

POLICY WATCH – January 2016

In This Issue

- Roadmap to Resiliency
- What are CEOs Concerns for 2016?
- Members in the News



With a new year comes new challenges and expectations. In this issue, we explore what CEOs are seeing as their top challenges in the coming year. Many are worried about dysfunctional government and over-regulation. Other concerns are the talent shortage and how to become more customer-obsessed. Please read below to learn more what's on the business leaders' minds as they prepare for 2016.

We also look at some ideas proposed by the Bay Area Council Economic Institute on how we can keep the Bay Area economy booming. They offer some bold ideas that call for a move to more regionalism to solve the pressing problems of a crumbling infrastructure, workforce housing crisis and need to upskill the workforce. Read the full report to see just how bold their recommendations really are!

NBLC hopes you will Save the Date for this year's Leaders of the North Bay. We have an exciting keynote speaker lined up for the big event on November 4th. You won't want to miss meeting Honey Al-Sayed, our keynote speaker, and of course, all of the Leaders of the North Bay for 2016.

Best,



Cynthia

Bold Action to Bolster Economic Resiliency

Most of us know that the Bay Area is booming but challenged by not having the economic ecosystem to keep that boom going. Jim Wunderman, CEO of the Bay Area Council, has written an excellent article on how we in the Bay Area can continue to be an economic powerhouse and address the challenges we face as a region. The article, "Bold Action to Bolster Economic Resiliency," outlines what actions need to be taken to achieve that goal. What's bold? Calling for more regionalization.

Wunderman says, "The San Francisco Bay Area is an economic powerhouse. The region's innovation industries, from high tech to biotech, helped lead California out of the Great Recession. We are near full employment in some areas, and are responsible for 53.5 percent of the state's net job growth since 2007. And while we are home to just 17 percent of the state's population, we pay 36 percent of total state personal income taxes at a level per capital more than double the statewide average."

"Venture capital continues to stream in at higher levels than anywhere else in the country. New company-sponsored research and startup incubators spring up like mushrooms in a damp forest. Hardly a week goes by that foreign delegations don't visit to learn how they can replicate the secret sauce of our success," says Wunderman.



But there is reason for concern as the outsized role the Bay Area plays can put the state at risk given the cycle of “boom and bust” familiar to all of us. Says Wunderman, “The challenge the Bay Area faces is figuring out how to sustain its growth and gird against an inevitable downturn. It’s a challenge the Bay Area Council is confronting head on with the recent release by our Bay Area Council Economic Institute (BACEI) of a bold new

strategy for strengthening the region’s competitiveness, broadening prosperity, and building resilience against economic swings.”(Full disclosure, Cynthia Murray serves on the Executive Committee of the Bay Area Council Economic Institute.)

The BACEI developed a [Roadmap for Economic Resilience](#) which “targets key weak points to sustained growth that our economic surge has exposed. It calls for better harnessing the collective power of the Bay Area’s many parts to solve housing, transportation and workforce problems. It calls for new business practices, new governmental structures, and new mechanisms of collaboration.”

Wunderman says, “The Roadmap offers a set of specific recommendations for increasing the supply of housing, bringing down the cost of building new housing, creating new models for financing and investing in transportation, wringing greater efficiency from our public transit system, streamlining decision making on regional planning issues and elevating economic factors, and strengthening connections between our higher education system and employers, among others.

Achieving any of these solutions will require bold, visionary leadership to challenge the current fragmented system in which we operate. And to overcome the detractors and critics who feel threatened by change. It will also require a new and deeper level of collaboration and partnership.”

The report points out that the 100+ cities and nine counties, coupled with regional government agencies, 26 transit agencies and many special districts complicate addressing these challenges. He says, “But too often, our planning and decision making stop at jurisdictional lines. That would be fine if our more than 7 million residents only lived in the cities where they worked. But more than half of all workers cross at least one county line – and even more city borders — each day to get to their jobs. A growing number are forced to commute from places as far as Sacramento and the San Joaquin Valley. Employers are struggling to attract and retain the best talent.”

Wunderman explains, “In many ways, these problems reflect the inadequacy of past solutions that have been designed largely to serve our fragmented system. The evidence is clear. Our housing is among the most expensive in the country, with median home prices exceeding \$1 million in some places, rents rising at double-digit rates and many residents paying 40 to 50 percent and more of income to housing costs. The scramble for housing has caused widespread displacement and even contributed to worsening pockets of homelessness.”

The housing crisis has grown alarmingly. He says, “According to the state’s nonpartisan Legislative Analyst Office, the problem is largely one of simple supply and demand. In a report earlier this year, the LAO found that our regional housing deficit surpasses a whopping one million units. This problem is not unique to

the Bay Area, and the LAO squarely blamed a statewide housing shortage for rising costs that consume a growing share of personal income and give California the dubious distinction of having one of the nation's highest poverty rates.”

The next challenge is transportation. Wunderman says, “Our transportation system is also near a breaking point. Bay Area traffic consistently ranks among the worst in the country, sapping economic productivity and polluting our skies. Our major transit systems are bursting at the seams. With declining state and federal support, we are struggling mightily to maintain the fleet we have, let alone make necessary investments to accommodate the projected addition of 2 million workers and residents over the next 25 years – the equivalent of two cities the size of San Jose.”

What to do? Who can change the trajectory of our declining economic infrastructure? According to Wunderman, “Part of the solution may reside in Sacramento, where policies and legislative mandates handed down to metropolitan regions don't always align with the problems they are facing and oftentimes conflict. We've been gratified that several lawmakers have already indicated an interest in translating some of the recommendations into legislation. None of our problems is beyond fixing. We need a strong sense of urgency and a healthy willingness to break from past models. Fortunately, neither the Bay Area nor California lack for those qualities. We believe the Roadmap report can serve as a starting framework for a discussion on these issues.”

Some of the actions proposed are bold. Here are some of the proposals:

1. To improve transportation, restructure the financing of public infrastructure through the creation of an empowered regional planning, finance and management entity. Develop new sources of traditional and alternative finance to augment public resources. Improve the efficiency of transportation systems in order to support the current economic growth cycle prepare for the next.
2. To address the housing crisis, the Regional Housing Needs Allocation (RHNA) process needs real teeth. The Bay Area must expand the stock of secondary units or “in-law” units. Reduce the cost of new home construction across the Bay Area.
3. For the economy, create the Bay Area Regional Economic Development Partnership, a regional body that would sustain the Bay Area's global competitiveness.
4. To ensure that the workforce is prepared, establish the Bay Area Collaboration on Workforce Development, a regional public-private collaborative to better connect employers' skills needs and workforce training programs and improve resource alignment.

The full report has much more detail about the Roadmap, to get a copy go to <http://www.bayareaeconomy.org/wp-content/uploads/2015/11/BACEI-RES-Report.pdf>.

What are CEOs Concerns for 2016?

Several polls have been done recently inquiring what CEOs are concerned about for 2016 and what trends are they expecting this year. Two of the polls (Gallup: www.gallup.com/poll/187979/government-named-top-problem-second-straight-year and Forbes: [http.blog-images.forbes.com/niallmccarthy/files.2016/01/20160119_CEOs_Fo.jpg](http://images.forbes.com/niallmccarthy/files.2016/01/20160119_CEOs_Fo.jpg)) named the government and over-regulation as the top problem that poses a threat to their business growth. A third poll (Price Waterhouse Coopers [PWC] 2016 US CEO Survey: www.pwc.com/us/en/ceo-survey/top-findings.html) named that issue as second, but noted that it was at a seven-year high. CEOs said they understand they are being more scrutinized by regulatory agencies and need to accept that as the new way of doing

business by building that into their technology and innovation planning, with an idea towards more efficiency in being compliant.

Third on the list of the PWC survey was “Regionalization in trade and divergence in economic models and regulatory frameworks, with threat to open Internet.” CEOs “recognize that trade, economic models, and regulatory frameworks are splintering increasingly along regional or national lines. More than their peers globally, U.S. CEOs see a threat to the open Internet that many businesses rely on. They worry about harnessing technology needed to unlock the possibilities presented by the increasing data available while safeguarding that data and other assets.”

Many of the surveys found a common response from the CEOs that customers and employees will expect business to demonstrate a higher purpose over the coming years and the impact that operations have on a wider world. And where customers and talent go, investors will follow. As eBay Inc. President and CEO Devin Wenig puts it, with competition coming from every angle, “purpose doesn’t have to be a do-good mission. Purpose is, ‘What’s the hold in the universe if your company isn’t there?’ To me, that sits above your brand, above your strategy, above your operations.”

The talent shortage and workforce preparation also scored high on multiple polls. The Forbes poll had the “availability of key skills” rated at number four. The PWC survey called out the need to “ready Millennials for leadership roles. Most CEOs (65%) say they are changing how they develop their leadership pipeline. The next generation of business leaders will have to be comfortable with many new technologies. They will also need to be able to operate in a work with multiple stakeholders and diverse attitudes toward legal systems and values. Brian Moynihan, CEO of Bank of America Corporation, says, “Even with all the new technology, people skills are actually more important now. Whether it’s providing day-to-day services in our bank branches or managing our data analytics: it’s all about people. So the risk is, can we hire, retain and develop the top talent and, frankly, will they be happy working here?”

Forrester’s top 10 predictions for business in 2016 (“Forrester’s top 10 predictions for business in 2016,” by Carrie Johnson, Computerworld, Nov. 2, 2015) include one that predicts that “who leads will matter more in 2016. We will witness extraordinary leadership disruption as companies re-optimize to a customer-led market. Ultimately, customer obsession must start with the CEO. 2016 will bring a need for more personalization, better and differentiated customer experiences, loyalty programs focused on participation and an awareness that protecting customers’ privacy has become a value proposition – customers won’t do business with companies if they don’t feel protected. The Gallup poll says that the bottom line in their poll is the “lack of a prominent public concern which provides an interesting setup to the 2016 presidential election. Some Americans remain most worried about the economy; others are mainly concerned about immigration and others are divided across a host of domestic policy concerns.

This contrasts with the last three presidential election cycles when at least one issue commanded significant public attention in the year prior to the election. " No issue polled higher than 20%.

The Top Concerns For The World's CEOs In 2016

Severest economic, policy, social & business threats in 2016, rated by CEOs



Source: PWC

Forbes statista

Members in the News

The Buck Institute for Research on Aging Shows Research from the Bredesen lab providing a roadmap for a "unified theory" of Alzheimer's disease

Buck Institute/UCLA study finds that apolipoprotein E enters the nucleus and binds to promoter region of 1700 genes.

SolarCraft Becomes 100% Employee-Owned

North Bay Solar Energy Leader Sells to Employees through ESOP

Kaiser Permanente and Marin County Health and Human Services Marin County Fair Collaboration Brings in More Awards

For the fifth time, the Marin County Fair has earned the most prestigious and coveted award by the Western Fairs Association (WFA), solidifying the popular local event's national reputation for excellence.

Redwood Credit Union was ranked one of the top credit unions in the nation by Consumer Reports

RCU was ranked one of the top credit unions in the nation by Consumer Reports in their January issue, scoring 92 out of 100 in consumer satisfaction! The issue also features great info about how to get the best value from your banking

PG&E's 2016 "Better Together STEM" Scholarships

Each year, PG&E awards \$2,000 to \$20,000 in scholarships. This program is open to all students pursuing a STEM field. High school seniors, current college students, veterans and adults returning to school are encouraged to apply. Eligible students will be evaluated based on demonstration of community leadership, personal triumph, financial need and academic achievement.

Ghilotti Construction Old Redwood Interchange in Petaluma Named Top Project

The Highway 101 interchange at Old Redwood Highway in norther Petaluma, completed earlier this year, was named last week as one of the North Bay's top infrastructure projects of the year.

Redwood Credit Union's Fire Relief Fund Upholds Annual Christmas in Middletown Event

Hundreds of residents of Middletown and surrounding communities were able to enjoy the annual Christmas in Middletown holiday celebration this year, even in the wake of the devastating fires that decimated many areas of Lake County earlier this fall.

Read more online at www.northbayleadership.org/news



Who We Are

Over twenty years ago, business leaders founded the North Bay Leadership Council on a simple premise: We can accomplish more by working together. Today, the Council includes 47 leading employers in the North Bay. Our members represent a wide variety of businesses, non-profits and educational institutions, with a workforce in excess of 25,000. As business and civic leaders, our goal is to promote sound public policy, innovation and sustainability to make our region a better place to live and work. For more information: Call

707.283.0028 / E-mail info@northbayleadership.org
www.northbayleadership.org