
36 jobs here. I'm not adding low-paying jobs. I'm adding, you know, engineering jobs....The jobs  
37 that actually let us compete on a world stage are being created here, and so anything that...keeps  
38 us here, keeps us motivated, lets us continue to hire people; because, at the end of the day, I think  
39 the private sector needs to go ahead and focus on continuing to add jobs, and help the  
40 unemployment area.

41  
42 **Mr. MacGregor:** Great.

43 **Q:** So, Roseanne, the next question is for you. The state has been withholding money that  
44 cities and counties used to get. How are cities responding, and how will this impact economic-  
45 development initiatives across the region and across the state?

46  
47 **A:** (**Ms. Foust**) I think the first thing is that cities are mad, because usually, as Tip O'Neill  
48 said, "All politics is local." So for us to have the limited money taken from us from a state that is  
49 clearly dysfunctional, it is incredibly challenging; but, on the flip side of that, cities have to have  
50 their house in order.

51 You cannot go out to your residents and ask them for any type of additional levies, fees,  
52 taxes, until you can clearly represent that you are running the local government efficiently and  
53 effectively, because people aren't going to support that. So make sure your house is in order,  
54 have a strategic plan, have a vision, implement the objectives, hold your city employees,...any of  
55 the folks that you deal with, accountable. You need to have measureable parameters, and we do  
56 that in some of the local communities in San Mateo County, and it makes a difference.

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58 **Q:** Is there a specific example you'd like to share?

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60 **A:** (**Ms. Foust**) Actually, my city, that I represent. Two years ago –

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62 **Q:** That wasn't teed up, but the way!

63  
64 **A:** (**Ms. Foust**) Two years ago, when I served in the role of mayor, we instituted a strategic  
65 plan with an annual report. We have six strategic objectives, and we are measuring against those.  
66 Because that's what the residents expect. They want to know that you're efficient, and so I'm  
67 proud that I was able to bring that business perspective to the community.

68  
69 **Q:** So, Mayor Reed, the next question is for you. And public-sector pension reform has been  
70 getting a lot of press. Why is this issue so important? And why is it so important to deal with it  
71 now?

72  
73 **A:** (**Mayor Reed**) Well, those of you who grew up watching "Sesame Street" understand the  
74 Cookie Monster. [Pensions] and the [cost of retirement] is the Cookie Monster of California, and

75 a cookie monster of local government, as well, because it does threaten to swallow the rest of the  
76 enterprise. San Jose's costs for retirement have, over the last decade, tripled the money we're  
77 putting into retirement. That's both pension and healthcare benefits, because we guarantee  
78 people benefits through life. We guarantee them medical care for life, and that costs a lot of  
79 money.

80 Those costs have tripled in the last decade, at a time when our revenues went up only by  
81 20 percent. So it is a huge cost driver in our own problems, because, as we spend more and more  
82 money on people who *have* retired, or are *going* to retire, that's less and less money we can  
83 spend on providing basic services – less money for parks, less money for libraries, less money  
84 for police officers, less money for fire fighters. Although our people are better-paid, we have  
85 [fewer] of them, and we need more to deliver the services, because that's what we *do*.

86 We're in a people business. We're in a service-delivery business, and, to the extent we  
87 have to spend enormous amounts of money on pensions, we don't have that money available to  
88 do other things, and it is a cost that is out of control in the sense that we don't make budget  
89 decisions about how much we should spend. We're committed by contract and vested rights, and  
90 are chartered, as a matter of fact, to give a certain level of benefit, and it's hugely expensive.

91  
92 **Q:** And how long is it going to take for cities to get those costs under control? Is that one  
93 year? Two years? Three years? Are there steps that can be taken now?

94  
95 **A:** (**Mayor Reed**) There are certainly immediate steps that can be taken now, and we've  
96 done some of those in San Jose; but, in this last year, the amount of money that we had to put  
97 into the retirement system went up by \$60 million, so it's nearly \$200 million a year on  
98 a...budget of between \$800 and \$900 million a year. So it's a really significant  
99 number,...because we have vested rights, and people are already retired, and a deal is a deal. We  
100 owe them certain things. You can't just cut that, although there is litigation around the country  
101 trying to affect existing benefits, but we're treating those as vested rights, and we're focused on  
102 trying to make the changes for what's called "second tier" for new employees.

103 Looking over the next five years, we'll probably replace a third of our workforce over  
104 five years, because the baby boomers are retiring, and we have better pension and retirement  
105 benefits, so people are encouraged to retire; but we do have the opportunity, with new  
106 employees, to set a different level, to control those costs, and have a different plan, and we've  
107 started that process in San Jose of trying to figure out, "Well, what *should* it be, once we get past  
108 the current problems?"

109 And first, we have to go to the voters in November. We put a measure on the ballot,  
110 Measure W, to allow us to have a different plan than is required under our charter, because our  
111 charter currently requires us to have a defined-benefit plan, sets minimum age limits, requires a  
112 250 percent match – those are things that we need to be able to re-negotiate with our...unions, in  
113 order to change, and we've got to change the charter in order to effect that.

114  
115 **Q:** I want to turn, Mike, to the President and Congress, who talk often about trying to  
116 eliminate the foreign-income-tax deferral. Can you talk a little bit about what that is, and why it's  
117 important for companies that operate internationally?

118 **A:** (Mr. Klayko) Yes...I'll go back about 15 months ago, [when] we went off to  
119 Washington, a group of us, about 60 CEOs representing all of you, and all your constituents here,  
120 and talked about the importance of putting a proper tax policy in place for all corporations  
121 to...compete in a world stage. The day we showed up, the night before, they [had] talked about  
122 tax cheats, tax havens, tax deferral, in one sentence, and they blended it all together that,  
123 essentially, all big businesses operated in one of those categories. It was...challenging.

124 As we then pointed out, that, using my company just as an example, more than half my  
125 revenues come from overseas. We walk around, and most of the CEOs who *do* talk about how  
126 we compete on a world stage, of being a national treasure – the fact that we are doing exactly  
127 what the President and the Congress [have] asked, [which is] to double exports over five years.  
128 We're already there. We're already doing that at this point in time.

129 If we were to change the deferral laws, it becomes very, very difficult. The way they  
130 work right now is, if I sell something in Europe or in Asia, I pay a tax locally there. If I were to  
131 go ahead and bring it back into the U.S., I'd have to pay another 39 percent tax, to bring it back. I  
132 can't find an investment that I can earn 39 percent on in the U.S., and so it sits there, and it just  
133 accumulates. It's...estimated that somewhere between \$700 and \$900 billion is sitting offshore  
134 at this point in time in American corporations, much of it generated by companies in the valley  
135 that do very, very well at competing on a world stage.

136 It's not that we don't want to bring it back. It's just that the tax laws prohibit us from  
137 bringing it back. We've done exactly what's [been] asked. Now what we need to do is match the  
138 tax laws to do that. There's a lot of proposals in place [as to] what we could do, how we could do  
139 it, what we should do, how we'd turn that money back into creating jobs here at home,  
140 putting...money back in the banks so that it can be loaned out to small businesses.

141 A lot of ideas. And frankly, one of the issues is politics that's going on. No one is going  
142 to recommend a tax change in an election year. So I hope, right after the beginning of the year,  
143 someone has the guts to stand up, and says, "Let's go ahead and do what's right for America, not  
144 what's right politically."

145  
146 **Mr. MacGregor:** Sure.

147 **Q:** So, Roseanne, according to the Tax Foundation, California is near the bottom of the tax-  
148 climate index. Why is this important? Why should the audience care? And are there two tax  
149 areas that you think are most in need of reform?

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151 **A:** (Ms. Foust) It's interesting. How many of you have ever Googled the term, just "tax  
152 policy"? How many in the room?

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154 **Mr. MacGregor:** Looks like everybody! (chuckles)

155  
156 **A:** (Ms. Foust) ...You may want to go and think about it, because the amount of literature  
157 that's out there – Here is the whole background paper on tax policy. It is incredible, and, as  
158 you're going through it, California ranks 48<sup>th</sup>, okay? So you have the top 10 favorable states, and  
159 you have the bottom 10. I wouldn't even consider looking at those, because they don't factor in –  
160 [There are] usually five indices that tax policy is based on.

161  
162 It's corporate tax.  
163 It's individual tax.  
164 It's sales tax.  
165 It's unemployment tax.  
166 And it's property tax.

167 Three of the 47 states don't have any corporate taxes, so of course they're going to have a  
168 favorable rating in that. But one of the first things that I think you should do is you should ask  
169 Mike, "Where are you investing? Where did you set up another facility, and why?"

170 And before we came out here, he said, "Colorado."

171 Colorado is one of the states that is the middle range. So you look at what Colorado does,  
172 whether it's on a corporate-tax policy, or a sales, or a sales, or a personal income tax, and you  
173 figure out, "Why is Mike investing in Colorado? Why is he investing in Utah? Why would he  
174 think about Georgia, for example?"

175 And you distill the information. But talking to the executives as to where they're being  
176 lured, where are they being approached, and what is the tax policy, and what are the reasons for  
177 it – that's a very simple way. Or you can go through 80 pages, and probably another 100, and  
178 come here, and say, "Wow! I could really probably talk three hours about tax policy." And all of  
179 you would walk out. (Folks chuckle)

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181 **Mr. MacGregor:** Thank you, Roseanne!

182 **Q:** Mayor Reed, we hear a lot about the business community wanting government to move at  
183 the speed of business. You'd like to see that, but you've also said that that's not always possible.  
184 Can you share a couple of specific examples of where you think the business community and  
185 government can see eye-to-eye on this, and work together at the same speed?

186  
187 **A: (Mayor Reed)** The best example I can give right now is Brocade, the facility that we just  
188 did the ribbon-cutting on a couple of weeks ago. You'd have to look back over several years to  
189 see how we worked with Brocade to make sure that – First, we had to convince them to stay in  
190 California, and stay in San Jose. And then work with them to make sure we could meet those  
191 milestones for hundreds of millions of dollars of investment, multiple buildings, multiple floors,  
192 multiple systems. All of them had to be permitted, inspected, all on a schedule that would allow  
193 them to keep building, because they needed to be *in* the buildings. They had a certain time frame.  
194 So that was a collaborative effort that *we* had to be able to work at their speed, and it doesn't  
195 work if only the city is focused, but whoever is doing the project also has to be focused on  
196 working at that speed. So there's a great collaborative effort that generates these buildings that  
197 Mike has now filled with thousands of jobs, consolidating operations...there for efficiency, and  
198 adding new jobs.

199 But we have to replicate that over and over and over again; because when somebody like  
200 Mike Klayko is looking around the country, he's got a lot of opportunities, as Roseanne said.  
201 [There are] many, many places, and we have to convince them to stay here, and then we have to  
202 make it possible to deliver on...the promises. So that's...one example of working at the speed of  
203 business.

204 We know the model. We've done it many times in San Jose. I've got probably three  
205 dozen companies that were not as dramatic as the Brocade example, because, wow, there was  
206 nothing, and now [there are] several dozen companies that have stayed in San Jose, expanded in  
207 San Jose, because we were able to work at the speed of business. Otherwise, they could have  
208 gone to another country, another state, and we don't want them to do that. We don't want the  
209 jobs to leave California. California lost 100,000 jobs in the last year. Texas gained over 100,000  
210 jobs in the last year, and I'm with Roseanne. We should want to know why. And when we figure  
211 out why, then we need to do some things to change that...equation.  
212

213 **Q:** So, Mike, would you like to follow up on the mayor's comments about the speed of  
214 business there, because he cited Brocade....

215  
216 **A:** (**Mr. Klayko**) Let me tell you what, folks. The reason we stayed here is because of this  
217 guy. He actually, when we went out – We had nobody. Not...anybody that's local approach us,  
218 and say, "Would you like to move here?" We had states coming after us. We had countries  
219 coming after us, and we had one mayor who said, "We'd really like you to stay in San Jose."

220 So you owe him a lot, because one of the things – (applause) ...One of the things that we  
221 did along the way is, we created a campus, and...the time line on it was very, very short. We had  
222 five leases expiring. We had to get into this new campus. Very tight time lines. He helped us  
223 with the [permitting]...He made sure we got through to the right people, to get through the  
224 permitting process, and all the other things that you have to do in the inspection process. We  
225 created 1,200 construction jobs for almost three years, and those 1,200 people, you know, did a  
226 fantastic job on our facility.

227 Along the way, a hotel came in and said, "Hey, you're an anchor tenant. We'd like to go  
228 ahead and maybe put a hotel up here. What do you think?" We said, "Great." We sold him some  
229 parking spaces in our garage that we had built, and so there's another 500 jobs there, going into  
230 this hotel.

231 Target came along and said, "Wow! This is a vibrant area! I want to put a Target up  
232 here." And that's another 600 jobs. And, by the way, then, another developer came in, and said,  
233 "Wow! Look at all this stuff going on. I want to be part of this." They're going to put 40 retail  
234 stores in.

235 So you add all that up...From our little humble discussion that we had, there are 6,000  
236 jobs that got created. Six thousand! Now if we did that a couple dozen times, that makes a real  
237 difference. That would make an enormous difference. So that's what I'm talking about, moving  
238 at the speed of business, because you don't know the downstream effect.  
239

240 **Mayor Reed:** That little conversation did take place at a Silicon Valley Leadership Group lunch.

241  
242 **Mr. Klayko:** It did, yeah.

243  
244 **Mayor Reed:** Let's give a plug to Carl! (applause)  
245

246 **Mr. MacGregor:** So this first question from the audience is from Michael – and I can’t read  
247 your writing here, Michael, but from the City of Burlingame, and I’ll ask it to the three of you,  
248 and whoever would like to jump in, please do.

249 **Q:** The question is, “An expert tax group in Sacramento proposed shifting the tax burden to  
250 increase taxes on services and reducing them on manufacturing and consumption. It seems like a  
251 smart idea. Views?” ...Who wants to jump into that?

252  
253 **A:** (**Mayor Reed**) Michael’s got a building up there that is filled with...equipment that costs  
254 more than the cost of the building. California is one of the few states in the country that taxes  
255 people when they invest in manufacturing equipment. And you don’t think that the CEOs figure  
256 that out when they’re looking at the cost of putting it in California or Arizona, and see that we  
257 have, essentially, a 10 percent tax on that investment, and they have nothing? It’s a huge factor in  
258 what decisions get made, about where to make those investments. Fortunately, we kept Brocade  
259 here, but that decision-making goes on around here all the time. So the fact that we tax  
260 manufacturing investment is...a big disincentive to stay in California.

261  
262 **Mr. MacGregor:** I say, Roseanne, you wanted to –

263  
264 **A:** (**Ms. Foust**) Well, frankly, everything that’s out there says that good state tax systems  
265 levy low, flat rates on the broadest basis possible. They treat all taxpayers the same. The  
266 variation in the tax treatment of different industries favors one economic activity over another, so  
267 it speaks to what the mayor just talked about.

268 We have such a complicated tax system in California, with so many sub-indexes in each  
269 of the five indices. I mean why would a company locate here? There are obvious reasons –  
270 talent, location, proximity to customers. I mean those are the things that are easy for us to do. But  
271 when it comes to tax policy, and when it comes to taxing the equipment that’s purchased, I mean  
272 my hat is off to the Leadership Group, and all of the efforts that they have made with tax reform.  
273 What the Mayor is doing in San Jose to keep a company like Brocade – we don’t do enough of  
274 that in California, period.

275  
276 **Mr. MacGregor:** And there’s no budget to do it, either, is...the other issue.

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278 **A:** (**Ms. Foust**) It is, but...it shouldn’t be an excuse. We could get better at this.

279  
280 **Q:** The next question is from Arthur Keller, and Arthur, I think this question is for everyone  
281 on the panel. American tax policies have promoted the export of jobs by giving tax breaks to  
282 close factories. Most of the rest of the industrial world has a value-added tax that taxes imports  
283 and refunds the tax on exports. A 20-percent VAT would increase our competitiveness by 44  
284 percent. Why do we persist in a profit-based tax system that rewards inefficiency?

285  
286 **A:** (**Mr. Klayko**) What a profound question! That’s one that I...don’t have the data to back  
287 that up. There’s a lot of talk about VAT taxes and such. You know, I look at it just from a  
288 corporate perspective, 5 percent of the consumers are actually in the United States; 95 percent of

289 the consumers are outside the United States. I need to compete on a world stage, and so if I'm  
290 going to be a net exporter of technologies, and so forth,...I need a supporting tax policy, whether  
291 it's a VAT tax, or whatever. Just make sure that whatever we do when we make a change, when  
292 there's a comprehensive tax-reform policy, that this policy is going to go and shape behavior,  
293 and it shapes behavior...for long streams, so this is probably one that somebody needs to look at,  
294 and somebody probably *has* looked at, and it's being evaluated as part of overall, comprehensive  
295 tax reform, not just a single line item.

296  
297 **Mr. MacGregor:** Would you like to –

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299 **A:** (**Mayor Reed**) You asked me why. I can't explain that. It's crazy. Our tax policy does  
300 drive jobs overseas. The folks that Michael mentioned earlier who have money that they've  
301 earned overseas, if they bring it back to the U.S., have to pay a big tax on it. It's likely to stay  
302 overseas. If that money were repatriated, it's \$700 to \$900 billion. It would be like another whole  
303 stimulus package.

304 And when I was in Washington a couple years ago, the debate was going on about  
305 repatriation, and whether or not to allow a holiday for...repatriation, but it didn't get through the  
306 Senate, but a comprehensive review of our tax policy *has* to be done if we're going to do what  
307 President Obama has said he wants to do, which is double our exports. Tax policy is a really  
308 important factor in that, and we need to have a comprehensive review. We can't just pick one.  
309 Because it's all inter-related, and it's all political, you really have to do a comprehensive  
310 [review], and I'm hoping that the United States Congress,...and the Administration, will be able  
311 to do that if we're going to have this export economy.

312 San Jose is number one in the country of percentage of jobs that are export-related, so if  
313 we could double exports in this country, that would be a wonderful thing for this area; but federal  
314 tax policy is a huge factor in exporting.

315  
316 **A:** (**Ms. Foust**) We export 13 percent. Germany does 42 percent, and so, to double it, would  
317 only –

318  
319 **Mr. MacGregor:** Of everything they make.

320  
321 **A:** (**Ms. Foust**) Yes....So when you look at that 13 percent for our industries, for our size of  
322 country, when you talk about the value-added tax, a professor at the [Brookings Institution],  
323 [William G.] Gale, is doing—has done—extensive research into the idea of a value-added tax,  
324 and there's a lot of information that's out there on it, and it speaks to the exporting. It speaks to  
325 our lack [thereof], and what we need to do; but when? And who's going to lead that?

326  
327 **Q:** So we've talked a lot about tax policy here this morning. The question for all of you  
328 is,...and Mike, we'll start with you: If you could wave a magic wand and change three things  
329 about the state's competitiveness, what changes would you make, and why?

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331 **A:** (**Mr. Klayko**) Three things, huh?



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**Mr. MacGregor:** Three things!

**A:** (Mr. Klayko) State of California.

**Mr. MacGregor:** We only have a few minutes.

**A:** (Mr. Klayko) Wow! I'm not running for governor, so, you know, actually,...this is going to sound crazy. I mean if I changed three things, I'd make sure that everybody was well-fed, had a house to live in, and a job. I mean that's probably the most—three most—important things. (applause), which, by the way, you all hear from me, because I'm going to chair the Second Harvest Food Bank fund drive, so I'm going to collect all your names later. It's a very important thing to go ahead and participate in. I think you've talked about a lot of them today, or I've heard the conversations. The education system is one that, there's a lot of debate in how do you do it? What do you do? And so forth, but that's one that you're actually changing something that affects generations down the road. So I think that's going to be first and foremost. You know, people are very nice. I think it's broke, you know. I mean...I travel all over the world, and I travel all over the country, and so forth, and I see a lot of different school systems, and so forth, and California right now, we get snickered at. We get snickered at because of our education system – where it was, and where it is now.

The second thing...people think, this is just, ...You go to Germany. I heard Germany mentioned. They laugh at us because of our budgeting process. How...would you run a budgeting process the way we do? They know about it. Isn't that amazing? I mean they know about the State of California because we are an enormously large economy, and we're dysfunctional. So I would probably do something that focused on that, and I'm sure that our new -- whoever the new governor [is], is going to go ahead, and he's going to have lots to go ahead and focus on there.

And then the litany on that becomes, you know, there's a lot of other things that you can do. The mayor talked about pensions and so forth right now. Look. We can keep puttin' the dead moose on the table. Eventually, it's going to rot. We've got to address pensions and unions and all the other things, whether they're out there, and we...have to figure out what's the right – You know, what's the right new economic model for going forward. So three little things.

**Mr. MacGregor:** “Three little things.” ...Roseanne?

**A:** (Ms. Foust) So I'm going to add to those three little things and start with CEQUA reform, and before I get run out of the room, I'm going to talk about it in terms of reflecting what the original legislation was meant to do, and really helping to inform decision-makers.

CEQUA reform, or CEQUA, the California Environmental Quality Act, is now looked at more as a stick, and it is looked at as a way to stop good economic development. There is bad economic development, and there are environmental concerns that I think no one would argue with; but the way that CEQUA is used at the local, regional, and state levels, it does an incredible disservice to our economy.

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376 **Q:** How so?...

377

378 **A:** (Ms. Foust) What happens with -- For example, people always talk about infill  
379 development,...and we've tried, within San Mateo County, to get small. And I'm talking  
380 "small": A nine-home development; a 24-home development; a 16-home development, built.  
381 And yet, you end up in a CEQUA law suit, because you haven't either dotted that "i," you've  
382 gone through an 18-month CEQUA process. You've looked at all the mitigatable issues that  
383 have to be addressed; and yet, you have someone who just doesn't want that home built.

384 And time is money to any developer, and we have such a jobs-housing imbalance. I mean  
385 this...shouldn't be used in that regard. To protect our resources, to protect our open space?  
386 Absolutely. But not to take it to the level that it's being taken to.

387 One of the other things is, and Mayor Reed is a great example of this. To really get  
388 elected officials and community members to understand that business brings opportunities.  
389 Business offers us jobs,...the money. It employs people to donate to Second Harvest Food Bank,  
390 to help our nonprofits, to help our education foundation, I mean, so business *is good*, but I don't  
391 think we reflect on that enough.

392 And the...last one really is around tax policy, because, until we fix that at the state level,  
393 we aren't going to be able to move things forward in the way or in the time frame that we would  
394 like.

395

396 **Q:** I want to go back to your comment about elected officials just for a second. I think we  
397 have some here today, so –

398

399 **A:** (Ms. Foust) And I can diss them because I *am* one.

400

401 **Mr. MacGregor:** Okay.

402

403 **A:** (Ms. Foust) So that's – let me be real clear about that. I'm an elected official. I've been  
404 on the council for seven years.

405

406 **Q:** How do we—how does business—engage somebody to seek elected office? Because it  
407 sounds like, the comment that you've made is, is that oftentimes, those seeking elected office are  
408 not supportive of the private sector. Is that –

409

410 **A:** (Ms. Foust) I would say that is a *really* fair statement.

411

412 **Mr. MacGregor:** It's a fair statement.

413

414 **A:** (Ms. Foust) Because you find me 10 elected officials that are...pro-business, or pro-jobs,  
415 or pro both sides of the issue. That's what I'm looking for. I'm looking for the ones that are  
416 willing to compromise, that are willing to open themselves up, and say, "Listen, maybe I'm not

417 thrilled with what you, XYZ Business, did; but I do reflect that, or I do understand that, you  
418 brings jobs. You bring money to the local economy.”

419 I don't think we have enough of that. I think there is too much in the news about the bad  
420 banks, and the bad telecommunications companies, and the bad manufacturing entities. Where is  
421 the good stuff?

422  
423 **Mr. MacGregor:** You should subscribe to the *Silicon Valley/San Jose Business Journal*.  
424 (laughter, applause)

425  
426 **Mr. Klayko:** That's right. Get the good newspaper!

427  
428 **Mr. MacGregor:** The special Leadership Group-only price is \$73 today. Anyway. I'm sorry. I  
429 *had* to. So Mayor Reed?

430  
431 **A: (Mayor Reed)** Right. I've got three wishes....The first wish is, I grant myself three more  
432 wishes, right? I've got the one, so I'm getting three more. My first magic wand is I have a piece  
433 of paper in my pocket that I carry around with me all the time. It's pretty well-worn. It's a report  
434 from the [Milken] Institute done two years ago about California's competitiveness in  
435 manufacturing. So my first wand trick is, I'm going to open this up, and I'm going to read that  
436 California is number one on the list [of] the best places to do business in the country. Let's see  
437 how good my magic wand is!

438 I said "number one," right? Well, there's a "one" in the answer. So, on the best and worst  
439 states to do business [in] survey, *Chief Executive Magazine*, we are 51<sup>st</sup> on the list. That is 51<sup>st</sup>.  
440 Dead last. So that wand didn't work very well. So maybe that was too much of a stretch goal for  
441 my wand trick.

442 So let me --maybe something. The low-hanging fruit. Let's go to that. The easy one. The  
443 first is that California will stop taxing jobs, and allow companies to use the single-sales factor, so  
444 that means "no" on prop 24, so that companies who hire people don't have their taxes go up *just*  
445 because they put somebody on the payroll.

446 The second wand trick is to stop taxing manufacturing investment, so that sales tax on  
447 manufacturing equipment that we talked about earlier needs to go away. I think there are only  
448 three states in the whole country that do that. And our competitors certainly don't.

449 Then the third wand trick, and I've got two more, 'cause I granted myself some more.  
450 The third wand trick is with the federal government, and that is that we will get a reformed tax  
451 policy that encourages export, encourages job creation, and that we deal with this deferral of tax  
452 on foreign income in a way that makes us competitive in the world; instead of being one of the  
453 worst tax policies, to be one of the best.

454 And then my final one,...for local, is that measures V and W, which are fiscal reforms  
455 that are on the San Jose ballot in the fall, win, so that we can get control over costs within our  
456 own little government here.

457  
458 **Mr. Guardino:** Will you join me in thanking this outstanding panel? To James MacGregor, the  
459 publisher of the *Silicon Valley/San Jose Business Journal*, for being our moderator. Mike

460 Klayko, CEO of Brocade. Roseanne Foust, who is the CEO of the San Mateo County Economic  
461 Development Association. And, of course, the mayor of the 10<sup>th</sup>-largest city in America, Chuck  
462 Reed. Outstanding job. (loud applause)

463 ...And, as they walk by, I'm going to ask the mayor and Mike Klayko just to stop for a  
464 second. We don't complain. We solve problems. That was the repeated theme throughout the  
465 morning, and on this panel; and that's why, in their busy schedules, along with Tom Werner, the  
466 CEO of SunPower, Mike Klayko and Mayor Reed are leading a delegation of CEOs and local  
467 elected officials, [banded] together, to Washington, D.C., on September 28<sup>th</sup> and 29<sup>th</sup> for one-on-  
468 one meetings in the House, the Senate, and with the Administration on a simple theme. "Work  
469 Together and Make America More Competitive."

470 So I want to thank you both for your leadership in that regard. We deeply, deeply  
471 appreciate it. ...

472

473 # # #

474

475 /WPP

476 September 24, 2010

477