



REPLACEMENT

COUNCIL AGENDA: 10-23-07

ITEM NO.: 4.3

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Paul Krutko

SUBJECT: INTERNATIONAL CITY/
REGIONAL PARTNERSHIPS

DATE: October 1, 2007

Approved

Deanne Aatra

Date

10/15/07

COUNCIL DISTRICT: CITYWIDE

REASON FOR REPLACEMENT

To provide the City Council with the referenced attachment that was inadvertently not attached to the original memorandum.

Paul Krutko
Chief Development Officer



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Paul Krutko

SUBJECT: INTERNATIONAL CITY/
REGIONAL PARTNERSHIPS

DATE: October 1, 2007

Approved

Kay Winer

Date

10/12/07

COUNCIL DISTRICT: CITYWIDE

RECOMMENDATION:

- a. Adopt a resolution affirming the previously adopted Council policy on Sister City affiliations and consideration of a new Sister City affiliation only after that City has been established as an Economic Partnership City and tangible results can be demonstrated.
- b. Pursue a select number of new relationships with international city-regions as appropriate for mutual economic benefit, taking the form either of informal working relationships or formal Economic Partnership Agreements.
- c. Seek opportunities to strengthen economic and professional linkages with existing sister cities that are also high-tech centers, where applicable.
- d. Authorize staff to participate, when appropriate, with the Bay Area Council's 2007 memorandum of cooperation with the Shanghai-Hong Kong Council for the Promotion and Development of Yangtze.
- e. Acknowledge and encourage businesses, civic organizations, schools, and residents to initiate and maintain global relationships with peers and partners around the world.
- f. Create a Citywide account at mid-year to fund travel-related expenses for the mayor or councilmember to participate in an official sister city delegation or Economic Development mission, and to pay expenses associated with hosting official sister city delegations or other high-level international visitors.

OUTCOME

The City's International Economic Strategy is aligned with the City's Economic Development Strategy to "Forge Connections with Innovative Regions Globally for Mutual Economic

Benefit.” Jobs at foreign-owned companies in San Jose are retained and increase in number. Suggested implementation of this recommended international strategy will result in new jobs, private sector capital investment and new revenue to the City of San Jose.

BACKGROUND

Over the past two decades, San Jose’s continued development and emergence as a leading center for innovation and international business has attracted extensive interest from cities and regions across the globe. To benefit from the region’s commercial innovations, venture capital, entrepreneurial culture, diverse population, and technology industries, many cities, regions and nations seek to partner with San Jose. The interest in meetings and partnering has increased exponentially with the emergence of China as an economic force.

The Office of Economic Development is responsible for planning and implementing the City’s international business strategy. The City’s Economic Development Strategy, adopted by the Council in November 2003, identifies Strategic Initiative #2: “Forge connections with innovative regions globally for mutual economic benefit.” The goal is to encourage retention, expansion and attraction of international firms in San Jose.

The increased international visibility of San Jose/Silicon Valley has resulted in numerous requests for San Jose to establish official partnerships with cities across the globe. Staff and financial resources, and compatibility for mutual collaboration curtail the City’s ability to establish official, council-approved relationships with international cities and regions. The mayor’s office requested a summary of the current international relationships and recommendations for future direction.

ANALYSIS

Sister Cities Program

Over the past 50 years, the City has entered into several official relationships with international cities. The first formal international relationships were established 50 years ago through the national Sister Cities program. The Sister Cities program links U.S. cities with communities globally to foster citizen diplomacy and mutual understanding and cooperation. Sister Cities International, a non-profit organization based in Washington, D.C., formally sanctions and recognizes sister city affiliations.

The Sister Cities program was established in 1956 following a White House conference on citizen diplomacy. San Jose was among the first cities to join the Sister Cities program and established a Sister City relationship with Okayama, Japan in 1957. Sister City relationships were later formed with San Jose, Costa Rica (1961); Veracruz, Mexico (1975); Tainan, Taiwan (1977); Dublin, Ireland (1986); Pune, India (1992); and Ekaterinburg, Russia (1992).

Because Sister City affiliations involve official City recognition and participation, the City reviews, evaluates and approves proposed Sister City affiliations. Following an extensive review process, the Council formally votes on a proposed Sister City affiliation. Upon formal approval by both cities, a formal agreement is signed by the mayors of both cities. In a practical sense, there is expectation of financial and staff commitment of the participating city and/or a related civic entity to tend and develop the relationship.

A prospective sister city must meet the affiliation guidelines established by Sister Cities International and the City. The Council adopted Sister City affiliation guidelines on April 14, 1992 (see attached).

The criteria for selecting a prospective Sister City are based on:

- compatibility to population
- educational and cultural resources and economic base
- the opportunity for mutually beneficial cultural and educational exchanges and program activities
- demonstrated commitment by a broad-based community group to develop cultural and educational exchanges with the prospective city and to raise funds to ensure long-term program support
- the absence of current and future Sister City affiliation between the prospective city and another U.S. city, and between San Jose and another city in the same nation.

Historically, developing cultural and education programs served as the foundation of most sister city affiliations in San Jose. There have been many notable community benefits of the Sister City program. The Japanese Friendship Garden in Kelley Park is modeled after the famed Korakuen Garden in Okayama. The recently completed Guadalupe River Park and Gardens features a Sister City Seating Area that celebrates the unique culture of several of San Jose's Sister Cities.

The City receives many inquiries and requests annually for prospective sister city affiliations from cities across the globe, their representatives, and local residents. **Because of the affiliation guidelines of Sister Cities International and the City, very few cities in a leadership position of fostering technological innovation and economic development are eligible as a prospective sister city or meet the City's requirements.**

City Funding Support for the Sister Cities Program

The City's annual non-personnel budget for the sister cities program is approximately \$18,000. These funds are made available to reimburse local citizen sister city program committees that plan and implement specific projects and programs. Two of the seven sister city program committees have accessed funds made available by the City during the past three years. Other sister city programs have either not requested reimbursement from the City or have not actively engaged with the sister city to plan activities. The Dublin and Pune sister city program

committees are registered with the State of California as non-profit organizations. The sister city committees of Okayama, San Jose, Costa Rica, Tainan and Veracruz are structured under Pacific Neighbors, a non-profit organization registered with the State of California. The Ekaterinburg committee is not presently structured under any organization, but efforts to revise the sister city linkage are being led by officials at San Jose State University.

In addition, the Office of Economic Development hosts events for visiting delegations and occasional travel by San Jose leaders on sister city delegations. For example, the City hosts an annual visit by the Dublin Lord Mayor and delegation from our sister city. During the past six months, the City has also hosted official sister city delegations from Okayama and Tainan to mark the 50th and 30th anniversary of the respective sister city relationships. The Office of Economic Development hosted several events for the sister city delegation visits and City representatives participated in several community events. In hosting delegation visits, the Office of Economic Development spent \$1,871 on the Tainan visit, \$8,691 on the Dublin sister city visit, and \$46,258 on the Okayama visit. The Office of Economic Development received a mid-year budget appropriation of \$26,000 in FY 2006-07 for the Okayama sister city visit.

Economic Partnerships

To establish economic development-focused agreements with key international cities and regions, the Office of Economic Development created a program for International Economic Partnerships. The Council approved the guidelines for establishing International Partnerships on February 20, 2001 (see attached).

International Economic Partnerships are official city relationships with another city or region to advance San Jose's economic and trade relations with businesses and government through targeted trade, investment and promotion programs designed to benefit San Jose and the partner city. The partnership is designed to involve businesses, community organizations, chambers of commerce and universities in a collaborative economic development initiative. The Economic Partnerships are independent of Sister City affiliations and are not sanctioned or recognized outside of the two cities. The criteria for the selection of the Economic Partnership city or region are based on compatibility with San Jose in the following:

- Economic profile
- Demographic profile
- Geographic location
- Industrial base
- Specific opportunities for business development
- Political stability
- Future economic outlook
- Export opportunities for San Jose businesses

The first pilot Economic Partnership Agreement was established with East England, a five-county high-tech region located north of London. The economic relationship was initiated in 2002. The agreement was ratified by the Council on June 21, 2005.

Since the agreement was ratified, several East England businesses have traveled to San Jose to conduct business with area companies and participate in local trade shows. Through the partnership, San Jose State University and the University of Hertfordshire in East England established a bilateral partnership. Students from the University of Hertfordshire are presently enrolled at San Jose State, and SJSU students will begin their studies at the University of Hertfordshire in early 2008. With strong support by East England, the City has been in discussion with several airlines regarding non-stop air service to greater London.

A second Economic Partnership Agreement is being considered with Finland, a nation that fosters technological innovation and a key investor and trading partner for San Jose. An example of how ongoing economic relationships can lead to investment, up to 20 technology companies based in Oulu, Finland will locate their business in San Jose in 2008 and 2009. The City's outreach efforts with officials in Oulu contributed to the selection of San Jose as the point of entry to the U.S. market.

OED staff see potential to strengthen and reap more benefits from the sister city relationship with Pune, India, since this region has emerged in recent years as one of India's leading centers for technological innovation and an important two-way investment and trading partner with Silicon Valley.

From the perspective of the Office of Economic Development, the primary focus of international relationships should be to foster economic development and expand trade and investment opportunities for businesses and residents. This goal of fostering the City's international economic development can best be enhanced a) by tending to the foreign-based companies that are already located in San Jose, and b) focusing on those existing sister cities and a handful of new Economic Partnership or informal working relationships that have potential for mutual economic benefit.

Rather than pursuing new Sister City relationship, staff recommends that any potential new Sister City must first become a city for an Economic Partnership Agreement. Following a period where it can be demonstrated that the cities share a commitment for long-term economic relations and a record of success can be demonstrated in the relationship, a Sister City affiliation may be considered.

City-Regions in China

The City receives a growing number of requests annually to meet with business and government delegations from China, a nation that has experienced double-digit economic growth over the past decade. To foster the Bay Area's economic ties with China, the Bay Area Council, a non-profit business organization that represents 250 of the Bay Area's largest companies, recently

entered into a memorandum of Cooperation with the Shanghai-Hong Kong Council for the Promotion and Development of Yangtze--a non-profit, non-government organization committed to the economic development of China's Yangtze region. San Jose has been invited to participate in this relationship and OED staff recommend, that this should be our sole formal relationship with a Chinese region. This region is the innovation center of China, and the opportunity to relate through a highly credible nonprofit, non-government organization is unique and attractive.

Changing Demographic Profile of San Jose

When San Jose entered into its first Sister City relationship in 1957, agriculture was a key component of the regional economy and the city had not yet become the magnet in attracting a population from across the globe. Today, San Jose is arguably among the world's most international cities. Among U.S. cities, San Jose is second only to Miami in the share of population that is foreign-born (38 percent), and the diversity of nations and cultures represented in San Jose is far more diverse. Many residents have family, personal, or professional ties to people in other countries. The kind of cultural, economic, and personal interaction envisioned by the Sister Cities program when it originated now happens every day in San Jose.

OED believes that we should be cautious as a city about committing to staff and resource new formal relationships with other cities; rather, we should acknowledge our international connections and encourage businesses, civic organizations, schools, and residents to initiate and maintain global relationships with peers and partners around the world.

City Participation on Sister City Delegations and Economic Development Missions

On occasion, the City is invited to travel to a sister city and lead an official delegation that often includes community members. It is customary for the mayor to lead the delegation and perform key protocol functions as the City's designated representative. In the event that the mayor is unable to travel to a sister city or lead an international trip, it is recommended that the mayor designate a councilmember or another City official to lead the delegation and acts as the mayor's representative.

It is recommended that travel-related expenses for the mayor or councilmember in leading a sister city delegation or Economic Development mission shall be borne by a Citywide account that will be managed by the Office of Economic Development. It is further recommended that this account will also pay for expenses associated with hosting official sister city delegations or other high-level international visitors.

Councilmembers not leading a City delegation shall be apprised of an international trip led by the City and have the option to participate. Travel-related expenses for the councilmembers shall be borne by the councilmembers office budget or through a personal office holder account.

The city manager shall approve travel requests for staff and costs shall be born by the staff member's department.

EVALUATION AND FOLLOW-UP

Periodic reports will be submitted to the Council on City initiatives with international cities and regions. Any new formal city-to-city relationships will be approved by the Council.

PUBLIC OUTREACH/INTEREST

The Office of Economic Development has engaged in outreach with San Jose State University (International and Extended Studies).

COORDINATION

The preparation of this Memorandum has been prepared in consultation with the Office of the City Attorney and the Budget Office.

COST IMPLICATIONS

The Office of Economic Development has funds in the department's base budget for international business development. As substantial staff time and program resources are needed to ensure the international partnerships are productive, only those that have the potential for significant benefit to San Jose will be considered. It is recommended that sister city travel and hosting expenses be funded through a citywide budget allocation reviewed and funded as a part of the City's regular budget process.

CEQA

Not a project.



Paul Krutko
Chief Development Officer

CITY OF SAN JOSE

SISTER CITIES AFFILIATION GUIDELINES

Sister Cities is a community-based organization that operates cultural and education exchange programs in partnership with similar community-based organizations in other cities of the world.

Because these relationships involve official recognition and participation on the part of the City of San Jose, the City has the responsibility for evaluating and approving proposed affiliations. The following guideline governs the criteria for selection, proposal process, and role of the participants in official Sister City relationships.

A. Criteria for Selection

Through the Office of Economic Development, the City of San Jose will evaluate proposals for Sister City affiliations based on the following criteria:

1. Compatibility of the proposed sister city with regard to population, educational and cultural resources, and economic base.
2. Opportunity for mutually beneficial cultural and educational exchanges and program activities.
3. Demonstrated commitment on the part of a broad-based community group to develop cultural and education exchanges with prospective city; and to raise the necessary funds to ensure long-term program support
4. Absence of current or future sister city affiliation between the prospective city and another city in the U.S., and between San Jose and another city in the same country.

B. Proposal Process

1. Prior to initiating or responding to a formal request for a proposed sister city affiliation, the San Jose committee will meet with the City of San Jose Office of Economic Development to present an overview of the proposed city and program goals.

2. In cooperation with the sister city group in the proposed sister city, the local organizing committee will prepare and submit the following to the Office of Economic Development:
 - a. A detailed demographic profile of the prospective city.
 - b. Documentation of broad-based community support, with a minimum of 15 members on the organizing committee.
 - c. A preliminary program plan, outlining objectives and funding sources.
3. The Office of Economic Development will review the proposal and forward a recommendation to the Mayor and Council.

C. Role of Participants

1. Upon Council approval of a sister city affiliation, the City will assume the following responsibilities:
 - a. Arrangement of official proclamations and communications.
 - b. Provision of ceremonial gifts to leaders of high-level visiting delegations.
 - c. Establish liaison with the sister city committee and make arrangements to ensure City representation at important sister city events.
 - d. Assistance in preparation of documents necessary to formally establish the affiliation with Sister Cities International.
2. The sister city committee will assume the following responsibilities:
 - a. Development and implementation of programs to promote cultural and educational exchanges between San Jose and residents of sister city.
 - b. Raise the necessary funds to support sister city activities.

Adopted by the Council on April 14, 1992