



# City of Sacramento City Council

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**Meeting Date: 8/14/2012**

**Report Type: Staff/Discussion**

**Title: Economic-Development Activities with the Municipality of Chongqing, China**

**Report ID: 2012-00717**

**Location: Citywide**

**Recommendation: Pass** a Resolution 1) ratifying a Memorandum of Understanding with the Chongqing Foreign Trade and Economic Relations Commission; 2) directing the City Manager to plan business festivals in Sacramento and the municipality of Chongqing, China; 3) directing the City Manager to establish a Sacramento Office of Trade and Education in Chongqing; 4) approving the use of General Fund Administrative Contingency in the amount of \$97,688 for FY2012/13; and 5) directing the City Manager to investigate the establishment of a Clean Energy Technology Center in Chongqing.

**Contact:** Jim Rinehart, Director, (916) 808-8087, Economic Development Department

**Presenter:** Jim Rinehart, Director, (916) 808-8087, Economic Development Department

**Department:** Economic Development Dept

**Division:** Citywide Development

**Dept ID:** 18001031

## **Attachments:**

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- 1-Description/Analysis
- 2-Background
- 3-Resolution
- 4- MOU Exhibit
- 5- Exhibit 2-Chongqing Operating Budget

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### **City Attorney Review**

Not Approved as to Form  
Joseph Cerullo  
8/9/2012 11:32:38 AM

### **City Treasurer Review**

Prior Council Financial Policy Approval or  
Outside City Treasurer Scope  
City Treasurer

### **Approvals/Acknowledgements**

Department Director or Designee: Jim Rinehart - 8/7/2012 8:54:26 AM

Sandra Talbott, Interim City Attorney

Shirley Concolino, City Clerk  
**John F. Shirey, City Manager**

Russell Fehr, City Treasurer



## Description/Analysis

**Issue:** Chongqing (pronounced Chong-ching) is a municipality in southwest with a population of 32 million. On July 23, 2012, the City of Sacramento and the Chongqing Foreign Trade and Economic Relations Commission (“COFTEC”) entered into a non-binding Memorandum of Understanding (“MOU”) (Exhibit 1). The purpose of the MOU is to memorialize the mutual desire of the City of Sacramento and COFTEC to seek a strategic-cooperation partnership leading to a mutually beneficially collaboration. The MOU establishes a framework for suggested projects and fields of collaboration.

One timely outcome will be the collaborative planning of an annual business festival to alternate between Chongqing and Sacramento. The California Festival would be held in Chongqing in 2013 and a Chongqing Festival would be held in Sacramento in 2014. The festivals would be among many events developed as the two cities work jointly to create bilateral promotional activities highlighting economic, education, cultural, and government-operational exchanges. The purpose of the festivals is to provide a forum for Sacramento City officials and business leaders to meet with high-level international trade and business persons in Chongqing. A delegation will be assembled and will include local business members and educators from a wide range of sectors: trade, investment, education, clean energy, and agriculture and food safety. Councilmember Rob Fong will be traveling to Chongqing in the fourth quarter of 2012 to begin a dialogue for development of the festivals and to explore a site for establishing a Sacramento presence there.

That presence would take the form of a year-round Sacramento Trade and Education Office in Chongqing. The primary purpose of the office will be to transact business that is favorable to the City of Sacramento and the Sacramento region. The success of such transactions will be measured in the number of jobs created in Sacramento and the revenue increases attributed to trade and investment contracts resulting from the Chongqing presence. Although no guarantees can be made on the expected returns, it is anticipated that the return on investment and trade will be positive and that the City of Sacramento will have the opportunity to capitalize on global investments.

Exhibit 2 depicts the first-year budget for the overseas office. It takes into account the rent-free office space provided by COFTEC. Start-up costs over the initial three-month period are projected to be \$44,900; the costs for the subsequent nine-month period are estimated to be \$52,788. Thus the year-one budget is \$97,688.

The partnership between Sacramento and Chongqing creates a framework for potential investment opportunities focused on clean-energy technology, agriculture and food safety, and education. It could also facilitate creation of partnerships among the public, private, and educational institutions in both cities. A further activity of mutual interest mentioned in the MOU is the exploration of building a Clean Energy Technology Center

in Chongqing. Both cities share a common goal of creating a diversified economy that focuses on emerging growth sectors, including the green sector. Sacramento prides itself in being a leader in sustainability, and the two cities will continue to explore the opportunity of working together toward this common goal.

In summary, the MOU provides a framework to pursue a mutually beneficial relationship for both cities. Accordingly, the City Manager recommends that the City Council adopt a resolution 1) ratifying the MOU with COFTEC; 2) directing the City Manager to plan business festivals in Sacramento and Chongqing; 3) directing the City Manager to establish a Sacramento Office of Trade and Education in Chongqing; and 4) directing the City Manager to investigate the establishment of a Clean Energy Technology Center in Chongqing.

**Policy Considerations:** The City Council has frequently emphasized the importance of the City of Sacramento taking on global involvement and creating more jobs. These action steps are consistent with positioning Sacramento in the greater Pacific Rim and global economy.

**Economic Impact:** None at this time. It is anticipated that both jobs and revenues will accrue from these actions in the future. When they occur, staff will report on their economic value to the City Council.

**Environmental Considerations:** None.

**Sustainability:** None.

**Commission/Committee Action:** None.

**Rationale for Recommendation:** Given Sacramento's position as the capital of California and its geographical position vis-à-vis the Pacific Rim, this is an opportunity to take advantage of these attributes, in partnership with the largest city in China. Along with the current state of the economy and the need for innovative economic development measures, the opportunity to establish a bilateral exchange with Chongqing was memorialized in an MOU executed by the City Manager and by the President of COFTEC. To capitalize on those actions, the City can establish a trade-and-education office and can hold festivals linking the business communities. Further, with Sacramento being in the forefront of clean-energy technology, it will be of mutual benefit to advance those efforts by setting up a Clean Energy Technology Center in Chongqing.

**Financial Considerations:** The initial startup and annual operation expenses for the Chongqing office are estimated at \$97,688. During the first year, monitoring of expenses as well as an evaluation for job creation and/or monetary return to the City will

occur quarterly. The source of funds for these activities for Fiscal Year 2012/13 will come from the General Fund Administrative Contingency. Funds for future fiscal years will be addressed during the regular budget development process.

**Emerging Small Business Development (ESBD):** Not applicable.



## Attachment 1

### Background

Chongqing, a municipality in China, has a population of 32 million. It is the center of transportation, logistics, processing, manufacturing, science, education, culture, and finance for Central and Western China. The city is an important growth focus in Western China and is the economic center in the upstream region of the Yangtze River. It is also designated as a West Development Strategy and State Experimental Area of Integrated Innovation of Urban and Suburb.

The Chongqing Foreign Trade and Economic Relations Commission (“COFTEC”) is the functional department for the Chongqing People’s Government to comprehensively manage the city’s foreign trade and economic-cooperation activities. In an effort to further economic growth, the City of Sacramento has been aggressive about advancing economic-development strategies by forming partnerships with other entities and adopting policies that will encourage growth.

On July 23, 2012, the City of Sacramento and COFTEC entered into a non-binding memorandum of understanding (the “MOU”). The purpose of the MOU is to set forth the framework for cooperation and to suggest potential projects and fields of collaboration, so that the two cities may jointly explore the possibilities of creating more jobs and investment and increased trade. The MOU does not bind the City to any commitment beyond a sincere desire to continue the dialogue between the two cities in an effort to foster positive relations that may lead to economic-development opportunities in the future, as well as create a mutually beneficial collaboration in trade, investment, education, clean energy, agriculture and food safety.

Chongqing has focused on providing companies with buildings and infrastructure, which has resulted in the presence of over 190 U.S. Fortune 500 companies by 2011. These companies have increased in value from under \$1 billion US dollars in 2006 to \$6.3 billion in 2010. With China’s GDP per capita steadily increasing, Chongqing is ideally placed for companies looking to take advantage of the new Chinese domestic market or to be closer to their corporate customers.

Creating a partnership with Chongqing allows Sacramento the opportunity to establish a Sacramento Trade and Education Office in Chongqing and to explore the opportunity to build a Clean Energy Technology Center in Chongqing. The partnership between Sacramento and Chongqing creates a framework for potential investment opportunities focused on clean-energy technology, agriculture and food safety, and education. It will also look at ways to create partnerships among the public, private, and educational institutions in both cities.

In the coming months, staff will perform due diligence preparatory to establishing a Sacramento Trade and Education Office in Chongqing. Sacramento has been offered

the opportunity to open an office in Chongqing with no obligation for rent. Attached is a preliminary budget outlining the anticipated costs for operating the office.

In addition, staff will also explore the option of establishing a Clean Energy Technology Center in Chongqing. Both cities share a common goal of creating a diversified economy that focuses on emerging growth sectors, including the green sector. Sacramento prides itself in being a leader in sustainability, and staff will continue to explore the opportunity of working together toward this common goal.

Sacramento and Chongqing will collaborate on developing a strong business and economic partnership, as well as develop bilateral promotional activities. It has been proposed that a California festival be held in Chongqing and that subsequently a Chongqing festival be held in Sacramento. The festivals would be among the many activities developed as the two cities work jointly to create bilateral promotional activities promoting the economic, education, cultural, and government operational exchanges. They will also provide opportunities for City representatives to meet with high-level international trade and business investors in Chongqing.

This partnership will allow the City to use its existing assets, resources, and human capital in a way that will ultimately stimulate direct and reciprocal investment opportunities. This will allow for the exploration of partnerships between the public, private, and educational institutions in both cities. Sacramento has a rich history in farming and manufacturing, as well as a renowned educational system with world class research and development activities. These qualifications in partnership with Chongqing's impressive credentials have the potential to lead to economic development opportunities for both municipalities.

The MOU outlines the framework and acts as an agreement to pursue a relationship and explore the opportunities of mutual benefit to both cities. Both cities have the educational, discipline-specific, regulatory, and creative talent to provide a true partnership, one that could ultimately create jobs, investment, and increased trade.



## RESOLUTION NO.

Adopted by the Sacramento City Council

### RATIFYING THE MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF SACRAMENTO AND THE MUNICIPALITY OF CHONGQING, CHINA

#### BACKGROUND

- A. The municipality of Chongqing, China, and the City of Sacramento have strong mutual goals and complementary advantages for building a cooperative business and economic cooperation agreement between the two cities.
- B. Areas of mutual interest include clean-energy technology, agriculture and food safety, education and public administration, and operational experience exchange.
- C. The City of Sacramento has entered into discussions with the Chongqing Foreign Trade and Economic Relations Commission (“COFTEC”) to explore entering into a partnership of mutual benefit.
- D. A ceremonial signing of a Memorandum of Understanding between the City of Sacramento and COFTEC (the “MOU”) was held on July 23, 2012. The purpose of the MOU is to set forth the framework for cooperation and to suggest potential projects and fields of collaboration.

#### BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Council hereby ratifies the MOU with COFTEC.
- Section 2. The City Manager is directed to plan a business festival in Chongqing, China, in 2013 and a Chongqing Festival in Sacramento in 2014 in compliance with the laws of China and the United States.
- Section 3. The City Manager is directed to establish a year-round Sacramento Trade and Education Office in Chongqing, China, in compliance with the laws of China and the United States, for the primary purpose of transacting business that is favorable to the City of Sacramento.
- Section 4. The City Council hereby appropriates from the General Fund Administrative Contingency Fund, for use in implementing the direction given to the City Manager in sections 2 and 3 during fiscal year 2012-2013, the amount of \$97,688. Funding for future fiscal years will be determined as part of each year’s budget-development process.

Section 5. The City Manager is directed to explore the opportunity of establishing a Clean Energy Tech Center in Chongqing, China.

**Memorandum of Understanding  
On Strategic Economic and Trade Cooperation  
Between  
Chongqing and Sacramento**

This Memorandum of Understanding ("MOU"), dated July 23, 2012 for reference, is between the CHONGQING FOREIGN TRADE AND ECONOMIC RELATIONS COMMISSION ("COFTEC") and the CITY OF SACRAMENTO, a California municipal corporation ("Sacramento").

COFTEC and Sacramento desire to seek a strategic cooperation partnership leading to a mutually beneficial collaboration. This MOU sets forth the framework for cooperation and suggests potential projects and fields of collaboration. The potential projects include the promotion of the two cities, Chongqing and Sacramento, by taking steps toward forming a strategic cooperation relationship; the launching of promotional activities for both cities; the exploration of options for building a Clean Energy Technology Center in Chongqing; and the establishment of a Sacramento Trade and Education office in Chongqing. The fields of collaboration may emphasize but not be limited to clean-energy technology, agriculture and food safety, education, public administration, and operational-experience exchange.

*Based on the foregoing statement of purpose, COFTEC and Sacramento hereby agree as follows:*

**1. Backgrounds of the Parties**

- (a) With a population of 32 million and an area of 82,400 km<sup>2</sup>, the City of Chongqing is the center of transportation, logistics, processing, manufacturing, science, education, culture, and finance for Central and Western China. As such, the city is an important growth focus in Western China and is the economic center in the upstream region of the Yangtze River. It is also designated as a West Development Strategy and State Experimental Area of Integrated Innovation of Urban and Suburb.
- (b) COFTEC is the functional department for the Chongqing People's Government to manage comprehensively the city's foreign trade and economic-cooperation activities. It is dedicated to constructing a low-cost, high-efficiency commercial environment for Chongqing, creating opportunities for comprehensive international trade and investment and for economic and technological cooperation. COFTEC is also responsible for providing public services of value, expanding Chongqing's international influence and making Chongqing the most open city in Western China.
- (c) Sacramento is the capital city of the State of California and the center of both industrial and governmental activities for the region's six contiguous counties — El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba. The region encompasses more than 6,500 square miles of beautifully diverse California landscape. It is rich with capitol promenades and world-class research universities, bountiful Central Valley farms, and affordable housing.
- (d) Sacramento is one of the most affordable first-tier cities in California, with a high quality of life and a well-educated work force. As the state capital, it is home to numerous California industrial, trade, and educational organizations; to world-class clean-energy

and technology-research centers; to the California Smart Grid Center; and to the award-winning Sacramento Municipal Utility District, considered one of the most advanced, innovative energy companies in the world.

- (e) Sacramento helps facilitate, grow, and attract quality businesses and jobs to the region. The city's Economic Development Department, which works closely with private and non-profit organizations, is integral to the Sacramento City Council's economic-development goal of strengthening cooperation between local communities while building closer international ties to ensure regional prosperity and global competitiveness.
- (f) The United States has contributed significantly to the growth of international trade and foreign investment in China. Moreover, it is Chongqing's largest trading partner and third largest source of foreign investment.
- (g) Chongqing and Sacramento have strong mutual goals and complementary advantages. Accordingly, developing robust business and economic ties between Chongqing and Sacramento would build on common interests and help secure the futures of both cities.

## **2. Cooperation Mechanism**

- (a) The parties intend to make appropriate efforts to construct an equal, friendly, and mutually beneficial cooperation mechanism, promote exchange visits, encourage informational exchange, and improve communications over time.
- (b) The parties intend to work closely to provide appropriate non-financial support for the visits of both parties' economic and trade delegations.
- (c) The parties intend to encourage enterprise exchange visits, economic and trade exchange forums, and commercial matchmaking activities at appropriate times.

## **3. Cooperation and Promotion Projects**

- (a) The parties intend to explore the potential of establishing a Sacramento Trade and Education Office in Chongqing as a mechanism to promote bilateral exchange for investment, trade, culture, and education.
- (b) The parties intend to work collaboratively towards building a strategic cooperative partnership and encourage mutual understanding for the people of the two cities.
- (c) The parties intend to work jointly to develop bilateral promotional activities to be held annually in Sacramento and Chongqing: for example, a California Festival could be held in Chongqing and subsequently a Chongqing Week could be held in Sacramento. These activities will promote the economic, education, cultural, and government operational exchanges for both parties.

- (d) The parties intend to jointly investigate the potential establishment of a "Clean Energy Technology Center" in the Liangjiang New Areas. The center would have research and business arms to explore various possibilities in this sector. The goal of the Center is to attract U.S. enterprises focused on technological innovation for the future of clean-energy technology. The center would serve as a technology hub for clean energy in Western China. During the promotion of this project, Sacramento could recommend suitable business partners and identify research and education resources for the center, but Sacramento will not be responsible for any financial obligations or incur any other liabilities in connection with the center.

**4. Cooperation Fields.** The parties intend to seek potential opportunities for collaboration and to promote the implementation of projects of exchange and cooperation in the following fields:

(a) *Clean Energy Technology.*

- (1) Under the Greenwise Sacramento Regional Action Plan, the Sacramento region will transform to become the "Emerald Valley" — the greenest region in the United States and a hub for clean-energy technology.
- (2) Chongqing has a rich civilized history of over 3000 years. Its natural features include mountains, rivers, forests, springs, waterfalls, gorges, caves, and many other wonders. With a population of over 32 million, it is vital to continue to develop clean energy to support the growth of southwestern China while protecting the environment.
- (3) The parties intend to make clean-energy technology a priority field of collaboration and to further expand the comprehensive cooperation between the two cities.

(b) *Agriculture and Food Safety.*

- (1) Agriculture and food safety are a focus for both the United States and China and are vital to the Sacramento region and the Chongqing Municipality. The Sacramento region has some of the richest soils in the United States and is a major exporter of agriculture products such as rice, almonds, dairy products, meat, and the world-famous California wines.
- (2) Chongqing has a huge consumer base with 32 million residents. Food supplies, stable food prices, and food safety are focal points for its government. Because California has some of the world's highest food-safety standards and agricultural policies, and because the Sacramento region is home to world-renowned research in these fields, agriculture and food safety will be an active focus for the cooperation of both parties. Such cooperation can provide companies in both cities with open market and investment opportunities. It can also provide a valuable exchange forum on food-safety standards, policy, strategy, implementation, and training, which will be mutually beneficial.

(c) *Education and Human Resource Development.*

(1) A skilled and educated workforce is the essential growth factor for any economy. California is one of the most advanced states in the United States with the largest gross state product of \$1.9 trillion US. The operation of such an economy needs the best human resources available. Sacramento is the capital city and home to government agencies that manage the operation of the state government. With the University of California and the California State University systems, the state is also home to two of the best and biggest public education systems in the world.

(2) Chongqing has a population of 32 million with over 40 higher-education institutions in the region. As one of the four Municipalities of China, its government is also tasked with running a complex operation. Both parties have valuable experience to share when it comes to human resource development. From students' educations through government officials' experience exchange and professional development training, the parties intend to focus on education as a growth engine for human resource development. Cooperation will be the development focus of a highly skilled and well-educated workforce. Sacramento intends to explore the possibility of providing internship opportunities for students from Chongqing through its local education institutions. Chongqing intends to continue to design education programs that will be attractive to American students.

(d) *Other Cooperation Opportunities.* Both parties hope to perform broader exchange opportunities and cooperation in culture, medical research and development, and other trade and investment opportunities.

**5. Responsibilities of Both Parties**

(a) Within the policy framework of the central and local governments, COFTEC intends to provide policy support and a favorable investment environment in land, tax, and market expansion for the investors from the Sacramento region.

(b) Within the policy framework of the federal, state, and local governments, Sacramento intends to promote Chongqing by helping to increase Chongqing's visibility in the United States, expand Chongqing's international influence, and encouraging American enterprises to invest in Chongqing.

**6. Other issues**

(a) This MOU is signed in Sacramento, California, and is written in English and Chinese, with signed copies of each version given to the parties. This MOU may be modified only by another written document signed by both parties.

(b) The parties acknowledge (1) that this MOU creates a framework for future negotiations and does not impose any binding, legally enforceable rights or obligations on either Chongqing or Sacramento; (2) that this MOU does not prevent either Chongqing or

Sacramento from entering into similar arrangements with other parties regarding strategic cooperation; and (3) and this MOU is not intended to benefit any third parties.

Chongqing Foreign Trade and Economic Relations Commission

City of Sacramento

By: Yi Wang  
Wang Yi, COFTEC President  
Date: July 23, 2012

By: John F. Shirey  
John F. Shirey, City Manager  
Date: July 23, 2012

Attest  
Sacramento City Clerk

By: Dawn Bullwinkel

**Exhibit 2**

Chongqing Operating Budget		
Start-up Expenses (3 months)		
Office Personnel		\$16,400
Local/National Business Costs (permitting, etc.)		\$2,000
Lease Deposit and Rent		\$7,500
	Lease	\$0
	Tenant Improvements	\$5,000
	FF&E	\$2,500
Stationery, basic office supplies, phone, fax, etc.		\$1,900
Computer, printer, other equip.		\$4,300
Collateral/Marketing Materials (printing & design)		\$3,500
Website Hosting		\$1,500
Domestic Travel		\$2,800
Legal Expenses		\$2,000
Translation Services		\$3,000
<b>Total Start-up Expenses</b>		<b>\$44,900</b>
Ongoing First Year Requirements (9 Months)		
Office Personnel		\$40,200
Office		\$1,800
	Janitorial	\$600
	Utilities	\$600
	Security	\$600
Market Research Data		\$2,000
Translation Services		\$2,500
Website Maintenance		\$1,200
Auto Allowance		\$2,088
Travel Allowance		\$3,000
Contingency		
<b>Total Start-up Expenses</b>		<b>\$52,788</b>
<b>Total Expenses</b>		<b>\$97,688</b>