



2014 ECONOMIC BLUEPRINT UPDATE • *Setting Priorities to Advance Prosperity in Southern Arizona*



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*Just over six years ago, TREO gathered this region's leadership to develop a comprehensive process and plan to transform the regional economy. The end result was an Economic Blueprint, designed to guide our community's economic development efforts and influence all the factors that drive our competitiveness for years to come.*

*Now the Blueprint is used regionally as a guide for corporate giving and has been widely recognized nationally as a best practice for community / economic development visioning and planning.*

*Why? Beyond determining our aspirations and vision for our future economy, the Blueprint used quantitative research to determine our base industry strengths, examined the region's leading economic trends and opportunities, and included a detailed analysis of the region's economic performance and what it takes to be competitive.*

*A Steering Committee comprised of 46 leaders from a wide variety of segments of the region guided the 2007 effort. Nearly 6,000 Tucsonans were engaged in the process. Communities who do not go through this rigorous process simply do not know themselves well enough to know how to compete.*

*Nine months ago, in the midst of an economic recovery with its own unique challenges, TREO embarked on a process to update the Economic Blueprint. Many of the original Blueprint's goals and strategies were met and successful. The areas still needing attention are the focus of this Blueprint Update.*

*Most importantly, moving forward – are the original Blueprint strategies and focus areas still relevant in the new global economy? What must we still do to ensure we capture our fair share of prosperity in the new economic landscape? The original Blueprint helped TREO to identify the area's driving industries, strengths and growth opportunities, while this critically needed update focuses on how to best take advantage of emerging opportunities in a new economic landscape.*

*Our economic prosperity and ability to compete depends solely on our bold direction and sheer will to create our own destiny. The updated strategies outlined here will set us on a stronger path for years to come.*

*Regards,*



**Guy Gunther**  
Chairman of the Board of Directors  
VP and General Manager – Greater Arizona, Century Link



**Joe Snell**  
President & CEO  
TREO



**Guy Gunther**



**Joe Snell**

# 2007 BACKGROUND

## What We Learned

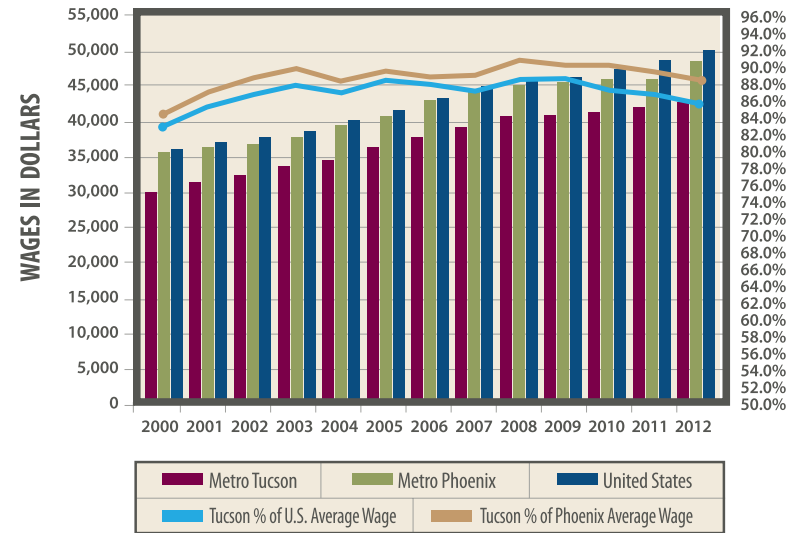
### Wages Limit Broad Prosperity

On an annual wages-per-job basis, the Tucson region lags behind the United States and the Phoenix area. Average annual wages per job reflect the earned income potential of workers in a geographic area. Tucson reduced the gap in average wages per job by 3.4% between 1993 and 2005, but workers here still only earn about 85% of what the average U.S. worker earns.

As the region's population continues to grow, wages and per capita personal income (PCPI) of residents in the Tucson region remain lower than the national average.

These performance numbers underscore the importance of the 2007 Blueprint's emphasis on creating a greater number of high-skilled/high-wage jobs in the Tucson region in the future.

### Annual Average Wages Per Job



Source: W.P. Carey School of Business, Arizona State University

### What Makes a Strong Community?



The 2007 Blueprint's vision focused on the pursuit of prosperity for all Tucsonans. The Blueprint identified 5 key tenants, the Power of Five, which drive a competitive economy:

- High-Skilled/High-Wage Jobs
- Educational Excellence
- Urban Renaissance
- Livable Communities
- Collaborative Governance & Stewardship

## How Do We Best Increase Wages to Close the Prosperity Gap?

To reverse this wage trend and build wealth, we have to change our focus from the quantity of jobs to the quality of jobs. This challenge includes two equally important parts – providing a qualified workforce and increasing the number of high-skilled/high-wage jobs in growing industries.

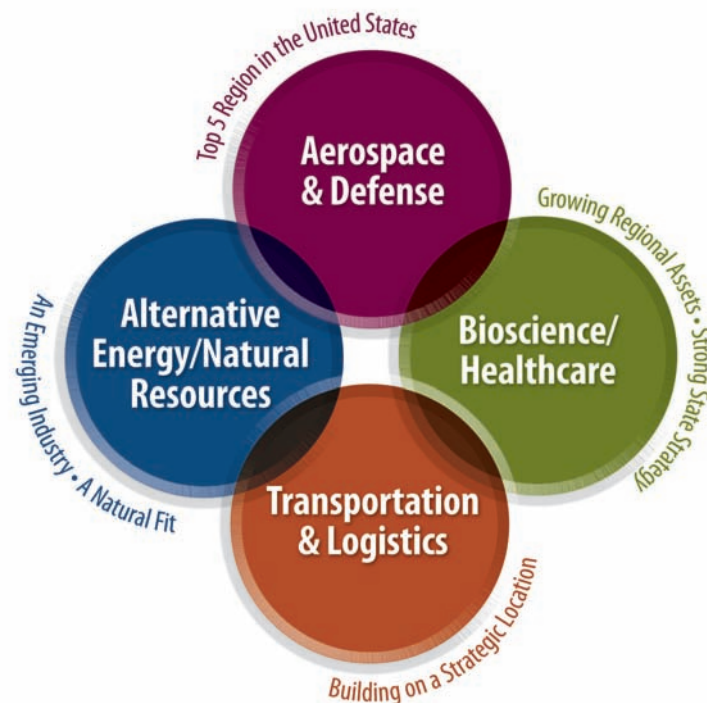
Southern Arizona was a pioneer in implementing a cluster strategy. The cluster strategy introduced in the 2007 Blueprint led us to a focused, intensive business and job development approach. Developing a new cluster strategy began with the identification of the strongest existing and emerging industries in the region.

An extensive analysis of the Tucson region's industry cluster development potential was conducted using the well-known analytic framework and database created by Professor Michael Porter, globally recognized business strategist and industry cluster researcher at

Harvard University. The Harvard framework is designed to analyze a regional economy and identify the traded sector clusters, or those that drive growth in the regional economy. A region's traded clusters, with export-based jobs, principally sell their products and services outside the region, and in doing so, bring new income into the regional economy.

The Harvard cluster analysis model found that the Tucson region had cluster development potential in 24 industries. These 24 clusters were further analyzed, using a set of screening criteria to identify the region's strongest traded sector clusters for future development.

The screening criteria were quantified, using available data, and the highest ranking clusters were selected as recommended clusters for the Tucson region.



# COMPETITIVENESS

## Our Current Position

What does it mean to be competitive? Competitiveness is the ability of regions to provide high levels of prosperity to their citizens. This in turn depends on how productively a region uses available resources and what choices businesses and people have to move between regions in order to meet their needs and goals.

This map shows Tucson's competitive position relative to other regions that compete with it for jobs, workforce and companies. The competitive cities/regions were chosen on the basis of being frequently considered as a business location by firms that also consider Tucson. The indicators included on the map represent data that site selectors heavily consider in their decision-making process. Comparing Tucson's economic performance to that of these 12 regions gives community leaders a good indication of overall economic competitiveness.

**US Average**  
Population: 317,477,281  
Job Growth: 1.7%

**Portland, OR**  
Population: 2,226,009  
Job Growth: 2.1%  
Bachelor's Degree: 42%  
Personal Income Growth: 3.5%  
Non-Stop Destinations: 66

**Phoenix, AZ**  
Population: 4,192,887  
Job Growth: 2.6%  
Bachelor's Degree: 25%  
Personal Income Growth: 4.1%  
Non-Stop Destinations: 105

**San Diego, CA**  
Population: 3,095,313  
Job Growth: 2.7%  
Bachelor's Degree: 40%  
Personal Income Growth: 4.7%  
Non-Stop Destinations: 55

*Sources: W.P. Carey School of Business, Arizona State University; Zoom Prospector/ GIS Planning; U.S. Department of Commerce, Bureau of Economic Analysis; Airport Web sites; US Census, 2012*





# 2014 UPDATE

## Why Now?

Much has changed since the Blueprint was launched in 2007. Many of the key drivers such as public infrastructure investment, income growth, educational attainment and other factors driving our ability to compete have been impacted greatly during the Great Recession.

The economic recovery, characterized nationally as “high-wage-less” or a Flat Paycheck Recovery, has generally been

weak in Southern Arizona compared to past economic recoveries. Due to the housing crisis, our in-migration has slowed dramatically, as many families and young professionals could not sell their homes and move across country to better opportunities. Even though in-migration is slowly returning and is an important element of a strong economy, we must diversify our economic base with more sustainable industry growth, thus mitigating the boom-or-bust Southern Arizona economic cycles which have centered on population growth for many decades.

In the wake of the financial crisis and the near collapse of the financial system, hopes that the global economy would return to “normal” have faded. Across advanced global economies, including the U.S., employment remains low relative to slow GDP growth. In 2013, the economy grew at a tepid 1.7%.\* At the same time, income gaps are widening.

This is the new global reality, and the Tucson region must adapt. Thus, it is critical to focus on those areas that impact our ability to compete.

\*Source: U.S. Department of Commerce,  
Bureau of Economic Analysis



*“Economic development provides communities with a growing revenue base that is an attraction for others looking for a stable and prosperous community. Economic development allows a community to build a strong educational system and a healthy and sustainable infrastructure. With success in these areas, we’ll have a pipeline of new employees that is vital to our success.”*

Steve Eggen, Retired CFO,  
Raytheon Missile Systems





# OPPORTUNITY

## What's the Prize?

### One Tucson. One Goal.

Our future must include a common definition of economic development and a common goal of job growth. What should that goal be?

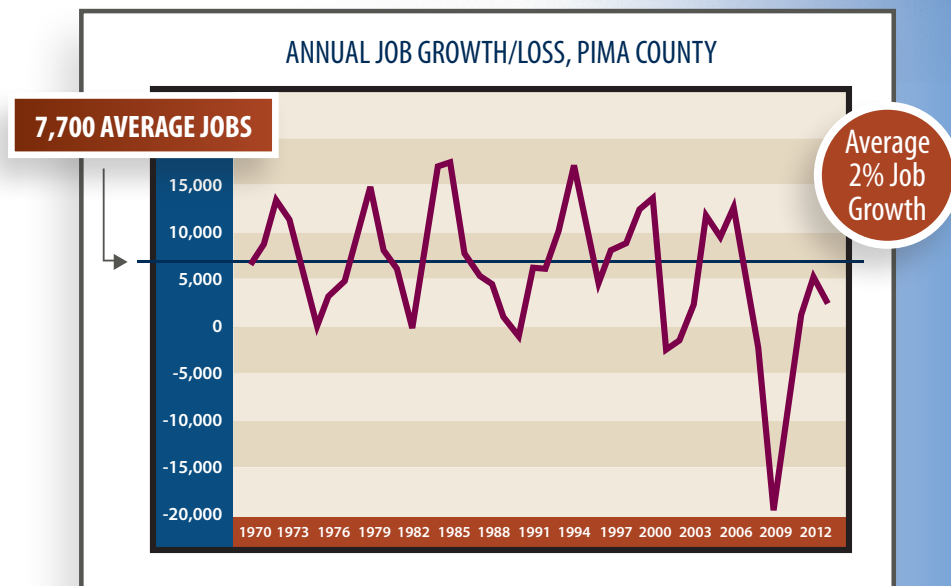
While highly cyclical, the region's annual job growth averaged around 7,700 jobs per year in the decades leading up to the Great Recession. A gain of 7,700 jobs today equates to about 2 percent growth. Retail and service-related jobs have historically contributed to the majority of the region's job growth numbers, but these jobs are typically low wage and subject to boom-or-bust economic cycles.

The Great Recession led to total job losses of 31,400 between 2008-2010. The average job growth over the three years since the end of the recession has been 3,000 annually. The slow recovery since 2010 in Arizona's metro areas is historically unusual. Typically the percentage growth three years after the end of a recession is considerably higher than the national average. Instead, percentage increases in the Tucson area have lagged behind. Only 35% of the jobs lost in the recession have been recovered in Tucson.



*"If we don't see ourselves as part of a larger megapolitan area, we won't succeed."*

Paul J. Bonavia, Chairman and Chief Executive Officer,  
UNS Energy Corporation, Tucson Electric Power,  
UniSource Energy Services



Source: U.S. Department of Labor, Bureau of Labor Statistics (BLS): nonagricultural wage and salary employment from the Current Employment Statistics program.



## One Goal Creates Accountability

This Economic Blueprint Update establishes new, unprecedented goals for job growth in the Tucson region. Our region should embrace this goal collectively and every economic development-focused group, whether public or private, should direct activities, programs and policies with achieving this goal in mind.

## NEW JOB GOALS FOR OUR REGION

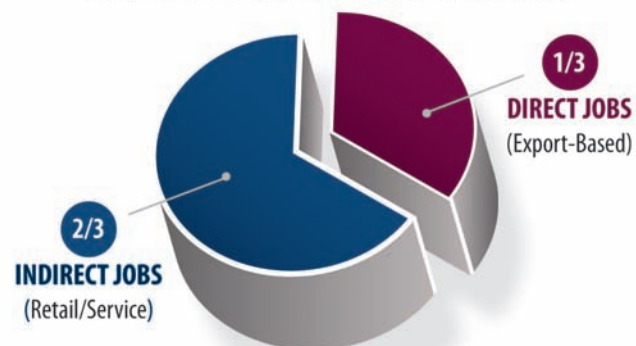
**Five Year Job Goal:** 40,000 jobs over 5 years

**Annual Job Goal:** 8,000 jobs per year, 2% growth rate

*(1/3 export-based, direct jobs + 2/3 indirect jobs)*

### A STRONGER ECONOMIC BASE

**TARGET:** 60% of direct jobs at or above the national wage



# Q&A

## As the current economic expansion continues, it is clear two things must happen:

- 1) Accelerate the job growth back to a minimum of 2% a year to achieve full employment
- 2) Improve the ratio between direct, export-based jobs and indirect, retail/service jobs.

### ■ Why focus on export-based jobs?

In an effort to create economic opportunity, TREO employs a series of strategies focused on the creation of export-based jobs – jobs which produce goods and services in excess of what can be consumed by the local market. Those goods not consumed by the local market are exported to other markets in exchange for money (or export) income.

For example, a Tucson company or industry produces more aerospace parts than can be consumed, or bought, by its customers in Tucson. The parts are then “exported” to another market (such as Los Angeles), and money is returned to Tucson for the products.

This is what creates the flow of new wealth into the community. Export-based jobs are also referred to as primary jobs.

### ■ What are the indirect impacts of new job creation?

As a result of creating new export-based jobs, the demand for area goods and services generated by the primary employer is increased and “indirect” jobs are created. These jobs are the product of “wealth” created by primary employment. Generally they are jobs such as retail services, suppliers, lawyers, doctors, nonprofit employment, etc. These occupations provide necessary, key services to primary jobs.

### ■ What is a multiplier?

Indirect jobs are typically associated with the term “multiplier.” This is the series of economic calculations that estimates the number of jobs required to meet the needs of one primary job. The larger the multiplier, the greater the economic impact of the primary job. Two things determine the size of the multiplier: average wage paid to the

primary employee and the amount and cost of “inputs” required for the primary employee to accomplish his or her work.

A high-wage, export-based job in TREO’s targeted industries has an average multiplier of about 3. The targeted industries TREO focuses on include Aerospace & Defense, Alternative Energy/Natural Resources, Bioscience/Healthcare and Transportation & Logistics.

### ■ Why is the mix of types of jobs important?

Export-based jobs are the foundation of a stronger, more sustainable economy because they are higher wage and thus have higher multipliers, compared to a multiplier of 1 generated by retail/service jobs. However, retail and service-related jobs have historically contributed to the majority of the Tucson region’s job growth numbers.

Using TREO’s targeted industries multiplier of 3, a healthier, stronger ratio of total job growth should be comprised of 1/3 export-based, direct jobs, and 2/3 retail/service, indirect jobs.

## What Needs Attention?

### Strengthening Our Product

In the private sector, companies grow based on strong product delivery that meets a customer's needs. In economic development, economies grow or decline based on the same product delivery analogy: the product is the Tucson region itself – community assets and strengths that meet a client's relocation criteria.

Here in Southern Arizona we have tremendous assets. But, we all must strengthen the community which we sell and market, just as a private sector business is constantly refining the product or service it sells.

This Blueprint Update focuses on four areas: Talent, Infrastructure, Business Environment and Healthcare. These focus areas each make a vital contribution to a stronger product delivery. In addition, achieving higher levels of prosperity and a stronger, more competitive economy requires not only the contribution of stronger assets, but setting the right priorities and making the right choices in each area to propel us forward.

It is time to make tough decisions to change the course from decades of missed opportunities. Decisions made now affect the profitability of every company in this region. If we can all agree to a shared value system, invest in our community and build a competitive region, jobs, companies and talent will follow.

## FOCUS ON MILITARY

### Supporting Our Defense Assets

With Davis-Monthan Air Force Base and Fort Huachuca, the military is a key employer in Southern Arizona and a critical component of the Aerospace & Defense industry.

Southern Arizona's military assets provide tens of thousands of jobs and pump billions into our economy every year. But that could be at serious risk due to actions of our federal government: sequestration, predicted budget cuts, and the uncertain future of the A-10 aircraft.

Launched in March of 2014, Mission Strong is a community outreach and education campaign of the Southern Arizona Defense Alliance.

Mission Strong's goal is to rally the community across our region to send a loud and clear message to Washington that this community is 100% behind its military assets and supports any future missions the Department of Defense deems best suited for all Southern Arizona military installations.

Learn more at [www.missionstrongaz.com](http://www.missionstrongaz.com).



## CORE STRENGTHS OF A COMPETITIVE ECONOMY ►►►



*"UA students learn at the cutting edge of their fields and experience the critical process of applying classroom and laboratory knowledge in other settings. As a result, our graduates are ready to become the next generation of innovative leaders in Arizona's workforce."*

Ann Weaver Hart,  
President, University of Arizona



## TALENT

### Tucson's Talent Gap: Meeting the Demand



The need for a talented workforce is critical for both business and regional competitiveness in domestic and global markets. Klaus Schwab, Founder and Chairman of the World Economic Forum said, "The success of any national or business model for competitiveness in the future will be placed less on capital and much more on talent. We could say that the world is moving from capitalism to "talentism." We must ensure that talent becomes a competitive advantage for the Tucson region.

TREO has long viewed talent as an important component of economic development. In 2009, TREO conducted an industry-wide survey to assess the number of vacant positions in the region and found 2,200 open positions. These openings were at a time when the economy was reeling and companies were forced to scale back due to decreased revenues. Today, that number hasn't changed much and has, in fact, increased. The Blueprint Update survey recently conducted puts the number closer to **2,500**. This is most disturbing when the economy has shown signs of improvement.

Why are we stuck? The Tucson region still struggles with providing a qualified talent pool to meet the demand of the current and future economy. It's clear that understanding the "demand-side" of the equation and addressing regional talent issues are now more critical than ever. An improved talent system will drive our success.



*"In the Tucson region, a recent employer survey revealed approximately 2,500 positions open right now. The challenge in front of us is getting the right people with the right talent to fill these positions and positioning our community to meet future demands of our employers."*

Daisy Jenkins,  
Chair, Talent Committee  
President, Daisy Jenkins  
and Associates

## NEW Talent Development Strategies

### 1 Align to Demand

The industry sectors and education and training institutions (K-12, Career-Technical education and higher education) must engage with each other on a more productive and frequent basis to better understand industry needs. Enhanced industry/education structures must focus on developing skills the industry sectors need to become more competitive. The University of Arizona STEM Center is creating strategies to build programs that will encourage students, starting in elementary school, to follow science and engineering career paths. School districts and education and training institutions should coordinate their curriculum to build the skills necessary to fill high-wage positions.

### 2 Grow 21st Century Skills

The nature of work is evolving so rapidly that we can no longer sufficiently equip future workers with today's skills. TREO should lead a discussion to determine the specific skills industry needs in order for K-12 districts to build specified curriculum to better instruct those skills. Industry needs to define the 21st Century skill terms so school districts can match the curriculum.

### 3 Support Key Talent Development Constituents

The business community should strengthen and operationalize its relationship with the Workforce Investment Board (WIB) to implement a shared vision of sustained workforce development. TREO should partner with Tucson Young Professionals (TYP) and veterans to develop strategies

that solve the problems they have in finding job opportunities. Industry leaders must work with education to expand internship opportunities that will also act as a vehicle for companies to form better and longer lasting partnerships with the University and other key institutions. Companies are looking for opportunities to provide hands on experiences in order for the student to gain real world instruction. The looming talent shortage grows in direct proportion to the increasing number of retirees. The region must capitalize on this talented resource and lead the effort to redefine retirement as RENEWMENT – a time of continued growth, contribution and involvement.

#### 4 Support Tucson's Urban Renaissance

The region should align its talent development strategies with downtown revitalization efforts to expand opportunities for live, work and play options, which is critical to the attraction of talent and fostering spaces where innovation thrives. These phenomena, coupled with the explosion of establishments catering to the 'creative class' are leading the way to a rebranding of Tucson that must be supported, accelerated and communicated. We must actively engage and support the rebranding of Tucson from the "Dusty Outpost" to "Entrepreneurial Hub."

#### 5 Adopt a Systems Approach

Elements of the solution to the region's talent dilemma are in place, but are disconnected from each other. A systemic approach is needed to connect these pockets of excellence. The region should combine a regional talent strategy with industry cluster planning and implementation. All stakeholders should adopt a common talent development acceleration process and execute it in a disciplined manner to effectively steward the precious resources needed to achieve our objectives. We must initially focus our efforts on high-wage/high-tech/export-based companies to achieve success in one sector, then replicate and expand to other sectors.



## FOCUS ON EDUCATION

### Building the Talent Pipeline

Many local organizations focus on education issues. The past 7 years since the original Blueprint has brought several key changes to the state's education landscape, including the loss of state funding for both K-12 and higher education, and the adoption of new academic standards. TREO encourages the educational community to continue its advocacy in the restoration of funding. Funding education is an investment in our future workforce. This applies not only to K-12 and higher education but to technical/vocational education as an increasingly important pathway to career readiness.

In Arizona there are multiple initiatives in process to raise the bar in educating the next generation of workers. Across the state, the implementation of new academic standards in English language arts and math in grades K-12 has the potential to ensure our students have the academic knowledge and skills they need to be successful in college, career, and life. Key groups also focus on early education, which research shows has a dramatic effect on long-term economic development success in an economy. These initiatives are critical, because businesses looking to expand or relocate look for a pipeline of talent that has higher-level critical-thinking, problem solving, and effective communication skills.

Success requires a highly-skilled workforce with sufficient education and training to compete successfully for demanding jobs. In 2012 the Brookings Institution ranked the Tucson region as 41st among the top 100 US Metro areas on the basis of the share of our residents with college degrees. We must double our efforts to ensure our friends and neighbors have the skills for higher-wage jobs in order for us to compete effectively in a knowledge-based, global economy.

# snapshot

## PEOPLE

### WHY IS THIS IMPORTANT?

People are the most important resource in an economy. Talent drives all market decisions when it comes to business relocation, expansion and retention. Labor skills and availability are the number one site selection criteria, year in and year out.

*A highly educated and experienced workforce results in greater productivity and business development opportunities in any region.*

### QUICK FACTS:

**Net Migration:** .8%

(Total measure of population change.  
US Census, 4/10-7/12)

**Labor Force Growth:** -2.72%

(BLS, 2012)

**High School Graduation Rate:** 84%

(US Census, 2010)

**Bachelor's Degrees:** 24.2%

(% of population with degrees signifies labor quality and ability to work in capital-intensive occupations; US Census, 2010)

**Advanced Degrees:** 9.49%

(% of workforce possessing a degree higher than Bachelor's; signifies those more likely to engage in innovation activities; American Community Survey, 2008-12)



*"Education is the surest means by which an individual can improve his/her future and in doing so elevate the community of which he/she is a member. In Tucson, education and economics are merely two different spellings of the same concept. As institutions of education progress, so does Tucson. TUSD is committed to doing its part in building a better future for Tucson one student at a time."*

H.T. Sanchez, Superintendent, TUSD



# INFRASTRUCTURE

## A Path for Economic Growth



The right transportation infrastructure encourages sustained economic growth, increases a company's speed to market, creates jobs and enhances the region's and Arizona's participation in global commerce.

Infrastructure investment is closely tied to economic expansion. Transcontinental railroads spurred significant development of the western economy and the nation's highway system provides access to national and international markets. Direct airline routes are coveted by corporations, in order to conduct business in the most cost-effective and time-efficient manner.

The Arizona Sun Corridor ranks among the top ten largest megapolitan consumer markets, with significant population growth projections. Our location in the Sun Corridor puts the Tucson region at the crossroads for key east-west and expanding north-south trade corridors with the added benefit of access to international markets through the Port of Tucson. Changing tax laws and an increase in disposable income for the middle class in Mexico also provide expanded sales opportunities for our retail sector as well.

There is an opportunity to increase the area's annual \$80 billion product value by positioning ourselves as a gateway for near-shore products originating in Mexico and South America via gulf ports, taking advantage of existing trade agreements. Improvement and expansion of existing highway, rail, and airport capacity will lead to the development of import/export distribution facilities as well as manufacturing and regional distribution hubs.

Well planned transportation infrastructure projects are the key to global competitiveness. Retailers and industrial customers alike recognize that speed to market can make or break their bottom line. The region has a unique convergence of transportation, distribution and logistics assets which can catalyze a unified approach to economic growth.


The following strategies are guided by the principle that transportation infrastructure facilitates economic growth, creates prosperity and increases business and personal opportunities.



## NEW Transportation Infrastructure Strategies

### 1 Achieve Seamless Connectivity to Mexico and Other Southwestern Business Markets

**a]** Support inclusion of the southern segment of I-11 and the Border-to-Border, through Pima County to Nogales, vision of the Inter-mountain West Corridor in federal and state planning.

 [View I-11 map at treoaz.org](https://treoaz.org)

**b]** Support AZ State Route 189 completion.

**c]** Maximize investment in US-Mexico Nogales border Ports of Entry, staffing, facilities and new transportation corridors including rail.

### 2 Support Tucson International Airport (TIA) and Rail Asset Capacity Growth Planning and Local Mobility Initiatives

#### **a]** TIA Synergies

TIA is a key component in improving the economic success of the region and leveraging existing transportation structure. It has the potential to combine land development, tourism and business locations. Expansion of passenger air service, direct/non-stop flights, cargo capacity and the planned runway expansion are essential. Coupled with proximity to Sonora and other rapidly growing areas in Mexico, expanded passenger and freight service makes TIA a key partner for higher commercial activity and has the potential to be a major Arizona asset.


#### **b]** Aerospace Corridors

The Aerospace Corridor south of Tucson International Airport and the associated Aerospace, Defense, Research and Business Park create a master planned employment center with a focus on expanding the aerospace industry supply chain in eastern Pima County, while improving access to Tucson International Airport freight and passenger facilities.

 [View Aerospace Corridor map at treoaz.org](https://treoaz.org)

#### **c]** I-10/ I-19 Bypass (Sonoran Corridor)

The planned Auxiliary Interstate Highway (Sonoran Corridor) creates a number of opportunities, including a high speed connection for freight headed from/to Mexico via Nogales while relieving congestion in the downtown area; a high speed commuter route connecting rapidly growing residential communities south and east of Tucson to major employment centers; creation of a Logistics Corridor that takes advantage of close proximity to Mexico, two railroads, two Interstates, air freight, and the state's only recognized international intermodal center at the Port of Tucson; and providing access to thousands of acres of undeveloped land south and southeast of TIA.

 [View I-10/I-19 Bypass map at treoaz.org](https://treoaz.org)



*"Infrastructure is foundational to economic prosperity for future generations. With Tucson's high tech and competitive international marketplace, delivery of raw materials and speed to market of finished goods is a deciding factor in determining where businesses expand or settle."*

Dennis Minano, Chair,  
Infrastructure Committee,  
Vice Chair, Sonoran Institute

#### **d] Rail reclassification facilities or related intermodal capability**

Freight corridors and space for intermodal and classification yards is very limited in California, resulting in new emphasis on surrounding states for logistics distribution centers. Optimum handling of freight containers unloaded from ships in the Long Beach and Los Angeles harbors now includes direct transfer from ship to train with sorting (classification) occurring within 1 day's travel – making Tucson a prime location for this activity. In addition, the Port of Guaymas is expanding its bulk cargo capacity followed by a new container port. The main rail line from Arizona to Guaymas is through Southern Arizona to Nogales, and also carries inbound / outbound container traffic for the Port of Guaymas. Location of a classification yard in the Tucson region at the cross-

roads of the North/South Nogales line and the East/West Sunset line will be the catalyst to expand logistics and intermodal capabilities in the region.

#### **e] Freight weight limits**

The proximity of the Port of Tucson Logistics Center to Mexico is a major opportunity for both Import Distribution as well as Export Consolidation. International containers that arrive at the Port of Tucson often exceed Arizona's existing heavy weight limits necessitating repacking the load with increased cost and delays. If Tucson is to become an import distribution and export consolidation logistics center to take advantage of the expanding Port of Guaymas, we must insure competitiveness of freight weight limits with neighboring states, particularly Texas.

### 3 Actively Participate in the Development of Funding Mechanisms for Transportation Infrastructure

As public infrastructure ages and new demands arise, the traditional tax and revenue streams are incapable of funding the growing infrastructure needs. With significant demands clearly identified, creative funding and private sector solutions are required to ensure our region continues to have the resources to be competitive in the marketplace.

#### a) Taxing mechanisms

Non-indexed tax rates fail to maintain consistent purchasing power as inflation increases the costs of building and maintaining infrastructure. Additionally, much of the infrastructure that was built 50-60 years ago is beginning to require replacement or significant maintenance, creating an increasing burden on entities responsible for infrastructure. In order for the region to remain competitive, new, or more relevant funding mechanisms are needed. TREO will actively and aggressively support additional funding mechanisms to support new infrastructure.

#### b) AIDA

AIDA is an Arizona-based bond funding mechanism designed to facilitate the development of public or private infrastructure within 100 km north and 10 km south of the Arizona-Mexico border. Bonds require a repayment mechanism, but are unique in that they can be publicly sponsored to benefit private infrastructure. With appropriate administrative funding, this could be a creative funding mechanism for critical infrastructure projects.

#### c) P-3s

Public-Private Partnerships (P-3s) include funding for public infrastructure projects from the private sector with various payback and ownership plans. The typical payback process is revenue participation, such as a toll road or a percentage of revenue from a utility. P-3s are a win-win when considering large-scale infrastructure projects. It is imperative ADOT (Arizona Department of Transportation) leverage the advantages of P-3s.

snapshot

## INFRASTRUCTURE

### WHY IS THIS IMPORTANT?

Transportation routes such as air, highway, roads, and rail move goods from producer to consumer and allow commerce to flourish. The right transportation infrastructure is the key to global competitiveness, and retailers and industrial customers alike recognize that speed to market can make or break their bottom line.

### QUICK FACTS:

**Pima County Infrastructure Spending Per Capita: \$16.57**

*(Pima Association of Governments, 2012)*

**Dollar Value of Goods Shipped Through the Region: \$26 billion**

*(Pima Association of Governments, 2012)*

**Passenger Air Service: 15 Non-Stop Destinations**

*(TIA web site)*

**Commercial Truck Volume – I-10/I-19 Corridor: 4,761 daily**

*(ADOT, 2012)*

## BUSINESS ENVIRONMENT

### Winning the Competitive Race



*A business friendly environment is essential to prosperity. In order for a region / community to reach its competitive potential, there must be an environment focused on the success of the business community. Our economic development efforts are dependent on such an environment.*

Economies, both nationally and internationally, compete for jobs and capital investment based on regional strengths. The economic benefits of business expansion and attraction, no matter where physically located, transcend jurisdictional lines. Thus, the realities of the marketplace mean that all stakeholders must be committed to a strong business environment in the entire region. Clients demand it.

Just as a skilled work force, adequate infrastructure and sources of innovation are essential to prosperity, so too is a competitive business friendly environment. The strategies listed are based on best practices across the country and are proven components of any effective economic development effort.



*"In measuring our success, we all must sing from the same songsheet."*

Omar Mireles, Co-Chair,  
Business Environment Committee  
Executive Vice President,  
HSL Properties, Inc.



## NEW Business Environment Strategies



### 1 Focus on Export Jobs

The region needs a greater and renewed focus on increasing jobs across the entire employment spectrum. However, we also need to recognize in our decision-making at the local and regional levels that higher-wage and export-based jobs contribute more to the prosperity of our region and give every one of us a better chance to reach our highest potential.

### 2 Recommit to a Regional Approach

Our community, both the public and private sectors, needs to work through TREO to coordinate a unified and competitive message to potential investors and employers to promote the region's competitiveness. This is a necessary component of a business friendly environment. Firms considering relocation and expansion in our region demand efficiency when dealing with a region. A regional approach provides this efficiency through a single point of contact, consistency of offerings, and thoroughness of information.



*"You simply don't win if you don't play as a region.*

*We compete with other communities based on regional strengths, and clients expect coordinated project management at this level!"*

David G. Hutchens, Co-Chair,  
Business Environment Committee  
President and Chief Operating Officer  
UNS Energy Corporation  
Tucson Electric Power  
UniSource Energy Services



### 3 Measure Success

Use of common economic development goals and definitions with common metrics for measuring success contribute to a business environment necessary for success. These metrics should be common for the business community and local governments and should be the basis for decision making and policy development.

### 4 Generate Adequate Resources

Once focused on the right goals, with a regional approach, a sustainable and equitable financial investment in and support of regional economic development is necessary from both the public and private sector.

### 5 Deliver a Coordinated Business Voice

A strong and coordinated business voice is the final component of a business friendly environment and necessary for a successful job creation effort. Communication within the business community related to a regional economy is recommended in order to reduce duplication among the various business organizations. TREO should launch a series of discussions to include possible consolidation opportunities to streamline the various groups.

## snapshot

### BUSINESS ENVIRONMENT

#### WHY IS THIS IMPORTANT?

A business-friendly environment is the foundation to build an economy and what sets a community apart from the competition. Additionally, a strong business environment serves as the primary platform for innovation to occur.

#### QUICK FACTS:

**Number of Patents Per 10,000 Workers: 19.2**

*(National Science Foundation, 2010)*

**Number of New Business Startups in the Region: 1,783**

*(US Census, Business Information Tracking Series, 2010)*

**Cost of Living in the Region: 95.1**

*(ACCRA, 2013)*

## FOCUS ON ENTREPRENEURSHIP

### Building an Innovation Ecosystem

Many local organizations focus on the innovation and entrepreneurship ecosystem. After the foundation was laid in the original Blueprint, the Entrepreneurial Economy Blueprint was developed in 2012 with a focus on building a stronger ecosystem for new businesses, new jobs and access to capital for idea-based companies, creating prosperity and higher-wage jobs for the future.

Tucson is an open, collaborative and creative community. The region has a competitive advantage in its university/research foundation in science and technology and growing support services in a cost-effective startup environment. The region's current strengths in aerospace, biomedical research, geosciences and optics form an excellent platform for extension to other scientific areas. The Tucson region was named as one of the Top 5 emerging locations for startup companies in a 2013 issue of Entrepreneur magazine.

However, challenges still remain. Finding C-level talent to lead these new enterprises and ensuring that there is a depth of knowledge in key areas to support these companies are critical. In other words, talent attraction, development and retention are still common gaps not only with existing companies, but entrepreneurial ventures as well.

In addition, new and existing organizations and initiatives focused on innovation and entrepreneurship need to continue building this entrepreneurial ecosystem, increase the funnel of innovation and work together towards common and defined metrics and goals.



*"Our prosperity is tied to whether our residents can find work and whether companies can hire our residents. Building productivity in a time of increased global competition and accelerating innovation is a complex undertaking that demands focus and investment. We must keep up with the skills required to capitalize on emerging technologies."*

Sharon Bronson, Chair, Pima County Board of Supervisors

## KEY RECOMMENDATIONS

# HEALTHCARE

### Healthy Tucson: *Becoming America's Healthiest Region*



The Tucson region has a unique opportunity to leverage assets in healthcare, bioscience strengths and wellness/healthy living to position itself as a healthy region to live and work. Tucson has historically been a center for healthcare innovation and the base for many innovations in integrative medicine, diagnostics, medication monitoring, pharmaceutical development, wellness and pioneering healthcare reimbursement systems. Southern Arizona also has a reputation for healthy outdoor living, wellness and spas, and is consistently ranked high for hiking, biking and other outdoor activities.

Why is this important to economic development? A healthy workforce means a productive workforce, and workforce quality is a key consideration in a company's decision to expand or relocate.



*"The changes in healthcare, combined with this region's healthcare assets, create a once in a lifetime opportunity to establish Tucson as a leader in healthcare innovation, a center for new healthcare employment, a pioneer in state of the art treatment and as a premier healthcare destination."*

Fletcher McCusker,  
Chair, Healthcare Committee  
CEO, Sinfonia HealthCare Corp.

## NEW Healthcare Strategies

### 1 Launch America's Healthiest Region Initiative

Through a bold, unprecedented collaborative effort, bringing together the region's healthcare delivery systems and leadership, Tucson should become known nationally, even internationally, as a region focused on wellness, health and wellbeing, high quality medical care, innovation in healthcare best practices, preventative medicine, early intervention and coordinated care. The "America's Healthiest Region" Initiative would capitalize on the region's assets and leadership and create an educational and branding campaign to implement and promote the region's healthcare initiatives. The result would create a region-wide healthy living educational program, guarantee access to effective illness prevention programs and personalized, precision healthcare, and demonstrate Tucson's success in being the healthiest region in the nation.

### 2 Launch Region-wide Health Insurance Enrollment Campaign

As an immediate step by the region's healthcare delivery system leadership to unite behind these objectives and increase access to healthcare, major healthcare systems have pooled advertising dollars to launch an ad campaign geared towards increasing health insurance enrollment. Today, 17% of Pima County's total working age adult population, and 12% of children, are uninsured. By March of 2014 many uninsured people in Pima County could access either the AHCCCS (Medicaid) restoration/expansion or the new Healthcare Marketplace. (Launched spring 2014).

### 3 Increase Promotion/Communication of Healthy Living

Involve local governments and medical leadership in increased region-wide, coordinated support and health education as a key foundation of a successful economy and workforce.





#### 4 Increase Programs for Healthcare Education

Programs for healthcare education will be launched by developing community-wide campaigns that foster healthy living, illness prevention and early access to personalized healthcare in a learning healthcare system that prospectively evaluates its programs and focuses on those that are most effective.

Citizens of the region could be provided with new technology, tools and information to guide them in making the daily decisions that affect their health, such as:

- a]** Educating the community on the benefits of vaccination and providing every family with their personal immunization record in an electronic tool that reminds them when new vaccinations are due.
- b]** Promotion of safe medication use through the Safe Medicines Initiative by providing each family an electronic tool that tracks their personal medication record and screens for medicines that are dangerous for that individual or that can interact to cause harmful drug reactions.

**c]** As part of the Safe Medicines Initiative, partner with diagnostic companies to offer tests to families who wish to have their blood tested in order to help them be sure that they take only those medicines that are safe for them.

**d]** Offer low cost heart rhythm screening on new smart phone ECG technology for citizens at high risk of atrial fibrillation such as those with high blood pressure to detect the irregular heart rhythm before it causes a stroke.

**e]** Create partnerships to offer genetic tests and low cost electrocardiograms to detect children at high risk for crib death and/or sudden death during sports.

With these new strategies the region would see an increase in healthcare tourism, relocation of healthcare companies, in-migration of health conscious citizens and positive press regarding Tucson's status as a healthy place to live and work.



## snapshot

### HEALTHCARE

#### WHY IS THIS IMPORTANT?

A business's most important asset is its employees. The number one criteria in the site selection process are the availability and level of skills within the workforce of a community. Increasingly, the health of a business depends on the health of its employees. Employers have a stake in the community's overall health. A healthier community makes for healthier, more productive employees and lowers healthcare costs.

#### QUICK FACTS:

##### Gallup-Healthways Well-Being Index:

*Tucson is currently #140 out of 189 cities*

##### Robert Wood Johnson County Health Rankings:

*Pima County is ranked 7 out of 15 Arizona counties*





# MOVING FORWARD

## Accountability

The process of updating the Economic Blueprint has engaged leaders from throughout our region with expertise in the key focus areas presented here. This is important because economic development is not solely one organization's responsibility: this is the community's Blueprint, developed for the region, by the region and with the region's values, strengths and opportunities at the forefront.

The Tucson region must be as strong as the competition in the new global economy, and the strategies presented here represent our best chance to return to a minimum 2% job growth level, with a stronger mix of the right types of jobs that have been proven to form a stronger economic base.

In addition, the business community must reduce duplication of efforts in order for all of us to achieve the new jobs goal outlined. To win this economic race, we must work as one in the Blueprint Update implementation.

Common economic goals require strong leadership. Everyone has a stake in economic development, as many organizations contribute their expertise in infrastructure, financing, workforce development, public policy and more. TREO already has a central role in bringing all parties to the table in economic development projects and client interaction, and therefore has the natural ability to serve this regional leadership role. We plan to facilitate collaborative efforts with key stakeholders and partners, in support of the new strategies laid out in this Blueprint Update.

## METRICS MATTER

In order to leverage new opportunities, the Tucson region must know where it stands in key metrics measuring the economy. Without a foundation of solid facts, strong economic policy cannot be developed.

This Blueprint Update will be followed by the launch of the Southern Arizona Dashboard Project, a joint initiative of the Southern Arizona Leadership Council, the Community Foundation for Southern Arizona and the University of Arizona.

The Dashboard will track key indicators related to the Economy, Workforce, Quality of Place, Infrastructure, Health and Education.



## ACKNOWLEDGEMENTS

Thank You to Our Corporate Sponsor:



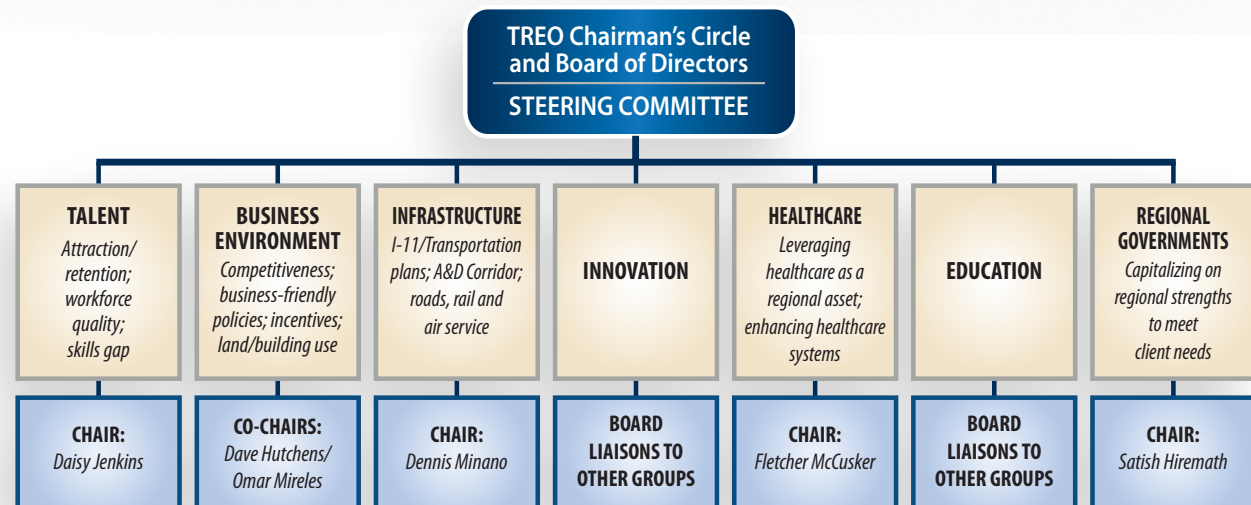
Tucson Electric Power

*To guide the Blueprint Update process, TREO's Board of Directors served as the project's Steering Committee, providing leadership in designing new strategies to address the region's competitiveness and accelerate our economic recovery.*

### Subcommittees included:

- Talent
- Business Environment
- Infrastructure
- Liaison to Innovation
- Healthcare
- Liaison to Education
- Regional Governments

Each committee included other community groups and/or individuals to address topics at hand, as appropriate.



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## Thank You to Other Partner Input

Arizona Department of Transportation • Arizona State University  
Association of Health Underwriters • Cover AZ Coalition  
Metro Tucson Chamber of Commerce • One Stop Career Center  
PCAP (Pima Community Access Program)  
Southern Arizona Leadership Council • Startup Tucson  
Tucson Unified School District • Tucson Young Professionals



*"I see the role of TREO as seeking defined commonality with the ultimate goal of creating jobs and economic prosperity."*

Guy Gunther, Vice President & General Manager, Greater Arizona, CenturyLink



## ABOUT TREO

*The goal of TREO is to facilitate primary (non-retail) higher-wage job and investment growth, in order to increase wealth and accelerate economic prosperity throughout southern Arizona.*

*This work demands a competitive, business-friendly environment that allows primary employers to flourish and succeed. Thus, a secondary role of TREO is to shape policy and mobilize resources to assure that the region is competitive.*

*As a strong private-public partnership, TREO connects the private sector, governments, nonprofits and academia to provide leadership on competitive issues and a unified voice to the national and international business community.*

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2014 ECONOMIC BLUEPRINT UPDATE



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