



**Russell Goldsmith, Chairman and Chief Executive Officer  
City National Bank  
Remarks at Town Hall Los Angeles  
September 20, 2007**

*[Introduction by Linda Griego, President and Chief Executive Officer, Griego Enterprises, Inc.]*

Thank you, Linda. I appreciate both your generous introduction and the invitation by Town Hall to speak here this afternoon.

I particularly want to thank you, Dr. Goodman, for what you and your board are doing to ensure Town Hall's vitality as a continuing forum for the candid exchange of ideas and information for our community.

It's an honor to be with everyone here this afternoon and I want to thank all of you for taking time from your busy schedules to attend. I'm especially pleased to see so many City National clients, colleagues and friends.

For over half a century, City National has been growing with this community and working with California's best entrepreneurs and professionals, and their businesses and families, who -- like so many of you and so many other hard-working Californians -- are the engines of our economy and the creators of quality jobs and tax revenue in our communities.

Now, I know all of you would like me to explain in depth why City National is the best place for you to bank and manage your investments, but I'm going to restrain myself.

However, as the largest local bank, City National has both a unique perspective and a real responsibility to speak out on important issues that impact our community.

As a result, I'm here today to speak on behalf of millions of Californians, including tens of thousands of City National's clients and colleagues, who are rarely heard from by government and the media.

I'm also here because it's a great opportunity to talk with you, as leaders in Los Angeles, who also have a responsibility to act -- especially now.

As Linda mentioned, I have the honor and opportunity to chair the Los Angeles Economy & Jobs Committee, which was formed almost one year ago at the direction of Mayor Villaraigosa because he is committed to protecting and growing the economy and jobs here in L.A. He wanted this committee to propose specific recommendations for a more robust and effective economic policy for Los Angeles.

We will discuss our final recommendations with the mayor next month, but I thought I would take advantage of this forum today to give you a quick preview of our work.

The 30 members of our committee come from varied lines of work and different points of view. They range from the head of the L.A. Area Chamber of Commerce to the leader of the Los Angeles AFL-CIO, from the president of USC to the president of Disney Resorts. We share a common belief with the mayor: L.A. needs to intelligently and more effectively nurture and grow its economy, its jobs and to do it in environmentally sustainable ways.

This city is adding about 50,000 residents a year, and the mayor gets the fact that L.A. must intelligently meet their need for more quality jobs and businesses here. Without a strong economy, Los Angeles would not have the tax revenue to meet its needs and the many demands of growth.

To do that, as the mayor believes, the government of Los Angeles must make an overarching commitment to green economic growth, with priorities that are reflected in specific actions that benefit the whole community, rather than being stymied by the narrow interests of a noisy few.

The committee's recommendations will reflect five key priorities to do just that:

1. Building on and marketing the strengths of L.A.;
2. Developing a more skilled workforce;
3. Addressing the most challenging economic needs of our inner city communities;
4. Strengthening the city's business climate; and
5. Creating a public policy framework that helps to attract, retain and grow businesses, jobs and entrepreneurial activity.

For all of the challenges facing Los Angeles, let's remember one thing: Los Angeles has so many strengths to build upon, including a dynamic, diversified economy and an extremely talented workforce. It's a great place to live and work and its ports are world-class. Together, the Ports of L.A. and Long Beach, as well as the airport of LAX account for more than 450,000 jobs – both directly and indirectly in our area.

About 38% of this nation's cargo passes through our local sea ports. LAX handles more international trade than any of the nation's airports except New York and Chicago. Sixty million passengers go through LAX each year, as does \$72 billion worth of cargo.

These local ports are incredible economic engines that are fundamental to the economy of our city, county, state and nation. And, of course, since LAX and the port of L.A. are owned by the City of Los Angeles, in our view this is where the city should put its primary economic emphasis.

Done right, L.A. can grow trade and tourism, commerce and jobs while improving the impact of these ports on our environment and transportation infrastructure, if we come together – both the public and private sectors – and invest in these ports and their infrastructure with skill, courage, vision and funds.

We can no longer afford to stand still in a competitive global economy. (For example, the current and limited improvements to The Bradley Terminal are the first significant investment at LAX since the 1984 Olympics. That's not what is required for a world-class airport.)

LAX becomes especially important when you realize that tourism is our city's second largest industry with 25 million visitors every year, supporting 250,000 jobs.

Our committee has also focused on the need to protect and nurture our city's leadership in other critical areas. Los Angeles is both the cultural and entertainment capital of the world. In 2005, production for films, television and video games accounted for over \$55 billion in local revenue. These industries paid state taxes of almost \$2 billion.

In addition, the visual and performing arts here employ 48,000 people and account for nearly \$20 billion in additional economic output.

Another one of L.A.'s most remarkable assets is its collection of world-class colleges and universities. There are more colleges and universities in Los Angeles County than there are in Texas, Illinois or even Massachusetts. In the five county L.A. region, there are three UC campuses, seven state colleges, and such outstanding private institutions as Caltech, and USC.

This incredible concentration of higher learning is another remarkable reason for our economic vitality. So too are the professional services and technology industries, which now employ more than 200,000 Angelinos.

Our committee believes that in building on its strengths, L.A. must address the compelling needs of the more challenged economies within parts of our city.

As Linda also mentioned, I had the privilege of speaking at Town Hall three years ago. I talked then about the responsibility all of us share to make growing the economy, and growing good jobs, the highest priority for our city and state.

To make that happen, government at every level also needs to commit to a serious strategy that includes:

- Regulating businesses more responsibly;
- Investing tax dollars more wisely; and
- Facilitating the entrepreneurs and local businesses that grow the economy.

In that speech, I also called on all of us to demand a better return for the tax dollars we send to Washington because California needs and deserves more federal support for the vital services that our state and local governments can't afford on their own.

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Three years later it is even more urgent, relevant and timely for us to discuss these subjects, for three reasons:

The need for these improvements has only increased.

The upcoming 2008 elections present an important opportunity.

And the forthcoming report from the mayor's Economy & Jobs Committee will also highlight this important inequity.

The upcoming presidential election is our immediate opportunity to take advantage of the political calendar. Over the next 138 days – until the February 5<sup>th</sup> presidential primary – we should speak up and be heard by the next President of the United States. With the endless parade of candidates traveling through California from now until the November 2008 general election, we also have an attentive audience of literally hundreds of aspiring congressmen and senators.

These candidates obviously want our votes and our contributions. And Californians respond more generously than any other state, except New York. But it's time we learned to ask these recipients for something more in return: California's fair share of the tax money this state sends to Washington.

Let's consider a few facts:

Californians pay more in taxes to the federal government than the residents of any other state. We also send over \$50 billion more in taxes to the federal government than we get back in the form of federal grants, payments and other services.

The fact is, for every dollar that we Californians pay to Uncle Sam, we get back only 79 cents. That may not sound unreasonable until you realize that it ranks us 45<sup>th</sup> among the 50 United States.

To put it into further perspective, consider this: Texas -- to cite one random example -- gets a dollar for every one it sends to Washington. New Mexico gets two.

Alaska receives federal transportation "earmarks" of \$1,600 per resident, while California gets only \$78 per person.

Is this fair? Are Alaska, Texas and New Mexico more important to America, and more deserving of Washington's support? Are there 44 states that deserve a larger share of federal tax dollars than California?

California is getting short-changed by political leaders in Washington who are taking this state for granted and underestimating the negative impact of their decisions on this state and on the country as a whole.

The fact is, California lacks the revenues needed to appropriately finance its most pressing needs including some that truly are federal responsibilities like homeland security, the costs of illegal immigration, an aging interstate transportation system and power and water infrastructure, and the many other needs created by the dynamic growth of the largest state in the country.

By the year 2020, projections say that California will be home to roughly 45 million people. That's 10 million more than today, an increase as big as the population of Michigan.

Between now and then, we're going to see even larger enrollment in our public schools and universities as well as our prisons and emergency rooms.

We're going to see vast growth in the number of older Californians, which will put an added strain on Medi-Cal and in-home care and other support services.

More Californians, more tourism and more global trade through our ports mean more drivers on our freeways... and demand for more roads, expanded mass transportation, and greater supplies of clean water, fresh air and undeveloped land. It also means more people moving through major transportation hubs like LAX, which is already showing signs of dangerous strain.

All of this highlights the question: How are we going to finance the critical resources and improvements needed for the growing population of this city and this state?

As we know, California already has a tax burden that should preclude significantly raising taxes. Otherwise we risk becoming uncompetitive in attracting and retaining huge numbers of quality jobs and businesses.

So what's the solution? Continue to pare down essential investments and services for Los Angeles and California, or demand fairer treatment from Washington?

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Last month, in the interest of facilitating a productive public dialogue, City National Bank commissioned a statewide survey on this topic to see what Californians think. We learned some interesting things, which we would like to share publicly for the first time today:

First, we learned that although nearly three-quarters of the Californians we surveyed read or watch the news every day, fewer than half of them knew that California pays more in federal taxes than it gets back.

We also learned that when we laid out the facts, 70 percent of them disapproved, and fully half said they want to see this issue addressed by the candidates running for office in the next election.

By the way, this is not a partisan issue. Both Democrats and Republicans responded to our survey questions the same way.

For years, it's been fashionable for political cynics to say that California, for all its size, is nothing more than a political ATM machine.

Politicians visit us, they make cash withdrawals, but they don't spend much time responding to our legitimate concerns – including some of our own California congressmen.

That needs to stop. This state has leverage and support and powerful friends it didn't have three years ago, or even one year ago.

As you know, an outstanding Californian now serves as Speaker of the House of Representatives and she has begun to make some progress in this area.

We also have two senators who are now in the majority with the clout and seniority to make things happen.

California also has more “muscle” and visibility on this issue with Governor Schwarzenegger.

Over the next 6 to 14 months, we need to make those running for their party's nominations in the presidential primary and the candidates who will battle it out for the presidency, the Senate and the House in the general election know that California is not getting its fair share from Washington and that it deserves their commitment to fund California fairly.

With all these candidates coming here, many of you will have a chance to meet them. Of course, you will mention whatever issue is your top priority, as you should.

But in addition, ask what they will do for California. Ask how they intend to help California deal with the challenges that come from being a growing nation-state that is treated unfairly by Washington.

Remarkably enough, the presidential candidates have already raised more than \$36 million from California – and that's just through June of this year. For example, Massachusetts Governor Mitt Romney is coming to California this weekend. He'll be here for five days of fund-raising. He's already raised well over \$5 million from California – more than any other Republican. While he's asking Californians for their votes and donations, Californians should ask him for our state's fair share of federal funding.

Get the candidates to focus on funding homeland security fairly for California, and make that a litmus test for your support in this election.

Tell them it isn't right that the citizens of Wyoming get as much as seven times more money per capita in homeland security grants than California does.

The relative lack of homeland security funding for California is particularly outrageous, and, not surprisingly, it came back as the number-one concern of those polled in our survey.

After the attacks of 9/11, when it became obvious that this nation needed to do more to prepare against future terrorist attacks, Washington decided that 40% of federal homeland security funds would be divided equally among the 50 states.

Today, despite some changes made over the last four years, this formula is still used to allocate almost \$850 million, or about half of all homeland security assistance to the states.

That money is distributed not by population size, or threat or vulnerability, but by an old-fashioned pork barrel political formula – a map.

That's a really good deal if you're from a rural state like North Dakota or New Hampshire that's not on the front line in the war against terrorists, but it's a terrible injustice if you're a citizen of a populous state with tens of millions of people and with high-profile targets like California and New York have.

To add insult to injury, a lot of the recipients of this politicized homeland security money don't really have truly compelling needs to address.

Money for "homeland security" was used to fix bingo halls in Kentucky.

Almost \$1 million went to Martha's Vineyard (population: 15,000) to improve port security for the ferry service in that resort town.

For California, this is a matter of need, not greed; of protecting true national priorities, not pork barrel politics.

We're talking about money that is needed not only for the sake of our state and local economies, but for the well-being of the country as a whole.

The federal government estimates that the Ports of L.A. and Long Beach are responsible for \$1 billion in economic activity every day across America. A significant terrorist attack against these ports would not only be a terrible human tragedy, it also would strike a severe blow to the economy of the nation and the world.

So, what can you and I do about this?

Let's push the politicians who campaign here to revise those federal appropriations bills and funding formulae to do more for California for homeland security, as well as transportation, health care, education and the environment.

Getting our “fair share” of federal tax dollars will require a team effort – our political and community leaders, donors and voters from all walks of life and both political parties must come together on this issue, raise its visibility and keep up the pressure until Washington delivers more.

There’s nothing wrong with asking candidates for something legitimate in return for your vote and your donations. Ask the candidates: if elected, will you see to it that California gets its fair share of homeland security funds before tragedy strikes?

Will you seek our fair share of No Child Left Behind education funds?

If elected, will you open the books and change the federal formulae that short-change us on roads, Medicaid and children’s health insurance?

Will you see to it that California is reimbursed for more of the immense costs associated with health care, education and law enforcement as the result of illegal immigration across our nation’s borders?

Let’s take advantage of the power shift in Washington.

The governor, the mayor, Speaker Pelosi and Senators Feinstein and Boxer can use your help.

Our 53-member delegation in the U.S. House of Representatives is the largest by far. Seven of them serve on the powerful House Appropriations Committee. Three Californians chair House committees and four are ranking minority members. But they don’t work together to get California its “fair share” of federal funds. Republicans and Democrats have to start working together to do what’s right for California, not just in the interests of their parties and their districts. The entire delegation owes all of California better results.

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You and I owe something, too. We owe the people of this state – and their elected officials -- our voice, our energy and our commitment to improve California. Government alone can’t overcome the challenges facing California and Los Angeles today. But it can and should do so much more.

This is the year we all need to speak up and demand action from federal candidates when they visit this state, and get them to commit to California’s “fair share.”

None of us who live and work in California can afford to be indifferent about our state, our cities and the quality jobs and economic growth that are so vital to its future success. This is the greatest state in the union, the 8<sup>th</sup> largest economy in the world all by itself and still a wonderful place to live and work. But we can’t take all this for granted. We all have a responsibility to help preserve and nurture California’s strengths and address its long-term needs.

And when Mayor Villaraigosa comes forward with important initiatives to grow the L.A. economy and jobs, please pay attention and urge others – like your representatives on the City Council and the Board of Supervisors – to support his efforts to invest in a better future for Los Angeles. If enough of us make all of this a priority, they will respond.

In my view, these actions are “the way up” for Los Angeles and California.

Thank you very much.