December 2004

Inland Empire Business Journal
San Bernardino County’s recently-elected Supervisors Josie Gonzales and Gary Ovitt discuss their concerns for the regions and what each plans to do as supervisors for their term.

Newly-elected County Supervisors Sound Off

Supervisor
Josie Gonzales, 5th District

What motivated you to run for supervisor?
I am a lifelong resident of the Inland Empire and I ran for supervisor because change for this area is essential. I want to do my small part to make a difference in the Inland Empire. We need to change the way we do business and begin partnering for success. I am committed to change the image that has long clouded the 5th District. I worked with my parents and watched them struggle as they worked hard and sacrificed to fulfill their dreams and goals. I want to help the residents of the 5th District, so that they may fulfill their dreams and goals as well.

What has your district lacked, if anything, during the last term or in the past?
I was disappointed by the scandals, which have plagued the San Bernardino County Board of Supervisors. Self-interest, over the interest of the people, has led to bad government. I believe in hard work, common sense and being held accountable. The residents deserve a supervisor who is working for the people.

continued on page 2

Local BBB Scrutinized for Practices
by Corey Richardson
Several reports published by the Southland Better Business Bureau (BBB) has left one company based in Los Angeles upset over its impact to their business.

The Hollywood Group, an entertainment company which represents a number of talent agencies, alleges Southland BBB located in Colton, failed to thoroughly investigate complaints lodged continued on page 5

Pomona Unveils New Water Treatment Facility
A new Pomona Treatment Facility and Water Reservoir offers residents’ optimum potable water while maintaining efficiency in storage and production.
The City of Pomona recently showcased the new Volatile Organic Contaminant (VOC) Air Stripping Facility (ASF), located by the 10 Freeway and Towne Avenue.
continued on page 8
Newly-elected County Supervisors Sound off

them and for the best interest of their districts.

What does your District need now?
The residents of the 5th District deserve a government that works well. I want to take a comprehensive and detailed survey of the district and find out in what areas we are lacking and then go on filling those gaps.

• I'll encourage community meetings like neighborhood watch, community clusters, and promote national night out.
• Expand events such as public health fairs that pull the community together.
• Work with the programs and organizations that are already in place, so that we can maximize their full potential and bring the much-needed benefits to our residents.
• This is where establishing a grant-writing department will be essential so that we can take advantage of untapped funding sources. The grant writing, will bring new funding from federal and state levels and will not take away from existing county dollars, but instead enhance those existing programs and faith-based organizations.
• I will always encourage people to come and make their concerns known at the County Board of Supervisors' meetings.
• I will promote good communication with the 5th District in order to be aware of the community needs. We can't fix something if we don't know it's broken.
• I also want to unify the efforts of county code enforcement with those of the individual cities code enforcement departments.

What are some of your goals for the region as supervisor?
There are many priority issues on the horizon for the 5th District. Each of them deserve their own prioritization: affordable healthcare, boosting the economy ... and this includes creating jobs, excellence in education, clean drinking water, reduced traffic congestion, and creating quality housing and recreational areas are all goals I will pursue.

Additional Comments:
I intend to be a hard working, independent and honest supervisor. I am not afraid to stand up for what is right and will always make the concerns of the people my priority. I have first-hand knowledge of the important issues that are faced by the 5th District residents. I intend to work together with the people of the 5th District to find solutions to the challenges that face us.

Supervisor Gary Ovitt, 5th District
What motivated you to run for supervisor?
I ran to represent the 4th...
UCR's Business School Makes New Strides

Recently, Rajiv Banker, dean of the A. Gary Anderson Graduate School of Management (AGSM) at the University of California, Riverside, announced three initiatives designed to deepen the school's ties with the surrounding business community.

"To build an outstanding business school we must collaborate closely with businesses that surround us," said Banker in a statement. "The best way to learn about success in business is from the successful leaders who practice it."

For several years, UCR's business school operated without accreditation. According to Senior Associate Dean Woody Liao, the school received accreditation from the Association to Advance Collegiate Schools of Business (AACSB) last year.

AGSM has more than 1,300 undergraduate students and 120 MBA students.

"The accreditation was really a milestone for us," said Liao. "This tells people we have met all the requirements in terms of quality of instruction and faculty," he added.

One significant development for the school will be the formation of the Dean's Leadership Council, which will be chaired by Debbi Huffman Guthrie, president of Jim Guthrie Construction, of Riverside; and co-chaired by Ron Lossett, past president and chief executive officer of EPIC, LP, a physicians' practice management corporation based in Redlands.

Business leaders, such as those on the Dean's Leadership Council, along with students and faculty will provide input to guide the development of specialty areas of study in the graduate school of management.

This collaboration between the AGSM and business leaders will result in the formation of two new centers. The first will be the Center for Banking and Financial Services. Banking executive Mike Vanderpool, most recently with City National Bank, will chair the advisory board for this center.

The second center will be the Center for Asian American Business Studies. William Saito, president and chief executive officer of Riverside-based I/O Software, and a UCR alumnus, will chair the advisory board for this center.

"We plan to provide a promising and well-trained workforce to businesses in the Inland Empire," Banker said. "The business climate forged by these collaborative initiatives will help attract additional global, financial and high-technology businesses to the region."

City Manager Watches Community Blossom

Rancho Cucamonga City Manager Jack Lam couldn't be happier with the state of his city. From the boom in economic development to the steady rise in the city's population, Lam has a lot to be proud of though he shares the success.

"Everything is a collaborative effort," said Lam. "I think we've had a great city council in the past...there's been a lot of consistency."

Lam has been city manager of Rancho Cucamonga for the past 15 years, but made his way through the ranks of city government initially as the community development director in 1978.

Lam received a bachelor's degree in environmental studies from UC Berkley and a masters in political science from San Francisco State University.

The City of Rancho Cucamonga is currently basking in the early success of Victoria Gardens, the new outdoor shopping center adjacent of the I-15 Freeway. Lam says Victoria Gardens was nearly 20 years in the making and is symbolic of the city's intentions to provide a strong economic atmosphere for its community.

"We've tried to find a good balance between residential, commercial and industrial development. In Rancho Cucamonga, we have a lot of goals we want to accomplish."

One of those goals is the performing arts theatre which is still under development.

"I think Rancho Cucamonga is a dynamic city with a lot of opportunities waiting to come to fruition. Victoria Gardens and the performing arts center are just a piece of the vision we have."

Lam lives in the city of Rancho Cucamonga with his wife, Linda. When he's not helping to run the city, Lam enjoys astronomy and fishing.

Background Checks Becoming Top Priority— and Big Business

From beginning to end, the process of hiring a new employee for the average business is no easy task. Employers have the daunting tasks of sifting through resumes, conducting interviews and checking references all important and time-consuming aspects of hiring. Unfortunately, background checks, arguably the most important portion of the hiring process, are often overlooked.

If it can be a businesses worst nightmare: Finding out too late that a convicted felon is on the payroll. Workplace violence, fraud, theft and a host of other damaging incidents can result.

A-Check America, a background and drug-screening service located in Ontario, has gone from several employees to 1,500 as the need for these services grows. In fact, the company has been aligned with AppleOne Employment Services, providing them with pre-screening services.

A-check excels at leveraging technology and resources to deliver innovative capabilities and service commitments that are unrivaled in our industry, said Carlos Lacambra, vice-president of A-Check. Gregg Hassler, vice-president for AppleOne Employment Services, praised A-Check, saying the need for thorough background checks should not be underestimated.

"There are a lot of different things an employer may want to look at when they're interested in hiring a candidate, including a credit check," said Hassler.

"Negligent hiring has become much more than a potential legal liability; Screening is often a matter of preventing or mitigating workplace violence, major fraud and severe threats to business operations.

Sleuthing 101 answers critical questions employers face, including:

Why should employers conduct employment background checks?

---continued on page 6---
News and Features

Background Checks Becoming Top Priority--and Big Business. An easy solution for the daunting task of sifting through resumes, conducting interviews and checking references...

Winter Ad Agency, owned by Mary Winter, has been on the receiving end of several regional awards...

How to Get Feedback That Benefits Your Business. Things can change in an instant. That's why you need to regularly check the pulse of your business and find out if your employees and customers are happy. If not, then it's time to make some changes...

Five Secrets to Avoiding Workplace Interruptions. Even the most organized people find that constant interruptions get priority over planned work. Learn some tips how we tell people we're here to work and "Leave me alone!"

Temecula Wineries Win Gold. Temecula’s wine-tasting experience is getting high marks from travelers who have happened on this scenic valley. This area is becoming a great destination for tourism. Some say there is no need to travel to the Napa region for a fun weekend trip...

California State Budget. A UCLA Anderson Forecast on the State of California...

The Counterpoint Restaurants of Ontario. All three restaurants from this corporation have made an impact in the Ontario area -- New York Grill, Ziarita’s and Rosa’s. Each offers a unique dining experience for its customers...

Columns

At Deadline.......................... 1
Close-Up............................. 6
Corporate Profile....................... 7
Investments and Finance............. 9
Corner on the Market.................. 16
Getting Organized..................... 17
Inland Empire People................... 18
Executive Time Out.................... 19
Inland Empire Bank Results........... 32
Top Ten Southern California Resorts... 33, 34
Executive Notes......................... 37
Chambers of Commerce................ 38
Manager’s Bookshelf..................... 40
Automotive Dealers..................... 43, 44, 45
Restaurant Review...................... 46
Business Brokerage Firms............. 47
Local BBB Scrutinized for Practices

continued from page 1

DECEMBER 2004

BUSINESS JOURNAL • PAGE 5

against their clients beginning three years ago.

“It’s been a very lengthy battle filled with a lot of correspondence between both parties,” says Tracy Wells, director of business and legal affairs. “The complaints that were filed were published in reports by the Southland Better Business Bureau from people who weren’t customers.” Southland BBB published at least 11 reports the company called “defamatory” following four complaints which the Hollywood Group contest.

As a result, The Hollywood Group claims their clients’ reputation has been unfairly damaged costing them an estimated $300,000 in losses from paying customers.

“It seems they (BBB) don’t care to really look into the claims,” says Amy Brown, marketing manager of The Hollywood Group. Brown says Southland BBB takes complaints at face value, disregarding the effect it has on businesses.

But William G. Mitchell, CEO of Southland BBB, contends his organization participated in no wrong-doing. Furthermore, Mitchell says the process of filing a complaint leading up to the reports compiled by the BBB, provides businesses an opportunity to respond to allegations and correct any mistakes made before the BBB files its report. “We let the company have the last say,” said Mitchell. “At the conclusion ... we are going to look at the various complaints and rebuttals. We are going to make a subjective decision about this matter,” he added.

Consumers rely on BBB

Jan Keller, a 29-year-old purchasing assistant in Ontario, recalls a situation in March where she nearly had Southland BBB intervene in a dispute with a car dealership that refused to refund her down payment after financing the vehicle fell through.

“When I returned the vehicle and asked them to refund my down payment, they told me I was not entitled,” she said “I spent a week calling continuously talking to the sales people, the finance department ... before I sought legal counsel.”

Keller could not afford any potential legal fees and decided to contact the BBB. After brief consultation, she contacted the dealership’s general manager threatening to involve Southland BBB. She says the next day, she was refunded her entire down payment.

For almost 80 years, the BBB which is a national organization, has extended consumers an opportunity to protect themselves from fraud and abuse. The BBB, often confused for a government agency, is a non-profit franchise funded primarily on membership fees.

Southland BBB, the largest local bureau of the national BBB, provides approximately 160,000 reports monthly. Many of the reports are viewed by consumers via their Web site, but can also be mailed.

In 2002, the Southland BBB experienced heavy scrutiny for listing businesses with memberships as having “satisfactory” reports—businesses that received action from the government for illegal and unfair practices.

2005 Will Usher in New Employment Law Mandates for Employers

by: William Floyd, Esq. and Ariene Prater, Esq.

Best Best & Krieger LLP

The start of any new year is usually celebrated with champagne, football games and parades. But after the festivities are over, employers and employees are faced with understanding and implementing a series of new employment laws. Some of the new California laws in 2005 require employers to provide new benefits to registered domestic partners, increase their sexual harassment training and change the handling of employment records. Here are highlights of some of the new state laws that will take effect on Jan. 1, 2005:

Sexual Harassment Training (Assembly Bill 1825): California law currently requires that every employer act to ensure a workplace free of sexual harassment by taking certain steps including posting sexual harassment information materials in the workplace and obtaining and making available an information sheet on sexual harassment. The new law additionally requires employers with 50 or more employees to provide two hours of sexual harassment awareness education to all supervisory employees. This training must be completed by Jan. 1, 2006. After Jan. 1, 2006, employers will be required to provide sexual harassment awareness education to each supervisory employee once every two years.

The Domestic Partnership Rights and Responsibilities Act of 2003
Dream Job Becomes a Reality for AppleOne’s local V.P.

by Corey Arvin

Riding on the road to success for Gregg Hassler, vice-president of AppleOne, was atypical of today’s working American filled with long hours, a strong commitment, and dedication. But before hitting the pavement and setting a course for his career, Hassler made a last-minute turn only to end up one of his company’s top officials.

Hassler joined AppleOne in 1988 as an account executive - his background revolved around sales and service positions. In the beginning, his intentions were to remain with the company in his former position for a couple of years. However, after several promotions over the span of 16 years, the Inland Empire-native became vice-president for AppleOne, overseeing the operations of dozens of corporate offices in the U.S. Hassler is also responsible for training staff personnel and profit and losses.

“I thought it would be a launching pad. I really thought it would be a two-year career,” admits Hassler.

The feelings of pride and contentment Hassler began with continue to reside with him—he’s as happy with his career as he has ever been. Currently, the demand for expertise in the field of human resources management are high, he says.

“I think companies are paying more money for our services and employees; the value of our agencies is much more recognized than it used to be. There used to be skepticism,” said Hassler.

In most respects, Hassler could be considered a veteran in the field of employment services. Still, he attempts to adapt to the changes he witnesses in his industry. Hassler has watched the emphasis in employment services shift towards technology in the last five years, ultimately cutting out the “human touch” he believes his field needs.

“IT changed a lot with the Internet in the beginning, but now people have come back to realizing that scanning resumes on job boards like Monster.com is not the best way to filter candidates.”

Still, Hassler sees the importance of incorporating technology into careers. Currently, AppleOne clients can screen candidates from their Web site. Hassler says his company is not only reintroducing the qualities and service employment agencies offer, but is also supporting the re-implementation of ethics in business. The financial collapse of Enron and other prominent financial scandals uncovered since 2002, have led many companies to evaluate their methods of performing background checks.

In an effort to decrease spending, some companies trimmed expenditures by not conducting thorough background checks. In the long-term, Hassler says potential scandals involving embezzlement become much more expensive than the upfront costs of background checks.

“The checks are very thorough now ... there are a lot of different options clients have when it comes to the screening process.”

What’s Hassler’s secret to success? Common sense. “I think it’s the root of all success. If you have common sense and a good gut, you will go far.”

While it may seem all bases are covered by employment agencies, Hassler recognizes many of the short- and long-term needs his industry will face. Hassler believes education is key to the success of his company and hopes it continues to take place as his profession—and the outside world—changes, impacting everyone.

“It’s all a team effort—there needs to be a sort of synergy and a willingness to work together to accomplish our goals.”

Gregg Hassler lives and works in Temecula with his wife and their one-year-old son.

Background Checks Becoming Top Priority

continued from page 3

What are the federal laws employers must know regarding background checks?

What are the seven free things employers can do to avoid making bad hiring decisions?

What information is available to employers and how can it be obtained?

How should a business begin the background screening process?

How does effective background screening save companies money?

What should employers know about temporary employees and background checks?

The news is full of examples of workplace violence; companies hiring dangerous individuals who move from job to job without anyone ever checking their backgrounds, and companies which incur major damages from unknowingly hiring dangerous felons, adds Nadell. The fact is, it doesn’t have to be this way. There are ways to prevent a bad hire even simple and free methods. Employers need to know the laws surrounding the background screening process, and must implement basic steps to protect their company.

Subscribe Now! Call Today Inland Empire Business Journal (909) 989-4733

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Only One Piece to the Puzzle to Winter Ad Agency’s Success

Effectively maintaining the relationships forged with clients has been an integral component to the success of Winter Ad Agency since its foundation in Temecula eight years ago. Philosophically, not much has changed since.

Winter Ad Agency, owned by Mary Winter, a local advertising guru and graduate of Chico State University, has been on the receiving end of several regional awards honoring its contributions to Inland Empire businesses by capturing the interest of consumers with eye-popping and catchy ads.

“(Advertising) is problem solving -- it’s finding the correct means to communicate with clients,” said Winter, who credits the challenge her profession presents with keeping her interested for the past 26 years.

If finding unique identities for her clients’ advertisements weren’t enough of a challenge, the addition of other factors such as budget constraints and deadlines have the ability to create a stressful environment.

“It’s tough to constantly go beyond what a client asks for. There are so many creative people out there. I am always looking at what others are doing,” says Winter.

Winter earned an associate of arts degree in fine arts and a bachelor of arts degree in design and communications from Chico State University in 1981. Fusing multiple parts of her education to move forward in her career, Winter began her own advertising agency nearly 20 years ago in Northern California.

Winter Ad Agency has received numerous awards within the past 10 years from the American Ad Federation, such as the Addy award they received in 2000 for the City of Ontario.

But going above and beyond the advertising call is necessary in a competitive market. Although the industry of advertising in the Inland Empire does not require the cut-throat demands of markets such as those in Los Angeles, Winter believes it important to always strive to stay ahead in the game.

Winter says San Bernardino and Riverside Counties’ stretch has proven to be a good climate for advertising, providing much visibility. As a result, Winter Ad Agency’s clients have modestly increased over the past several years.

Compared to Los Angeles “(The Inland Empire) is more positive -- there are more opportunities,” said Winter.

Some of Winter Ad Agency’s clients include Riverside’s historic Mission Inn, the City of Ontario, and the Riverside Convention Center.

From print, to radio, to the Web, Winter Ad Agency tackles any medium the advertising world is intertwined with. In fact, Winter says she enjoys all three and how each perspective market can work with one another.

“...We have to keep abreast of how the Web market works. I think print is still very big, but the Web is still vital -- there is a large audience there,” said Winter.

Though Winter owns and operates her company, she shares its successes with her employees. She believes surrounding herself with professionals who love their craft has helped boost the quality of their advertisements and build a solid reputation in the Inland Empire.

Mary Winter

“It isn’t always about experience. Sometimes, when you are new out of school, you are willing to do anything,” she says “.....The people who work for me make me look good because they have good talent.”

Winter keeps the principle of her advertising agency simple: “Either you have a design sense or you don’t.”

At this point in Winter’s career, she isn’t steering shy of a particular old cliche.

“You have to love what you do if want to stand out. I love waking up every day and making my clients look good. This drives me.”

Advertising examples designed by
Winter Ad Agency

To reach Winter Ad Agency, call (951) 296-9096 or for more information, go to their Web site at www.winteradagency.com

“Time Out”
With Bill Anthony & Joe Lyons
They review gourmet foods, travel and world famous restaurateurs...

KCAA 1050 AM
...plus guest interviews with award winning chefs, renowned wine connoisseurs and leaders in the hospitality industry each Saturday on “Times Everyday ” “Time Out” at 2 p.m.
California Now Mandates Sexual Harassment Training Every Two Years

Are employers required to provide sexual harassment training under California law?

Yes. On Sept. 29, Governor Arnold Schwarzenegger signed AB 1825 (Reyes; D-Fresno), which added a provision to the Fair Employment and Housing Act requiring employers that regularly employ 50 or more employees (or receive the services of 50 or more persons) to train supervisors on sexual harassment every two years.

Previous Law

Employer training of supervisors and employees on preventing unlawful discrimination, including workplace harassment, is not new. Employers have engaged in this type of training for years as a mechanism to prevent workplace discrimination and harassment, and to help defend against lawsuits.

New Training Requirements

Unlike the previous training, employers must now meet state-imposed minimum requirements for such training.

Employers have until Jan. 1, 2006, to provide two hours of sexual harassment training and education to all supervisory employees who are employed as of July 1, 2005.

After Jan. 1, 2006, employers must train new supervisors within six months of them assuming a supervisory position, and all supervisors once every two years.

The training must include “classroom” or other effective “interactive” training and include:

• information and practical guidance regarding federal and state law prohibiting and correcting sexual harassment;
• information and practical guidance regarding the remedies available to victims of sexual harassment in their employment; and
• practical examples aimed at instructing supervisors in preventing harassment, retaliation and discrimination.

In addition, the new law requires that the trainers have “knowledge and expertise in the prevention of harassment, discrimination and retaliation.”

Pomona Unveils New Water Treatment Facility

continued from page 1

In addition to the unveiling of Pomona’s new treatment facility, a new 10 million gallon water storage reservoir also was dedicated during the ceremony. The Reservoir 5 Complex, adjacent to the ASF, now consists of three reservoirs for a combined capacity of 25 million gallons. Reservoir 5C that was recently built has increased the water system storage capacity by 10 percent, enabling the city to provide for additional fire fighting capacity.

“Pomona is dedicated to provide its citizens with exceptional water quality in matters of public health, and with this new water treatment facility and reservoir we will deliver immediate benefits to more than 150,000 residents,” said Mayor Edward Cortez.

The City of Pomona water system uses a combination of local groundwater, surface water and imported water supplies to meet its

continued on page 15
What’s Up With Interest Rates... And What’s Down

by Michael Bazdarich
Senior Economist
UCLA Anderson Forecast
December 2004

Executive Summary
- The Fed’s tightening so far has been very deliberate. The markets have already priced in more aggressive Fed moves than have actually occurred, and so the actual event has been accompanied by declining bond yields.
- The remaining question is just where the Fed will cease its tightening process. One possibility is that the Fed will finish tightening into the term structure of interest rates at the "normal" levels, not merely to slow down the economy (the latter having been the "sine qua non" of previous tightening episodes);
- Our well-below-consensus economic forecast—and its featured, substantial decline in housing activity—suggest that the Fed will finish tightening process earlier—and lower—than the markets now expect.

What a Long, Strange Trip It’s Been

This is a follow-up on a presentation we made at our June 2004 forecast conference. In that presentation, we made two points about the then-imminent Federal Reserve tightening:

1) the Fed would be tightening to bring short-term rates back to "normal" levels, not merely to slow down the economy (the latter having been the "sine qua non" of previous tightening episodes);
2) the markets had already, fully discounted a sharp cumulative tightening into the term structure of interest rates (aka the yield curve).

The import of the first point was that the Fed would be tightening for quite a while and that the process would continue even as the pace of U.S. economic growth slowed from the 5.0 percent average pace of the "soft patch" in the spring, with job ric indicators slowing noticeably.

The economy entered a "soft patch" in the spring, with job ric indicators slowing noticeably.

The experience of the last six months has confirmed both of these points. The economy entered a "soft patch" in the spring, with job ric indicators slowing noticeably. Still, the net impact of that "soft patch" was a decline in GDP growth to 3 percent-plus, down from the 5.0 percent average pace of the preceding year. While 3 percent + growth was slow enough to be dubbed a soft patch, it was not economic weakness per se (rather, it was "normal" economic growth, as we have described it), and so the markets expected to jack bond yields upward.

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EDITORIAL

It is more difficult to organize peace than to win a war; but the fruits of victory will be lost if the peace is not well organized.

Aristotle

COMMENTARY

Say Goodbye to Bad Medicine in San Bernardino

by Joe Lyons

I am told that it is a tragic thing.

I am talking about the closure of a medical facility in the already impoverished north-west section of the city of San Bernardino. But I have to ask the question.

Is bad medicine better than no medicine?

I have written before in these pages about the sad state of affairs in medicine in the Inland Empire today and one of the sites that I have pointed to has been the San Bernardino Medical Center, located coincidentally on Medical Center Drive. Well, now they are closing it down.

I say good riddance.

As has been pointed out here before, there was much wrong with the facility in question. Surgical procedures being performed in the rooms, cadavers being wheeled past the cafeteria, cockroaches wandering the halls and worst of all, a lackadaisical, even disinterested attitude among the help. There were no healers here. Just people putting in their hours. And not happily either.

That another hospital in Southern California has had to shut down is not a good thing. That a facility with a pile of outstanding complaints against it, like San Bernardino Medical, has finally closed its doors can’t be all bad. Over two decades ago, Dr. Robert Mendelson wrote in his book, “The Medical Heretic,” that the best place to catch a disease was in a hospital, because that’s where most of them are. The closure of San Bernardino Medical Center gives us one less place to catch something.

Hike in Upland Water Fees Leaves a Flood of Questions

Exactly how much information is too much information? More importantly, when do too many questions become too much to handle?

It would seem in this new age, when corporate responsibility moved towards the top of the list on Americans’ ethical agenda, some consumers might face their concerns head on. Some U.S. citizens are still waging their own wars on white-collar crimes and fraud that damage “the little guy”.

But locally, there are officials that have failed to those indications seriously. Residents in Upland have voiced their complaints and began questioning the legitimacy of increases in water fees made by San Antonio Water Co. The controversy over the rise in costs began in April 2003.

In an article published last month in the Inland Valley Daily Bulletin, Ray Wellington, the water company’s general manager defended the fee increase, saying it was a result of a continuing drought. Wellington could not be reached for comment.

Unfortunately for some, these fees were not mild or typical increases. Purported information suggests some residents faced bills as high as $3,000 in the summer of 2003.

Ken McNeil, now a former member of the San Antonio Water Co. board of directors, is requesting access to documents detailing the specific reasons for rate hikes. McNeil’s requests have been denied by the company, citing concerns over a breach of the confidentiality of San Antonio Water Co.’s customers.

It would appear that McNeil, who was also a minority shareholder of the water company, is questioning whether or not the biggest shareholder—The City of Upland which holds 70 percent of the company’s shares—has engaged in any illegal activities.

For now, documents are sealed. But how long that may last is uncertain.

Since May 2002, San Antonio Water Co. has been in the middle of a legal tussle with the California First Amendment Coalition and local activist Richard McKee. The group contends the water company should not only make records public, but act as a public agency conducting public meetings and allowing for public comment.

Unlike one side, the request is considerably fair.

How long it will be before serious action is taken or a decision on the litigation is made remains unclear. A decision on the dispute was expected Nov. 5 but was delayed by the state appellate court for an unknown amount of time.
So You Wanna Be a COO?

by Francie Dalton

Let’s start with the characteristics predictive of COO success. These include: a high degree of self-assuredness and mental toughness; a collaborative nature with a background reflecting strong team and service orientations; a willingness to confront and to be confronted; the ability to work successfully with other strong egos; resilience in the face of your own errors and a solution orientation toward the errors of others.

Got ‘em all? Good for you! But even more than having these characteristics is involved in deciding whether the COO position is right for you. Avoid being seduced by money or title. Be alert to the challenges inherent in the job, and vigorously assess what it will take to be successful. Schedule some time alone and be introspective. Ask yourself why you want the position; what makes it appealing; why you think you’re well suited for the position.

Consider using the following checklist to determine whether becoming the COO is actually a good fit for your skills and temperament.

Assess the organization: Is the organization fraught with problems? If so, realize that this diminishes the likelihood of your success. As COO, you’re being hired to generate significant outcomes—but the COO position must also manage people and problems. Be realistic in your assessment of what it’ll take to succeed in the organization.

Assess the CEO: Determine whether the CEO will even allow you to get close to him/her. Do this by asking lots of questions about how s/he succeeds, makes decisions, handles situations. If you encounter resistance to these questions, realize you’ll have a tough time building a relationship with this person.

Assess your tinsel strength: Be clear about what you’re facing; it’s going to take a while before you begin to feel successful. This isn’t a popularity contest. Severe conflicts will be inevitable, and you must be willing to stand your ground, even with an exasperated CEO, confronting as needed. For the COO position, being flame-proof is a prerequisite.

Assess your ability to build trust: Your success as COO is largely dependent on your ability to build trust with both the CEO and your direct reports. To do so, your interpersonal skills have to be extremely well honed. If people exasperate you, you’re probably not well suited for a COO position.

Assess your energy level: Understand that the stronger your subordinates, the more autonomy they’ll need, so the greater the chance for friction.

Additionally, you’ll need to grab any and every initiative the CEO delivers it with minor edits, you’ve done well. Observe how your CEO handles tough situations. Discern his/her strengths, weaknesses, thresholds, and reactions. Strive to understand the CEO so well that you can function as his/her alter ego.

Realize that it’s your job to maximize the strengths and minimize the weaknesses of your CEO. And remember, you must do all this without “becoming” your CEO; you’ll need to maintain your own personal style.

1. Make understanding the CEO JOB ONE. A great way to demonstrate that you’ve “learned” your CEO well is to write a speech for him/her on a provocative, difficult topic. If the CEO delivers it with minor edits, you’ve done well. Observe how your CEO handles tough situations. Discern his/her strengths, weaknesses, thresholds, and reactions. Strive to understand the CEO so well that you can function as his/her alter ego.

2. Learn from incumbents. Dedicate yourself to learning from those already in the organization. Take the time to get to know the organization before you start criticizing, making changes, or launching new agendas. Rather than trying to impress others with what you know, actively create opportunities for others to tell you what they know.

3. Be fluent with past accomplishments. Seek opportunities to demonstrate your knowledge of their accomplishments to date.

4. Quickly identify rallying opportunities. What are the most important issues? Engage your direct reports on specific next steps relative to these issues. Instill a sense of urgency around identified next steps, and accentuate their contributions in front of your CEO.

5. Determine quickly who the key influencers are. Rather than assume you can neutralize them by using the force of your position, get to know them. Not only can they help you overcome resistance, they can also help accelerate the evolution of others’ begrudging compliance into real commitment.

6. Ask for help when you need it. Nothing is more disarming than a senior executive who acknowledges the resident brain trust. Express that you view your role as “helper,” in which capacity you are committed to accelerating their success, easing the process by which they succeed, and where possible, actually facilitating their success. Perhaps most importantly, be explicit about needing their help. Articulate an awareness that your own success is dependent upon each of them coming alongside you, sharing their knowledge and experience, collaborating as colleagues who are all committed to the success of the organization.

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Mandates for Employers
continued from page 5

(Assembly Bill 205): On Jan. 1, the state’s new domestic partner law takes effect and requires qualifying employers to extend the same rights and benefits to domestic partners registered with the state as currently provided to spouses of employees. Although the new law expands domestic partner rights, the only employers who must amend their workplace policies to comply with this statute are those who currently provide benefits to employees’ spouses. Some of the new benefits that employers will most likely be required to provide are:

• Health and welfare benefits to the same extent such benefits are offered to spouses;
• Right to take extended unpaid leave to care for a domestic partner;
• Moving expenses, membership, membership discounts, travel benefits and any other non-ERISA benefit that is currently offered to spouses;
• The same rights regarding non-discrimination as those provided to spouses.

Domestic Partners Health Care Benefits (Assembly Bill 2208): This new law requires group health care service plans, health insurers and other insurance companies that offer policies in California, to provide the same insurance coverage to registered domestic partners that they provide spouses. Before, insurers were only required to offer domestic partners coverage equivalent to a dependent. The law complements the Domestic Partnership Rights and Responsibilities Act of 2003, which grants registered domestic partners some of the same rights and responsibilities under California law as married couples.

Workers’ Compensation Reform (Senate Bill 899): On Jan. 1, the most sweeping workers’ compensation reforms in the state’s history will take affect. Specifically, the reforms contained in SB 899 will fundamentally change the system for determining the level of injury and the amount of disability assigned to that injury. The key points of the new law are:

1) Requiring that disability reports be based on the standards from the American Medical Association’s 5th Edition of Impairment standards and that the disability schedule be objective and consistent.
2) Ensuring that employers are only responsible for the portion of the injured workers’ disability that is the result of their existing job;
Hotel Manager Watches Idea Become Reality

Wayne Austin has climbed the ladder of success in hospitality and hotel management only to find himself reaching new heights. Austin began his career as a busboy at the age of 13 and now—for the past seven years—Austin has been the general manager of Lake Arrowhead Resort. But the journey to the top of his career has been no easy fete.

“I’ve been in a number of disciplines, from accounting and sales to management. ... I’m not just a sales or operation kind of guy though,” said Austin.

Austin graduated from the University of Nevada, Las Vegas with a bachelor’s of science degree in hotel administration to strengthen his career. His experience and good eye for what works continues to benefit not just himself, but those he serves.

Most recently, Austin took his ideas on improving the quality of his establishment to the next level by renovating empty space and converting it into a coffee house and jazz lounge. “We are hoping the lounge continues to grow,” he added.

In November, Austin became a part of the Lake Arrowhead Chamber of Commerce’s Board of Directors.

But Austin still hasn’t reached the final step of the ladder, as he would like to one day own his own inn or hotel.

“It’s a 24/7 gig, but I’m in the right place. I want to be here (hospitality management) in the future.”

Austin lives in San Bernardino with his wife, Cheryl, who is principal of the Holy Rosary Academy. For fun, Austin enjoys bass fishing and working on the Inland Empire Boy Scout Council.

Newly-elected County Supervisors Sound off

continued from page 2

District based on my record of successes in economic development, public safety and transportation issues.

What has your district lacked, if anything, during the last term or in the past?

Our district has not received transportation dollars commensurate with our contribution of tax dollars.

What does your district need now?

Our district needs better planning, economic development, assistance in developing the Ontario International Airport and finally additional transportation dollars.

What are some of your goals for the region as a supervisor?

My goals are to create more jobs, decrease congestion, and to provide for the completion of Route 71 and the development of Pine Avenue as a transportation artery. When your term expires, what would you hope to see accomplished? What would you like to attend to afterward?

With only two years remaining in the term, I hope to make more Megan’s Law information accessible on the Internet and provide for more prison space to house prisoners. I also hope to bring more Measure I dollars to the 4th District.
Tech the Halls

by J. Allen Leinberger

Last year I told you I was giving up on my annual computer games column. If you thought I was kidding, consider the recent release of JKF Reloaded.

So let's look at something that I think is more fun and will be of better help when you're shopping for the propeller head on your list.

Computer peripherals.

You already know about iPods and PDAs.

So what do you get for the person that has them? First might be a new iPod. The one I wrote about two months ago is old already. The new iPod also stores photos. Or you can get a new U2 version that pays tribute to the rock group of the same name and comes in black and red.

Any iPod owner could probably use a good headset. Koss and Bose make some of the best. Bose also makes a sound dock that lets you charge up your player while playing the contents through a set of speakers.

HP has downloadable designer covers for the otherwise dull white iPod, and Griffin make a flashlight or pointer beam attachment, although I don't know why.

My favorite attachment, as I mentioned in that last column, is Sonnet's Podfreq.

This devise lets you play the iPod in your car off of your FM radio without that frustrating little dangling wire attachment that never seems to work.

You need not feel that the Apple iPod is your only choice in MP3 players either. Dell makes the Pocket DJ. Rio makes one called Carbon. Creative has the Nomad MuVo2. Virgin's entry in the market is the Player 5GB. Even Apple makes the smaller and more colorful iPod Mini.

In shopping for the right MP3 player consider these options. Do you want photos? Voice notes? TV. (Yes! TV). Audio books? What about availability and selection of Online music services? Then there is the issue of price, support and capacity.

Cell phones have color photo function—games, TV and movie theme ring tones. Several have added some sort of walkie-talkie speakerphone function, like Nextel. Some phones even have Bluetooth wireless earphones, those funny Elfin things that hang on NBA players ears.

On now to the Personal Digital Assistant. The PDA. Also known as the Palm Pilot, although Palm has advanced beyond the Pilot years ago. As its potential grows, it and the cell phone (and the digital camera) get closer and closer. Blackberry technology actually brings them together. The new cell phones are also cameras and also e-mail deives. This is why you can't take one into the theater.

The PDAs themselves continue to grow. They can play music, just like an iPod. They also have Bluetooth wireless capability, along with new programs compatible with Microsoft Word and even Power Point.

What a sales tool! Your own private pocket slide show presentation. As for digital cameras, they have slowed down a bit. While a six megapixel camera can be found on the market, four seems to be the standard for the moment. Smaller and cheaper is the word here.

Also the means of reproduction keeps developing. (No pun intended.) Although your neighborhood one-hour photo would still be happy to print up your vacation shots, you can now ignore the computer and go directly to the home printer. Even Polaroid is not happy about this development. As for big screen TV, I said five years ago that I would wait for five years. I am still waiting. The debate between plasma and LCD still rages and rear projection is making a comeback. My old 29 inch still works fine, but I buy my DVDs in widescreen, just in case.

Let me also add that everything I have discussed here is pricey. If the company party gift exchange is limited to $10 or less, nothing I have told you about qualifies. Better you should put these items on your own list.

For everyone else, there is fruitcake.

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Mandates for Employers

continued from page 11

3) Closing a loophole that allowed multiple disability awards in excess of 100 percent of disability;

4) Creating a new medical network for employers to control unnecessary medical utilization in the workers' comp system that provides that injured workers be treated by a network chosen by the employer. However, there are extensive provisions to allow injured workers who are dissatisfied with their care to change doctors within the network and ultimately to ask for an independent medical review;

5) And ensuring that medical treatment follows nationally recognized guidelines.

Production of Evidence: Employment Records (Senate Bill 1465): This law requires that when a subpoena for documents is sent to a labor union for records related to a current or former member's employment, a notice must be sent to the union member, just as when a subpoena for documents is sent to an employer for records related to a current or former employee's employment, a notice must be sent to the employee.

Other legislation that will have an affect on employers next year
Develop Your Employees Through Questions, Not Answers

by Doug Silsbee

When a child asks you for help with homework, do you tell the child the answers and do the homework for the student? Of course not! Most adults know that to do so would be to shortcut the child's learning process. Instead, we help children study by asking them questions that guide them through the problem-solving process. The objective is to help them learn to think and solve problems for themselves, not to simply provide them the answers. After all, how could the child possibly do well on the test if a well-meaning adult gave the child the answers during study time?

If helping through questions is so obvious for the parenting example, why isn’t it as obvious when we’re helping fellow adults? The fact is that in many companies, managers are far too quick to jump in and fix their employees’ problems for them. Rather than asking employees a series of questions designed to develop the employee’s thinking process and enable the employee to solve the problem him or herself, many managers give employees the answers, or, worse yet, do the work for the employee.

Why do so many managers make the mistake of providing their employees with answers to all their questions? Part of the problem lies in the fact that most managers haven’t been trained as coaches. They are simply doing the best they can at putting out the inevitable brush fires and keeping projects moving forward. Therefore, we can easily understand why managers default to the easiest and fastest possible way of resolving problems. As well intentioned as this “expert” model of management is, the long-term results of being “too helpful” are dire. Consider the following facts and consequences of this management style:

- **Fact:** A manager can often provide a solution more quickly than it would take to discuss the problem and elicit the employee’s thinking about solutions.

**Consequence:** Knee jerk first responses to problems often aren’t the best responses. As someone said, “There’s nothing more dangerous than a good idea when it’s the only one you have.”

- **Fact:** In the high-pressured environment of today’s workplace, providing quick answers takes away the tension that unsolved problems create.

**Consequence:** Short-term thinking sometimes creates longer-term problems. Providing easy solutions to employees without expecting them to think for themselves creates dependency and undermines the employee’s motivation and ability to solve future problems on his or her own.

- **Fact:** Many managers have been promoted from individual contributor positions where they once excelled.

**Consequence:** When managers enjoy the technical aspects of the work they supervise, they easily prioritize their interest in problems and their solutions over developing employees. Solving problems is part of the manager’s job; developing employees is harder to do, yet arguably more important for the long run.

- **Fact:** Providing solutions makes the manager feel smart. When the manager suggests how to handle an employee’s unsolved problem, the manager is psychologically affirming his or her own knowledge and experience.

**Consequence:** The manager is affirmed, but the employee gets the message that he or she wasn’t capable or knowledgeable enough to solve the problem. Managers sometimes are motivated by the wrong things.

- **Fact:** Managers generally have more experience and knowledge to draw from than their employees.

**Consequence:** If a work group solely relies on the manager’s experience and knowledge, they will likely continue to do things the way the manager has done things in the past. This deprives the organization of the innovation and creativity that could emerge from a more thorough exploration of the problem and possible solutions.

### Questioning Strategies for Effective Management

Fortunately, you don’t need an advanced degree or intensive training in coaching methods to begin to change these dynamics. Nor do you need to forget everything you’ve already learned about managing people. A shift in emphasis, and a few simple tips for asking questions in everyday work situations, will go a long way toward changing the pattern of dependency and developing your employees. Here are a few questioning strategies that will help:

- **Strategy #1:** Ask questions that help employees see the problem differently. You might ask, “What was different last week when this was working?” or “How might person X view this problem?” or “What would need to be different for this to not become a problem?” Such questions help expand the employee’s view of the issue.

- **Strategy #2:** Exercise the discipline to develop, along with your employee, at least two and preferably three alternative solutions. Put the first solution on the shelf. Then, challenge your employee by saying, “Okay, that’s a great idea. Now, can you come up with another viable option? With two ideas, we’ll have a real choice.”

- **Strategy #3:** Ask “Why?” five times in a row. This investigative approach helps move the conversation about a problem towards the discovery of the problem’s root cause. Each time the employee answers a “why” question, the manager asks “why?” again, looking for the layers of causality. Eventually, by going deeper and deeper through the layers, you can arrive at the problem’s root cause, which is what a good solution really addresses. Be clear that you are seeking to help the employee solve the problem, not grilling him or her or trying to affix blame. You’re simply sharing an investigative technique.

- **Strategy #4:** Consider how you have approached similar problems in the past. Use the problem as an opportunity to ask the employee questions that lead him or her through a problem-solving process you have previously used. You might ask the employee, “What information might help narrow the problem down?” or “Who else has dealt with this before?” or “What tools or technologies might offer a new approach that no one has tried?” These questions get the employee thinking both about resources and the process of approaching a problem.

- **Strategy #5:** Use questions that inquire into the employee’s contribution to the problem. Generally, if a person can think of the ways in which he or she is helping to create the problem in the first place, the employee is just one step away from identifying what he or she can do to solve it. Asking, “What did you do that you think might have made him mad?” can lead to: “I could be less critical of his efforts; he’s new on the job.”

Likewise, asking, “What are you usually doing when the error rates go up?” might lead to: “I suppose the error rates are higher when I’ve not calibrated the machine for a while.”

The bottom line is that engaging employees in solving their own problems values their intelligence, cultivates their independence, and enhances their independent problem-solving capabilities. Doing this requires some investment in precious time and a willingness to experiment with your approach as a manager. But the investment is certainly worth it. You can reduce dependency, boost morale, build more capable employees, and develop better solutions. In the long run, tapping into the intelligence of everyone is simply common sense.

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MANAGING

How to Resolve Conflicts

In the ninth episode of NBC's reality show "The Apprentice," candidates had the task of renovating two suburban houses in desperate need of repair. In the end, professional appraisers reassessed the homes, and the team that had increased the value by the highest percentage won the competition. While designed to entertain, "The Apprentice" depicts business interactions and challenges that frequently occur in real-world settings.

American Management Association, the world's leading membership-based management development organization, has brought together its leading experts to provide viewers with practical advice they can apply in their own workplace. Each week, AMA posts on its Website management and leadership lessons based on issues raised on "The Apprentice."

"Conflict is a natural consequence of human interaction. Put two or more individuals together for a significant period of time, and a difference of opinion is likely to arise," said Edward T. Reilly, president and CEO of American Management Association. "When individuals clash, they can become so concerned with defending their viewpoints that they stop communicating. This isn't to say that disagreements can't be productive. They can generate constructive dialogues, from which new ideas are developed and implemented. However, when conflicts impede teamwork within your group, you need to know how to manage them," Reilly said. He offers the following advice:

• Find common goals. Remind the parties of their common mission. Stay away from personality issues. Rather, ask the individuals to review their goals and focus solely on common or compatible ones. Once the goals have been identified, the group can move on to discuss how these goals can be shared.
• Identify the source of the conflict between team members. The more information you have about the disagreement, the more you can help resolve it.
• Gain commitment. Goals may be shared, but the preferred means of reaching them may vary. You want to reach a consensus on the best way to move toward achieving the shared objectives.
• Exercise professional courtesy. Brusque demands can only be alienating. Worse, hostility can become infectious, affecting all the members of the team.
• Look beyond the incident. It isn't always the situation but the parties' perspective of the situation that causes the anger to fester and may ultimately lead to a shouting match or other visible—and disruptive—evidence of a conflict.

Talking with team members with whom there have been personality conflicts may enable them to put an end to further conflicts. Even if they just agree to disagree on a matter, it may be enough to end a disruptive conflict.

• Confront the issue privately. If you must confront a team member, customer or vendor, do so in private. Raised voices have no place in a work setting. But this does not mean that you let poor performance or lack of cooperation from another continue.
• Avoid hostility by reframing the conversation. Communicate with care. This is especially important when dealing with people who have had past disagreements. Advise them not to open the door to further disagreements by being either invasive or unnaturally friendly.
• Accentuate the positive. When you see evidence of positive performance from an employee who can be difficult to work with, acknowledge it as such. Let your team member know that such collaborative performance is appreciated.

• Clear the air. Talk in a frank but non-threatening manner. Talking with team members with potable demand requirements. Generally, about 70 percent of the potable water for the City of Pomona is produced from city-owned wells and a Surface Water Treatment Plant. The city purchases imported water from the Three Valleys Municipal Water District (TVMWD), a member agency of the Metropolitan Water District of Southern California (MWDSC).
How to Get Feedback That Benefits Your Business

by Matt Hoffman

Whether your business is still in an economic slump or your sales have been skyrocketing, you know things can change in an instant. That’s why you need to regularly check the pulse of your business and find out if your employees and customers are truly happy. If they’re not, then it’s time to make some changes to create the happy, loyal, and long-term employees and customers that are the key to your company’s success.

The best way to evaluate how your business is doing is to gather feedback from your customers and employees. You can do this several ways, from asking questions verbally to completing surveys. Following are some pointers that will help you get the feedback you need to improve your business:

Customer Feedback

If you had to choose one group, customers are by far the most important source of feedback. After all, if it weren’t for them, your business wouldn’t exist. The only way to know if your customers are really happy is to listen to what they say. This requires your employees to actively listen to your customers and directly ask their opinions regarding different aspects of your business.

One of the simplest ways to gather feedback from your customers is to simply have your employees ask them, “Is there anything else I can help you with?” or “Is there any way in which we are failing to meet your needs?” Pay attention to what your customers say and record it to analyze later. Another way to gather customer feedback is to have them complete a questionnaire with such questions as: “Did we ask everything you expected us to ask?” “How did we meet your expectations?” and “Were you satisfied with the service you received?”

While you certainly need to listen to the words your customers say, also read between the lines. Even though a customer may say she’s happy, does her tone of voice really reflect that sentiment? Most communication is non-verbal, and if you’re talking with someone over the phone, you cannot read the expression on the person’s face or their body language. But you may be able to pick up on subtle reactions they have, like a sigh.

You can also pay attention to the questions a customer asks. For example, if a customer asks, “What about that great offer you had a month ago; whatever happened to that?” After the employee gives a standard response, the customer may respond with: “Oh, okay.” You may just write it off as a passing comment, but maybe it isn’t. Track how many customers ask that same question. If you know that question always leads to three more questions, you can manage their expectations (and perhaps prevent disappointment) by developing a response that answers the initial question but also answers the next three questions in advance. Anticipating your customer’s needs makes them happy and shows them that you “know” them. This helps build relationships.

Written surveys are also good tools to collect information from customers. They can either be done by phone by a representative or through IVR, over the Internet, or through direct mail. Remember to respect your customers’ time by keeping the survey quick and easy. Importantly though, make sure you include at least one question on the survey that allows customers the opportunity to give specific feedback (both good and bad) using free form text.

How to Use Customer Feedback to Your Advantage

Now that you have this feedback, what do you do with it? The first step is to evaluate what you have. Develop a database tailored to the information you want to track (i.e. pricing structure, quality, service, etc.). Then look at the percentage of your top two positive responses to get a good representative sample. Don’t count the neutrals. If you want to do some service recovery, look at the two lowest responses too. Once you have a representative negative response, you can research why people are disappointed and find a way to remedy it.

Just as it is important to turn unhappy customers around, it is also important to reward people who already think you’re good.

Keep your loyal people happy. If you follow up with a customer about their feedback, they may think, “Hey, those people actually paid attention to me and my voice is important. I’m going to keep going back to them.”

Finally, you can use customer feedback as a tool to evaluate employee performance. To do that, ask specific questions about the employees, such as “Was the person who helped you knowledgeable, polite, and friendly?” With specific information about employees, you’ll know who needs more training and who is performing well.

Frontline Feedback

Too often we ignore information from our front line employees dismissing it as “complaining.” However, next to direct contact with your customers, they’re the resource for providing customer feedback since they are the ones who actually interact with the customers. They can be an invaluable source of information by looking at both general and specific observations (if your company relies on one product but has not been happy with the quality of another).

Your employees are on the frontline taking care of the customers, so you need to keep them as happy as possible. Therefore, listen to any input they offer; it makes them feel appreciated.

One way to do this is to have a monthly focus group with different employees in order to keep on top of any new issues. Focus groups allow employees to vent and voice their opinions about the many issues that affect their jobs—whether they are consumer related or not. Additionally many employees feel more empowered to speak as a group and feed off of the group dynamic and in some cases may say more than if you asked them individually. Also, it is a nice motivation tool to follow up with the same group when you have acted on any of their suggestions—it shows you value your insight and makes them feel as an actionable part of the team.

Another way to solicit feedback about internal policies, procedures and tools is by offering the opportunity to complete a survey. Be aware that sometimes employees are reluctant to participate in surveys and you may not get the feedback you need. In this case, offer an incentive. One effective incentive could be a raffle. When employees drop off their anonymous surveys into the box, they get to take a ticket. The ticket stubs go into a raffle with the winner receiving a prize. Or, if your survey is not one that needs to be anonymous, offer employees a dollar, or a company-paid lunch, or movie tickets. Obviously this is not something you want to do if you think you’ll receive biased results. But if you’re just looking for consumer information, you’re more likely to get accurate responses and better employee cooperation if you offer an incentive.

You probably won’t need to twist any arms if you are asking employees to talk about what they do and ideas on how to make their jobs better. But if you want to ask about internal policies that affect them, such as attendance policies or dress codes, it may be a little harder to get cooperation from them unless they feel that it’s anonymous and safe. Try an online survey for anonymity or even hire a third party to conduct the survey for you. This way you’ll avoid biased opinions and be more likely to get honest results. Use the information gathered from these surveys to make changes within your organization that benefit employees and management.

Survey employees on any policies that affect them directly (the continued on page 21
Five Secrets to Avoiding Workplace Interruptions

by Dale Collie

If your workdays are shorter than your to-do lists, you’re in good company. Even the most organized people are finding that constant interruptions get priority over planned work. Interruptions are among the top 10 workplace stressors and they’re costing companies millions of dollars each year.

Many efficient people arrive early to review e-mail and get organized. Before the official day begins, however, others note their presence and drop by with quick greetings and urgent conversations, How do we tell these people we’re here to work, “Leave me alone!”

Phone calls are constant with internal requests for information and outside calls demanding our attention. Some people want decisions; others want information, and everybody wants a piece of your precious time. Every glance at the clock reminds you that the to-do list is waiting, and stress levels climb.

Advisors tell you to delegate more work, get control over that phone, let the machine or your assistant screen calls. Still others say you should prioritize tasks or work from home.

In addition to the goal setting and time management techniques you’ve learned, here are five proven strategies you can use to eliminate these random, stressful interruptions.

1. Schedule Time
One of the easiest things to do is to schedule times for taking calls, responding to voice mail, checking e-mail, and accepting visitors (all visitors, internal and external).

Train those around you to respect your schedule and hold them to it. People won’t comply if you occasionally allow interruptions with a wave of the hand that means, “We’ll make an exception this time.”

Specifically allotted times requires you to prioritize your e-mail, voice mail, and telephone conversations. You’ll find yourself deleting less important e-mail and noting which voice messages really need your attention.

When your telephone time is up, simply announce that you “have to go now.” Don’t explain the reasons or that you’re on a personal schedule. Just ask whether that covers everything or whether you should call back. You’ll usually find out that no additional call is required. Don’t let the priorities of others interfere with your own schedule.

2. Establish Procedures
Start a list of the type information people ask of you. Note the questions and answers. You can then prepare a log book, policy manual, or resource book where the routine information is available.

You don’t even have to capture the information yourself. Require others to write out the question and your response each time they come to you for information. They can drop it in the designated mail tray for you before the end of the day along with a short paragraph on what they accomplished with your information.

This strategy works in two ways. First, you capture the essential data, along with feedback about whether it was sufficient. Their notes become the basis for your reference manual. Second, people who hate to write stop bringing you questions that can be answered in some other way.

The policy manuals can clean up inconsistent understandings and act as a good reference for training new staff. Put the information in writing and encourage everyone to use the manual to prevent unnecessary interruptions.

3. Delegate Authority Along With Responsibility
Many of the interruptions are the result of people “feeling” like they don’t have authority to make decisions. And this lack of authority generates a lot of interruptions.

It’s a simple matter to train employees to respond according to certain principals instead of seeking approval for every incident. Give them authority to act according to these principals.

If your company policy is to make every delivery on time, there’s no need to interrupt management for approval to change production schedules or re-route delivery trucks.

The policy is the policy, and we do what it takes. Everyone in the company should be able to make these decisions once you make clear the company policy. Make sure everyone understands their level of authority so they don’t interrupt others unnecessarily.

4. Train People to Make Their Own Decisions
Many people who don’t like to make decisions would rather sit idle and await management’s decision rather than take the initiative and do something for which they will be held responsible.

A great example of giving authority along with responsibility can be seen in the instructions an aid received from Major General George S. Patton (son of WW II famed General Patton). He said he wouldn’t have hired the aid as his number one assistant if he didn't trust his judgment and ability. “If you ever get fired around here, it will be because of something you’ve failed to do rather than something you tried to do right.”

His advice felt a lot like a chewing out, but it gave the aid the decision-making authority he needed to get the job done without interrupting him time after time.

Old General Patton trained his aid on how to get the job done. Once the aid understood his goals and policies, he could make decisions himself.

In addition, the assistant certainly knew which items were important enough to merit General Patton’s input and held them for discussion during one of the “scheduled” 5-10 minute conferences just before lunch and before the end of the day. Schedule times to brief your boss and times when your people can brief you.

5. Maintain Frequent Face-To-Face Communications
Most people respect you, and having an open line of communications contributes to good teamwork and productivity. Keep this in mind when you close your door to get control of your time. They haven’t been interrupting you just to keep you off balance.

You can control your schedule and give people the interpersonal communications needed to lower stress and make them a part of the ongoing operation.

One example is a well-liked plant manager of a large smoke-stack factory. One of the manager’s strategies involved a simple walkthrough of the factory at the beginning of each shift.

He got an idea of whether things were being done according to policy, and for employees, his presence was a time of greeting, “How are the kids?” “Did you have a good vacation?” “Did your son’s team win last night?”

People love face-to-face time with management. Break rooms, lunch areas, and water coolers are natural gathering places. You can even make the rounds of their offices or work stations. Approach them on their turf and on your schedule to avoid many interruptions during the day. Take control of the interpersonal time that people need—avoid interruptions.

Schedule your time; establish procedures; delegate authority; train people to make their own decisions, and maintain face-to-face communications. These simple leadership skills will save time for you and everyone involved. Wouldn’t it be great to get six hours of productive time for ourselves and our employees instead of two or three hours that we often experience?

These interruption-busters are not for the timid. You’ll take some heat for changing the normal routine. In the end, however, you’ll be in control of your schedule. Productivity will improve, and you’ll boost the bottom line.

ABOUT THE AUTHOR
Dale Collie is an author, speaker, former U.S. Army ranger, CEO, and professor at West Point Please visit: www.couragebuilders.com.
Food Connoisseur Hands Down Expertise

by Corey Arvin

A love for fine cuisine and teaching a life-long passion has paid off many years for Bob Small, dean of the Collins School of Hospitality Management at Cal Poly Pomona—and now his students as well. The Collins School recently received $1 million from Hae Park, an alumni of Collins School. It's the first alumni gift the school has received since established in 1972.

"The gift was in honor of Dr. Donald Lumberg," said Small. The school is really in the middle of some exciting changes.

Small is focused on guiding his students on the right path while bringing recognition and building a reputation for the school. Currently, Small is filling in as interim dean over the next year until a replacement is found. He was dean of Collins between 1987 and 1994.

"I had excitement about cooking and the food business since I was a kid. It's the only thing I ever wanted to do. Food and wine are really the only things I have ever done in one fashion or another," he said.

Dr. Bob's Handcrafted Ice Cream, one of the most premium quality ice creams in the world.

Surprisingly, Small's plate isn't quite full yet. He is preparing for the preliminary stages of a book he is writing which details the variety of wines that exist. The project is expected to take up to two years to complete. Once a suitable replacement for Small is found at Collins School, he plans to retreat to Europe for at least a year as he finishes his book.

Small and his wife, Michelle, reside in Claremont. In his spare time, Small enjoys skiing and a few rounds of golf when he gets a chance.

Cigars Rule in Vegas, Again

by Joe Lyons

For the ninth year in a row some six thousand cigar smokers gathered in Las Vegas to celebrate a glorious and disgusting habit. The pleasure of a good cigar.

Don't like the things? Stop reading now.

This is a feature article, and I have no more objectivity about my topic than Michael Moore had about his.

The seminar portion of the weekend began as usual. Three cigars in a pouch to each attendee, promptly at 9, Saturday morning. This year's theme is anniversaries so each cigar represents a milestone for the company who produced it.

First, and favorite, for the day is the Padron Serie 1926 Fortieth Anniversary Nicaraguan. It not only celebrates the anniversary of the company, it salutes the founder's birthday. Padron cigars have been counterfeited so often that each stick has a serial number on its secondary wrapper to identify it.

Jose Blanco of La Aurora presented his company's centennial anniversary cigar, the Aurora 100 Anos Special Size. The Big Smoke got a five and one-half inch cigar, but the stores will be carrying a five inch version.

Just as the Padron was all Nicaraguan (binder, filler, wrapper), the Aurora is all Dominican Republic. The third cigar maker of the morning was Litto Gomez of La Flor Dominica whose Diez Cubano celebrates his company's 10th anniversary. The tobaccos for his smoke not only all comes from the Dominican Republic, they come from the same tobacco plantation, making it, he declares, the equivalent of a chateau produced wine.

Other speakers for the morning included Theo Folz, president and...
Temecula Wineries Win Gold

by Cary Ordway and Bill Anthony

While the 23 wineries of the Temecula Valley are a fraction of what you might find in ever-popular Napa—with at last count, something like 300 local wineries—Temecula's wine-tasting experience is getting high marks from travelers who have happened on this scenic valley almost by accident.

Located just off the well-traveled Interstate 15, between Riverside and San Diego, the gently rolling hills and scenic vineyards of Temecula now are becoming a destination in their own right. Not just a gimmick to boost local tourism, the wineries of Temecula make good wine—turning the fruit of the valley into wines that are satisfying even the most sophisticated palates.

And, as festive visitors now pack many of the tasting rooms on weekends, wineries continue to pop up at the rate of two to four per year, according to Linda Kissam, executive director of the Temecula Valley Winegrowers Association. Big resorts are on the way, too, such as the South Coast Winery's new resort and Spa that was estimated to cost $20 million but will cost well over that by the time the complete facilities open in early 2005. Not to worry—the resort already is on its way to paying off that investment with its 76 villas booked solid on weekends even though the resort offices, restaurant, spa and winery are still under construction.

"The whole goal here," says Mark Zovic, South Coast's general manager, "is for Temecula to be taken seriously." Zovic compares Temecula to the Napa Valley of 20 years ago when its tourism infrastructure was catching up with the growing popularity of the region. But one of the local winemakers pointed out there is a big difference—many of Temecula's wines are already considered competitive with Napa and certainly not 20 years behind in the attainment of overall quality.

One vintner who feels pretty good about the quality of his wines is Nick Palumbo, a 38-year-old grape grower who just two years ago opened Palumbo Family Vineyards and Winery. Picture a 20-year-old rambling farmhouse set on 12 acres of vineyards and you see that the emphasis in this business is on family. The oak barrels containing the 1,500 cases of wine he produces each year are piled high in what was once Palumbo's three-car garage.

Palumbo grows the grapes and "drives the tractor every day" up and down his vineyard rows to make sure the four varieties of grapes he is using will be the quality needed for his special wines. He's an example of what you'll find elsewhere in Temecula—a vintner who is willing to stand there a few minutes and tell you how it's done. That's another difference from Napa, the locals say: almost all of the Temecula wineries are family-owned.

"If I didn't have control of the vineyards," Palumbo says, "I wouldn't have control of the quality."

Palumbo says the reason his mom-and-pop operation can produce wine commanding the highest prices in the valley is "I can do a lot more things than the other guys can." For example, he can split his lots and make a big difference in taste by using different yeast in each lot and then blending the two together.

Over at Ponte Family Estate Winery, the emphasis is a little different, according to owner Roberto Ponte. "I was confused before," Ponte explains. "I thought it was all about the wine."

The people who visit his winery, Ponte says, are interested in a getaway experience, and wine just happens to be part of that. Beginning with a concept of "a day in the country," Ponte set about to create a kind of mini-theme park all built around his winery and surrounded by hundreds of acres of vineyards. Opening in the summer of 2003, Ponte Family Estate Winery offers one of the valley's largest tasting rooms and a gift shop—similar to what you find in Napa—and also serves gourmet California cuisine in the popular Smokehouse Café (which actually seats dinner outdoors.)

Visitors are encouraged to stroll the grounds of the winery where they will find park-like pathways and exhilarating vineyard views in addition to the many features of the winery such as the giant stainless steel containers, the wine storage area ("where the wine sleeps," Ponte says) and other buildings and processes related to winemaking. The setting is popular with couples who choose the winery for a wedding backdrop, and Ponte has a large event tent used for meetings and parties.

With the exception of the new South Coast villas, most of the accommodations in the Temecula wine country are bed-and-breakfasts or small inns, and there aren't many of them. That's one reason that Luis and Sherry DiBernardo are enjoying early success with their new bed-and-breakfast inn, the Castle. Built three years ago, the Castle was designed to be a spectacular home for the DiBernardos but they left one wing of the home unfinished just in case they decided to become innkeepers. In January of this year, they did just that.

The Castle itself is not just a name—the European décor and furnishings, the high ceilings and chandeliers all add to the medieval feeling. One end of the Great Room has a stone wall and long breakfast table befitting King Arthur. Medieval paintings cover another wall. The four guestrooms also share in this motif to one extent or another, and most include Jacuzzi tubs.

The Embassy Suites Hotel in Temecula is a very convenient hotel adjacent to the 15 Freeway at Rancho California Road. It is an all suite hotel that includes a complimentary breakfast and evening reception. For more information or to make reservations call (909) 676-5656.

Visitors to Temecula will find they can reasonably visit between

continued on page 21
Hospitality Expert Keeps Moving Up

by Corey Arvin

Vangie Esteban knows hospitality ... and she knows it well. For more than 20 years, Esteban has worked progressively in the hotel industry. As apart of an upward trend for Esteban's career, she was promoted to director of sales for Embassy Suites Hotel in Temecula from the Ontario Airport Hilton.

Esteban has had quite a share of positions in the field of hospitality and hotel management, mostly revolving around sales and marketing. But before committing to sales and marketing, Esteban held such titles as reservations manager, front office manager and operations manager.

The core of Esteban's career keeps her excited: travel and meeting new people. But the position demands long hours and can be "overwhelming at times."

"I really like what I do. You never know what to expect or where you may go," when traveling, she said.

In the near and distant future, Esteban doesn't expect much to change; she would prefer to continue working in the hospitality and hotel management field.

"There's an increase in business here. It's a good place to be," she said.

Esteban currently lives in Murrieta with her husband of 27 years, Ed. She has four children between the ages 18 to 26. In her spare time, Esteban enjoys watching home and gardening television shows, karaoke and spending time with friends and family.
Temecula Wineries Win Gold

continued from page 19

four and six wineries in a day—most of the wineries are clustered in an area along Rancho California Road. But wineries are not the only attraction in town—the city’s historic Oldtown is a popular day trip for people from surrounding communities—boutiques and antique shops galore. There are seven championship golf courses in the area, as well as lakes for fishing. And, if you want to try something totally unique, local hot-air balloon companies will give you an angle on the valley you won’t get from anywhere else—a dreamy view from hundreds of feet above the gorgeous Temecula valley wine country.

How to Get Feedback That Benefits Your Business

continued from page 16

attendance policy, for example), on how much they feel the company values them, and on how they feel they fit in to the company. You can do this with a survey, much like you would use with customers, or it could even be by an anonymous suggestion box. Even if you are not able to change a policy employees don’t like, at least you will learn what issues bother them and you can explain why certain policies are in place. Sometimes people just like to know that their voice is heard.

Institute a Feedback Policy Today

This isn’t a time for guesses. The only way to know what your employees and customers want and need is to ask them. Decide what information you need and develop a plan for gathering feedback. Analyze the data you receive and put it to good use. Only then will you have the inside information you need to keep your company strong and profitable for years to come.

About the Author:
Matthew Hoffman is a consultant and quality assurance manager at Kowal Associates, Inc. a customer service consulting firm located in Boston, MA.
The Circus is Back in Town: More on the State’s Budget Crisis

by Michael Bazdarich
Senior Economist
UCLA Anderson Forecast
December 2004

Ladies and gentlemen, step right up for the greatest show on earth, taking place across three rings right before your very eyes. Marvel at the gravity-defying, miraculous triple-flip. Gasp at the acrobatic, disappearing VLF backflip—I mean, backfill. Thrill to the recovery revenue catapult. Laugh at the clownish antics of the deficit finance spectacle.

Introduction

Sacramento’s annual budget antics are entertaining indeed. In years past, the Davis Administration’s budget dealings resembled a flea circus: lots of appearances of action, but nothing much really going on. This year, the actions of the Schwarzenegger Administration and the legislature were positively epic. In fact, I didn’t even make up the “acts” cited above. Between “triple flips” and disappearing backfills, the action has been fast and furious. There has even been some progress toward reducing the state’s chronic deficit. Unfortunately, there is a lot of progress still to make.

This analysis attempts to provide the reader some comprehension of the current situation: just why those prospective deficits keep recurring each year and how big they might really be when the next fiscal year begins in June 2005. Our September 2003 forecast conference included an exposition of the state finances at that time: “Shades of Gray: Whys and Wherefore Of The State Budget.” We’ll update here that accounting for the developments of the past 15 months. Along the way, we’ll detail the wondrous spectacles referred to above.

A Recap of Our September 2003 Analysis

Our September 2003 analysis blamed the state’s deficit on 2000-2002 plunge in U.S. stock prices and the failure of Sacramento to cut spending (or raise taxes) in the face of this sudden crisis. California personal income tax revenues soared with the stock boom in the late 1990s, and though various state staffers warned that the revenue windfalls were temporary, the legislature nevertheless used them to finance “permanent” program expansions. When stock prices plunged, state income tax revenues plunged, but state outlays did not even BEGIN to decline in response until the enactment of the FY2003-04 budget deal two years later.

Because the state’s current budget woes cannot be attributed to the normal ups and downs of the business cycle (but rather to the once-in-a-century phenomenon of the recent stock boom and bust), economic recovery alone cannot be counted on to remove the budget crisis this time. Meanwhile, the maneuvers of the last three years have built a huge volume of official debt, “unofficial” borrowing from special funds and local governments, and deferred spending amounts “owed” to public schools. Within the budget deal passed in July of 2003, $15 billion of additional shortfalls projected to occur in 2003-04 were “financed” by $3 billion in spending cuts, $4 billion of tax hikes (in the Vehicle License Fee, or VLF, which initially had been cut in 1999, when revenues were flush), and $10 billion in one-time gimmicks and borrowings (detailed below).

As the one-time gimmicks and borrowings expired at the end of 2003-04, it was expected that an additional $8 billion deficit would loom with the onset of 2004-05. When the new Gov. Schwarzenegger rescinded the VLF tax restoration, a $4+ billion item, the prospective deficit for 2004-05 jumped to $12 billion, and a prospective deficit reemerged for 2003-04 as well.

This brings us, then, to events since September 2003. We’ll start with the exposition with a brief review of the two starring acts, the Deficit Bond triple-flip and the disappearing VLF backfill.

Developments Since Fall 2003

The Amazing Triple-Flip

In order to permanently finance the deficit that had already occurred prior to his taking office—as well as those still expected in 2003-04, Gov. Schwarzenegger promoted a voter initiative to approve the issue of up to $15 billion in Deficit Finance Bonds. The payment scheme for these bonds is a truly impressive feat of legerdemain. A one-quarter percent sales tax levy (yielding about $1.2 billion per year) was earmarked to service the bonds the state issued. Rather than raising state sales taxes, Sacramento merely designated 0.25 percentage points of the 1.5 percentage points of sales taxes that go to local governments to be transferred to debt service. This is the first element of the flip.

To compensate local governments for the lost sales tax revenue, Sacramento designated an equal amount of funds from property tax revenues to go to local governments. This is the second element of the flip. The catch there was that the transferred property tax revenues were not previously going to the California General Fund, nor even to the state government, but rather to public schools.

So to compensate K-12 schools for lost property tax revenues, the state designated an equal amount of General Fund outlays be allocated to them, thus completing the triple-flip.

In effect, then, the debt service on the Deficit Finance Bonds is being paid out of the K-12 education component of the state budget. And you thought I was exaggerating when I deemed this feat “miraculous.”

The Disappearing VLF Backflip

Of course, the triple-flip is not the first time Sacramento has “given” away revenues not of its own. Back in 1999 when the VLF (Vehicle License Fee) was first cut, those revenues also had gone not to the state General Fund, but to local governments. To compensate these agencies for lost revenues due to the VLF cut, the state began making “backfill” payments to them out of the “General Government” component of the General Fund budget, which payments are equal to the size of the VLF cut.

When Gov. Davis reinstated VLF fees to their pre-1999 level effective June 2003, he stopped the backfill payments immediately. However, it wasn’t until mid-October 2003 that actual VLF revenues rose to their intended levels. In the meantime, local governments lost about $1.2 billion in VLF revenues (since the state couldn’t afford to continue the backfills, continued on page 27

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[ADT advertisement]
Aquement Inc. Announces Signing of Exclusive Worldwide Licensing Agreement

Imagine in the event of disaster, being able to house people or store equipment in an almost rock-solid casing that conveniently unfolds when laid on the ground. What began as an idea is close to surfacing.

Aquement, Inc., a diversified publicly-traded holding company, signed an exclusive licensing agreement last month with inventor Theodore T. Ciotti for the rights to manufacture and market this unique housing system that incorporates the structural integrity and transportability of modified shipping containers that expand and unfold, like "pop-up books" with strength, flexibility, and durability.

Under the terms of this agreement, Aquement, Inc. will manufacture, market and sell the invention that is poised to bring the disaster relief industry into the new millennium.

"We are very confident that Mr. Ciotti's invention and vision will make a real difference and it will be felt around the world," said Mark Taggatz, president of Aquement. The agreement calls for the formation of a wholly-owned subsidiary that will develop the niche products like the new containerized habitable structures. Similar to the pop-up books of older generations, these purpose-built or recycled shipping containers are transformed into rudimentary homes.

The company says regardless of the disaster, either man-made or natural, they are highly confident their nascent company will become the industry leader with their advantages and break-through technology.

"Here are a few ideas; houses, clinics, mess halls, offices, churches, retail, mini-hospitals, barracks, etc. They can be fully on grid, fully self-sufficient or a combination. Military can deploy the units by land or sea. We will strive to exceed the requirements needed to be certified worldwide for shelter location in the instances of hurricanes, tornadoes or earthquakes," said Taggatz.

The agreement calls for prototype models to be built and the initial manufacturing plant to be located in the USA. The company estimates creating 200 manufacturing jobs a year after the plant breaks ground.

The proposed invention comes at a critical time when disasters are rampant globally.

Aquement said during the week of Oct. 6, the U.S. Federal Emergency Management Agency (FEMA) took the one millionth registration for disaster assistance from individuals seeking aid for hurricane disasters this year. Since Hurricane Charley made landfall in Florida on Aug. 13, hurricanes and tropical storms have been responsible for 21 disaster declarations covering 13 states and Puerto Rico.

Thousands of FEMA employees, along with those from other agencies and volunteers, have been working in affected states. Total aid has already passed the $1 billion mark.

It is estimated by some to hit $75 billion in total damages and relief aid.

The company's initial market target will be Emergency and Disaster Relief. Whether configured as a house, hospital, clinic, the uniqueness of being rapidly deployable and re-deployable, the structures are intended to require minimal setup. And with minimal training, these self-contained, off-grid or on-grid systems allow transformation from a standard inter-model container to a complete, plumbed, wired and habitable house or structure in less than a few hours.

The structural systems include several different provisions for supplying purified drinking water and cutting-edge solar technology for electricity for the devastated infrastructure. Even in the most remote devastated out-regions, the structure may be a good answer to mitigating the impact horrific disasters.

"I am very excited about the signing of the agreement," said Ciotti. "We will setup manufacturing and start to have a real impact in the lives of millions of devastated families all over the world."

Mandates for Employers
continued from page 13

include:

Senate Bill 1618 which requires all California employers by Jan. 1, 2008, to furnish each employee with an accurate itemized statement at the time of the payment of wages, showing no more than the last four digits of the employee's social security number or an existing employee identification number other than a social security number. Assembly Bill 1706 which clarifies an existing statute to prohibit an employer from using an assignment order as grounds for denying a promotion to an employee or for taking any other action adversely affecting the employee's terms and conditions of employment.

For more information on these new laws and other labor and employment legal matters, please contact William Floyd in the Inland Empire office (William.Floyd@bbklaw.com or 951-686-1450) or Arlene Prater in the San Diego office (Arlene.Prater@bbklaw.com or 619-525-1300).

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What’s Up With Interest Rates... And What’s Down

continued from page 9

Fed never paused in its tightening process, raising short-term rates at each of the four FOMC meetings since May. With short rates below normal in its view, the Fed continued to raise rates opposite an economy that was not robust, but was not “weak” either.

Meanwhile, the Fed tightened at the same “measured” pace it had earlier warned of, so long rates failed to rise in response. In fact, the economy entering a soft patch, the markets have come to realize that the Fed would not have to tighten as much over the next few years as was previously expected, and so long rates have actually fallen substantially even alongside the hikes of current short-term rates.

When the economy was roaring ahead between Q1 2003 and Q1 2004, expectations of a harsh Fed tightening had driven the 10-year Treasury Note yield up to 4.89 percent by June 14, on the eve of the Fed’s first tightening (at its June 30 FOMC meeting). In contrast, with economic growth moderating since then, the 10-year TNote yield dropped to a six-month low of 3.99 percent on Oct. 25, despite four tightening moves by the Fed, raising overnight rates from 1.0 percent to 2.0 percent.

Over this period, market expectations of future tightening have fallen dramatically, as can be discerned from movements in interest rate futures markets. The Chicago Mercantile Exchange trades futures contracts in 3-month dollar CDs, with contract delivery dates stretching over the next ten years. The accompanying chart shows how the markets expect yields to rise over the next few years as was previously expected, and so long rates have actually fallen substantially even alongside the hikes of current short-term rates.

Notice from the chart that as of June, before any tightening moves, yields for CDs to be delivered in 2005 were over 4 percent, while those for CDs to be delivered in 2006 were over 5 percent, both sharply above the 1 percent + yields actually in place on cash CDs at the time. Presently, after six months of “soft patch” and “only” measured Fed tightening, 2005-delivery-date CDs trade at yields around 3 percent, while those to be delivered in 2006 trade at yields below 4 percent.

We take these futures market yields to be excellent indicators of how the markets expect yields to move in the future. Notice that even presently, the markets still project short rates to rise over the next few years. That is, the markets are still betting that the Fed will be tightening for quite a while yet. However, the sharp move down in “out-year” futures market yields over the last five months clearly shows that markets’ expectations of future Fed tightening have been toned down dramatically, as robust economic growth failed to be sustained, as an inflation scare early this year faded, and as the Fed held to its word and proceeded with “only” a measured, gradual tightening.

Where To? What Next?

At this point, the million-dollar question is at what point will the Fed deem its tightening process complete? The Fed has been very clear that it wants to bring short-term interest rates back to “normal,” 0 sustainable levels. It has been purposefully vague as to just what level of short rates is normal. This is one reason market expectations have swung so sharply.

As of early-2002, on the heels of a short recession and when the economy appeared to be recovering sharply, the markets thought normal Treasury Bill/CD yield levels were above 6 percent, and it priced CD futures and long-term bonds and mortgages accordingly.

As the recovery flagged and Fed tightening proved to be a long time coming, market perceptions of “normal” yield levels have dropped precipitously. However, they are still well above current short rate levels, as indicated by the CD-futures market and by the still-steep slope of the yield curve in the cash markets.

Meanwhile, again, the Fed has been less than informative as to where exactly it thinks short rates will eventually settle. Recently, various Fed officials have opined that a “neutral” Fed Funds rate could be below 4 percent. This is below the yields currently projected for 2007 and later in the futures market. However, it is also as much as 2 percentage points above current cash yield levels. Even so, such statements reflect the personal views of individual Fed officials, not the consensus view of the central bank, and Chairman Greenspan has been more vague than anyone as to what levels he thinks are “normal.”

Now, we stated in June and have repeated here that it would take economic weakness to stop the Fed’s tightening (short of normal short rate levels). Alternatively, it could be argued that the onset of economic weakness could “re-educate” the Fed as to what normal yield levels actually are.

We mention this because our economic forecast looks for much slower economic growth over the next two years than is currently projected by the Wall Street establishment and by the Fed itself, both of which are looking for sustained 4.5 percent GDP growth.

The major point of departure for our forecast is the housing sector.
Cigars Rule in Vegas, Again

continued from page 18

CEO of Altadis USA. As he explains it, the great rush of smokers in the 1990s created an artificial demand on the crop and generated an artificial group of developers—football players, actors and dentists. According to Folz, and others that day, we are the beneficiaries of that rush, since the recent slowdown has allowed for better blending and quality control, as well as the elimination of less desirable investors in the industry.

Speaking with his tongue firmly in his cheek, David Kitchen, of Davidoff Manhattan, suggested that if your wife does not approve of your cigars, get a new wife. He describes a good cigar as sexy and whimsical and he tells of husbands who will put $50 on the credit card and then drop a couple of hundred dollar bills in cash so that their mates don't know how much they actually spent in his store. (Wives would never do this in a shoe shop!)

On a more serious note, he confirmed that the Dominican Republic tobacco crop this year was the best of recent. This underscored the comments of Señor Gomez who stated the recent series of hurricanes had had no ill effect on the tobacco fields. Saturday's lunch is always a treat. Each year each table has a tobacco grower or cigar producer as host. This year my table featured Aylin Ozgener Franke, the daughter of CAO cigar founder C.A. Ozgener.

This is an unusual cigar family as they are based, not on a Caribbean island, but in Nashville, Tennessee. Everyone at the table got a bright red CAO hat to celebrate the introduction of the new CAO Italia cigar, and, of course, a sample of the Italia cigar itself. If you have seen the CAO magazine ad, you may think Aylin's brother is a dark, brooding Latino. He dropped by and turned out to be a neat guy with a smile as wide as his face.

I also made a point to say hello to a man I have come to regard as a true gentleman/farmer. Carlos Toraño, whom I had the pleasure of lunching with two years ago, I have become a big fan of his Nicaraguan smokes.

Saturday night was the actual Big Smoke event. Some 20 cigar makers handing out samples, plus an amazing array of foods, drinks and entertainment. Standing in a corner with a good Pinot Noir, a tri-tip sandwich from Del Frisco's Double Eagle Steak House and a fine cigar while the band played Motown was like entering the pearly gates. Sunday morning surpassed even that.

Celebrity chef Charlie Palmer prepared his annual Real Man's breakfast consisting of braised beef shank burritos with poached egg and smoked bacon, along with an Absolute Peppar Bloody Mary (or two) and a wonderful Maria Guerrero Toro cigar.

Later a Kentucky bourbon and cigar pairing seminar was conducted, proving that a cigar and a drink can be matched up just like wine.
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The State and Local Report On the Rise
Chart for story on page 47

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The Circus is Back in Town: More on the State’s Budget Crisis

continued from page 22 amidst its crisis). Sacramento promised to repay the $1.2 billion to local governments by the end of FY 2006-07.

Meanwhile, Gov. Schwarzenegger’s first move upon his inauguration was to return VLFs back to their pre-October 2003 levels, at which point he resumed backfill payments...at least temporarily. As part of a deal brokered with local government over the past year, the plan now is that VLF backfills will be phased out altogether. Instead, the lost funds will be paid to local governments out of...property taxes. And since, as with the triple-flip, Sacramento does not actually “own” the property tax revenues, the funds will be diverted from flows currently going to public schools. The schools will then be compensated via General Fund outlays. In effect, VLF cuts will be paid for (reimbursed) out of the K-12 education budget portion, the same as with the Deficit Finance Bond debt service.

There is one other catch here. In return for this deal, local governments have agreed to reduce their take of VLF (property tax?) revenues by $1.3 billion per year in both 2004-05 and 2005-06. So for the next two years, payments to local governments out of the K-12 education budget portion (actually out of property taxes) will be understated by $1.3 billion per year. (Also, after this year, these “backfills” to local governments will rise or fall with property tax revenues, not with VLF revenues, an apparent sop to local governments for their “contributions” this year and next.) This is truly an acrobatic feat of legendary proportions.

So How Does The Deficit Actually Stand Now?

Beneath these circus antics, there actually has been some progress made toward permanently lowering the deficit. However, with all the frenetic activity, it is a matter of some complexity to determine how much. We’ll detail the progress for you by presenting a work-up of how the state’s finances look when all the “maneuvering” is removed.

The two tables here provide a look at how “underlying” revenues and outlays stack up underneath all the smoke and mirrors. The revenue table shows that actual, “underlying” revenues have grown substantially in the past year, though not quite as much as the official state books would suggest. This is because a total of $5.9 billion in various borrowings and transfers from special funds will have been undergone in 2003-04 and 2004-05 together (in addition to even larger borrowings previously).

Recall that a booming stock market dramatically boosted state income tax revenues in the late-1990s alongside a strong economy. The state’s economy is not strong presently, nor has the stock market boomed again. However, there apparently has been enough of a recovery and enough of a rise in stock prices from mid-2002 through late-2003 to drive a strong, 10.7 percent gain in income tax revenues in 2003-04. In addition, the state now looks for a further strong 7.7 percent gain in income tax revenues this year and a 6.0 percent rise in sales tax revenues. Other revenues are now projected to grow nicely as well.

All told, “ongoing” state revenues in 2003-04 grew about $3.8 billion (or 5.6 percent) more than the state expected them to a year ago. This mini-windfall has bitten into the state’s ongoing, chronic deficit (which, again, was scheduled to hit $12 billion in 2004-05 once the VLF fee cut was reinstated last year).

What is more, again, the state is looking for further rapid revenue growth in the current fiscal year, with total, ongoing revenues now expected to rise another 7.5 percent, spearheaded by that 7.7 percent projected gain in income taxes. As we will comment in more detail further, those projected gains are probably not consistent with our economic forecast here at UCLA. We are looking for growth to slow below normal in 2005 and after. Meanwhile, in their September 2004 budget summary, the state has forecast slightly above-normal, 3.5 percent GDP growth next year and robust, 2.1 percent job growth in California.

As for outlays, the next table shows the paths of the various components of state General Fund outlays once the various maneuvers are removed. Thanks to various gimmicks and borrowings, official state outlays are projected to rise only $1.0 billion, or 1.3 percent, this year. However, once one allows for the effects of the aforementioned, $1.3 billion backfill loan, of the issuance of a bond to finance payments to state employees’ pension funds, and of deferments of other spending, total outlays on an ongoing basis look almost $5 billion, or 6 percent, higher than officially stated.

The official data project an additional deficit this year of less than $1.5 billion. However, when the one-time factors and borrowing are stripped away, “underlying” outlays look to exceed revenues by over $7 billion. This explains why deficits are projected to rise again in 2005-06 and later. Without further issue of Pension Bonds or Deficit Recovery Bonds, without further postponement of COLA adjustments for state workers, and with monies borrowed from transportation funds set to be paid back, even decent revenue growth will not prevent a $6 billion deficit in 2005-06. With the $1.2B loan from local governments due to expire, with and other deferments coming due, the projected shortfall then is $10 billion.

In effect, again, projections of continued rapid revenue growth and the passage of various outlays cuts have shaved prospective, ongoing deficits from $12 billion per year as of November 2003 (following the new governor’s cut in the VLF) to $7 billion presently. As various temporary palliatives expire—and even become reversed/repaid—deficits will temporarily flare higher than this in the next few years.

Furthermore, again, this year’s revenue projections look optimistic. A 7 percent rise in sales tax revenues would be somewhat above the average gains of the last three years (when U.S. and California spenders were on a mortgage refinance-enabled spree and car sales were very high). More to the point, a 7.7 percent projected rise in personal income tax collections this year—on top of a 10.5 percent rise last year looks very optimistic.

Any shortfall in revenues relative to these projections—and/or any failure in intended/legislated spending cuts—would push deficits still higher in the years to come. Stock prices have been flat so far this year. With state job growth below 1 percent this year and with state personal income growing at only a 4.9% rate in the first half of...
The Circus is Back in Town: More on the State’s Budget Crisis

continued from page 27

2004—before the national “soft patch” set in, it will be tough to fulfill this year’s revenue forecasts. And if robust income tax revenue gains this year are questionable, they will prove even more so in future years under our economic forecast.

Meanwhile, for all the travails of recent years, total, ongoing state outlays still show a 39.5 percent cumulative increase in the seven years since 1997-98, for a 4.9 percent per year average growth rate, not bad considering that we are in a budget crisis situation.

The deficit persists because state outlays have risen a cumulative 58.3 percent in the last seven years, or 6.8 percent per year. While some segments of state outlays have been seriously curtailed in recent years, others have seen virtually no spending restraint. Health and Human Services are up 74.0 percent in the last seven years, or 8.2 percent per year on average, despite the budget crisis, and Legislative, Judicial, and Executive, Sacramento’s outlays on itself, are up virtually the same amount.

The bottom line conclusion is that the state’s budget problems are still far from resolved.

Could Budget Reform Have Prevented This?

After four years of budget crisis and with no end in sight, many folks are calling for fundamental budget reform, and some argue that the present problems would not have occurred had serious budget reform been undertaken in the early-1990s, when Gov. Wilson’s Administration was battling with the large deficits then (cf. “If They’d Acted 10 Years Ago…”)

We addressed this issue in our September 2003 budget analysis, and the answer from there still holds. As stated earlier, the state budget woes had their genesis in abrupt surges and declines in income tax revenues and in the failure of outlays to fall with revenues, even after they rose with them. Income tax revenues—a progressive tax system with capital gains taxable only on realization—will always be subject to this volatility. Transferring income tax revenues to some other sector of California government would only transfer the current problems to that other sector.

And leaving the state General Fund dependent on income tax revenues will leave it vulnerable to these problems unless legislators can somehow be prevented from spending short-term funds that are sitting in their budgets’ checking accounts. No amount of procedural reform in the early-1990s would have prevented revenues from (temporarily) soaring in the late-1990s. What is more, it is hard to see how such reforms could have anticipated the windfalls to come and thus preemptively prevented the legislature from spending them. Again, the only effective reform against a recurrence of these types of developments would be some measure that prevents expenditures from moving in response to very sharp, short-term swings in volatile revenue sources.

Drift in Definition Of Deficits

Finally, the reader should be aware that the $1.5 billion deficits the Schwarzenegger Administration projects for this year is a different animal from the $38.3 billion deficit Gov. Davis warned of eighteen months ago. In the interim, the meaning of the word “deficit” in state budget deliberations has changed completely.

We will save a detailed account of this terminology drift for another day. For now, just be aware that the deficit has NOT been shrunk from $38 billion to $1.5 billion, nor even to $7 billion (the shortfall between “ongoing” revenues and outlays this year). The last projections by the Davis Administration were for a $15 billion, in-year deficit in FY2003-04, were remedial action not taken. On a comparable basis, the ongoing in-year shortfall for 2004-05 and later is around $7 billion, the declines due to about $4.3 billion in spending cuts and to favorable revenue growth this year. Stay tuned for more budget circus to come!

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### California General Fund "Ongoing" Outlays: Expenditures Net of One-Time Gimmicks, Borrowings, Etc.

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<td>$2.83</td>
<td>$3.68</td>
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</table>

1 Prop. 98 Adjustment, overstates K-12 Outlays and understates Genl. Govt. outlays in each year.
3 Use of Federal Grant to pay for some outlays on HHS and Correctional.
4 Change in Bookkeeping understates outlays in 2003-04 only by $1.0 billion.
5 Deferral of COLA allowances for teachers, understates outlays.
6 VLF Backfill suspended for two months, $1.2 B revenue loss, to be repaid in 2006-07.
7 Flip VLF Backfill to Prop. Taxes, pay schools out of Genl. Fund. Overstates K-12 outlays by $2.9 B, understates Genl. Govt. outlays by equal amount.
8 Deficit Bond Triple Flip: Overstates K-12 Outlays by $1.2 B, understates Genl. Govt. by equal amount.
9 Issuance of Pension Bond, understates Genl. Govt. by $0.36 B.
10 Local government’s "contribution" from backfill, $1.38 per year, to expire in 2006-07. This understates Genl. Govt. outlays by this amount in FY2004-05 and FY 2005-06.
Four Obstacles to Closing
How to identify and remove the four reasons why closing is difficult

by Brian Tracy

There are several reasons why the end game of selling is stressful and difficult. First and foremost is the fear of failure experienced by the prospect. Because of negative buying experiences in the past, over finding it for sale cheaper some­don't like to be sold. They are afraid of paying too much and are afraid of making a mistake. They are afraid of buying an inap­propriate product and finding out something else. This fear of failure, of making a mistake in buying your product, is the major rea­son why people object, hesitate and do not want to make a buying decision. And the better they are as a prospect, the busier they tend to be. This is why you need to maintain momentum throughout the sales process and gently push it to a conclu­sion at the appropriate time.

The second major obstacle to selling is the fear of rejection, of criticism and disapproval experienced by the salesperson. You work long and hard to prospect and cultivate a prospective buyer and you are very reluctant to say anything that might cause the prospect to tune you out and turn you off. You have a lot invested in each prospect and if you are not careful, you will find yourself being wishy-washy at the end of the sale, rather than risking incurring the displeasure of the prospect by your asking for a firm decision.

The third reason why the end of the sale is difficult is that customers are busy and preoccupied. It isn’t that they are not interested in enjoy­ing the benefits of your product. It’s just that they are overwhelmed with work and they find it difficult to make sufficient time available to think through your recommenda­tions and make a buying decision. And the better they are as a prospect, the busier they tend to be. This is why you need to maintain momentum throughout the sales process and gently push it to a conclu­sion at the appropriate time.

The factor of inertia is the fourth reason that can also cause the sales process to come to a halt without a resolution. Customers are lazy and often quite comfortable doing what they are currently doing. Your product or service may perhaps recognize that they would be better off with your product, but the trouble and expense of installing it hardly seems to make it worth the effort. They see no pressing need or urgency to stop doing what they are doing and start doing something else with what you are selling.

The good news is that everybody you meet has bought and will buy, new products and services from someone, at some time. If they didn’t buy from you, they will from someone else. You must find the way to overcome the natural physical and psychological obstacles to buying and then hone your skills so that you are capable of selling to almost any qualified prospect you speak to.

Now, here are two things you can do immediately to put these ideas into action.

First, recognize the normal fear of making a buying mistake experienced by the customer. Give him every reason you can think of to be confident in dealing with you.

Second, accept that everyone you talk to is busy and you are interrupting. Always ask if this is a good time for him to give you his undivided attention.

If not, arrange to see him another time.

What’s Up With Interest Rates... And What’s Down

continued from page 24

where we expect home construction rates to fall steadily and substantially in the next two years (reflecting an “overbuilt” U.S. housing sector at present).

Such a decline in housing construction in the middle of an expansion will be quite unusual, and as it occurs, it will be a real eye-opener for the Fed, killing the chances for robust economic growth and providing a chilling warning as to the downside risks from even a slightly excessive tightening. As a result, Fed opinions of “neutral” levels for short-term interest rates are likely to be revised downward markedly.

Our forecast looks for the Fed to slow its tightening moves by the middle of next year and after, with the Fed Funds rate hitting only 3.0 percent in 2005 and leveling off at 3.5 percent in 2006. In other words, softening in housing—and accompa­nying, unspectacular aggregate economic growth rates—should convince the Fed and the markets that “normal” short rates levels are around 3.5 percent. That would be well below the range of the last 15 years—or of the last 40 years—but it would be in line with the experience of the last 200 years.

Meanwhile, again, futures market yields suggest that the financial markets are already braced for short rate levels well above those in our forecast. Certainly, futures market yields in 2005 and after are still well above our forecast for yields. Also, while the yield curve is less steep now than it was last June, it is still extremely steeply sloped, especially so given that we are already four moves into a Fed tightening process.

So, again, the markets are still fully-positioned for further, sharp Fed moves. As the Fed continues its measured tightening moves under our forecast, this is NOT going to be a surprise to bond investors. Rather, again, the surprise will be that it does not move more. As a result, we expect only modest increases in long-term interest rates over the next two years.

Our forecast looks for a net 0.30 percent cumulative net rise in 10-year yields from 4.0 percent in June 2004 to 1.3 percent in December 2006. Even that combination will leave the yield curve relatively steeply sloped when the Fed finishes tightening in 2006.

Endnotes
As used here, the “slope” of the yield curve refers to the difference in yields between 30-year Treasury Bonds and 3-month Treasury Bills.
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The State and Local Report: On the Rise

by Christopher Thornberg
Senior Economist
UCLA Anderson Forecast December 2004

Overview

The poor business climate in California remains a constant source of headlines and political discussion. Despite claims to the contrary, a close look at the data makes it clear that California has actually been doing quite well overall the past few years. The Bay Area is an exception, of course, given that it was ground zero of the tech bust. 2004 has been a very good year so far. Payroll and household jobs are up, office vacancies are falling and taxable sales are growing. Non-residential construction has been on the rise for the first time since 2000, and residential construction continues its strong growth trend to annual rate over 200,000 units. Regionally, Southern California continues to lead the way, while the Bay Area has begun a mild-but-solid recovery.

The recent election saw a number of electoral victories for those who looked for improvements in California's business climate. Proposition 64, designed to close a loophole that allowed third parties to sue businesses on unfair business practices, passed with nearly 60% of the vote. Proposition 67, which would have levied taxes on phone service to support emergency care in the state, failed to get even 30% of the vote. Perhaps most importantly Proposition 72, written to have potentially required firms of 20 or more employees to pay at least 80% of their employees' health insurance coverage, was voted down, 51% to 49%. Add this all up and the outlook for California continues to lead the way, while the Bay Area has begun a mild-but-solid recovery.

Still the state has a number of worries on its hands. Indeed one of the long-run issues California now faces is how well the economy is doing—much of the growth occurring seems to be among the types of jobs that do not show up on payroll statistics—the so-called informal employment. This trend may be one of the true reflections of the expensive process of employing workers in California, and little is understood about the impact of moving so many jobs into the uncovered sector. The state budget situation is also still out of control. There seems to be little more that can be done on the expenditure side of the equation in the short run given politics, and the current regime's policy explicitly rules out any form of tax increase. The deficits the state is currently running look to be expanding into the near future. At the same time those economies who are heavily investing in state employment are starting to feel the bite. Sacramento and the East Bay are all showing signs of stress due to these lost jobs, and of course the state's infrastructure continues to be under-funded. Of course the idea of no "new taxes" when the state is running as deficit is an oxymoron. All the financing done to make up the gap through borrowing is only taxes deferred, not taxes avoided.

Also of worry is the current state of the U.S. economy overall. A real estate bubble and a distended consumer balance sheet are all worrisome to the health of the local and national economy. If another downturn begins, Southern California will not enjoy the same level of relative prosperity as it did through 2001. Orange County, San Diego, Ventura and the Inland Empire will likely all experience much worse economic results as centers of the sectors that will be on the edge of a consumer led downturn in the economy.

Business Activity in the State: Maybe not wine and roses but definitely beer and daisies

The most direct measure of economic output we have for the state comes from the personal income statistics and from this perspective the region has seen very solid growth over the last year. Income in the second quarter was up by 5.7% over the second quarter of 2003, not on par with the heady days of the late-nineties, but still very respectable. As incomes have risen, so has consumer spending. Taxable sales are up in almost every coun-

ty in California over this same period last year — in some cases by double digits, primarily in the rapidly growing inland areas such as Riverside, San Bernardino, Kern, Solano and other areas that have been experiencing major gains in their local housing markets. However even the Bay Area economies, still suffering from the after effects of the tech bust, are seeing solid gains. Santa Clara, Alameda and San Francisco have all seen taxable sales rise by roughly 8% over last year.

The reasons for the pick up is the strong U.S. economy, which has thrown off the last vestiges of the 2001 downturn and is back onto a normal growth plane — at least for now the threats that currently dumber our longer run forecast. Technology spending both domestically and internationally has started to pick up, and it is spilling over to more demand for California products. Add to this the record pace of goods movements through the state's ports, solid inward migration into the state, solid passenger traffic through the airports (the highest levels reached since prior to 2001) and the ever booming housing market and it was really just a matter of time before the state economy started picking up steam.

There are still some continuing issues, including the ongoing government budget crisis. Public sector jobs have been the one major weak sector on the jobs front. Centers of government employment — primarily the East Bay and Sacramento — are showing the effects of this problem as they are among the few markets that show some softness. Office vacancy rates are down in most of the major markets in the state with the exception of these two markets. Excessive building on the commercial side of the economy in many markets will likely continue to dog the construction market for some time to come. Non-residential permits for the state went up in value by about 15% over the past year, but are still a full 25% below the peak hit in 2000.

The California housing market continues its rapid expansion as well despite—or more likely due to—the record increases in housing values and the strong desire many Californian's have to get into the market while the 'gettin' is good'. The current pace of over 200,000 units per year is the most rapid seen in California since the late eighties, and may go some way to help offset the crowded housing situation seen in some sub-markets. Riverside, Los Angeles, San Diego and other Southern California economies have seen the fastest growth in residences, but the Bay Area is also on the rise again. The Southern California region accounted for about half of all permits, the Bay Area about 20%, while the Central Valley added most of the balance.

The Forecast

The forecast for California has 2005 being a solid, but not spectacular, year. What recovery there was to take place has taken place, and issues on the consumer side of the balance sheet will likely begin to have an impact on overall economic growth. We expect personal income growth in the state to slow from 5.6% in 2004 to 5.2% in 2005, and taxable sales growth will slow from 6% to under 5%. Payroll employment growth, which typically lags the economy, will tally in at a mild .8% for 2004 due to ongoing weakness primarily in the Bay Area. We expect that this will pick up to a solid 1.6% in 2005 with recovery in the north being slightly offset by slower growth rates in the southern portions of the state. Household employment will grow at a fast pace as the informal sector will continue its expansion. Unemployment will hover around 6%.

As for 2006, well, the reality is that forecasting even two years out is a tricky task at best, given the number of potential things that could happen to the economy. This time it is even harder given the trade deficit and unsustainably low national savings rate. Currently we are predicting a growth path that is decelerating from 2005. But, as discussed in the national report, there are a number of issues at the national level that could cause another downturn as early as 2006. So keep an eye out!

continued on page 35
**Community National Bank**

The results for the third quarter reflect continued success during 2004. Total average loans for the quarter rose to $447.8 million, an increase of 19 percent compared to the third quarter a year ago, and average deposits also increased substantially, rising 16 percent to $447.0 million for the third quarter of 2004 compared to $386.0 million for the same period a year earlier.

**Vineyard Bank**

Vineyard National Bancorp, and its operating subsidiary, Vineyard Bank, reported record earnings for the quarter ended Sept. 30, 2004 of $3.7 billion, or $0.54 per diluted share, compared with net earnings of $2.3 billion or $0.32 per diluted share for the same quarter ended in 2003. The growth in earnings represented an increase of 59 percent over the comparable period last year.

**1st Centennial Bank**

1st Centennial Bancorp (OTC Bulletin Board: FCEN) announced third quarter operating results. The company reported earnings for the quarter ending Sept. 30, 2004 of $880.0 million, compared to earnings of $547.0 million for the third quarter of 2003, representing a 61 percent or $333.0 million increase. Year-to-date net income was reported at $2,032 million at Sept. 30, 2004 compared to $1,488 million for the same period a year earlier.

**Bank of America**

Bank of America Corporation, parent company of Bank of the West, reported net income of $3.76 billion, or $0.91 per share (diluted), compared to earnings of $2.92 billion, or $0.96 per share, a year ago. Under purchase accounting rules, year-over-year results do not include the impact of FleetBoston Financial Corporation, which was acquired on April 1, 2004. Return on common equity in the third quarter was 15.56 percent.
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For 30 years, this premium resort has been host of the World Golf Championships—Accenture Match Play Championship. It features two beautiful Championship 18-hole golf courses with a traditional design. Both courses challenge golfers’ shot-making ability, both off the tee, and around the greens. Four sets of tees provide a golf course length for all players to enjoy.

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The majestic Santa Rosa mountains and spectacular desert landscape surrounding J.W. Marriott Resort may beckon you outside. This upscale resort has elegantly appointed guestrooms with luxurious amenities that allow guests to enjoy the indoors or outdoors.

Visitors will be excited to partake of the Desert Springs’ two exceptional 18-hole championship courses, set against the towering backdrop of the Santa Rosa Mountains. On both 18-hole courses, you can take a high-tech drive in their new golf carts with state-of-the-art navigational and computing systems. Directly from the cart, an onboard computer can be used to view graphic layouts of each hole, compute exact yardage to the pin, monitor pace-of-play, and solicit tips from the course’s pro on playing a particular hole.

The Marriott’s relaxing spa therapies help relax and rejuvenate guests from head to toe. Massages, facials, and body treatments and Ayurvedic services are available to treat the body with an Eastern approach. Complete spa amenities are included.

Phone Number: (800) 228-9290  Web Site: www.marriott.com/jwmarriott/

WESTIN MISSION HILLS
Rancho Mirage, CA

A visit to the Westin Mission Hills Resort offers travelers a chance to get away in the luxurious paradise located in a dramatic and stunning desert setting. Westin caters to vacation desires, allowing its guests to enjoy two world-class golf courses, relax by one of three lavish pools, or be pampered in the spa. The perfect weather, gracious service, and fabulous surroundings will leave visitors at peace.

Just a short drive from downtown Palm Springs, The Westin Mission Hills Resort enjoys a prime 360-acre setting in sunny Rancho Mirage, surrounded by charming landscaped courtyards and extensive waterways. Guests can appreciate the hotel’s luxurious accommodations, high-speed Internet access in all guest and meeting rooms, ample meeting space, and new spa.

The hotel’s Spanish-Moorish architecture and landscaping reflect the natural beauty of the desert, and the extensive recreational facilities. Everything from basketball and soccer to biking and tennis allow guests to take full advantage of this ideal climate.

Phone Number: (760) 328-5955  Web Site: www.westin.com

THE LOEWS CORONADO BAY RESORT
San Diego, CA

Imagine a place that gives romantic island getaways something to aspire to. Where the most exclusive coastline in the country harbors the exact coordinates of bliss. Those who will visit The Loews Coronado Bay Resort probably recall these magnificent sights in their dreams. Loews is considered one of the best luxury hotels in San Diego—an elegant California getaway for family vacations and business travel alike.

Loews Coronado Bay Resort’s features a new 10,000-square-foot spa, salon and fitness center. With 15 private indoor and outdoor treatment areas -- including a couple’s suite -- Sea Spa is perfectly designed for a variety of massage, facial and body services. The resort’s waterfront location complements the lush spa patio and outdoor Watsu pool. Their salon offers innovative hair and nail services. In addition, their luxurious locker room facilities include a steam, sauna, and whirlpool in the beautiful relaxation lounge. Achieve the perfect workout in the new fitness center and aerobic studio offering group and private classes in fitness and relaxation.

Phone Number: (619) 424-4400  Web Site: www.loewshotels.com

HOTEL DEL CORONADO
Coronado, CA

Rising from water’s edge on the quaint island of Coronado in San Diego, the Hotel del Coronado is considered one of America’s most beautiful resorts.

A classic historic hotel, The Del was built in 1888 and designated a national historic landmark in 1977. Today, The Del offers travelers every contemporary convenience in an enchanting Victorian atmosphere. It is a combination that moved USA Today to call the The Del “one of the top 10 resorts in the world.”

On Dec. 24, 1904, the Hotel del Coronado unveiled the world’s first electrically-lighted, outdoor living Christmas tree. Exactly 100 years later, The Del continues its tradition of illuminating the season with holiday magic.

For those seeking a romantic getaway, The Del offers a quintessential Southern California resort experience. It’s also the perfect family friendly vacation destination, offering abundant recreation options as well as seasonal teen and children’s programs.

As a wedding reception location, the Travel Channel has rated The Del the number one wedding destination in America. And, for getting down to business, meeting and incentive planners can work with over 65,000 feet of indoor and outdoor meeting and exhibition space.

Phone Number: (800) 582-2595  Web Site: www.hoteldel.com
The Hyatt Regency Islandia is a unique find among San Diego hotels. Picture a resort-like landscaped setting in the heart of Mission Bay Park, offering panoramic views of the marina and the Pacific Ocean. Hyatt Regency Islandia is eight miles from the San Diego Convention Center and San Diego’s central business district. The Hyatt Regency Islandia is the closest resort hotel to SeaWorld and just minutes from all major attractions such as Balboa Park, the World Famous San Diego Zoo, Old Town, the Gaslamp District, Mexico, and miles of scenic coastline.

The Hyatt Regency Islandia and its award-winning staff strive to surpass your expectations of hotels in Mission Bay. Enjoy a spectacular waterfront property adjacent to a full-service marina with magnificent ocean, harbor, tropical garden, or city views. Steps from your door are lush gardens of San Diego, manicured grounds, and a full array of water sports. Activities include a sun-splashed heated pool, sport fishing and sailboat rentals, and relaxing massages in their Massage Therapy Center. A plus among hotels in Mission Bay, the Hyatt Regency Islandia also offers easy access to activities such as tennis, golf, jogging and bicycle trails.

Phone Number: (619) 224-1234  Web Site: www.islandia.hyatt.com

FOUR SEASONS BILTMORE
Santa Barbara

The Four Seasons Biltmore is a Spanish Colonial treasure whose red roof tiles, ivory adobe and graceful archways grace Butterfly Beach in exclusive Montecito. This classic West Coast resort blends the glory of historic California with Four Seasons service in the heart of “America’s Riviera.”

This premium resort features three guest rooms and suites, including 12 cottages. Guests can enjoy their choice of three oceanside restaurants with outside terrace seating, featuring contemporary American cuisine. As well, a serene spa and fitness center awaits with 10 treatment rooms for signature pampering inspired by West Coast botanicals.

But plenty of fun is available for children also as this coastal paradise offers a Kids For All Seasons program. Adults and kids alike can take advantage of activities such as tennis, nearby sailing, hiking, wineries, and quaint shops.

Phone Number: (805) 969-2261  Web Site: www.fourseasons.com/santabarbara/

RITZ CARLTON
Laguna Niguel, CA

The Ritz Carlton’s posh resort is surrounded by panoramic white-water views of the Pacific Ocean that gives its guests direct access to two miles of sandy beach. The four-story 393-room resort is reminiscent of a classic Mediterranean villa with arched windows framing spectacular views of the Pacific Ocean.

The Ritz is filled with a host of recreational activities on the property and nearby— including tennis, swimming, surfing, boogie boarding, sailing, kayaking, sport fishing and whale watching.

The resort offers 16 meeting rooms accommodating gatherings ranging in size from seven to 700. A total of 22,724 square feet of conference and banquet space is complemented by 18 acres of outdoor garden courtyards, pool terraces, oceanfront lawns and two miles of sandy beach.

In celebration of the resort’s 20th anniversary, an exciting renovation began in May. The project is highlighted by the addition of The Ritz Carlton Spa and oceanfront fitness facility. The Ritz-Carlton Spa’s design will incorporate unique water features, beckoning the water of the ocean into the facility and creating a unique sense of place along the Pacific coast. The new facility is expected to open spring 2005.

Phone Number: (949) 240-2000  Web Site: www.ritzcarlton.com/resorts/laguna_niguel

TEMECULA CREEK INN
Temecula, CA

In the rolling hills of the Temecula Valley wine country, Temecula Creek Inn offers 27 holes of championship golf, spacious guestrooms and excellent regional cuisine. An ideal hotel choice for travelers in search of a simple getaway, where everything from wine tasting to hot-air ballooning to charming antique shops are nearby.

The inn’s 130 spacious guestrooms and suites are designed for relaxation. Plush bedding, comfortable lounge chairs and inviting entryways are subtly touched with a Native American influence—from the framed artifacts to fabrics and furnishings in natural hues.

And when business calls, guests are able to do so at an attractive workspace with high-speed Internet access and voice mail.

Temecula Creek Inn is located near some of the country’s premier wineries. The executive chef of the inn’s Temet Grill takes full advantage of the region’s bounty, presenting diners with cuisine inspired and enhanced by the local vineyards. Whether dining at the grill or enjoying a cocktail by the fire in the adjoining lounge, expansive views of the golf course and San Jacinto Mountains abound.

Phone Number: (800) 962-7335  Web Site: www.temeculacreekinn.com

FOUR SEASONS RESORT AVIARA
Carlsbad

With open arms, the Four Seasons Resort Aviara awaits visitors, offering casual elegance in a natural setting accented by wildlife and wildflowers. There, guests will discover an extensive spa for relaxation and Arnold Palmer-signature golf.

Within a natural sanctuary just 30 minutes north of San Diego, one of Southern California’s finest resorts retains a top-notch vacation setting with spacious guest rooms. This high quality resort offers breathtaking venues indoors and out, along with premier cuisine and service that makes almost anything possible.

Phone Number: (760) 603-6800  Web Site: www.fourseasons.com/aviara
The State and Local Report: On the Rise

California Payroll Jobs: Context is everything

The condition of California’s business climate has been an ongoing issue for a number of years now. Consider some of the alarming (alarmist?) results of a California Business Roundtable study done with a consulting firm. These include:

- Taxes are 19% higher in California than in other western states.
- The cost of electricity is 127% higher than elsewhere.
- Property costs are 77% higher.
- State regulatory costs are 105% higher.
- Employee costs are 25% higher.

Add to this regulatory uncertainty, and it certainly seems that California is on a short path to economic collapse. Indeed, claims abound of businesses ‘fleeing’ the state in record numbers have become ubiquitous in the press releases of many of the various chambers of commerce across the state.

While there is little doubt that the regulatory and fiscal burdens of doing business in our state are higher than in others (although the results of the Roundtable study are almost surely exaggerated), it should be recognized that such issues have an evolutionary, not revolutionary, impact on the economy. Indeed, the path of jobs in California reflects not an economy that is floundering due to the loss of jobs to other parts of the nation because of difference in the cost of doing businesses, but an economy buffeted by the tech bubble of the late nineties.

Consider payroll employment. California has experienced the same upward movement in payroll jobs as the U.S. over the past nine months, albeit at a slightly slower pace. California added 1% to its payroll workforce over the last three quarters, compared to 1.5% for the rest of the nation. It is easy to attribute this lag and the fact that California was hit harder in the downturn (a peak-to-trough 2.3% job loss compared to 2% for the balance of the U.S.) than the nation overall due to our business climate and outsourcing. Yet what is being ignored here is that part of the reason for this poor performance over the past four years is that the state saw such a rapid expansion in employment in the late nineties during the IT Boom.

Consider this: payroll employment in California is currently 8.8% above where it was in January of 1998, compared to 5.6% for the nation overall. California’s employment grew faster than the nation overall right up until March 2001, despite our bad business climate.

Indeed when we consider the change in jobs across sectors, it may be surprising to learn that by percentage, California is doing better in terms of job growth since 1998 in every sector, except one — information. Even in hard hit manufacturing the state has performed proportionally better than the rest of the nation — losing fewer jobs proportionally. And while California has been growing slower on the payroll front than the U.S., growth has been better in professional and business services and in financial activities — high income sectors. The major difference between the economic performance of California relative to the U.S. overall is actually in public sector jobs — this of course due to budgetary problems, not due to the poor business climate.

Look at the extremely wide distribution of job performance across California’s regional economies and the same image emerges. This is a state who’s recent economic performance has far more to do with local variations in the employment base than to anything having to do with state-wide governmental policy. The Inland Empire has added nearly 12% to its payroll labor force over the past four years, the 2nd fastest out of the 122 MSA’s with more than 200,000 jobs (in total representing approximately 70% of the jobs in the nation), being exceeded only by the everbooming Las Vegas. Bakersfield, Fresno, San Diego are all in the top 20. Los Angeles has done better than either of the other largest cities in the U.S., Chicago and New York.

On the opposite end of the spectrum are San Jose and San Francisco, the two hardest hit economies in the nation over the 2001 downturn, still down 19% and 13% respectively from where they were four years ago. Detroit, the third worst performer major economy in the nation, has lost (only?) 8.3% of its payroll workforce. The wide difference between these local economies is industry mix. The Bay Area was and still is the center of the Information Technology industry in the U.S., and the fortunes of the area rose and fell with the tech bubble. Southern California’s fortunes are more tied to the consumer industry, and thus has done well with the retail and housing boom, particularly in the outlying areas where the economy is expanding.

Indeed when we remove the Bay Area from the mix, California can be shown to be performing slightly better than the U.S. overall since the start of the downturn. Yet while the Bay Area has certainly suffered dramatically since the tech bust began, what may be more impressive is how well it is recovering. The Los Angeles/Orange County region starting in 1990 lost fewer jobs at a slower pace than the Bay Area. Yet the income hit was actually worse in the LA area — between 1990 and 1993 the OC-LA region saw total real income fall by 7% while in the Bay Area income fallen by only 4% in real terms between 2000 and 2003. And while the LA / OC region didn’t see employment bottoming out until nearly four years after the previous peak, the Bay Area has been adding jobs back, albeit slowly, over the past 12 months. It is likely that February’s payroll benchmark revisions will see these payroll figures adjusted upwards even more, given the well understood downward bias in the CES data at the beginning of expansions because of the inability for the sample data to pick up all the new jobs created in small and new businesses.

The positive news for the Bay area goes on. Despite the economic turmoil, the City of San Jose still has the highest median household income among the 68 major cities in the U.S. in 2003, with San Francisco coming in at 3rd and Oakland 16th. The reason is that tech, while down, is certainly not out. Technology spending continues to grow in the U.S., as do exports to other nations. Information technology has returned to a normal path of growth — one that is still rapid, just not blistering as it was in the late nineties. Southern California in the early nineties, in contrast, was suffering from a permanent decline in the aerospace industry.

Furthermore the Bay Area still maintains many of the characteristics that are strongly indicative of long run success — a highly educated, relatively young workforce. This is an area that will regain its position as one of the fastest growing economies in the nation in relatively short order. As discussed in last quarter’s regional report, the long run troubles for the state are embodied in the problematic demographic changes occurring in the now-booming Southern California economy. While growth in the Bay Area will continue to be hampered by the lingering effects of the tech bust, it will begin to add jobs in a real way in 2005 (1.5% to 2%) and if the U.S. economy holds up will have a very solid 2006. California’s overall payroll job growth will show the results of the recovery accordingly.

Informal Employment: What you can’t see can hurt you

It may be surprising to think that our unfavorable business climate does not seem to be having any obvious impact on employment in the state. In reality it may be, but in a way that might equally surprise. Keep in mind that businesses locate in specific places in part due to costs of doing business, but also due to the reduction in what economists refer to as transaction costs. Easy access to clients, suppliers and workers can more than make up for higher costs of rent, wages and benefits. We know this to be the case; otherwise there would be no such place as a ‘city’ at all, since the increased population density associated with urbanization drives up costs of doing business across the board. Yet in the U.S. over 70% of employment occurs within cities that have 200,000 workers or more.

A recent study by the Public Policy Institute of California claims that one quarter of the state’s population has considered moving because of high housing costs. Yet this mistakes cause with effect. Housing prices in California are a function of population movement, not a cause of it. Housing prices have been rising rapidly in part because people continue to
The State and Local Report: On the Rise

move here — not move away — despite the high costs of doing business, a taxation system extremely unfavorable to new residents, and real estate prices that continue to grow at record paces. Estimates are the state’s population increased by over 500,000 people in 2003, and 2004 promises to see a larger increase. Net immigration into California has strong remained positive right through the economic turmoil of the last four years. Our demographic forecast predicts that another 2.2 million people will be added to the population of the state over the next four years.

People are moving here because economic opportunities do seem to exist in the state relative to other places in the U.S., at least as measured by the unemployment rate if not the payroll statistics. Unemployment at its lowest point in late 2000 in California was 4.7%, compared to 3.9% for the U.S. overall. Despite the economic problems in the Bay Area over the last four years, state level unemployment actually increased at a slower pace than for the U.S. overall during the 2001 downturn, and has fallen faster since the recovery began. The unemployment gap between California and the U.S. overall is now only 5.4% compared to 5.8%. In 1995, the gap was 2.6 percentage points. The reason that unemployment is falling faster in California than the U.S. overall is because household employment is growing faster in California than in the U.S. overall; 2.6% since the 2001 peak compared to 1.3% for the U.S., and 11.1% since January 1998 compared to 6.4% for the balance of the U.S.

The household employment figures come from a separate survey than the payroll figures, one that relies on a much smaller sample of households rather than a large sample of employers. This second survey is used to count those who fall between the cracks of the payroll survey — those who are unemployed and those who are not covered by unemployment insurance for whatever reason. This latter class of worker, those who show up on the household survey but not the payroll survey, I refer to as informal employment. Some of these workers are self-employed. Others may be subcontractors for larger companies.

There has been a marked increase in informal employment everywhere in the U.S. since the late nineties — representing for the most part a return to a normal level since informal employment in the rest of the U.S. fell sharply between 1996 and 1999. Here in California something different has been occurring. In 1999, for the U.S. overall informal employment was about 2% of payroll employment, down from a more normal 4% in 1996. It has since risen back up to slightly over 4%. In California informal employment was 10% in 1999, approximately what it was in 1996. It has since risen to 15% of payroll employment. Currently over 2.1 million workers in California are showing up in household numbers but not on any payroll figures, 600,000 more than were in the state in 1999, representing a larger increase than the change in all payroll jobs ($50,000) over the same period.

While California has 11% of the nation’s payroll jobs, we have well over a quarter of these informal household jobs. Some have dismissed this as some sort of flaw due to the small sample size of the household survey. Yet it bears keeping in mind that this trend has been going on for over 15 years, and that the 2000 census, which was used to recalibrate the population weights used to construct the unemployment figures, actually caused the estimates of informal employment to become larger.

High levels of informal employment are not unique to California; informal employment is high in most centers of immigration. Texas has an informal sector that is about 10% of its payroll workforce. On a regional basis most of these jobs (75%) appear to be forming in the greater Los Angeles area. While LA has the highest proportion of informal jobs in the nation (>20%), Miami and New York City are second and third respectively with numbers in the low teens. Still, the numbers are too large to be passed off simply as a function of the employment of illegal immigrants. Nor are all these jobs in domestic occupations or in sectors that make extensive use of day labor such as construction. Indeed many of these jobs appear to be in sectors such as manufacturing, business services, and trade.

It is also clear that immigration by itself is not the primary source of the issue. The Bay Area is also home to many immigrants (over 30% of the local population were born overseas, about the same as in Southern California) yet the proportion of informal employment is more in line with the overall U.S. level than with what is occurring here in Southern California.

What is common about these areas with high levels of informal employment is that the immigration has been primarily made up of unskilled workers, definitely not the situation in the Bay Area, but reflecting much of the immigration in L.A. What can explain this ongoing trend? One potential explanation are the costs of employment. When faced with rising costs of employment benefits, businesses have a number of options. One is to close down operation. Another is to move operations to a place that has cheaper costs. These are both very expensive options from the employer’s point of view. Another option is to pass the additional costs on to the consumers — tough to do in a highly competitive marketplace. A fourth option is to simply absorb the costs and pass them on to their employees in the form of reduced take-home wages. Indeed, many a well-meaning politician or regulator has found their aspirations to improve the living standards of the working class frustrated by the fungibility of the various components of the pay package. Indeed it may be stated that the true payers of California’s excessive regulatory costs are not businesses at all, but the workers who end up earning less.

The option of passing on costs to workers, however, is not available for firms that hire those already being paid close to subsistence levels. When faced with this situation a firm may find itself best off by choosing a fifth course of action: simply moving their workforce off the books by declaring only a portion their workforce to the government — or not even that — in order to avoid the costs. Thus the high costs of doing business in California may not be suppressing the creation of new jobs, only creating a situation in which more and more of the economic activity occurring within the economy is done outside of the view of state employment regulators.

It seems that the generally noble goals of our state legislative bodies in creating many of these regulations may actually be creating a worse situation for many workers, as those who are employed in these informal sectors lose many of the basic protections that workers have even in low-cost states. Add to that the potential for lost tax revenue as a result of the fact that so much economic activity is clearly occurring outside the direct view of the government. In short the primary victims of high business costs may not be businesses at all, but the government budget and unskilled workers.

It should be kept in mind that this is all speculation at this point. It would seem to be one issue that deserves a higher degree of attention on the part of state and federal officials, to find out who these workers are and what they imply for our economy. If the problem is being driven by costs, then the recent improvements in workers compensation, the defeat of Proposition 72 and the passing of Proposition 64 will all help slow the rapid increase in informal employment. Clearly the state has some ways to go in order to deal with this problem.

Real Estate: Some like it too hot

California’s real estate prices continue to rise at a blistering pace. The median price for a home in the state was $395,000 in October, up 21% from the previous year. Slowdowns in the pace of sales in Southern California housing market have been offset by a Bay Area market that is starting to catch fire again. Unit sales, while down somewhat from a year ago, are still high from a historical perspective; 40,000 units were sold in October in the Southern California and Bay Area economies.

In real terms, the pace of appreciation has only just caught up to the rapid pace seen during the late eighties and late seventies real estate bubble. Yet this cycle has been considerably longer than the last two. In the late eighties prices increased by a total 41% in real terms (CPI adjusted) prior to
The Pomona City Council appointed Marie M. Macias as Pomona's new city clerk. Macias formerly the deputy city clerk for Placentia, brings 18 years of experience in municipal government to Pomona. Kenneth M. Wightman, P.E., P.L.S., will become chief executive officer of David Evans and Associates, Inc. (DEA). As the second CEO in DEA's history, Wightman follows in the footsteps of founder Dave Evans...Michael Brandman Associates (MBA) announced Ms. Andrea Urbas, AICP, has joined their Inland Empire office as a project manager in their environmental services division. With a career combining over 24 years of both public service and private consulting experience, Urbas is an expert in providing environmental and cultural resources consultation and preparing environmental planning documents...Michael Brandman Associates (MBA) announced that the 2004 Building Industry Association (BIA) Clayton A. Record, Jr. Award for outstanding volunteer has been awarded to their Inland Empire Regional Business Manager, Anne L. Viricel. Viricel is instrumental in membership recruitment and retention and has been named the 2005 BIA-Riverside Membership Chair. Viricel joined MBA in July of 2001 and has been influential in the growth and development of their highly successful Inland Empire office...IEHP, Inland Empire Health Plan, announced the hiring of Eric Haden as its new chief network development officer. In his position, Haden will oversee provider relations, compliance, and contracts. Haden comes to IEHP with an extensive background in both health plan and IPA administration...Windermere Real Estate announced the addition of sales associate Richie Torres to its Desert Hot Springs office. Torres had been a real estate assistant with Buyers Only Real Estate for the past two years...Lynne C. Bushore, CPA, has been named to a newly created director position on the Canyon National Bank board of directors, announced chairman of the board, Tom Sulli. Bushore, founder and sole principal of Lynne Bushore Certified Public Accountants, Palm Springs, has over 24 years' experience serving business and individual clients in the Coachella Valley...Sukut Construction President and Chief Executive Officer Michael Crawford announced that Mary Ellen Copek of Mission Viejo has been named talent director for the award-winning, top 300 contractor and number one landfill contractor in the U.S. Copek will serve as a member of Sukut's leadership team, creating systems that will leverage the talent of Sukut Construction's current and future workforce...The Palm Springs Aerial Tramway announced the hiring of Tara Meinke as the vice president of finance. Meinke worked for Maryanov, Madsen, Gordon and Campbell, CPAs of Palm Springs, where she was a senior accountant...Community Bancorp, Inc., parent company of Community National Bank announced that Thomas A. Page and M. Faye Wilson have been appointed to the board of directors of both Community Bancorp Inc. and Community National Bank. continued on page 40
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ANNOUNCING THE 8TH ANNUAL ROY ROGERS AND DALE EVANS WESTERN FILM FESTIVAL

Film Festival Moves to New Location!

The 8th Annual Roy Rogers and Dale Evans Western Film Festival is moving to the Ramada Inn Convention Center, 15494 Palmdale Road, Victorville, CA, Feb. 26 & 27, 2005. Proceeds from this popular annual event will benefit the abused children served by the Happy Trails Children’s Foundation.

The film festival, which has been held at the Cinemark Theatre in the Mall of Victor Valley since the first one in 1998, is moving to the Ramada Inn Convention Center in Victorville due to a complete renovation of the theatre scheduled for about the same time as the festival.

The festival will provide a thrilling opportunity for fans to come together and see Roy and Trigger gallop across the silver screen, fighting for truth and justice in the Old West, as they did in their heyday in the 40’s and 50’s, when Roy was the number one ranked cowboy star at the box office for more than 10 straight years! Even though Roy’s films have been shown on television from time to time, it is rare indeed to see them on a large screen as they were originally intended to be seen. Roy and Trigger, along with Dale, lovable sidekick Gabby Hayes, Bob Nolan and the Sons of the Pioneers, formed one of the greatest and most successful movie teams of all time!

Some of the magnificent rare film titles to be shown include: an uncut color print of Bells of San Angelo (1947), Don’t Fence Me In (1945) and Shine on Harvest Moon (1938). Fans will have an opportunity to see many other films including episodes from the popular Roy Rogers TV show. In addition to a full schedule of films, the festival will feature special appearances by a gathering of guest celebrities including: Ben Cooper, Michael

continued on page 43
“Lead or Get Off The Pot: The Seven Secrets of a Self-Made Leader” by Pat Croce with Bill Lyon

Pat Croce has become a much sought-after speaker on the business meeting circuit. Perhaps that’s because he targets his motivational efforts at present and perspective at multiple management levels from team leaders to C-level executives. His own successful business background makes his no-nonsense ideas about leading others ring true. Croce has now translated his ideas from the stage to the page and, with a bit of help from sports columnist Bill Lyon, offers a refreshingly readable book on organizational leadership.

Croce believes that all leadership begins with a vision of what can be and then works to transform vision into reality. This begins with writing down the vision, then writing down the goal that grows out of it. These two steps are followed by the tasks required to achieve the goal and the action steps necessary to complete each task.

Each phase, from vision to individual action steps, are building blocks creating an overall structure that turns the leader’s vision into concrete results.

Once the vision has been established, you have to build the team that can turn the dream into reality. Into today’s world it’s virtually impossible to achieve goals and dreams without a team. Even an individual competitive like a PGA or LPGA tour player has a supporting cast that includes a caddy, fitness trainer, one or more coaches (swing, short-game, etc.) and a business manager. In Croce’s view, each member of the team has to buy into the leader’s vision and become passionate about achieving it. According to Croce this passion by team members is expressed in three ways: “attitude, assets, and ambition.” He states:

“From my very first employee, I was always in search of a team of doers. Not talkers. Not dreamers. Not pretenders. I wanted contenders! And I instinctively knew the onus was on me to find those who fit the bill.... Ultimately, what I always look for in my evaluations is a person’s attitude, assets, and ambition.... And so, in the ongoing process of evaluating and maintaining assistance in any venture (business, community, charity, or play) attitude spends more time in my spotlight than any other variable. Attitude is easy to assess, and it has a direct correlation to success. Bad attitude...bon voyage!”

Peppered liberally throughout the book are thoughts that sum up in a sentence or two the surrounding concepts which may be one or two pages long. These abbreviated ideas are called “Pat Croce Pointers” and they include comments such as:

“Listening with a leader’s eye requires restraint, respect, and a genuine dose of curiosity.” “The best way to influence people to do what you want done is to find out what they want to do. And clearly, the best, most direct way to achieve this is to ask them.”

“Customer service can be boiled down to two words: Listen and React—with action!”

There’s another aspect of the book that makes it remarkable. So many motivational and “how to” books are little more than one-time read throughs. Not “Lead or Get Off the Pot!” It’s likely you’ll go back and re-read portions because they make incredible sense in an otherwise surreal world, because they’re on target for an issue you’re confronting, or because they are just plain fun.

— Henry Holtzman

**continued from page 37**

Mr. Page and Ms. Wilson formerly served as chairman of the board and board member, respectively, of Cuyamaca Bank, N.A. which Community acquired in October...Sperry Van Ness, one of the nation’s premier commercial real estate investment firms, has named Robert J. Conley, to the position of regional manager.

Conley will oversee the daily operations and growth of Sperry Van Ness’ offices in Ontario and Palm Springs...Windermere Real Estate announced the addition of the following sales associates to its Rancho Mirage office: Sales Associate Jason Evans was previously a realtor with Desert Homes & Land in Palm Springs. Sales Associate Sandy Middlebrook was previously a legal administrator with Middlebrook, Kaiser & Popka...Kathy Block has been reappointed to the Mount San Jacinto Winter Park Authority for a four-year term. The Riverside County Board of Supervisors originally appointed Block in 2000...Eugene Wong, a psychology professor at Cal State San Bernardino has been named Golden Apple teaching award winner for 2004-2005. Wong, who lives in Riverside, has taught psychology, human development and education classes at the university since joining the College of Social and Behavioral Sciences faculty in 1994.
The next UCLA Anderson Forecast Conference titled “Soft Patch or Thin Ice-The Outlook for 2005,” will be Wed., at UCLA Anderson School of Management from 7:30 a.m. - 12 p.m. For more information visit www.uclaforecast.com or call Phillip Little at (310) 825-9983. Just in time for holiday shopping. The 15th Annual Gem Faire returns to Costa Mesa through the 12th at Orange County Fairgrounds, Building 12. Hours are Fri., noon-1 p.m., Sat., 10 a.m. - 7 p.m., and Sun., 10 a.m. - 5 p.m. Admission is $5, valid for the entire weekend. A master jeweler will be on site to repair your favorite jewelry and to restore a family heirloom or merely create the jewelry of your dreams. For more information, visit www.gemfaire.com or contact Gem Faire, Inc. at (503) 252-8300 or info@gemfaire.com. Earn wire-wrapping directly from a master at the Costa Mesa Gem Faire. Carolyn Eddy, a wire master and jewelry designer, will hold wire-wrapping workshops through the 12th at Costa Mesa Orange County Fairgrounds, Building 12. Classes are offered throughout the weekend, starting at 8 a.m. on Friday, available for all skill levels. Costs range from $25 to $85 with purchase of Gem Faire materials. For more information call (801) 391-1419 or ceddywrap wire@ yahoo.com. The wire-wrapping workshops are sponsored by Gem Faire, Inc. For more information, visit www.gemfaire.com or contact Gem Faire, Inc. at (503) 252-8300 or info@gemfaire.com. The San Bernardino NAACP Pioneer Awards Banquet will be held at the California State University in San Bernardino University Upper Commons. Tickets are $50 and sponsorships are available. For tickets or for more information, please call Walter A. Jarman at (909) 887-7411.

Sierra San Antonio Medical Plaza began construction in Fontana. City officials along with representatives from San Antonio Community Hospital, Ensemble Real Estate and Lewis Operating Company held a groundbreaking ceremony in November. This three-story, 60,000-square-foot medical arts building will be located west of the intersection of Sierra Avenue and the Interstate 210 Freeway...CB Richard Ellis announced the sale of Corona Main Place, a Class A, 63,036-square-foot office building located at 200 South Main Street in Corona. Mammoth Equities LLC of Mission Viejo acquired this trophy asset, which is 100 percent leased with tenants like Robertson's Ready Mix, American Express, Countrywide Home Loans and Vineyard Bank. Phil Woodford and Vindar Batoosigh of CB Richard Ellis represented the seller Corona Main Place LLC in the transaction. Alan Pekarick and Dan Vittone of Volt Commercial Brokerage represented the buyer...The Bascom Group, LLC acquired a 130-unit apartment community in Bakersfield for $6,065,000. The apartment community known as the Villa Capri Apartments is located at 1000 Pacheco Road. The buyer for the property was The Bascom Group, LLC, and the seller of the property was Villa Capri Ventures, LLC, a Delaware limited liability company. Representing both buyer and seller was Ernest M. Reyes of Lincoln Brokerage Company of Newport Beach. Debt financing was provided by Wells Fargo...Residents of one of Riverside's fastest-growing communities will have added convenient quality shopping in their own backyard with the opening of Canyon Springs Marketplace North next fall. Ground will be broken this spring on the 180,000-square-foot shopping center that features popular stores Bed Bath & Beyond, Marshalls, Cost Plus, JoAnn Stores and Petco. Canyon Springs Marketplace North will be located at the southeast quadrant of the 60 Freeway and Interstate 215...Another Orange County company is relocating to the Corona area, Specialty Motions, Inc., a manufacturer of linear motion systems and components, has acquired a 23,000-sq.-ft. industrial building for $2.07 million, doubling its plant capacity...David Herrera and Steven Hallin have recently completed a 2,010 square foot, three year lease in the Near Cal Industrial Park. Hallin and Herrera, Inc. is a storage facility of construction tools and materials, located at 502 Chaney Street, Suite L, Lake Elsinore. Chris Masino and Adrienne Bernstein of CDM Group, Inc. represented the lessor and Steve Falk of Lee and Associates represented the lessee in this transaction...Luis Serrano recently signed a three year lease for 1,120 square feet located at 26692 Pierce Circle, Suite F in Temecula. Serrano will be operating a cabinet making facility. Adrienne Bernstein of CDM Group, Inc., represented the lessee in this transaction...City Council members, city officials and residents gathered at the new Mountain View Villas Clubhouse, 78000 Betty Barker Way (Mountain Cove Drive and Highway 111), to dedicate the new senior housing community, built by Southern California Housing Development Corp. Phase One (128 units, a clubhouse, pool and spa) is now complete and residents are moving in. The clubhouse features a media room, computer room for residents and an exercise room.
The State and Local Report: On the Rise

continued from page 36

to the collapse. In the late seventies prices increased by a total of 50% before they slowed. This time total appreciation since the late nineties is now 60%. All the major markets in the state have seen double digit increases in price over the past 12 months, even in the Bay Region which saw growth flatten for a number of years following the 2001 downturn.

Many economists, including those of us here at the UCLA Anderson Forecast, have been warning that the residential real estate market in the U.S. is in a bubble — that is, the market fundamentals and actual prices have diverged because market activity is primarily a function of price speculation rather than careful consideration of the economics of a situation. Of course there are other groups who disagree with this assessment of the market and who believe that much of the appreciation is justified. Regardless of whether you agree or not, it is clearly not business as usual in our housing markets. Consider some of the following statistics:

- The housing market is the U.S. has traditionally been very cyclical. Both building and prices are strongly linked to employment growth. When job growth is accelerating, so are housing prices and residential construction and vice-versa. This traditional cycle never materialized during the 2001 recession — a unique event in U.S. economic history.

- Nationally, real estate prices typically appreciate at 1% per year in real (inflation adjusted) terms — most of the return for a housing asset is in its ‘coupon’, the rental value it provides on an ongoing basis. Over the past five years real estate prices have risen by over 5% annually, five times the average rate. Prices at the national level are now 25% above their historic long run trend.

- On average U.S. adds one new unit to the housing stock for every 1.7 adults (those 25 years of age and up) entering the population. Over the last two years the U.S. has added one new residential unit for every one adult being added to the population.

- Cap rates on apartment buildings have historically been about nine for the nation as a whole. As of the second quarter of this year cap rates for class A apartments had fallen to a national average of seven — an all time low.

- When such facts are brought up, two responses are typically given — that interest rates are at an historically low level and supply is tight, hence the appreciation is justified.

Are mortgage rates truly that low? No, not really. What’s important is not nominal mortgage rate, but the real one — the interest rate minus the inflation rate, reflecting the real return a financial asset provides. The current real mortgage rate is about 4%, certainly lower than the 6% average real rate paid on mortgages in the nineties, and much better than the 9% real rates being paid in the late eighties. But the current rates aren’t that low when we expand our history, they are about on par with those paid in the seventies and early eighties and still above those paid in the sixties, yet we did not see the pace of housing appreciation then that we do today. Moreover, if rates are truly the driver of our current market, then when rates bottomed out in 2003 the market should have cooled off. Instead it became even hotter, and the pace of housing price appreciation actually picked up.

As for supply, developers will tell you that they are building strictly on contract and realtor associations will tell you that stock levels are very low — thus implying that the basic tool of comparing new homes to new population is irrelevant. Remember, however, that housing is an asset, not a commodity.

What this means is that a house has a fundamental value based on the revenues it brings in today and in the future — specifically the present value of the net rents the property will earn during its existence. It is rental values that reflect current supply and demand. What have rents done? Since the 4th quarter of 2000 inflation adjusted rents for apartments have fallen by about 10%. So unless the market is predicting some sort of fantastic turnaround in rental prices in the future — hardly likely given the pace of construction — supply constraints can hardly explain rising property prices.

The above paragraph applies to the nation as a whole and doesn’t fully reflect local submarkets such as here in California. There do appear to be two types of markets in the U.S. currently — those that are overbuilding and those that are over-priced. The speculative rush exhibits itself through increased demand to through regulatory and zoning constraints (such as here in California) the market responds by building excessive numbers of new units. If instead building is constrained by regulatory and zoning constraints the market instead bids prices up to higher and higher levels. When will this bubble burst, and what will it mean for the economy? As for the timing, it is unclear when it will end. Bubbles, once they get going, tend to take on a life of their own. Even if a market is behaving irrationally in the aggregate, individual investors might be behaving rationally.

When it will collapse is almost impossible to predict because if one could predict it, then the speculators would know when to get out, thus bursting the market ahead of time. This logic quickly unravels of course. It’s like a pyramid scheme — you can make money if you make it through okay, but be assured that at some point in entered last will be the ones who lose. The uncertainty of the timing is what maintains the momentum.

There are some signs that things are cooling off even now. Market inventory rates are starting to rise in many places, and the pace of sales is cooling off, in some places such as Orange County dramatically. But these are some symptoms, they do not necessarily add up to a change in the trend. And don’t listen to those who say that economists are foolish because they have been predicting a market reversal for two or three years, and yet the market keeps climbing. Remember that economists started to warn that the NASDAQ was becoming overvalued in 1998 as it grew at an unprecedented pace. Yet the sirens of Wall Street claimed that actions spoke louder than words. The market, they claimed, was proving the dismal scientists wrong by continuing to grow. For the record, NASDAQ’s current inflation adjusted value is currently back at its 1997 level. The term ‘dismal’ is often used to describe not cynics, but realists. Housing bubbles are different than in other assets because of the relatively low liquidity of the market. Nominal average housing prices in the U.S. have never gone down. Instead the back end of a housing cycle is typically characterized by flat nominal prices until the process of inflation and increases in demand push the fundamental price up to the current market price. This is when the market starts to grow again. At a regional level nominal prices typically only fall when there are severe employment losses in the area, such as what happened in the Southern California economy in the early nineties.

Note I keep using the word ‘typically’ and ‘usually’. This is because, as most economic forecasters do, I use the past to help me decide what is going to happen in the future. But this time my ability to predict the future is handicapped by a lack of an appropriate past by which to compare it to. The U.S. has not experienced such a dramatic increase in prices along the history that I have acceptable data for. Furthermore we are in a low inflation regime currently, and housing demand (from the point of view of rents) is still weak, making convergence between the current market price and the fundamentals a more difficult process than if we were in a high inflation or growing economy.

I can say that there are regional economies that have experienced nominal price declines even as employment continued to grow. One example of this was Texas in the late eighties in the wake of the collapse of oil prices that had driven real estate speculation in that economy to new heights in the late seventies and early eighties. What this implies is that while nominal prices tend not to fall, it is not impossible in extreme circumstances, which describes the current situation. What is certain at risk is the building boom. All slowing cycles are linked to a drop in residential investment at the national level and this is typically associated with the beginning of an economic recession. The U.S. economy is not as healthy as many would
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<td>9399 Autoplex St., Montclair, CA</td>
<td>Andy Pembroke</td>
<td>(909) 626-6000</td>
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<td>Acura of Riverside</td>
<td>8001 Auto Dr., Riverside, CA</td>
<td>Matt McPhillis</td>
<td>(951) 785-6600</td>
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<td>Advantage Jaguar Audi</td>
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<td>James Tracy</td>
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<td>Affordable RV</td>
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<td>Alvarez Jaguar Lincoln Mercury</td>
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<td>Paul Johnson</td>
<td>(951) 687-1212</td>
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<td>American Honda Motor Co.</td>
<td>5450 E. Francis Ave., Ontario, CA</td>
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<td>American RV Expo</td>
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<td>B &amp; G Auto Sales</td>
<td>1630 W. Valley, Colton, CA</td>
<td>Scott Chadwick</td>
<td>(909) 825-1173</td>
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<td>BMW of North America</td>
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<td>Dusty Baxter</td>
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<td>BMW of Riverside</td>
<td>3060 Adams Street, Riverside, CA</td>
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<td>Bosch Kia</td>
<td>10025 Sierra Avenue, Fontana, CA</td>
<td>Carlos Bosch</td>
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<td>Bosch Kia Isuzu of Corona</td>
<td>2683 Wardlow Rd, Corona, CA</td>
<td>Katie Barr</td>
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<td>Cadillac Sales &amp; Service</td>
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<td>Crown Lexus</td>
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<td>Suzuki Isuzu World</td>
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<td>Eric Vandermulhan</td>
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<td>Don's Auto Center</td>
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<td>Empire Nissan</td>
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<td>(714) 850-4646</td>
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<td>Exclusively Volvo Subaru</td>
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<td>Freeway Lincoln-Mercury</td>
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<td>Mike Cook</td>
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<td>Frits Ford</td>
<td>8000 Auto Center Drive, Riverside CA</td>
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<td>Golden West Auto Sales</td>
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<td>Griner Auto Plaza-Pontiac GMC</td>
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<td>Ron France, GM</td>
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<td>Hasfield Buick</td>
<td>301 E. Redlands Blvd., Redlands, CA 92373</td>
<td>Bill Hasfield</td>
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<td>Hemborg Ford</td>
<td>1900 Hamner Ave., Norco, CA 92860</td>
<td>Perry Brandt, GSM</td>
<td>(951) 737-6151</td>
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<tr>
<td>High Desert—Kia</td>
<td>13529 Ramona Ave., Victorville, CA 92392</td>
<td>Paul Tavallodi</td>
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<td>Hibbard Chevrolet</td>
<td>191 S. Indian Hill Blvd., Claremont, CA 91711</td>
<td>Mike Wilcox</td>
<td>(951) 624-4551</td>
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<tr>
<td>Honda Cars of Corona</td>
<td>1080 Pomona Rd., Corona, CA 92882</td>
<td>Greg Smith</td>
<td>(951) 734-8400</td>
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*Continued from page 39*

Dante; Lois Hall; John (The Lone Ranger) Hart; Kelo Henderson; Robert Horton; Donna Martell; William Smith; Virginia Vale; Gregory Walcott; Ty Hardin and Clint Walker, better known as Cheyenne, and many more! There will be a silent and live auction including Roy and Dale collectibles and memorabilia. A highlight of the festival this year will be the Saturday Night Awards Banquet featuring a special Celebrity Panel Discussion, hosted by Boyd Magers, founder and publisher of the popular Western Clippings newsletter. Two additional outstanding Celebrity Panels hosted by Boyd Magers will be held Saturday and Sunday during the festival. If you have never attended a Celebrity Panel Discussion, you will be in for a real treat! Shop the Cowboys of the Silver Screen Collectors Swap Meet, with great buys on photos, videos, books, toys, posters, memorabilia and collectibles from the golden era of the Westerns!

On Monday, Feb. 28, enjoy "A Day at the Ranch," Roy's former Double R Bar horse ranch in nearby Oro Grande, CA. There will be more western movies in the big red barn that has been neatly converted into a theater, along with stagecoach rides, live western music and cowboy poetry; a Trigger Memorial Trick Horse Competition, plus a delicious chuckwagon lunch.

Advance reservations are required for the banquet and "A Day at the Ranch." Order your Film Festival, Banquet and Day at the Ranch tickets today! If you have any questions, please give us a call! You may reserve tickets by calling the Happy Trails Children's Foundation, (760) 240-3330. We accept American Express, Discover, MasterCard and VISA.

All proceeds benefit the abused children served by the Happy Trails Children's Foundation, a non-profit public benefit corporation. All donations are tax deductible.
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<td>Tom Raley</td>
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<td>Infiniti of Montclair</td>
<td>9440 Autoplex Drive, Montclair CA 91763</td>
<td>Cordy Cerami, GM</td>
<td>(909) 625-8990</td>
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<td>(909) 625-4007</td>
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<td>Infiniti of Riverside</td>
<td>3040 Adams Street, Riverside CA</td>
<td>Mr. RJ Romero</td>
<td>(909) 390-9898</td>
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<td>(909) 390-0298</td>
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<td>Jeep Chrysler of Ontario</td>
<td>1202 Auto Center Drive, Ontario CA</td>
<td>Jack Ferguson</td>
<td>(909) 884-0111</td>
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<td>(909) 884-6251</td>
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<td>Kennedy Cadillac</td>
<td>1400 S. Camino Real, San Bernardino CA</td>
<td>Sonai Gonzalez</td>
<td>(909) 937-6110</td>
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<td>(909) 390-0266</td>
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<td>Keystone Auto Group</td>
<td>1251 Auto Center Drive, Ontario CA 91761</td>
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<td>KIA</td>
<td>7850 Indiana Avenue, Riverside CA</td>
<td>Robert Paul</td>
<td>(951) 353-8008</td>
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<td>KIA Motors</td>
<td>14101 Pipeline Avenue, Chino CA</td>
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<td>(909) 627-3700</td>
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<td>Lexus of Riverside</td>
<td>3150 Adams Street, Riverside CA</td>
<td>Francois Attalah</td>
<td>(951) 353-0903</td>
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<td>Lincoln Mercury-Citrus Lincoln</td>
<td>1375 S. Woodruff Way, Ontario CA</td>
<td>L. Gary Underwood</td>
<td>(909) 292-0100</td>
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<td>Moss Brothers Ford</td>
<td>411 E. Laurel Street, Colton CA</td>
<td>Christopher Pratt</td>
<td>(909) 825-1212</td>
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<tr>
<td>Mark Christopher Auto Center</td>
<td>2131 Convention Center Way, Ontario CA</td>
<td>Chris Legio</td>
<td>(909) 390-2000</td>
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<td>Mark Christopher Cadillac</td>
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<td>Jim Westley</td>
<td>(909) 390-2000</td>
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<td>Mazda of San Bernardino</td>
<td>1388 S. East Street, San Bernardino CA</td>
<td>Charley Oberman</td>
<td>(909) 884-6431</td>
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<td>Metro Acura Honda</td>
<td>Montclair, CA</td>
<td>Chuch Catoer</td>
<td>(909) 625-5000</td>
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<td>Metro Nissan</td>
<td>9440 Autoplex Drive, Montclair CA 91763</td>
<td>Francis Fujishige</td>
<td>(909) 625-7514</td>
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<tr>
<td>MK Smith Chevrolet</td>
<td>5396 Riverside Drive, Chino CA</td>
<td>Jim Davis</td>
<td>(909) 628-3861</td>
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<tr>
<td>MK Smith Chevrolet</td>
<td>12845 Central Avenue, Chino CA</td>
<td>Jim Davis</td>
<td>(909) 628-3861</td>
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<tr>
<td>Moreno Valley Chevrolet</td>
<td>12625 Auto Mall Dr. Moreno Valley, CA</td>
<td>D.J. Allard</td>
<td>(951) 485-3500</td>
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<tr>
<td>Moreno Valley Mega Store</td>
<td>27990 Eucalyptus Ave., Moreno Valley CA 92555</td>
<td>Jim Amador</td>
<td>(951) 247-8000</td>
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<td>Moss Brothers</td>
<td>1100 South “E” Stree, San Bernardino Ca</td>
<td>Wayne Allen</td>
<td>(909) 884-8255</td>
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<td>(909) 885-8927</td>
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<tr>
<td>Mountainview Chevrolet</td>
<td>1079 W. Foothill Blvd., Upland, CA</td>
<td>Mark Legio</td>
<td>(909) 982-7914</td>
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<td>Norco Mitsubishi</td>
<td>2100 Hamber Avenue, Norco CA</td>
<td>Gus Cantellano</td>
<td>(951) 735-7100</td>
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<td>Olympic Boat Centers</td>
<td>512 East Redlands, San Bernardino CA</td>
<td>Andy Barrow</td>
<td>(909) 383-3130</td>
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<td>Ontario Dodge-Isuzu-KIA</td>
<td>1201 Auto Center Drive, Ontario CA 91761</td>
<td>Chuck Castilla</td>
<td>(909) 390-4191</td>
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<td>Pacific Auto Sales &amp; Leasing</td>
<td>1934 W. 9th Street, Upland CA</td>
<td>Richard Mayo</td>
<td>(909) 981-1383</td>
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<td>Penske Honda Ontario</td>
<td>1401 Auto Center Drive, Ontario CA, 91761</td>
<td>Ron Brown</td>
<td>(909) 974-3800</td>
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<td>Person Ford</td>
<td>2835 Foothill Blvd., La Verne, CA</td>
<td>Ben Carrington</td>
<td>(909) 974-3877</td>
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<td>Power Chevrolet of Corona</td>
<td>2550 Wardlow Road, Corona, CA 92882</td>
<td>Ed Dyson</td>
<td>(909) 593-7411</td>
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<td>Power Dodge</td>
<td>1201 Auto Center Drive, Ontario, CA</td>
<td>Rich Gardner</td>
<td>(951) 737-6442</td>
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<td>Quality Hyundai</td>
<td>1665 W. 6th Street, Corona, CA</td>
<td>Chuck Casella</td>
<td>(909) 593-7411</td>
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<td>R &amp; B Auto Sales</td>
<td>1602 Foothill Blvd., CA</td>
<td>Nathan Ryan</td>
<td>(951) 734-5025</td>
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<td>Raceway Ford</td>
<td>5900 Sycamore Canyon Blvd., Riverside, CA 92507</td>
<td>Paul Kochman</td>
<td>(909) 829-1140</td>
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<td>Rancho Motors</td>
<td>15424 Dos Palmas Rd., CA</td>
<td>Ed Dyson</td>
<td>(909) 593-7411</td>
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<tr>
<td>Redlands Auto Center</td>
<td>420 W. Redlands Blvd., Redlands, CA</td>
<td>Kathy Wilson</td>
<td>(800) 655-7981</td>
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<td>Redlands Chrysler Plymouth Jeep</td>
<td>310 Texas Street, Redlands, CA</td>
<td>Marlene Burkes</td>
<td>(909) 792-1666</td>
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<td>Redlands Dodge/Mazda</td>
<td>500 W. Redlands Blvd., Redlands, CA</td>
<td>Marlene Burkes</td>
<td>(909) 793-2141</td>
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**Note:** Not Applicable WND = Would Not Disclose  na = not available. The information in the above list was obtained from the Fleet Leasing Auto Dealers listed. To the best of our knowledge the information supplied is accurate as of press time. While every effort is made to ensure the accuracy and thoroughness of the list, omissions and typographical errors sometimes occur. Please send corrections or additions on company letterhead to: The Inland Empire Business Journal, P.O. Box 1979, Rancho Cucamonga, CA 91729-1979. Researched by Sonja Olvera. Copyright IEBJ. This list updated November 2004.

**AMERICAN RED CROSS OFFERS GREAT OPPORTUNITY FOR SUPPORTING OUR TROOPS THIS HOLIDAY SEASON**

Riverside County residents are invited to send holiday cheer to deployed service members.

The holidays are here and the American Red Cross is gearing up with a great option for Americans to show their support for U.S. service members and their families:

**Bestow treasures.**

*Treasures for the Troops*

offers some fun and relaxation for down time on the frontlines. A small donation will help send durable, lightweight, compact and reusable shaving/make-up bag containing "treasures" like a deck of cards, book of crossword puzzles, snacks and candy, an electronic pocket game, batteries and a multi-tool. $20.00 includes shipping and handling. According to Pamela Anderson, CEO of the Riverside County Chapter, "We're very excited about Treasures for the Troops because we continue to be a resource for those who want to show support for service members - and this program is not just for the holidays. The public can show support anytime of the year!"

It's easy—just mail a check or money order, payable to the American Red Cross Treasures for Troops Program to P.O. Box 55040, Riverside, CA 92517-0040. Any amount is welcome. Or, you may make a secure online donation at www.riverside.redcross.org. For more information on this and other Red Cross services and programs, call the Chapter at (951) 646-4218.
How to Market a New Product

In the thirteenth episode of NBC’s reality show “The Apprentice,” teams worked with M&M/Mars to sell a new candy bar. The team that earned the most profit won the competition. While designed to entertain, “The Apprentice” depicts business interactions and challenges that frequently occur in real-world settings.

American Management Association, the world’s leading membership-based management development organization, has brought together its leading experts to provide viewers with practical advice they can apply in their own workplace.

“New products and services can be the linchpin for any company. Bringing these new products to the market, however, can be challenging,” said Edward T. Reilly, president and CEO of American Management Association. “To effectively compete in an increasingly complex and aggressive marketplace, you need to have thorough understanding of all the internal and external forces that will impact the new product’s profitability and, ultimately, the corporation’s survival.”

• Establish firm marketing goals. It should be clear to all internal constituents from the outset what the objectives are and what success will look like.
• Know your customers. Be clear about, who your customers are and what they want. Keep in mind that people buy what they want to buy, not necessarily what they need to buy.
• Know your competition. Determine if your competitors have similar new products or services and how they plan to market them. Adapt your own marketing efforts accordingly, considering the 4 Ps of marketing—product, pricing, promotion and place or point of sale.
• Customize your marketing strategy. Your product is unique. Your marketing strategy should be too. With so many marketing variables to control, you can create a distinctive marketing plan, even in a crowded marketplace.

Identify your unique selling point. This is the key factor that enables your product or service to stand out from competitors. The differentiating claim need not address the most important attribute of your product, but must be compelling and meaningful. For instance, the unique selling point of peanut butter could be an unspeakable jar.

Cigars
continued from page 25
The Counterpoint Restaurants of Ontario

by Joe Lyons

It's a corporate thing, and I don't have an MBA to explain it. Somehow three very good local restaurants have a company connection that I am not qualified to cover in this column. Suffice it to say that Rosa's, New York Grill and Ziarita's have a couple of connections and one of them is that they are all very good restaurants.

It may not do them all justice to cover all three in one column, but the connection makes it worth it.

New York Grill.

Here is a steakhouse in the finest New York style. If you don't catch the lineage, there are enough photos on the wall to prove it—The Empire State Building, the Brooklyn Bridge, and the hits of Dean Martin and Frank Sinatra emanating from the speakers.

The highlight of my evening was a bacon-wrapped filet with a bleu cheese topping. I am not a big fan of bleu cheese but this was outstanding.

Although it has been established that the Grill has a very good wine selection, I elected to bring a Galleano Zinfandel with me from home. Sometimes my selections are remarkable.

My partner went with the chicken brandy, which also went well with the zin. The only shortcoming of the dinner were the artichokes, which were good, but not great. The stuffed mushrooms, on the other hand were outstanding.

In the several times that I have dined at the New York Grill, the only disappointment has been their meat loaf, and that is no longer on the menu.

Here's a tip. It's not on the dessert tray, but a simple dish of vanilla ice cream here makes a wonderful treat, even without topping. Also, be sure to ask, not only for the daily specials, but also for an occasional treat that may not be on the menu.

Also note that the New York Grill is one of the few restaurants in the Inland Empire with a live piano player, and the bartenders know how to pour a drink.

Ziarita's

Under another name this location was run by a celebrity chef who let it get rundown and let it go because, I'm told, of an ugly divorce. Whatever the reason, I can tell you that the linguine was inedible back then. Now everything is wonderful. While this is the most casual of the three restaurants both in atmosphere and menu, you can be sure that there is still an air of sophistication here.

Ziarita's makes a wonderful eggplant Parmesan. (And I am no fan of eggplant.) The Italian sausage and lentil soup is a great surprise. I could have had twice as much and still wanted more.

There is also a wonderful spinach and avocado dip. Chef Mario, who oversees all three restaurants is based out of Ziarita's, so his special touches can be found in things like Chef Mario's meatballs and spaghetti. The ravioli is very good, especially the excellent seafood ravioli with lobster.

They even make a good pizza.

Rosa's

Rosa herself will greet you at the door.

She believes that it is too bad that people in the Inland Empire go out to eat, but not to dine.

She is not wrong.

I would tell you that Rosa's serves the best calamari I have ever had, but it turns out that some lesser critic used that line before me. Maybe it just happens to be true.

Rosa's serves a bill of fair that can be described as "beyond Italian". I would call this Mediterranean cuisine, except that since I first used that term, I have found that Greek and Lebanese restaurants also use the same terminology for their food.

I ordered the medallions of veal. One of my guests enjoyed the ravioli and two others chose chicken dishes. No one was disappointed. If I sound vague about the selection names, it is because the foods are all listed in Italian. There are English subtitles, but it is so much fun to at least try to pronounce the correct names.

Rosa's serves a true dining room, with good silver, fine table cloths and a serving staff that knows how to be of service. Chef Ulysses, back in the kitchen, works closely with Chef Mario. In fact, if you want Chef Mario's meatballs from Ziarita's, Chef Ulysses will prepare them for you, on a very good bed of spaghetti. This is the sort of fine dining facility that you will wish you had dressed better for.

Ontario is lucky to have three such fine facilities in its corporate borders. The Mills Mall is lucky to have two of them right in their area. Counterpoint can be proud of all three of its locations. They can also take pleasure in knowing that I enjoyed myself three different times.

Rosa's is located at 425 N. Vineyard, South of Interstate 10 in Ontario. The New York Grill and Ziarita's are just outside of the Ontario Mills Mall, in the Northwest quadrant, just south of 4th St.
The results are fairly strong, with reasonable high R-squared values.

The differences between the 1990 and 2001 downturns are clearly represented in these numbers. The dark squares represent those sectors that had a negative impact on the local economy during the downturn, while those lighter squares represent sectors that had a positive influence on the local economy. Retail employment was a drag in 1990, while it was a positive in 2001. Manufacturing was a large negative in 2001 and neutral in 1990. Construction had a positive impact in 1990 but a neutral impact in 2001, whereas finance and healthcare had a negative impact in 1990 but a neutral impact in 2001.

The interesting thing is what might happen if we have a 1990-type downturn in today’s economy. Using the coefficients and the current industry mix, some estimates can be generated accordingly. The results are detailed below. In the event of another downturn, the Bay Area will do much better than they did during the last recession, not surprisingly. What might be a surprise is that Los Angeles would also perform much better, given the relative industry mix in the area. On the other hand many other economies in California including San Diego, Orange County, Ventura, the Inland Empire and Sacramento would do much worse. These economies are more heavily invested in the consumer services markets, and these are most likely to be hit when another downturn might occur.
Seasons Greetings

Wishing you every happiness this holiday season and throughout the Coming Year.

from the staff of the Inland Empire Business Journal