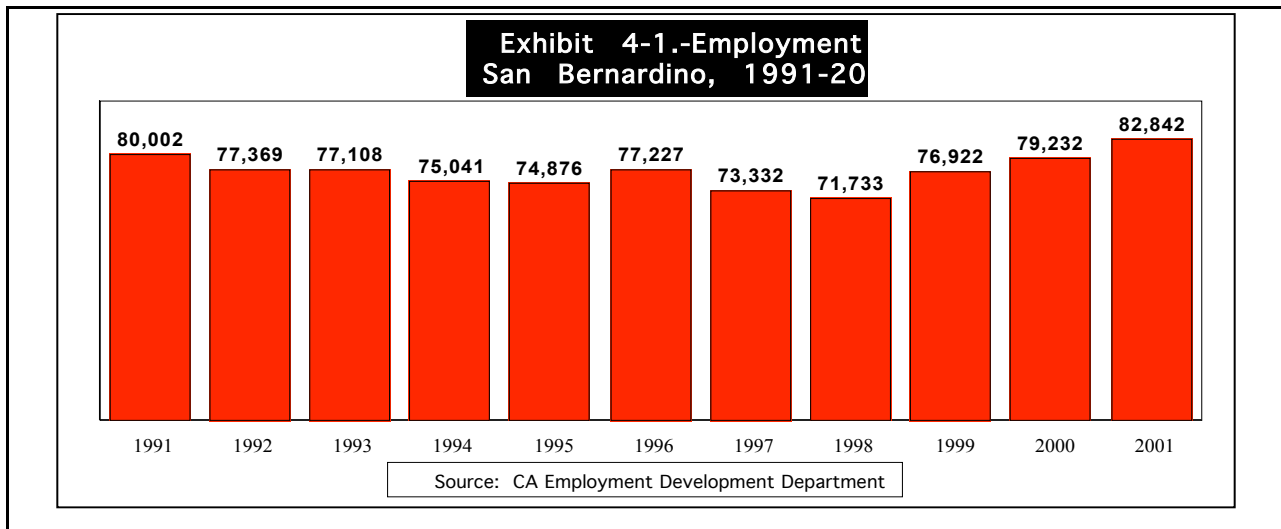


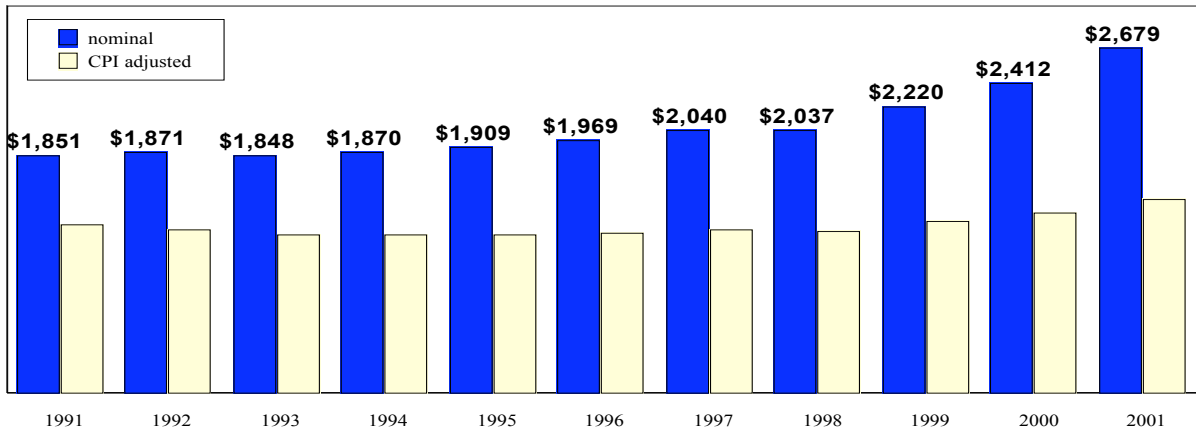
Employment and payroll levels within San Bernardino are conditioned by several facts about its economic environment. As San Bernardino County's seat, a large number of federal, state, local and special district operations are located within its boundaries. This fact, plus the city's centralized freeway location have caused numerous retail, professional and financial organizations to locate in the community. Looking ahead, the rapid expansion of the Inland Empire's population will add to the demand for the population serving functions provided by many of San Bernardino's firms. Also, the large numbers of professionals, technicians and managers now migrating inland will expand the area's skilled labor base and provide an incentive for corporate, professional and high tech operations to migrate to centralized cities like San Bernardino. In addition, with San Bernardino County's westend running out of undeveloped industrial land, manufacturers and distributors are looking deeper inside the Inland Empire for places to locate.

San Bernardino's economy has completed its full recovery from the aerospace cutbacks of the early 1990s. Historically, the city's large base of governmental functions has been an advantage. However, like much of Southern California, it suffered severe direct and secondary economic impacts when Norton Air Force Base (AFB) phased out from 1991-1994. From 1998-2001, the city's economy left this period and has added 11,108 jobs (15.5%) and \$642 million in payroll (31.5%). As a result, in 2001, the city's job base set a record at 82,842 jobs (*Exhibit 5-1*) and its payroll reached an all-time high of \$2.7 billion (*Exhibit 5-2*). Even after allowing for inflation, the total purchasing power of this payroll was 14.3% higher than in 1991.



New Strength. San Bernardino's new found economic strength has come from several sectors. First among these has been education. From 1990-2002, the city's population went from 172,600 to 189,815, up 25,139 or 15.3%. As a result, employment in the city's public and private K-12 schools has soared. In addition, California State University San Bernardino and San Bernardino Valley College both set attendance records in fall 2002. From 1991-2001, these increases caused the city's education sector's payroll to increase by \$279.0 million and its employment to grow by 3,485 (*Exhibit 5-3 & 5-4*).

**Exhibit 4-2.-Payroll
San Bernardino, 1991-2001 (millions)**



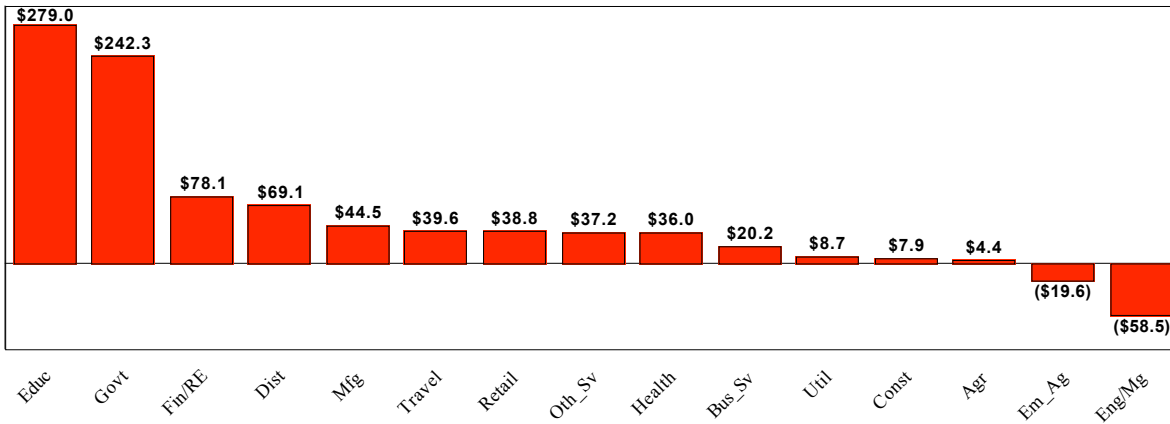
Source: CA Employment Development Department

San Bernardino's population growth came at a time when San Bernardino County was adding 365,276 people (25.8%) to its population. Together, these increases led to a significant expansion in the city's governmental sector. From 1991-2001, the payroll released by this agencies located in the city increased by \$242.3 million. The employment within these groups rose by 2,461.

In recent years, the Inland Empire's residential real estate market has soared with new and existing home sales reaching a record 72,503 units in 2001. San Bernardino's central location has meant that many of the region's realtors are located within it. At the same time, the total deposits in the inland region's financial institutions have reached a record \$24.5 billion, and the city's deposits ranked second among the region's 48 cities (\$2.2 billion). Meanwhile, a combination of mergers and growth added 1,050 in Wells Fargo Mortgage's national mortgage service center. As a result, payroll in San Bernardino's real estate and financial sectors increased by \$78.1 million from 1991-2001 and its employment grew by 1,207 (*Exhibit 5-3 & 5-4*).

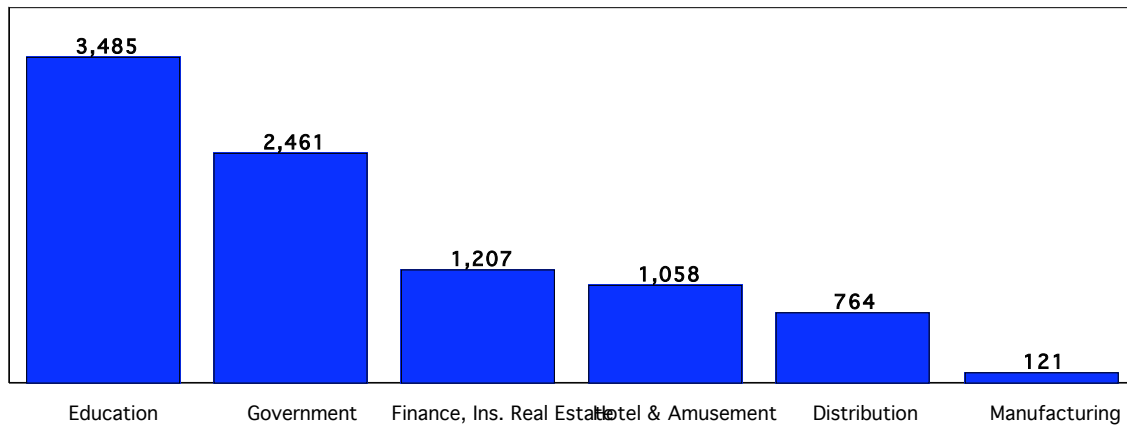
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**Exhibit 4-3.-Payroll Gain By Sector (million)
San Bernardino, 1991-2001**



Source: CA Employment Development Department

**Exhibit 4-4.-Major Growing Employment Sectors
San Bernardino, 1991-2001**



Source: CA Employment Development Department

With San Bernardino County's westend beginning to run short of industrial real estate, the manufacturers and distributors will increasingly be forced to look deeper into the region to locate their operations. This will put added economic energy into San Bernardino's economy. Already, payroll and employment in the city's distribution sector (*up \$69.1 million; 764 workers*) and manufacturing sector (*up \$44.5 million; up 121 workers*) ranked fourth and fifth in new payroll generation and fifth and sixth in new job creation from 1991-2001. This is without the opening of the new Kohl's distribution operation.

San Bernardino's travel and entertainment sectors have benefited from two activities. One has been the great success of Indian gaming at the San Manuel Indian Bingo & Casino. A second has been the large number of tourists who come to the city for events like the State Brothers Route 66 Rendezvous, the Western Regional Little League World Series, the Snickers Far West Regional Soccer Tournament and the California 500 in nearby Fontana. From 1991-2001, this sector added

the fourth largest number of workers (1,058) to the city's economy and seventh largest payroll gain (\$39.6 million) in the city's economy. This sector will receive another boost when wages and employment from the expanding Starwoods call center at Carousel Mall are added into the mix.

High Tech Firms. A recent phenomenon for San Bernardino has been the development of a number of small but rapidly growing high technology firms. For instance:

- **Optivus Technology** manufactures proton beam accelerators used in cancer therapy. Their work is a spin off of research at nearby Loma Linda University Medical Center.
- **Garner Holt Productions** is the nation's leading builder of animatronics figures. Their work is seen all over places like Disneyland.
- **Kelly Space & Technology** is at the forefront of national efforts to development space vehicles for use in the inexpensive deployment of low orbit satellites.
- **Data Tree** and **Professional Computing** are fast growing computer system design firms.
- **Southwest Data Products** builds computer storage devices.
- **Precision Hermetic Technology** develops and manufactures heating equipment.
- **JP Technology** develops and manufactures process control devices.

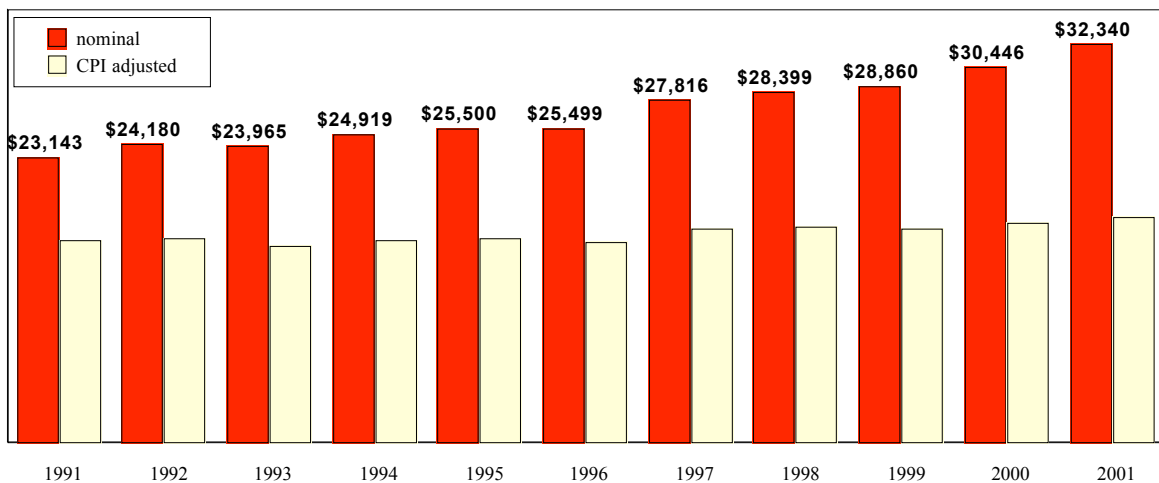


Technological innovation is not new to San Bernardino. In the 1930s, Chester Arthur, the man who invented the Xerox machine grew up in the city. And, of course, San Bernardino's Richard and Maurice McDonald Brothers invented the modern fast food industry in 1948 when they began selling massive quantities of 15 cent hamburgers and 10 cent fries on "E" Street in the city. Ray Kroc was their milk shake machine supplier.

Average Pay Per Worker. San Bernardino's employers are becoming more prosperous and their workers are benefiting. From 1991-2001, the average payroll per worker rose from \$23,143 to \$32,340. This was a gain of \$9,197 or 39.7% increase (*Exhibit 5-5*). During this time period, Southern California prices rose 25.4%. As a result, those people employed within the city saw their real purchasing power rise by 14.3% (*short bars*).

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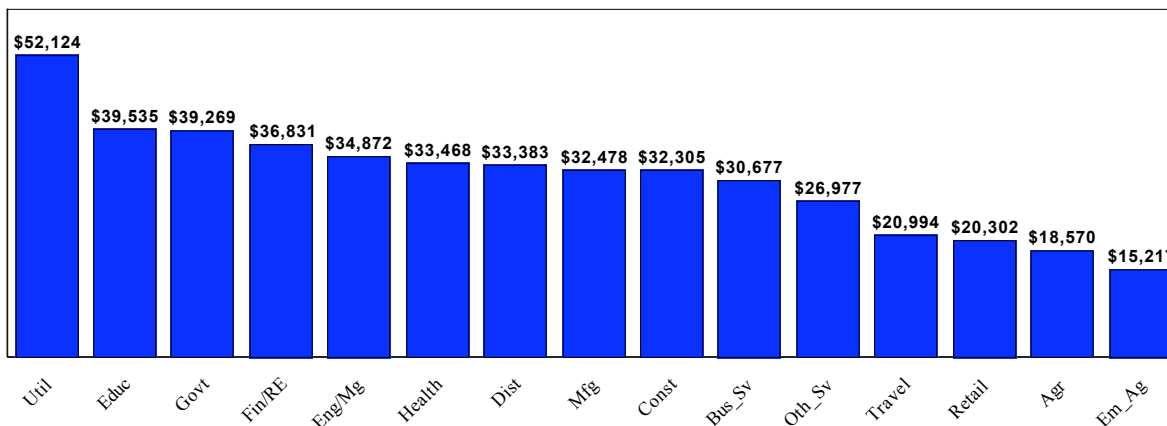
**Exhibit 4-5.-Payroll Per Worker
San Bernardino, 1991-2001**



Source: CA Employment Development Department

Average Pay Levels. San Bernardino's average pay per worker reached a high level by 2001 because its best paying sectors were among its fastest growing. The highest paying sector was utilities (\$52,124). This was followed by three rapidly expanding sectors: education (\$39,535), government (\$39,269) and finance and real estate (\$36,831) (*Exhibit 5-6*). Engineering & management (\$34,872) and health (\$33,468) were just above the three main blue collar sectors: distribution (\$33,383), manufacturing (\$32,478) and construction (\$32,305). Pay within the rapidly growing travel (*hotel & tourism*) sector (\$20,994) should increase as the impact of the higher paying jobs at the Starwoods call center is felt.

**Exhibit 4-6.-Average Pay Per Worker By Sector
San Bernardino, 2001**

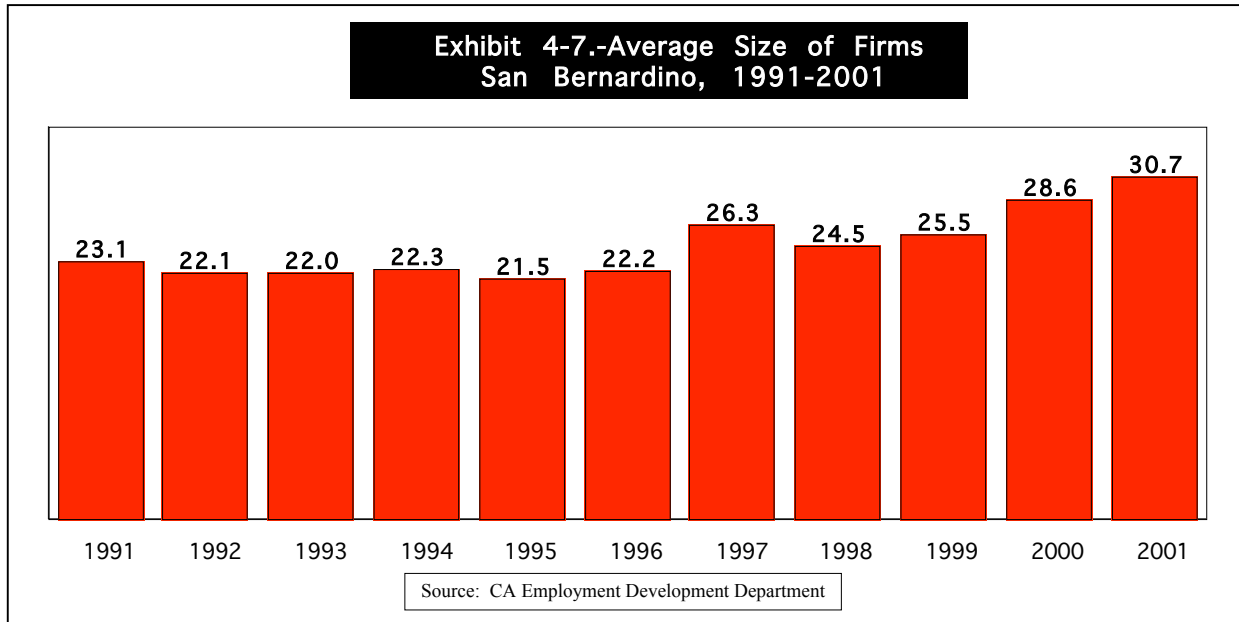


Source: CA Employment Development Department

Size of Firms. Like the rest of the Inland Empire, San Bernardino's economy is made up of firms that are generally smaller. However, the trend has been generally upward. In 1991, the av-

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average city employer had 23.1 workers (*Exhibit 5-7*). By 2001, this had grown to 30.7, an increase of 7.6 workers per firm (33.1%).



Summary. In 2001, San Bernardino’s economy reached all time highs in employment, payroll and payroll per worker. In addition, the size of its firms was the highest since 1991. When adjusted for inflation, the purchasing power of the total payroll released into the city, as well as the average pay per worker also reached new highs. The city’s economy has thus fully recovered from the aerospace cutbacks that affected it during the 1990s. Looking ahead, the city’s economy is moving into an era whether the population growth of the Inland Empire will create a greater demand for the kinds of population related employment in which it specializes as a centrally located community and a county seat. In addition, 20 years of growth in San Bernardino County’s westend has left it relatively short of industrial space. As a result, manufacturers and distributors have begun looking deeper inland towards places like San Bernardino to locate their facilities.