Bay Area Council Executive Committee Meeting

8:00 am, Thursday, March 21, 2013

Deloitte LLP
555 Mission St.
San Francisco
Dear Executive Committee Member,

The next meeting of the Bay Area Council Executive Committee will be held on March 21st at 8 a.m. at Deloitte, 555 Mission Street, in San Francisco.

At this meeting you’ll receive an update on the Bay Area Council’s major policy issues. Our new Leadership Council met for the first time in February, and we believe this new group will enable us to dive more deeply into the key issues, leading to greater impact. We’ll discuss the report.

In that spirit, we’ll give particular attention to our health care reform work. This is very timely. There are many important decisions in the coming months that will determine how federal reform is implemented in California and that will have profound implications for cost and effectiveness.

The meeting will also include a discussion about the direction of the Bay Area Council Foundation. We’ll seek your input on some ideas that could drive major improvements in our region over the next generation.

Thank you for your service. We look forward to seeing you on the 21st.

Sincerely,

Jim
### Executive Committee Meeting
8:00 am, Thursday, March 21, 2013
Deloitte LLP, 555 Mission Street, San Francisco

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**EC Agenda**
3-21-13 v.4

## Executive Committee Agenda

### 7:30
*Continental Breakfast & Networking*

### 8:00
1. **WELCOME & INTRODUCTIONS**
   - Introduce new Executive Committee members
   - Approve Minutes of 12-6-12 Meeting

   **Janet Lamkin**
   California State President
   Bank of America

### 8:10
2. **2013 POLICY PRIORITIES**
   - Recap of Feb. 14 Leadership Council meeting, including updates on:
     - China
     - 21st Century Infrastructure
     - CEQA Reform
     - Pension Reform
     - Business Tax Issues
     - Higher Education

   **Janet Lamkin, Jim Wunderman**
   President & CEO, Bay Area Council
   & John Grubb
   Chief of Staff, Bay Area Council

### 8:25
3. **Special Policy Focus – Healthcare**

   **Steve McDermott**
   Chairman of the Board
   PriMed Management Consulting
   & Micah Weinberg
   Senior Policy Advisor, Bay Area Council

### 9:15
3. **ORGANIZATION & FINANCE REPORT**
   - Highlights
   - Office move update – approval of new lease
   - Proposed revision of quorum requirement for Executive Committee meetings
   - Financial Update
     - Formation of Finance Committee
     - Status of audit for 2012
     - Approval of revised budget for 2013

   **Jim Wunderman**
   Head of Commercial Banking
   Wells Fargo & Company
   & Ken Regalia
   CFO, Bay Area Council

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### (Adjourn Executive Committee Meeting, Convene BAC Foundation Board Meeting)

### 9:30
4. **BAC FOUNDATION BOARD MEETING**
   - Approve Minutes of 7-26-12 Meeting
   - Fundraising and financial update
   - Proposed action and funding plan for BACF
   - Creation of 3-5 person “working board” to lead the effort
   - BAC Economic Institute update

   **Janet Lamkin**
   Andrew Giacomini
   Managing Director, Hanson Bridgett LLP
   & Erin Hafkenschiel
   Director, BAC Foundation

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**Actions Needed to Approve Proposals**

### 9:50
5. **EXECUTIVE COMMITTEE CLOSED SESSION**

### 10:00
6. **ADJOURN EXECUTIVE COMMITTEE MEETING**

   **Janet Lamkin**
WELCOME AND INTRODUCTIONS – The meeting was called to order at 10:15 am by Michael Covarrubias, Secretary, who was filling in for the Chair, Janet Lamkin, who was unable to attend the meeting. Michael called for self-introductions of all Executive Committee members. The Executive Committee members in attendance are listed at the end of these minutes.

MINUTES – Michael called for a motion to approve the minutes of the November 15 Strategic Offsite meeting of the Executive Committee. A motion to this effect was made, seconded and approved.

ELECTION OF OFFICER & GOVERNANCE COMMITTEE CANDIDATES – After brief discussion, the following candidates nominated by the Nominating Committee were elected by the Executive Committee to serve in the governance positions listed below for the organization:

- **Vice Chair**: David Cush, President & CEO, Virgin America
- **Secretary**: Michael Covarrubias, Chairman & CEO, TMG Partners
- **Treasurer**: Perry Peilos, Head of Commercial Banking, Wells Fargo & Company

Hall of Fame Selection Committee:

- **Gilbert Amelio**, Senior Partner, Sienna Ventures
- **Mary Bitterman**, President, Bernard Osher Foundation Inc.
- **Teresa Briggs**, Managing Partner, Bay Area, Deloitte LLP
- **Ted Hall**, General Partner, Long Meadow Ranch Winery & Farmstead
- **Mary Huss**, Publisher, San Francisco Business Times
- **Lloyd Dean**, President & CEO, Dignity Health
- **Janet Lamkin**, California State President, Bank of America
- **Alexander Mehran**, President & CEO, Sunset Development Company
- **Lenny Mendonca**, Director, McKinsey & Company
- **Robert Parry**, President & CEO Emeritus, Federal Reserve Bank of San Francisco
- **T. Gary Rogers**, Principal, Rogers Family Foundation
- **Richard Rosenberg**, Chairman & CEO Emeritus, Bank of America
- **Jim Wunderman**, President & CEO, Bay Area Council

Bay Area Council Political Action Committee (BACPAC):

- **Andrew Giacomini**, Managing Partner, Hanson Bridgett LLP
- **Robert James**, Partner, Pillsbury Winthrop Shaw Pittman LLP
- **Janet Lamkin**, California State President, Bank of America
- **Duncan Matteson**, Chairman, The Matteson Companies
- **Jim Wunderman**, President & CEO, Bay Area Council
BACPAC GOVERNANCE REVISION – After a brief discussion, the Executive Committee approved a resolution endorsing for approval by the Board of Directors a proposed BAC bylaw revision to improve BACPAC governance, as recommended by the Governance Task Group. That resolution also approved the “BACPAC Protocol and Procedures” guide that is attached to these minutes.

POLICY PRIORITIES FOR 2013 – Jim Wunderman briefly recapped the highlights of BAC accomplishments for 2012. He cited the additions of Matt Gardner (Chief Business Officer) and Erin Hafkenschiel (Director, BAC Foundation) to the BAC staff, and the expansion of the BAC Economic Institute staffing and scope of work. He acknowledged the excellent work of Andrew Giacomini and the Governance Task Group in upgrading overall BAC governance, including the formation of a new Leadership Council that will meet more frequently than the Executive Committee, and permit more direct involvement of some Executive Committee members in implementing the strategic priorities of the organization.

Jim then called on John Grubb to review the proposed policy priorities for 2013, based on the outcomes of the Executive Committee Strategic Offsite meeting on November 15. John then walked the group through the recommended LEAD (changed to FOCUS), COLLABORATE and SUPPORT priorities that were developed at the offsite meeting, and described more specifically what we were planning to do in each of these areas.

In the discussion that followed, questions were raised about whether we were placing enough emphasis on infrastructure. There were several COLLABORATE and SUPPORT priorities in the infrastructure category (disaster preparedness, water, traffic improvement, high speed rail, broadband coverage, energy and smart grid, airport improvement), but none specifically in the FOCUS category (except CEQA reform). After much discussion, it was agreed to add a FOCUS priority along the lines of “21st Century Infrastructure” that would include CEQA reform, and also include work on other infrastructure opportunities where we can have a meaningful impact.

Weili Dai suggested that one thing the business community could do in the K-12 education area is promote the use of innovation labs in schools, similar to the way such labs are used in higher education. These labs could be set up in each school to promote, encourage and teach collaboration and innovation at the K-12 levels. Jim Wunderman suggested that Ken McNeely’s education committee could review this idea and see how we might be able to carry it forward.

Otherwise there seemed to be general agreement with the proposed priorities for 2013, which can be summarized as follows:

FOCUS: Healthcare, Pension Reform, 21st Century Infrastructure (including CEQA reform), China Trade (as commercial initiative of BAC), and Higher Education (focus on review of the Master Plan for Higher Education)

COLLABORATE: Business Tax Issues; California Cap & Trade; Cybersecurity; Disaster Preparedness; High Speed Rail and Caltrain; Housing, Land Use and Construction; Immigration Reform; K-12 Education Reform and Funding; Regional Traffic Improvement; and Reliable and Efficient Water Supply.
SUPPORT: Early Childhood Education; Energy and Smart Grid; Improve Regional Airport On-Time Performance; Improve Regional Broadband Coverage.

MEMBERSHIP PLAN FOR 2013 & BEYOND -- Matt Gardner reviewed the highlights of the membership plan for 2013, based on the overall membership strategy endorsed at the recent strategic offsite meeting.

It emphasizes recruiting and retention, with a strategy of retaining the base through more effective engagement of existing members, and recruiting new members with a goal of achieving a total of 500 members by 2016. This would be accomplished by achieving 90% retention and 20% net growth annually. We would play to our strengths, by growing in core BAC industries, while expanding into the tech industry.

The membership targets for 2013 are 300 total members, including 225 renewing members and 75 new members, with an overall revenue target of $2,213,000.

Matt asked the Executive Committee members to get personally involved in recruiting new members, including outreach to prospects for one-time (or occasional) participation in BAC activities, invitations to sit at your table at the Annual Dinner, etc. He asked each Executive Committee member to identify at least two prospects that they will assist staff in recruiting.

Matt also summarized some of the recruiting infrastructure we are putting in place (Vice Chair role, EC member role, Membership Committee, staffing investment, marketing) and some other tactics being planned.

FINANCIAL UPDATE & 2013 BUDGET – Ken Regalia gave a brief overview of projected revenues and expenses for 2012 and the budget for 2013. Jim Wunderman then asked that the meeting go into closed session for a more detailed discussion of the financial report and other issues. All staff and deputies other than Jim Wunderman and Ken Regalia departed the room.

CLOSED SESSION

A more detailed discussion of the financial report for 2012 and proposed budget for 2013 took place during the closed session. After some discussion, it was agreed to suggest the possible formation of a Finance Committee to Chair Janet Lamkin and Treasurer Perry Pelos (who were not able to attend this meeting). The budget for 2013 was approved on an interim basis, subject to review again with the Chair, Treasurer and possibly a Finance Committee to be formed.

ADJOURN -- The meeting was adjourned at 11:55 am by Michael Covarrubias.
Executive Committee Members in Attendance at this Meeting:

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<th>Name</th>
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<tr>
<td>Teresa</td>
<td>Briggs Deloitte</td>
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<td>Michael</td>
<td>Covarrubias TMG Partners</td>
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<td>Weili</td>
<td>Dai Marvell Technologies</td>
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<td>Chris</td>
<td>DiGiorgio Accenture LLP</td>
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<td>Paula</td>
<td>Downey AAA Northern California Nevada Utah Insurance Exchange</td>
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<td>Tony</td>
<td>Earley Jr. Pacific Gas and Electric Company</td>
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<td>Andrew</td>
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<td>Levine Montezuma Wetlands LLC</td>
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<td>John</td>
<td>Martin San Francisco International Airport</td>
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<td>McAllister Lee Hecht Harrison</td>
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<td>Ken</td>
<td>McNeely AT&amp;T</td>
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<td>Debbie</td>
<td>Messemer KPMG</td>
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<td>John</td>
<td>Williams Federal Reserve Bank of San Francisco</td>
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<td>Jim</td>
<td>Wunderman Bay Area Council (ex officio guest)</td>
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Deputies and Staff in Attendance:

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<th>Name</th>
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<tr>
<td>Brandon</td>
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<td>Wade</td>
<td>Rose Dignity Health</td>
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<td>Adrian</td>
<td>Covert Bay Area Council</td>
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<td>Matt</td>
<td>Gardner Bay Area Council</td>
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<td>John</td>
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<td>Erin</td>
<td>Hafkenschiel Bay Area Council</td>
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<td>Ken</td>
<td>Regalia Bay Area Council</td>
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<td>Suzanne</td>
<td>Robinson Bay Area Council</td>
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<td>Jim</td>
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Approved by Executive Committee Resolution on December 6, 2012:

BACPAC Protocol and Procedures

The Bay Area Council has created an Issues Political Action Committee (BACPAC). As an Issues PAC, contributions can be made from BACPAC to campaign committees in support of or opposed to local and statewide ballot measures and propositions. BACPAC may also undertake to conduct its own campaign activities in support of or opposed to local or statewide ballot measures through an "Independent Expenditure" activity. The BACPAC may not and will not participate or intervene in any political campaign on behalf of any candidate for public office, or make any contributions to support or oppose any candidate. The BACPAC must retain complete books and records of all campaign contributions and Independent Expenditures in conformity with the BACPAC Protocol and Procedures.
The following outlines the decision-making procedures for making a contribution to a local or statewide ballot measure or proposition, or Independent Expenditure, consistent with the mission and policy objectives of the Bay Area Council (collectively the BACPAC Protocol and Procedures are referred to herein as the “Protocols”).

1. BACPAC shall develop an annual budget for specific objectives and obtain contribution commitments from Executive Committee members to cover their share of the BACPAC budget.

2. No BACPAC member may pledge or otherwise create any obligation of the corporation to provide any campaign contribution or Independent Expenditure until BACPAC has approved making such a commitment. All such pledges and commitments must comply with the Protocols.

3. Any member of BACPAC may initiate a request/recommendation for a contribution to a qualifying campaign, and such request shall then be deliberated and voted on by the BACPAC.

4. The Executive Committee may from time to time authorize the BACPAC to support one or more specific campaigns or Independent Expenditures (herein collectively “Supported Campaigns”) and it may also specify an upper contribution limit for each such Supported Campaign (the “Supported Campaign Budget”).

   a. Subject to the applicable Protocols and available funding, for each Supported Campaign the BACPAC may then make contributions or Independent Expenditures up to the Supported Campaign Budget without further approval from the Executive Committee.

   b. If the Executive Committee resolves that no upper contribution limit shall apply to a Supported Campaign, then the BACPAC may extend contributions or Independent Expenditures for the specified campaign to extent of available funds and any legal limits applicable at the time.

   c. The roster of Supported Campaigns and the Supported Campaign Budgets may be altered at any time and from time to time by a vote of the Executive Committee.

   d. Absent an explicit authorization from the Executive Committee, BACPAC shall only provide financial support to a qualifying campaign (i.e. a state or local proposition, ordinance, initiative or like measure) upon a vote of the majority of the BACPAC as provided herein, and in any such case the aggregate amount that the BACPAC may expend on such specific campaign that is not a Supported Campaign is Twenty-Five Thousand Dollars ($25,000.00). If such specific campaign is thereafter approved by the Executive Committee as a “Supported Campaign” it shall be added to the roster of Supported Campaigns and the BACPAC shall follow the Supported Campaign Budget assigned to it, as may be specified by the Executive Committee.

5. A meeting of the BACPAC may be convened in person, or by conference call or equivalent electronic means - where all members of BACPAC attending the meeting can hear and express themselves, whereupon the members may vote on the matter presented as if a meeting in person had occurred. A special meeting of the BACPAC
may be called by any two members of the BACPAC or by the Chair of the BACPAC and may be convened on at least one business day's prior notice.

6. A quorum for the BACPAC shall be a majority of its members. Upon meeting the requirements of a quorum, it may approve a contribution by majority vote of those attending, so long as such contribution or Independent Expenditure is otherwise consistent with the BACPAC Protocols. Alternatively, the members of BACPAC may approve of a contribution or Independent Expenditure by unanimous written consent to it.

7. All discussions about BACPAC's decision to support a specific campaign (e.g. a particular ballot measure) and the votes of BACPAC members regarding such campaign are confidential to the group to the extent permitted by law. However, all decisions to make a financial contribution, and all books and records reflecting the expenditure of any campaign contributions and Independent Expenditures shall be regularly and accurately maintained and regularly reported to the Executive Committee.
1. WELCOME

The meeting was called to order at 8:05 am by Chair, Janet Lamkin. In attendance were Michael Covarrubias, David Cush, Tony Earley, Andrew Giacomini, Perry Pelos and Jim Wunderman. Lloyd Dean, Ken McNeely and Kausik Rajgopal were unable to attend. Staff representatives John Grubb, Micah Weinberg and Jim Tighe were also in attendance.

Janet gave a brief welcome and described the background for the formation of this new leadership body of the Bay Area Council. She then turned the meeting over to Jim Wunderman to cover the policy priority items on the agenda.

2. UPDATE ON 2013 STRATEGIC “FOCUS” PRIORITIES

Before addressing the policy priorities, Jim first gave a brief update on the pending move of the Bay Area Council office to a new location on Sacramento Street. He said our 7-year lease in our current space expires in August, and our landlord has not been reasonable about rates for a lease extension. David Hennefer of Pacific Eagle Holdings, a member organization, has offered us attractive rates on a 7-year lease in one of his buildings. It is similar quality space to our existing space, with about 1800 more square footage. The building will also be providing a large conference room on our floor, to which we will have preferred access. Michael Covarrubias said he has visited the space, and agrees that it will work well for BAC, and the lease rate is very attractive.

China
Jim said that the big effort driving staff work now is China. The April delegation trip to China with Governor Brown (to Beijing, Shanghai and Guangzhou) is a large, complex undertaking. John Grubb gave a brief rundown of the agenda for the trip, and encouraged Executive Committee members to attend. He noted that we have already received “applications” from more attendee candidates than can be accommodated in the delegation, so attendance will not be a problem. We are working to ensure that the delegation consists of primarily high-level, influential executives.

Jim noted that while this effort is a big resource commitment, it is paying real dividends for us in terms of access and relationships being developed with the Governor’s staff that we can leverage to our benefit on other issues. This is already proving valuable to us in a number of policy areas.

It was agreed by the group that this trip with the Governor is indeed a valuable opportunity for BAC. It was suggested that we communicate more details about the trip agenda in advance so that delegates can plan how best to utilize their time on the trip.

Healthcare
Micah Weinberg gave an update on our healthcare initiative, led by Greg Adams of Kaiser Permanente, chair of our active Healthcare Committee. The focus is on three objectives: 1) serve as the leading business voice in guiding implementation of the federal healthcare legislation with an emphasis on affordability; 2) a regional wellness campaign; and 3) engage non-healthcare CEOs to be more involved in providing leadership on healthcare cost reduction.
Andrew Giacomini said many executives in the business community don't understand the complexities of the healthcare issues and suggests we do more education of our members on the basics, like “the five key points you should understand about healthcare”. Michael Covarrubias suggested we should be clearer about what we are doing, and by when, with respect to our healthcare initiative. David Cush said that we need to understand what levers drive healthcare costs, and how we can influence them. He also said that we should try to understand and communicate what is causing the recent drop in healthcare costs.

It was noted that the healthcare providers (sellers) are well-represented in the healthcare reform implementation efforts, but the non-healthcare companies (buyers) are not as well represented. We need to get the buyer side of the business community more engaged. Andrew Giacomini suggested that perhaps we should convene a forum of our members for more in-depth discussion of the issues. Janet Lamkin agreed, and suggested we have more regular communication with our members about the issues and how we are addressing them.

It was also noted that the benefits specialists in our companies have been involved in the discussions, but there is a need for more C-level executive involvement.

After more discussion, it was agreed to devote 30 minutes on the March 21 Executive Committee agenda for an update and discussion on our healthcare initiative.

**Pension Reform**

John Grubb led off this discussion by suggesting that we might consider shifting pension reform from a Focus to a Collaborate priority, since the Governor achieved only four out of the 12 points in his pension reform package, and he is now “playing defense” just to protect those four points from the attacks of the unions. John said we are considering having BACEI do a project to make data publicly available (perhaps on a website) showing what people are paying for public pensions in each community in the state. In other words, raise awareness and build broad-based public support for pension reform through an education and information campaign.

Andrew Giacomini said that maybe we shouldn't ramp down our pension reform effort, but rather ramp it up – maybe do a San Jose-type pension reform state-wide. Perry Pelos responded that perhaps an information approach, as John Grubb suggests, is more doable and powerful. He said it is unlikely that a major state-wide pension reform effort has any chance of success at this time.

Andrew Giacomini said that maybe we should make it a long term objective, and let the BAC Foundation raise money to develop a long term plan to build capacity to achieve pension reform over a longer period of time. Jim Wunderman said that if we are going to take on this battle, we will have to invest in building significant capability and resources to have any chance of succeeding against the public sector unions. He said we may not be the right organization to take the lead in such an effort, but we could be part of a coalition.

Jim said that the staff will take all this input into consideration and come back with a plan for our 2013 pension reform effort to review at the next Executive Committee or Leadership Council meeting.
21st Century Infrastructure
John Grubb reported that his staff had met recently with teams from PG&E and AT&T to develop a research and advocacy strategy to build support for investments in infrastructure crucial to California's global competitiveness. The effort will combine research reports by the BAC Economic Institute with policy and advocacy positions advanced through BAC.

John noted that PG&E is investing $5.5 billion in California to build an advanced smart grid for power generation and transmission, and AT&T is investing $66 billion nationally (perhaps 10% in California) on upgrades to their network. Other major energy utilities and telecommunications companies are also making major investments.

Tony Earley endorsed the research and advocacy effort, and noted that it will need scale and careful scoping to be effective. Tony also noted that the existing utility rate structure in California is screwed up and penalizes business. Reform of that rate structure is sorely needed.

Jim Wunderman said he would arrange a meeting with Tony Earley, Ken McNeely, Andrew Giacomini and perhaps others to discuss how best we can move this initiative forward.

Business Taxes
John Grubb gave an update on BAC’s efforts to address three important business tax issues: retroactive elimination of the Qualified Small Business capital gains exclusion, defense against split roll property tax, and a manufacturing equipment tax credit. He noted that we are using our relationships with Mike Rossi to be actively involved and engaged as a leader for the business community on these issues.

Other Discussion Items
It was reported that our Sacramento office is proving to be a valuable resource for us – not just in terms of access to key officials in state government, but also in raising our profile and visibility among legislators and stakeholder groups on many issues, and in providing a convening location for our Bay Area Caucus. Our next Sacramento Day is planned for April 29.

Andrew Giacomini suggested that our Executive Committee agendas don’t need to cover all topics at each meeting – we should consider doing a “deeper dive” into only one or two issues at selected meetings.

It was asked whether we still have committee chairs for our major initiatives, and John Grubb responded that Greg Adams is chairing the Healthcare Committee, Tony Earley and Ken McNeely have agreed to co-chair the 21st Century Infrastructure Committee, and Deborah Messemer has been asked to chair the Business Tax Policy Committee.

The meeting was then adjourned about 9:30 am.
Based on direction from the Leadership Council meeting, we will take a deep dive into our health care work at the next meeting. We are excited to take that journey with you. As such, we have provided brief updates on our other project work below and a more detailed look at the healthcare work our team is doing on your behalf in a separate section.

Please take the time to review the separate healthcare materials and come prepared to have a solid discussion on the topic. It is hard to imagine what other work the Bay Area Council is doing that will have a bigger impact on you, your employees and your bottom line.

It is worth noting that the bulk of our policy work happens in Sacramento and recognizing that growing reality you authorized us to open a small but well located office right by the Capitol. We now house two permanent staff there, and the office has become a hive of activity for government relations work. We routinely host meetings of our allies in our conference room. Senior members of the Governor's team have been to our office numerous times, and the Governor himself has been there on the 22nd Floor. Also, the Bay Area Caucus in the Senate and Assembly now meet in our office, and we have frequent sessions with their staff to discuss priorities and the evolving legislative session. The work we are doing on the China Trade Office puts us in daily, sometimes hourly contact with the key leaders of the Governor’s team (plus the agencies). In short, we have incredible relationships we can now bring to bear to shape outcomes in a world where every statewide office and 2/3 of the legislature is controlled by Democrats.

Translating this influence into real results will take hard work, and, at key points, your focused engagement.

**UPDATES**

**FOCUS Priorities**

- **CEQA Reform**
  Modernization of the California Environmental Quality Act remains a realistic goal for 2013. The sudden resignation of Senator Michael Rubio, Chair of the Senate Environmental Quality Committee and leading proponent of reform, has changed things. Senator Jerry Hill from San Mateo is now Chair of that important committee and Senate President Pro Tem Darrell Steinberg will be the principal author of CEQA reform legislation this year. The Council’s CEQA Committee led by Michael Covarrubias will carefully monitor and provide input to the process. We remain in talks about the Ballona decision and its long term implications.

- **21st Century Infrastructure**
  The Bay Area Council 21st Century Infrastructure Initiative is a research, policy and communications strategy to build support for investments in infrastructure crucial to California’s prosperity in a
globalized economy. Upgrading California’s aging energy and telecommunications infrastructure will improve the state’s economic competitiveness and improve the quality of life of its citizens, and is the primary objective of this initiative. To achieve this objective, the Bay Area Council is developing a research and advocacy strategy that will reduce barriers to such investments by clearly communicating to policy makers and the general public how investments in 21st century infrastructure will positively impact their lives.

- **Control Business Healthcare Costs**
  (See separate section)

- **Expand China Export and Investment**
  Governor Jerry Brown will travel with the Bay Area Council and approximately 75 top business delegates to China in April to reopen the state’s trade office, as well as stoke business opportunities for California companies, especially in the areas of low carbon energy, clean technology, agriculture, investment and tourism. Our staff is working feverishly to prepare a very successful visit. For the Trade Office itself, fundraising continues towards our goal of $1 million in contributions, though has slowed a bit as we direct our primary energy towards the Governor’s trip. Our contract work with Shanghai’s Yangpu District and Hangzhou continues. We have hired a Director of the Hangzhou office, and are close to hiring another staff member, and are in the process of opening a new and expanded office in Shanghai. Both efforts, funded by $950,000 from China, help California companies land and succeed in these rapidly growing metropolises.

- **Higher Education Reform & Funding**
  The Bay Area Council Economic Institute is forming an advisory committee and fundraising for the "Reforming California’s Higher Education for the 21st Century" project. State support for public higher education has declined sharply over the past ten years, and particularly over the last five. The University of California, California State Universities and the California Community College system have responded with pay reductions, library and administrative staff reductions, fewer classes, reduced admissions, and higher fees. Impacts from these cuts are likely to come in at least two forms: diminished excellence in faculty and research output, and a degraded workforce, as fewer Californians with the necessary skills will be available to support business and economic growth. The Economic Institute report will look at California higher education in the 21st Century and delve deeply into consideration of access, how education is funded, the role of the State, the role of the private sector, governance, the relationship between the different levels of the state’s higher education system, the role of technology, best practice from other jurisdictions, and the efficiency with which educational services are delivered. The report is targeted for release in mid-2013.

**COLLABORATE Priorities**

- **Business Tax Issues**
  We are in the process of developing a member-driven Business Tax Policy task force, led by a member of the Executive Committee, to inform our policy work in this area. While that group is being formed, the Council is laying the groundwork for action in several areas related to business tax policy, including fighting split roll efforts in the legislature, reinstating the recently repealed Qualified Small Business Stock tax exclusion and promoting proposals for a Manufacturing Equipment Tax Credit. The Council will look to members of the Tax Policy Task Force and Executive Committee for final recommendation for action on each of these issues and will also
solicit feedback for other initiatives the task force may want us to be involved with, such as the Governor’s Enterprise Zone reform recommendations and the proposals to lower parcel tax voter thresholds to 55%.

- **California Cap & Trade**
  The Council staff is actively participating in conversations particularly around the Air Resources Board’s Investment Plan for cap-and-trade auction revenues, as well as the strengthening of the trading schema for the statewide program. Our next step will be to determine who from the Executive Committee will chair of the Cap-and-Trade/Energy committee, and are reaching out to them as a first step in the creation of a formal committee to further address policy issue and related topics.

- **Cybersecurity**
  The Cybersecurity Committee is monitoring the regulatory landscape in Washington in the wake of a new Executive Order issued by President Obama in mid-February. The Executive Order aims to improve the quantity, quality and timeliness of threat information shared with private sector companies to better arm businesses in their defense against cyber attacks. It also calls for the development of a new voluntary framework to better serve private sector companies in protecting their information networks and critical infrastructure assets. Members of the Committee, led by Ellen Richey, Chief Enterprise Risk Officer for Visa, met privately with White House Cybersecurity Coordinator Michael Daniel last week to discuss the Executive Order and ways that the Bay Area Council can work with policy leaders to ensure that future cybersecurity policies remain flexible, technology-neutral, streamlined and cost-effective.

- **Disaster Preparedness (flood protection, wetlands)**
  In the wake of Hurricane Sandy, the Bay Area Council and Bay Area Council Economic Institute are developing an economic impact report proposal to quantify the risks extreme weather events pose to the Bay Area economy. Funding for the proposal is sought primarily through the Gordon and Betty Moore Foundation, who along with the Resources Legacy Group and Save the Bay, are crafting a parcel tax measure to fund Bay wetland restoration. Council staff are carefully monitoring developments on the parcel tax, while advocating for increased funding for wetland restoration and flood protection from the federal government.

- **High Speed Rail and Caltrain**
  The fully-funded Caltrain electrification project is proceeding into a limited environmental review update, with a 2019 target for ribbon cutting of new service. Caltrain and the High Speed Rail Authority have approved a new, Bay Area Council-backed agreement under which they will jointly plan for the additional improvements—over and above the electrification project—that will be needed to support future high speed train operation. Mayor Ed Lee is interested in relocating the Caltrain rail yard in San Francisco and developing the land into a new employment and housing center; Caltrain has agreed to an eight month study that will evaluate other potential train storage locations in San Francisco.

- **Housing, Land Use and Construction**
  The Bay Area Council’s Housing and Sustainable Development committee met on January 16, with participation from several major developers from across the region. The committee discussed a range of impediments facing infill development, with a focus on the loss of redevelopment, and the reticence of local jurisdictions to build a fair share of housing. The committee will decide the
Council’s strategies and tactics for successfully tackling these issues at the next meeting this month. Meanwhile, we have lent our support to legislation that will create a permanent source for affordable housing and strengthen Infrastructure Finance Districts in the state. The Draft EIR of the Sustainable Communities Strategies will be released this month, and the Council will continue to advocate at the regional agency level for planning and investments that result in a stronger economy.

- **Immigration Reform**
  Renewed interest in immigration reform has resulted in a flurry of immigration reform proposals in Washington. President Obama and a bi-partisan group of Senators seek “comprehensive” immigration reform that encompasses both high-skills reform and a “path to citizenship” for current undocumented residents. The positions of the US Chamber and California Chamber both align closely with these “comprehensive” reform proposals. Proposals also exist that address only high-skills, but these are not expected to win the President’s support. House leadership remains conflicted, with a vocal contingent remaining that considers the path to citizenship to be equivalent to amnesty and therefore unacceptable. The Bay Area Council is exploring joining some coalitions to maximize our voice in the reform effort.

- **K-12 Education Reform and Funding**
  Boosted by a $50,000 grant, we have developed a regional plan for improving programs and access to Science, Technology, Engineering, and Math (STEM) education. We created a multi-stakeholder convening organization along with partners, WestEd and San Francisco State University, to oversee collaborative efforts. This regionally focused organization will address: 1. STEM in early education, 2. STEM in out of school time, 3. Professional Development for teachers and administrators related to new academic standards and 4. College and Career Pathways through business-education partnerships.

- **Pension Reform**
  While there is little appetite in Sacramento for further pension reform this session, most people agree that last year’s reform package the problem came up considerably short of solving the unfunded mandate problem. Therefore, the Bay Area Council is focusing on potential solutions at the local level as well as bringing a proposal to the Leadership Council to raise awareness by building a web based tool that would allow every Californian to punch in their address and be told just how much comes out of their pocket every year to fund the many pension plans at the local and state level that they are legally obligated to support.

- **Regional Economic Development**
  In February, Sen. Mark DeSaulnier issued legislation (SB 792) that includes many of the provisions we requested for the strengthening of the Joint Policy Committee, which represents the four regional agencies of the Bay Area. It also calls for the creation of a regional economic competitiveness council to the JPC that would be composed of members of the greater business community. We are continuing to work with the Business Coalition, the Economic Institute and the Joint Policy Committee to advance a regional economic development strategy that would build on the recommendations laid out in the Economic Institute’s Regional Economic Assessment completed last year.

- **Regional Traffic Improvement**
Recent reports have pegged the Bay Area as having the second worst traffic congestion in the nation, and regional transit—especially BART and Caltrain—continue to experience unprecedented ridership and growth rates. The Metropolitan Transportation Commission will shortly release performance forecasts for its new regional transportation improvement plan; with the vast majority of its funds being dedicated to operating and maintaining the existing system, there is little reason to expect the plan to lead to major mobility improvement. A proposal circulating in Sacramento would reduce the voter approval threshold for local transportation taxes from two-thirds to 55 percent, significantly improving opportunities to generate transportation revenues (from sales tax, bridge toll, or gas tax) at the local or regional level. We intend to poll our members and relevant committees to determine a position on the threshold change.

- **Reliable and Efficient Water Supply**
  The Bay Area Council is collaborating with its statewide partners in business, government, and the non-profit sector to promote policies to improve the overall reliability of the state’s water supply. In a February meeting with Natural Resources Secretary John Laird, the Bay Area Council reiterated its position that any Delta solution must meet the coequal goals of system reliability and species recovery, and emphasized the importance of the long-delayed water bond to the California’s growth.

**SUPPORT Priorities**

- **Early Childhood Education**
  Under the leadership of George Halvorson and the team at Kaiser Permanente the Bay Area Council has begun an ambitious fundraising campaign to support a public messaging campaign educating parents and key stakeholders on the importance of positive early education opportunities. Based upon the Kaiser “Thrive” campaign, our campaign will encourage parents, caregivers, voters and policymakers to take action steps – large and small – to create better futures for children.

- **Improve Regional Airport On-Time Performance**
  While flight operations at Oakland and San Jose airports remain comfortably below maximum capacity, San Francisco International has exceeded its previous peak level (of 2000) and now experiences significant weather-related delay. SFO believes that a solution lies in improved flight control equipment (both on the ground and in the cockpit) and modified takeoff and landing practices. Capacity could be better utilized (and delays minimized) if some of the very small, short-haul planes were replaced with a smaller number of flights using larger planes, or the load was better shared with other airports in the region.
Executive Committee Meeting
Special Policy Focus – Healthcare

Controlling Business Healthcare Costs
The Bay Area Council has had as a policy focus reducing business healthcare costs while improving the health of the Bay Area workforce. The business community has two main levers for making the healthcare system more cost effective: purchasing and policy advocacy. We intend to engage the Executive Committee in a conversation about best practices and opportunities for collective action in both of these areas.

Increasing Business Influence on Health Policy in California
Purchasing decisions, however, operate within a structure that is created by state and federal laws. The process of developing health policy in Sacramento, though, is almost entirely dominated by healthcare companies, labor unions, and consumer advocates. The Bay Area Council has had a seat at the table representing the broader business community from the very beginning of health reform implementation. Our efforts could be more effectively reinforced, though, by those of our members, other businesses, and other associations. And we could do more to support their efforts.

This is true whether or not all members of the business community choose to continue to offer health insurance. The cost of an ineffective healthcare system will still be borne by businesses through higher corporate and personal taxes and less healthy workers. If the per capita healthcare costs in the United States were those of Japan, the total cost of caring for the employees of a 270,000 person company like Wells Fargo would be $1.4 billion lower.

5 Key Upcoming Issues
Here are some of the key upcoming decision points this year on which the Council could have a significant influence. We will be engaging you in a discussion of these issues and more at the Executive Committee meeting.

1) “Covered California” opens for pre-enrollment on October 1st – Health insurance that includes the consumer protections of the Affordable Care Act begins on January 1st, 2014. Enrollment in the products offered through the California Health Benefit Exchange, called “Covered California,” begins in October. The Council has been advocating for the development of a marketplace with high-quality affordable private health insurance products. Several more key decisions will be made before its doors open, including the extent to which we rely on unionized public employees for enrolling people in coverage. There are also many opportunities in the coming years to improve the quality of exchange offerings. We are particularly focused on having the exchange build on the best innovations of the Bay Area healthcare community that have worked to improve care and control costs. These public exchanges will be a source of coverage for at least a subset of businesses’ employees (part-time, seasonal) and perhaps more.

2) Substantial changes to the rules governing health coverage for large and small businesses – On January 1st, 2014, many provisions affecting employers will go into effect including the requirement that they offer health coverage to their full-time employees or pay a small penalty for each one that accesses a federal subsidy through the Exchanges. Even more substantial
policy changes are rippling through the small employer market, which may cause a larger number to drop health coverage, increasing the size of the public exchanges. The Council has been very active in educating employers about the provisions in and effects of the law and has been working with legislators and regulators to minimize the disruptions to these markets.

3) The Expansion of the State Medicaid Program – Medicaid, called “Medi-Cal” in California, is the free government-run program that has served people below the federal poverty level. The Affordable Care Act increases the threshold for Medicaid eligibility for adults to 138% of federal poverty level on January 1st, 2013 (roughly $15k for individual, $30k for family of 4). This will expand the program to cover as many as 9 million Californians. One major issue for businesses is that the program underpays providers, shifting these costs onto the privately insured. The Council helped lead the successful pushback against the Basic Health Plan proposal which would have effectively taken an additional 1 million people out of the Exchange and put them into Medicaid and is helping to guide the creation of a “Medicaid Bridge” proposal that could fulfill many of the policy goals of a Basic Health Plan without the disruption to the private market.

4) Legislation on Personnel Flexibility – One major structural driver of higher costs is the lack of flexibility that healthcare organizations have in terms of how they utilize their personnel. Senator Ed Hernandez, Chair of the Senate Health Committee, is supporting a number of bills focused on healthcare personnel flexibility that aim to create efficiencies within the healthcare system. Bill language is expected in the coming weeks. These bills focus on allowing non-physician healthcare professionals to perform lower level medical tasks, lowering costs and creating additional capacity in our state’s increasingly overburdened healthcare delivery system. This is the exact sort of policy issue on which the non-healthcare business community, in particular, needs to make its voice heard so that the outcome is dictated by the needs of California businesses and individuals rather than by power dynamics within the healthcare provider community.

5) Move to Ban Wellness Incentives – Many Bay Area Council members through the design of their health insurance offer their employees financial incentives for engaging in activities that are beneficial to their health. The goal is to reduce the increasing burden of chronic diseases caused by obesity. Legislation has been proposed in Sacramento, however, to ban the use of such incentives due to concerns that they would have a discriminatory impact. Though this would not affect those businesses that pay directly for their own health care (i.e., are “self-insured”) it does remove the ability of small and medium-sized businesses to employee this vital tool and would end the offering of such products by health plans that are Bay Area Council members. We are leading the effort to defeat this legislation.

Supporting Materials
The Executive Summary of the document that has guided our health advocacy, our “Roadmap to a High Value Health System,” is included in your reading packet as well as a Los Angeles Times article that provides more context on issues of personnel flexibility. We have also included a recent article from the Economist that articulates the big picture regarding the role of employers in the healthcare system in the United States. Whether or not employers continue to be the locus of health insurance for a majority of Americans, these will remain key issues for advocacy for the business community. A healthy and productive workforce is an important key for increasing prosperity; healthy communities are essential for economic vitality.
PRINCIPLES AND PRIORITIES FOR HEALTHCARE REFORM IMPLEMENTATION

We strongly reaffirm our commitment to the creation of a healthcare system that provides universal access to high-quality affordable care.

The passage of the Patient Protection and Affordable Care Act was an important step toward that goal. We will work with policymakers to ensure that this law is implemented in a way that respects the moral obligation to cover the uninsured, the practical necessity to improve affordability for purchasers and consumers, and the urgent need to improve the health of Americans.

Leadership is needed from the business community to make health reform a priority and reality. We will engage in communication and outreach with corporations, the public, and other stakeholders on the potential of health reform; on how to best maximize its positive attributes; and on state and federal opportunities connected with health reform implementation. The critical voice of business must support reforms that will enable needed change in today’s healthcare system.

Over the course of the coming year, we plan to focus on the following high priority areas for California businesses:

1. Preserve and Fully Fund Cost-Controlling Elements of Reform

   There are many provisions of the law that aim to bring down costs while improving the quality of care. Among others, these include the Center for Medicare and Medicaid Innovation, the Patient Centered Outcomes Research Institute, and a host of workforce and payment reform projects including expanded coverage for preventive services and support for new coordinated care models like Accountable Care Organizations and Medical Homes. Cost control is an essential component of healthcare reform, and Congress must fully fund these programs. California also must continue to innovate in areas such as care coordination and value-enhancing medical technology.

2. Create an Economic Environment that Rewards High-Value Care

   As businesses, we have a critical role in building on the elements of federal reform that create incentives for all stakeholders to focus on improvement in patient outcomes, care coordination, appropriate use of resources, and value-enhancing medical innovation. We will continue to take steps to assure that our payments to providers reward quality and affordability and to create appropriate incentives that encourage value-conscious decisions by consumers. It is important that these incentives be aligned across private and public payers so that the market consistently rewards actions that maximize the health of all Californians.
3. **Build a Successful California Health Benefit Exchange**

We look forward to working in close coordination with the Exchange to drive higher quality and cost containment through value-based purchasing and rewarding efficient and coordinated care. Among the most important priorities for the Exchange should be improving the affordability of health insurance for individuals and small businesses and creating a world-class customer service experience for all people accessing coverage through this portal.

4. **Focus on Initiatives that Promote Patient Safety and Health Outcomes**

The protection of patients is prioritized within the ACA through provisions focused on reducing healthcare-acquired conditions and unnecessary hospital readmissions and on better managing chronic disease. As healthcare providers and purchasers, we are committed to working across sectors and with policymakers to promote prevention, patient safety and reduce the cost associated with preventable complications and infections, such as sepsis.

5. **Maintain Commitment to Public Health Goals**

The ACA encourages improved health through community-based prevention and public health strategies. It also envisions an important role for employers through workplace wellness programs. These initiatives – particularly those focused on addressing obesity and encouraging physical activity – should be supported and scaled up as quickly as feasible building on best practices and proven models. The transformation of the safety net to provide high quality, prevention-oriented, coordinated care that features a “health home” should also be supported.

6. **Provide Greater Transparency and Better Information for All Consumers**

Both within and outside of the Exchange, employers and consumers must be able to compare much more easily health plans and products on the basis of quality and price. Consumers and purchasers should also be able to easily access quality and outcomes data on treatments, providers, and technologies.

7. **Be Good Stewards of Resources by Making Government More Efficient**

Reform implementation should make the system simpler and more effective for Californians by determining when programs can be combined and regulatory duplication eliminated. This is essential within an environment of constrained public resources. Government also has an important role in supporting the development and dissemination of state-of-the-art information technology and setting common standards that will improve the efficiency of healthcare transactions.
Roadmap to a
High-Value Health System

Addressing California’s
Healthcare Affordability Crisis

A Bay Area Council
Economic Institute Report

October 2011
Executive Summary

California is experiencing a healthcare affordability crisis. Businesses large and small are struggling to pay spiraling healthcare costs. The state government is cutting billions from spending for public healthcare programs that care for children, seniors and the disabled. Families are being forced to make difficult financial choices, and many are going without needed care.

The Affordable Care Act (ACA) created a framework that could be used to ratchet down rising health spending, and dozens of state-based proposals aim to improve healthcare affordability. What is missing is a strategic vision for an affordable, high-quality healthcare system for California.

This report is aimed at the state’s business leaders who have an essential role in shaping that vision, mapping it out, and creating systems for measuring progress toward our goals. The report provides a roadmap laying out the specific actions by healthcare providers, insurers, businesses, governments, and individuals that will improve affordability and access to high quality care in California.

Achieving affordability will require quickly building on proven California-grown successes in cost control. We must also make the right decisions as we implement federal healthcare reform. One particularly critical task is setting up a successful California Health Benefit Exchange, the new marketplace for purchasing private health insurance.

Since controlling costs while improving quality is our ultimate goal, the solution is meaningful consumer choice among healthcare systems that have both the financial incentive and the technical capabilities to maximize health and wellness.

1. Financially Rewarding High-Value Care

Payers should move to embrace payment models that maximize health while preserving resources.

- California payers should quickly ramp up projects that encourage and reward integrated, high-value care.
- Healthcare purchasers should give preference to projects that deliver savings up front.
- Policymakers should give maximum flexibility to healthcare providers to develop new models to deliver care to the large, newly insured population.
2. Building a Successful Health Benefit Exchange

The California Health Benefit Exchange should be structured as a powerful partner with other payers in promoting delivery system reform.

- The Board of the Exchange should focus on developing an efficient, transparent marketplace that fosters competition on price and quality.
- The Exchange should partner with other payers to align incentives that will drive reform of the medical delivery system.
- The Exchange and the state and federal government should not take actions that would hinder the delivery of high-quality, affordable, integrated care.

3. Focusing on Health Outcomes

All payers should aggressively pursue strategies to optimize effective care to make sure patients, especially those with chronic conditions, get the appropriate care at the appropriate time in the appropriate setting.

- Purchasers and providers must partner to better manage chronic illness through the use of proven personnel strategies and self-management.
- Hospitals in partnership with other providers can reduce healthcare-acquired infections and unnecessary hospital readmissions by scaling successful California pilots in these areas.
- Private and public payers and healthcare systems should pursue strategies to utilize comparative effectiveness research to promote high-quality, appropriate care.

4. Effectively Engaging Consumers

Unleash the power of individuals through access to better information about healthcare and empowering people to make healthier choices about diet and physical activity.

- Businesses and other healthcare purchasers should, when feasible, give employees choices between different healthcare networks competing transparently on price and quality.
- Healthcare purchasers should adopt proven value-based benefit designs.
- Businesses should put in place wellness programs that have shown results.
- Californians must take personal responsibility for maximizing their own health and wellness by making healthier choices enabled by policies that expand access to healthy foods and safe communities.
Introduction
The Causes of Rising Healthcare Costs

If we are interested in holding healthcare cost growth down, we must understand the factors that drive costs up. Issues of healthcare and health policy, though, resist easy answers that spring from any ideological perspective. Some advocates promote greater government control as the solution, but government-run systems around the world are themselves facing major challenges in controlling the growth of healthcare costs, and many have moved in recent years to add more market competition to their systems.¹

Bringing free market forces to bear is not a panacea either. The buying and selling of healthcare goods and services is unlike a traditional competitive marketplace in most important ways.² Above all, the decision of whether to purchase goods and services is often a matter of life and death, not the best time to drive a hard bargain.

In spite of this complexity, it is not only possible but essential to make good business decisions about purchasing healthcare. This process must start with a solid understanding of cost drivers. Here are the three most important things to know about rising healthcare costs:

1. High healthcare costs are the result of the high price of healthcare.

It is widely appreciated that the United States spends vastly more than other developed countries on healthcare and yet Americans have below average health outcomes.³ What remains poorly understood is why we pay more.

A McKinsey Global Institute report⁴ is one among many analyses showing that in the United States the answer is not primarily higher administrative costs. These costs account for only 7% of all healthcare spending in our country and explain only 14% of our excess spending as compared to the rest of the world. Nor is the explanation that we receive more services

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¹ Organisation for Economic Co-operation and Development. OECD Health Data 2010 from the OECD Internet subscription database updated October 21, 2010.
than in countries where governments are said to tightly “ration” care. Americans actually have a below average number of primary care physician visits and hospitals days as compared to the rest of the developed world. 

**U.S. Healthcare Spending**

*Billions of Dollars, 2006*

The United States spends nearly $650 billion more than expected, with outpatient care accounting for over two-thirds of this amount.

Costs are higher in the United States because we pay more for healthcare. We pay more for physician visits, hospitals stays, pharmaceuticals, medical devices and most other healthcare services. Both medical specialists and primary care physicians in the United States make substantially more than their counterparts around the world even after adjusting for relative national wealth. While chronic disease rates are climbing more quickly
Addressing California’s Healthcare Affordability Crisis

among Americans, this does not explain nearly as much of higher health-care spending as the increased cost of treating illnesses, particularly in the hospital.8

Controlling healthcare costs, therefore, will primarily involve paying less over time to some providers for some services and more over time to providers who deliver high-value care consistently. However, this is a project which must be approached with great thoughtfulness. We must proceed in a way that does not cut off access to physicians, destabilize hospital systems, or staunch medical innovation. The best strategy to lower costs without sacrificing quality is the central one recommended by this report: promoting meaningful consumer choice among healthcare systems that have both the financial incentive and the technical capability to maximize health and wellness.9

2. Most healthcare spending buys care for chronic conditions.

When we think about healthcare, we generally think about acute conditions: taking a feverish child to the doctor’s office or going to the hospital because of a car accident. However, the vast majority of healthcare dollars are not spent on these isolated incidents but on care for ongoing chronic conditions. Specifically, the bulk of spending goes toward care for people with four conditions: coronary artery disease, congestive heart failure, diabetes, and depression. By some measures, care for chronic disease accounts for as much as 83% of all medical spending.10

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There is a relatively small group of people who have these conditions, and they often have more than one. The end result is that roughly 5% of people account for about 50% of medical spending. These are also, disproportionately, people who are in the last year of their lives. So whether we look at the number of conditions, the number of patients, or the number of months that account for the vast majority of medical spending, it is very heavily concentrated among a very few. Therefore, the solutions for reining in high healthcare costs need to focus largely on high-cost populations with chronic conditions.

This report maps out strategies that focus on both the “demand” and “supply” sides of bringing down the cost of caring for people with chronic diseases. On the demand side, it is critical to prevent people from becoming obese—and from developing chronic conditions such as diabetes early in their lives. Although our state’s obesity rate does not exceed the national average, fully 30% of adolescents in California are afflicted with obesity, and many of them are also diabetic or pre-diabetic. This is both morally unacceptable and fiscally unsustainable.

On the “supply” side, we have to become markedly more efficient in treating chronic disease using proven strategies that focus on returning people to health and keeping them out of the medical system. Again, the solution—and this is particularly true as it relates to chronic disease—is high-performing health systems with the financial incentive and technological capability to manage complex cases and return people to maximal health.

3. California healthcare costs have historically been low but are growing quickly.

California is often cited as having relatively low per capita healthcare costs. This remains true, but it is not primarily a product of lower healthcare prices in the state. Our healthcare costs are lower largely because California has a younger, healthier population than most states. The penetration of managed care systems means that utilization—the volume of healthcare services delivered—is also somewhat lower in California than elsewhere in the nation.

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15 Congressional Budget Office, based on data from the Centers for Medicare and Medicaid Services.
California is slipping, though, in its relative frugality.\textsuperscript{16} Over the last decade or so, California has been moving away from models of managed care that have been effective at keeping healthcare spending growth low—and that the Affordable Care Act (ACA) seeks to promote.\textsuperscript{17} One result is that healthcare costs, particularly in California’s hospitals, have grown substantially over the course of the past ten years.\textsuperscript{18}

The strategies recommended in this report are designed to put the state back on track. They will help relieve the cost pressures that have been reducing the profitability of large businesses, choking the growth of small businesses, discouraging entrepreneurship, and forcing families to choose between medical care and other essential purchases. The time is now for the California business community to take a leading role in getting spiraling healthcare costs under control.

State lacks doctors to meet demand of national healthcare law

Lawmakers are working on proposals that would enable physician assistants, nurse practitioners, optometrists and pharmacists to diagnose, treat and manage some illnesses.

February 09, 2013 | By Michael J. Mishak, Los Angeles Times

SACRAMENTO — As the state moves to expand healthcare coverage to millions of Californians under President Obama's healthcare law, it faces a major obstacle: There aren't enough doctors to treat a crush of newly insured patients. Some lawmakers want to fill the gap by redefining who can provide healthcare.

They are working on proposals that would allow physician assistants to treat more patients and nurse practitioners to set up independent practices. Pharmacists and optometrists could act as primary care providers, diagnosing and managing some chronic illnesses, such as diabetes and high-blood pressure.

"We're going to be mandating that every single person in this state have insurance," said state Sen. Ed Hernandez (D-West Covina), chairman of the Senate Health Committee and leader of the effort to expand professional boundaries. "What good is it if they are going to have a health insurance card but no access to doctors?"

Hernandez's proposed changes, which would dramatically shake up the medical establishment in California, have set off a turf war with physicians that could contribute to the success or failure of the federal Affordable Care Act in California.

Doctors say giving non-physicians more authority and autonomy could jeopardize patient safety. It could also drive up costs, because those workers, who have less medical education and training, tend to order more tests and prescribe more antibiotics, they said. "Patient safety should always trump access concerns," said Dr. Paul Phinney, president of the California Medical Assn.

Such "scope-of-practice" fights are flaring across the country as states brace for an influx of patients into already strained healthcare systems. About 350 laws altering what health professionals may do have been enacted nationwide in the last two years, according to the National Conference of State Legislatures. Since Jan. 1, more than 50 additional proposals have been launched in 24 states.

As the nation's earliest and most aggressive adopter of the healthcare overhaul, California faces more pressure than many states. Diana Dooley, secretary of the state Health and Human Services Agency, said in an interview that expanding some professionals' roles was among the options policymakers should explore to help meet the expected demand.

At a meeting of healthcare advocates in December, she had offered a more blunt assessment. "We're going to have to provide care at lower levels," she told the group. "I think a lot of people are trained to do work that our licenses don't allow them to."
Currently, just 16 of California's 58 counties have the federal government's recommended supply of primary care physicians, with the Inland Empire and the San Joaquin Valley facing the worst shortages. In addition, nearly 30% of the state's doctors are nearing retirement age, the highest percentage in the nation, according to the Assn. of American Medical Colleges.

Physician assistants, nurse practitioners, pharmacists and optometrists agree that they have more training than they are allowed to use. "We don't have enough providers," said Beth Haney, president of the California Assn. for Nurse Practitioners, "...so we should increase access to the ones that we have."

Hernandez, who said he would introduce his legislation and hold a hearing on the issue next month, said his own experience as an optometrist shows the need to empower more practitioners. He said he often sees Medicaid patients who come to his La Puente practice because they have failed their vision test at the DMV. Many complain of constant thirst and frequent urination.

"I know it's diabetes," he said. But he is not allowed to diagnose or treat it and must refer those patients elsewhere. Many of them may face a months-long wait to see a doctor.

The California Medical Assn. says healthcare professionals should not exceed their training. Phinney, a pediatrician, said physician assistants and other mid-level professionals are best deployed in doctor-led teams. They can perform routine exams and prescribe medications in consultation with physicians on the premises or by teleconference.

Allowing certain health workers to set up independent practices would create voids in the clinics, hospitals and offices where they now work, he said. "It's more like moving the deck chairs around rather than solving the problem," Phinney said.

His group proposes a different solution: It wants more funding to expand participation in a loan repayment program for recent medical school graduates. Doctors can now receive up to $105,000 in return for practicing in underserved communities for three years. Still, it typically takes a decade to train a physician. Health experts say the pool of graduates cannot keep pace.

"We're not going to produce thousands of additional doctors in any kind of short-term time frame," said Assemblyman Roger Dickinson (D-Sacramento). "It makes sense to look at changes that could relieve the pressure that we're going to undoubtedly encounter for access to care."

Administrators of community clinics and public hospitals say nurse practitioners and other non-physician providers already play key roles in caring for patients, a trend they predict will grow as more Californians become insured and enter the healthcare system.

At Kern Medical Center in Kern County, two clinical pharmacists have run the hospital's diabetes clinic, treating about 500 patients a year, since the specialist physician in charge retired. They are licensed to perform physicals, order lab tests, prescribe medicines and counsel patients on lifestyle changes. "We're going to have to get a whole lot more creative about how care is provided," said Paul Hensler, Kern Medical Center's chief executive.
In 2014 the main provisions of Obamacare will come into force. The biggest uncertainty is whether the law will prompt employers, which currently provide most working Americans and their families with health insurance, to stop doing so. Surveys suggest most firms that currently provide their staff with insurance will not drop it straight away. But some will. And even for those that keep insurance, big changes are inevitable (see chart).

Today nearly 150m Americans rely on their employers for health benefits. This system arose by accident: the government imposed wage controls during the second world war, so companies offered health benefits instead of pay rises to attract staff. Then, in 1954, employer-provided health insurance was made tax-free.

More pills, less pay
Ever since, it has been much cheaper for employers to offer staff a dollar of health insurance than a dollar of wages. So they have poured money into health plans, the price of which has doubled in the past decade. The average cost of covering an employee at a large firm with a family is a hefty $15,745 a year, according to the Kaiser Family Foundation, a think-tank.

This vastly reduces cash wages. But most employees don’t complain. Few realise that the money companies spend on health care comes out of the same pot as wages. And besides, there is no good alternative. Individuals do not receive the same tax breaks as employers when buying health insurance. And they cannot bargain with insurers the way a company can. So they inevitably pay more for the same level of insurance, if they can obtain insurance at all. Insurers routinely turn away individuals who are already sick.

But from January 2014 Mr Obama’s law will make the individual market more attractive. Insurers will no longer be allowed to refuse to cover an individual because he is not healthy, or to charge him an exorbitant fee. Individuals with incomes of 100-400% of the federal poverty level will qualify for subsidies to buy insurance on new state health exchanges.
The catch is that employers may see this as a chance to save money. If Uncle Sam is subsidising individual health insurance, workers will not be quite so desperate to find an employer that will cover them. This is especially true if firms that stop offering health insurance pass some of the savings on to workers in the form of higher wages.

Mr Obama does not want companies to dump their staff on his health exchanges, so his health law will impose a fine of $2,000 per worker on any employer that does not sponsor health insurance (employers with 50 workers or less are exempt). Some firms will simply opt to pay the fine, however. A 2011 survey from McKinsey, a consultancy, found that 30% of employers would “definitely or probably” drop insurance in the years after 2014. Among those who actually understood health reform, a remarkable feat, more than half said they would.

The McKinsey report sparked uproar—it’s predictions were more extreme than those of the Congressional Budget Office. But surveys from other consultancies were not much cheerier. Deloitte found that 9% of employers expected to drop coverage over the next three years, and a further 10% were undecided. In a survey by Mercer, 21% said they were likely to end coverage in the next five years.

Even employers that continue to sponsor insurance are changing their health plans. Firms are making workers pay more of their health costs directly out of their own pockets. This might restrain the overall cost of health care. Currently, many doctors are paid for each extra test or procedure they perform, so they overprescribe. Insured workers have little incentive to say no. But if they had to foot some of the bill directly, they might ask whether yet another dental X-ray was really necessary. Mercer found that 43% of employers expect workers to pay more for health care in 2013. Big companies are less likely to drop insurance entirely but more likely to bump up the proportion workers must pay directly: 60% expect to do so this year.

Another intriguing change is the rise of “defined contribution” health plans. These are like the pension schemes that most firms now offer, in which workers receive a fixed sum to invest for retirement, rather than being promised a fixed pension when they retire. Beginning this year, Sears, a giant retailer, and Darden, a restaurant company, are giving employees a fixed sum to spend on health insurance sold on a private exchange. Other firms, particularly small ones, are watching closely. Sears and Darden are using an exchange run by Aon Hewitt, an insurance broker. Mercer and other firms are also launching exchanges in anticipation of rising demand.

Such plans may make employers’ costs more predictable. But they do little to contain the cost of health care itself. Dean Carter, the head of personnel at Sears, reckons that employees will become healthier as they grow more conscious of costs—they may decide to lose weight or quit smoking. Yet there is a danger that workers will delay seeking essential treatment for fear of the bill. That could leave companies with a sicker, less productive workforce.
Background
The current Bay Area Council office lease at 201 California Street expires at the end of its seven-year term in August, 2013. Initial discussions with the landlord were not promising with respect to an extension or renewal of the lease at rates competitive with what we believed we could get elsewhere. Consequently, we began investigating other office space options available on the market.

Another factor affecting our situation is that we need more space than we currently have at 201 California, once the additional staff positions approved in the 2013 budget are hired. We currently have 8,295 square feet of space at 201 California Street, and we need at least 1000-1500 square feet of additional space for our budgeted staff positions and some expansion room.

Proposed New Office Location
Of several office space options we investigated, by far the most attractive is at 353 Sacramento Street, tenth floor. The landlord is Pacific Eagle Holdings, a member company whose President, David Hennefer, has been nominated for our Board of Directors. David is very interested in having the Bay Area Council as a tenant in his building, and is offering very attractive terms to us. They include a seven-year lease at $41.90 per square foot for about 9,896 square feet of space in a Class A building. It includes a $98K tenant improvement allowance, existing furniture in the new space at a very favorable price, and preferred access to a large conference room that the building is constructing on the same floor and adjacent to our new space. The new space is already very suitable for our needs, and will require only modest tenant improvements.

Cost Factors
The annual cost of the existing lease at 201 California Street is $290K (8,295 square feet at $35.00 per square foot), and this cost would go up to $415K at the renewal lease rate being offered by our landlord, and would escalate annually each year after that over a proposed five year term. One problem is that the current space is at capacity and cannot accommodate additional budgeted staff positions.

By comparison, the new space at 353 Sacramento Street will cost $415K annually (9,896 square feet at $41.90 per square foot) over a straight line seven year lease term. The new location provides adequate space for budgeted new staff positions plus some expansion room. The current rates for other comparable office space in San Francisco are in the range of $45-50 per square foot, well higher than the offered rate at 353 Sacramento Street.

The one-time cost of the move, including required tenant improvements, is estimated to be about $200K, so that after applying the $98K tenant improvement allowance (which we can use for any move-related costs, not just tenant improvements), we would pay slightly over $100K out of pocket for the move. Most of these costs would be capitalized and amortized over the duration of the new lease.

The monthly cost of the proposed new lease, as well as the one-time costs of the move, are included in the revised 2013 budget that the Executive Committee is being asked to approve in the March 21, 2013 Executive Committee meeting.
Recommendation
We recommend approval of the proposed new lease at 353 Sacramento Street on the terms offered by Pacific Eagle Holdings. This proposed new lease offers the following benefits:

1. More attractive lease rates than being offered by our current landlord or by other office space opportunities available on the market in San Francisco.

2. High quality Class A office space that is adequate to accommodate our immediate and near-term expansion needs, with relatively modest tenant improvements required and a generous tenant improvement allowance offered.

3. Opportunity to purchase the existing high quality furniture (in private offices, open workstations, and conference rooms) at a very favorable price.

4. Preferred access (at no charge) to a new large conference room that the building is constructing adjacent to our space on the tenth floor of the building.

5. Landlord who appears to genuinely value our tenancy and is responsive to our interests and needs.

RESOLVED, that the Executive Committee of the Bay Area Council hereby approves entering into a seven year lease with Pacific Eagle Holdings for office space at 353 Sacramento Street along the terms generally described above.
PROPOSAL TO MODIFY QUORUM REQUIREMENT FOR EXECUTIVE COMMITTEE MEETINGS

Background
The current quorum requirement for Bay Area Council Executive Committee meetings is 1/3. That means that when we are at the maximum allowed membership of 40 Executive Committee members, 14 Executive Committee members are required for a quorum.

This quorum requirement is easily met when Executive Committee meetings are held in San Francisco. Typical attendance is 20-24 Executive Committee members for meetings held in San Francisco. However, when the meetings are held in other parts of the Bay Area, we often struggle to achieve a quorum. For example, the December 2012 Executive Committee meeting in Oakland was delayed in starting by about 15 minutes until a late-arriving member appeared and a quorum was reached.

In addition, attendance at teleconference meetings of the Executive Committee is occasionally below the level needed for a quorum, so those meetings have to be treated as informational only, with no official actions permitted to be taken.

The Governance Task Group discussed various options for addressing this issue, including holding the meetings only in San Francisco, removing Executive Committee members with low attendance records, lowering the quorum requirement, and other options.

They concluded that it is desirable to continue rotating the meetings around different parts of the region to reflect the regional nature of the organization and to attract members from each part of the region (e.g. South Bay). They also were not inclined to recommend reducing the current Executive Committee membership, especially considering the recent formation of the new Leadership Council, which is a subcommittee of the Executive Committee that will be meeting more frequently than the Executive Committee does.

Recommendation
For the foregoing reasons, the Governance Task Group recommends that the quorum requirement for Executive Committee meetings be reduced from 1/3 to 20%, which is the quorum requirement currently applicable to Bay Area Council Board of Director meetings. This would require a bylaw change which could be approved by the Board of Directors at its July 18, 2013 meeting.

RESOLVED, that the Executive Committee of the Bay Area Council agrees to submit a proposed bylaw change for Board of Director approval changing the quorum requirement for Executive Committee meetings from 1/3 to 20%.
BACKGROUND

At the December 5, 2012 Executive Committee meeting, it was proposed that we create a Finance Committee to support the Executive Committee and BAC staff in providing oversight and guidance to the increasingly complex financial matters of the organization. The initial focus would be on assessing 2012 financial performance and developing a realistic budget for 2013. Going forward, this committee would meet regularly with BAC staff to review financial performance, advise on decisions having financial implications, and assist in developing the financial plans and budgets of the BAC legal entities.

RECOMMENDATION

Resolved, that the Executive Committee of the Bay Area Council hereby approves the formation of a Finance Committee to serve as an advisory subcommittee of the Executive Committee. This committee will meet regularly with BAC staff to review financial performance, advise on decisions having financial implications, and assist in developing the financial plans and budgets of the BAC legal entities.

The initial members of the Finance Committee will be:

Perry Pelos (Co-Chair)
Teresa Briggs (Co-Chair)
Andrew Giacomini
Jim Henry
Janet Lamkin
Stephen Mayer
Ken Regalia
Jim Wunderman
FINANCIAL UPDATE

At the December 6, 2012 Executive Committee meeting, the Bay Area Council budget for 2013 was approved on an interim basis, subject to a further review by the Chair, Treasurer, and a recommended Finance Committee to be formed, per the minutes of that meeting. Since that meeting, Janet Lamkin, our Chair, and Perry Pelos, our Treasurer, met with Teresa Briggs, Andrew Giacomini, Steve Mayer, and members of the BAC staff for a more in-depth review of the BAC financial situation and the proposed budget for 2013. Based on that review, we now have a more in-depth and clearer understanding of the financial situation of the organization, and the basis for its 2013 consolidated budget.

We are proposing a few changes in the budget for 2013, which is reflected below and we will seek your ratification of these changes at the March 21 Executive Committee meeting. In the meantime, BAC will be able to continue operating on the basis of the interim budget we approved in December.

We will also seek your approval at the March 21 meeting to formalize a Finance Committee to be co-chaired by Perry Pelos and Teresa Briggs, with Andrew Giacomini, Jim Henry, Steve Mayer, Ken Regalia, Jim Wunderman, and myself also on the Committee. This Finance Committee will serve as an advisory body to the Executive Committee, and provide oversight and support to BAC staff in monitoring and managing all financial aspects of the organization’s activities.

2012 YEAR END RESULTS

The Harrington Group, our independent auditors, are in the process of finalizing their independent financial audit report. In this regard, we don’t foresee any major issues and or financial adjustments with the 2012 year end reported results. Our 2012 actual consolidated results are anticipated to reflect a ($36K) net operating loss which is slightly improved from our previous year end projection of ($145K). The December 31st unaudited balance sheet is presented below. The Audit Committee is scheduled to convene and review the audited financial statements, SAS 114 letter and management comments shortly after the March 21 Executive Committee meeting.

2013 FINANCIAL UPDATE

Through February 28, 2013, our YTD consolidated revenues and expenses are tracking to the proposed 2013 budget. It is still too early to accurately predict outcomes, but we are working to meet challenges for hitting our budgeted revenue targets for membership dues, Economic Institute research project revenue, foundation grants, China service fees and the State of California China trade offices. We remain conservative in our approach by adding only additional budgeted expense burden when we are assured that the anticipated revenue streams are realizable.
## Consolidated Balance Sheet

**@December 31, 2012**  
**Unaudited**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Savings</td>
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<tr>
<td>Accounts Receivable</td>
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<td>Other current Assets</td>
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<td><strong>Total Current Assets</strong></td>
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<tr>
<td>Fixed Assets</td>
<td>65,604</td>
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<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$4,086,105</strong></td>
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</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND EQUITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$215,424</td>
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<tr>
<td>Other Current Liabilities</td>
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<td><strong>Total Current Liabilities</strong></td>
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</table>

<table>
<thead>
<tr>
<th>EQUITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>1,375,972</td>
</tr>
<tr>
<td>Board Designated / Temp Restricted</td>
<td>150,866</td>
</tr>
<tr>
<td>Net Income</td>
<td>(35,892)</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td><strong>$1,490,946</strong></td>
</tr>
</tbody>
</table>

**TOTAL LIABILITIES AND EQUITY**  
**$4,086,105**
## 2012 PROJECTED RESULTS & 2013 BUDGET

### REVENUES

<table>
<thead>
<tr>
<th></th>
<th>2012 Budget</th>
<th>2012 Projected Actuals</th>
<th>Proposed 2013 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Membership Dues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior year membership dues level</td>
<td>1,992,000</td>
<td>1,992,000</td>
<td>1,987,538</td>
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<tr>
<td>Dues increase for existing members below current dues structure</td>
<td>0</td>
<td>0</td>
<td>200,000</td>
</tr>
<tr>
<td>Plus dues from members joining during year</td>
<td>325,000</td>
<td>169,500</td>
<td>250,000</td>
</tr>
<tr>
<td>Less dues from membership resignations</td>
<td>(200,000)</td>
<td>(173,962)</td>
<td>(250,000)</td>
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<tr>
<td><strong>Net Dues Revenue</strong></td>
<td>2,117,000</td>
<td>1,987,538</td>
<td>2,187,538</td>
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<tr>
<td><strong>Major Events:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outlook Conference</td>
<td>600,000</td>
<td>977,794</td>
<td>650,000</td>
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<tr>
<td>Annual Dinner</td>
<td>670,000</td>
<td>582,000</td>
<td>650,000</td>
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<tr>
<td>Special Event Revenue</td>
<td>490,000</td>
<td>233,827</td>
<td>379,000</td>
</tr>
<tr>
<td><strong>Total Major Events</strong></td>
<td>1,760,000</td>
<td>1,793,621</td>
<td>1,679,000</td>
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<tr>
<td><strong>Family of Funds:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management Fees</td>
<td>220,000</td>
<td>220,000</td>
<td>150,000</td>
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<tr>
<td>Reimbursed Expense</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Carried Interest on Pandora Stock Distribution 12/10/12</td>
<td>0</td>
<td>247,034</td>
<td>0</td>
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<tr>
<td><strong>Total Family of Funds</strong></td>
<td>220,000</td>
<td>467,034</td>
<td>150,000</td>
</tr>
<tr>
<td><strong>Economic Institute:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Institute Board of Trustees Contributions</td>
<td>0</td>
<td>0</td>
<td>50,000</td>
</tr>
<tr>
<td>Public Agency Contribution- ABAG</td>
<td>50,000</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Earned Revenue - Research Projects and Sponsorships</td>
<td>737,384</td>
<td>903,656</td>
<td>900,000</td>
</tr>
<tr>
<td><strong>Total Economic Institute</strong></td>
<td>787,384</td>
<td>953,656</td>
<td>1,000,000</td>
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<tr>
<td><strong>BACF Program Contributions:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Grants and Contributions (2013 budget based on current pipeline of grant opportunities conservatively discounted based on probabilities of success)</td>
<td>796,875</td>
<td>481,764</td>
<td>810,000</td>
</tr>
<tr>
<td>BASIC Partnership Support</td>
<td>75,000</td>
<td>85,000</td>
<td>75,000</td>
</tr>
<tr>
<td><strong>Total Contribution Revenue</strong></td>
<td>871,875</td>
<td>566,764</td>
<td>885,000</td>
</tr>
<tr>
<td><strong>Yangpu &amp; Hangzhou Marketing Services Revenue</strong></td>
<td>460,000</td>
<td>710,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>State of California China Trade Office Program</strong></td>
<td>0</td>
<td>0</td>
<td>800,000</td>
</tr>
<tr>
<td><strong>Total China Program</strong></td>
<td>460,000</td>
<td>710,000</td>
<td>1,800,000</td>
</tr>
<tr>
<td><strong>Other Earned Revenue</strong></td>
<td>1,000</td>
<td>41,417</td>
<td>5,000</td>
</tr>
<tr>
<td><strong>Trade Revenue</strong></td>
<td>300,000</td>
<td>344,091</td>
<td>350,000</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>6,517,259</td>
<td>6,864,121</td>
<td>8,056,538</td>
</tr>
</tbody>
</table>
### 2012 PROJECTED RESULTS & 2013 BUDGET

**EXPENSES**

<table>
<thead>
<tr>
<th>Category</th>
<th>2012 Budget</th>
<th>2012 Projected Actuals</th>
<th>Proposed 2013 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Contribution Expenses</td>
<td>10,000</td>
<td>12,400</td>
<td>30,000</td>
</tr>
<tr>
<td>Payroll (Salary, Benefits, Payroll Tax)</td>
<td>3,511,447</td>
<td>3,418,962</td>
<td>4,295,420</td>
</tr>
<tr>
<td>Staff Marketing Commission</td>
<td>50,000</td>
<td>53,546</td>
<td>50,000</td>
</tr>
<tr>
<td>Bonus (based upon annual performance objectives)</td>
<td>280,000</td>
<td>260,000</td>
<td>400,000</td>
</tr>
<tr>
<td><strong>Total Payroll Burden</strong></td>
<td>3,841,447</td>
<td>3,732,508</td>
<td>4,745,420</td>
</tr>
<tr>
<td>Professional Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting, Legal, Auditing (U.S ad China)</td>
<td>50,000</td>
<td>67,000</td>
<td>75,000</td>
</tr>
<tr>
<td>Professional Services Media &amp; Research</td>
<td>161,500</td>
<td>403,408</td>
<td>225,000</td>
</tr>
<tr>
<td>Professional Services - Programs</td>
<td>175,000</td>
<td>240,148</td>
<td>175,000</td>
</tr>
<tr>
<td><strong>Total Professional Services</strong></td>
<td>386,500</td>
<td>710,556</td>
<td>475,000</td>
</tr>
<tr>
<td>Marketing Expense</td>
<td>55,671</td>
<td>10,118</td>
<td>25,000</td>
</tr>
<tr>
<td>Travel Expense</td>
<td>212,500</td>
<td>121,118</td>
<td>125,000</td>
</tr>
<tr>
<td>Other Personnel Expense</td>
<td>18,145</td>
<td>15,349</td>
<td>30,000</td>
</tr>
<tr>
<td>Occupancy</td>
<td>320,000</td>
<td>309,511</td>
<td>439,872</td>
</tr>
<tr>
<td>Event and Meeting Expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outlook Conference</td>
<td>300,000</td>
<td>675,511</td>
<td>325,000</td>
</tr>
<tr>
<td>Annual Dinner</td>
<td>370,000</td>
<td>282,000</td>
<td>325,000</td>
</tr>
<tr>
<td>Delegations, Events and Meetings</td>
<td>340,000</td>
<td>245,332</td>
<td>440,500</td>
</tr>
<tr>
<td><strong>Total Event and Meeting Expense</strong></td>
<td>1,010,000</td>
<td>1,202,843</td>
<td>1,090,500</td>
</tr>
<tr>
<td>Other Operational and Office Expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office Expense</td>
<td>120,000</td>
<td>174,920</td>
<td>170,000</td>
</tr>
<tr>
<td>IT Expense- Telephone; Network; Computer &amp; Data</td>
<td>115,000</td>
<td>175,446</td>
<td>250,000</td>
</tr>
<tr>
<td>Other Operational Expenses- Insurance; Deprec, Etc</td>
<td>71,000</td>
<td>110,367</td>
<td>200,000</td>
</tr>
<tr>
<td>China Business and Enterprise Tax</td>
<td>50,000</td>
<td>89,531</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Total Other Operational and Office Expense</strong></td>
<td>356,000</td>
<td>550,264</td>
<td>720,000</td>
</tr>
<tr>
<td>Trade Expense</td>
<td>300,000</td>
<td>344,091</td>
<td>350,000</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td>6,510,263</td>
<td>7,008,758</td>
<td>8,030,792</td>
</tr>
<tr>
<td><strong>NET INCOME</strong> See footnote below</td>
<td>6,996</td>
<td>(144,637)*</td>
<td>25,746</td>
</tr>
</tbody>
</table>

* This preliminary net income (loss) has been revised to ($35,892) per results of 2012 financial audit almost competed.
### Recap of Key Numbers:

**Difference Between 2012 Actual and 2013 Budget**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>6,864,121</td>
<td>8,056,538</td>
<td>1,192,417</td>
</tr>
<tr>
<td>Expenses</td>
<td>7,008,758</td>
<td>8,030,792</td>
<td>1,022,034</td>
</tr>
</tbody>
</table>

**Recap of Revenue Delta by Key Areas:**

<table>
<thead>
<tr>
<th>Area</th>
<th>2012</th>
<th>2013</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership Increases</td>
<td></td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>Events</td>
<td></td>
<td>(114,621)</td>
<td></td>
</tr>
<tr>
<td>Family of Funds</td>
<td></td>
<td>(317,034)</td>
<td></td>
</tr>
<tr>
<td>Grants and Contributions</td>
<td></td>
<td>328,236</td>
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</tr>
<tr>
<td>Yangpu and Hangzhou</td>
<td></td>
<td>290,000</td>
<td></td>
</tr>
<tr>
<td>State of California- China</td>
<td></td>
<td>800,000</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>(5,836)</td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenue Delta</strong></td>
<td></td>
<td>1,180,745</td>
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</table>

**Recap of Expense Delta by Key Areas:**

<table>
<thead>
<tr>
<th>Area</th>
<th>2012</th>
<th>2013</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td></td>
<td>1,012,912</td>
<td></td>
</tr>
<tr>
<td>Professional Services</td>
<td></td>
<td>(235,556)</td>
<td></td>
</tr>
<tr>
<td>Occupancy</td>
<td></td>
<td>130,261</td>
<td></td>
</tr>
<tr>
<td>Events</td>
<td></td>
<td>(112,343)</td>
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<tr>
<td>Other Operational expenses</td>
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</tr>
<tr>
<td>Other</td>
<td></td>
<td>57,024</td>
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<tr>
<td><strong>Total Expense delta</strong></td>
<td></td>
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</tr>
</tbody>
</table>

**Major Area of Risk**

<table>
<thead>
<tr>
<th>Area</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>New revenue from China Practice</td>
<td>800,000</td>
</tr>
<tr>
<td>Less direct incremental expense</td>
<td>523,094</td>
</tr>
<tr>
<td>Less utilization of Core personnel</td>
<td>153,397</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>123,509</td>
</tr>
<tr>
<td>Estimated profit from China</td>
<td>148,570</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>(25,061)</td>
</tr>
</tbody>
</table>
AGENDA

1. WELCOME
   - Approve Minutes of July 26, 2012 Meeting

2. FUNDRAISING & FINANCIAL UPDATE
   Erin Hafkenschiel
   Director, Bay Area Council Foundation

3. PROPOSED ACTION & FUNDING PLAN FOR THE BAY AREA COUNCIL FOUNDATION
   Andrew Giacomini
   Managing Director, Hanson Bridgett LLP
   & Erin Hafkenschiel

4. BAC ECONOMIC INSTITUTE UPDATE
   Sean Randolph
   President & CEO, BAC Economic Institute

5. ADJOURN BAC FOUNDATION BOARD MEETING

BAC Foundation Board of Directors (elected 7-26-12)

<table>
<thead>
<tr>
<th>Name</th>
<th>Occupation</th>
<th>Company/Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teresa</td>
<td>Briggs</td>
<td>Deloitte</td>
</tr>
<tr>
<td>Michael</td>
<td>Covarrubias</td>
<td>TMG Partners</td>
</tr>
<tr>
<td>David</td>
<td>Cush</td>
<td>Virgin America</td>
</tr>
<tr>
<td>Tony</td>
<td>Earley Jr.</td>
<td>Pacific Gas and Electric Company</td>
</tr>
<tr>
<td>Andrew</td>
<td>Giacomini</td>
<td>Hanson Bridgett LLP</td>
</tr>
<tr>
<td>George</td>
<td>Halvorson</td>
<td>Kaiser Foundation Health Plan, Inc., and Hospitals</td>
</tr>
<tr>
<td>Mary</td>
<td>Huss</td>
<td>San Francisco Business Times</td>
</tr>
<tr>
<td>Janet</td>
<td>Lamkin</td>
<td>Bank of America</td>
</tr>
<tr>
<td>Tarkan</td>
<td>Maner</td>
<td>Dell Wyse</td>
</tr>
<tr>
<td>John</td>
<td>Martin</td>
<td>San Francisco International Airport</td>
</tr>
<tr>
<td>Ken</td>
<td>McNeely</td>
<td>AT&amp;T</td>
</tr>
<tr>
<td>Alex</td>
<td>Mehran</td>
<td>Sunset Development Company</td>
</tr>
<tr>
<td>Debbie</td>
<td>Messemer</td>
<td>KPMG</td>
</tr>
<tr>
<td>Kausik</td>
<td>Raigopal</td>
<td>McKinsey &amp; Company</td>
</tr>
<tr>
<td>John</td>
<td>Williams</td>
<td>Federal Reserve Bank of San Francisco</td>
</tr>
<tr>
<td>Jed</td>
<td>York</td>
<td>San Francisco Forty Niners, Ltd.</td>
</tr>
</tbody>
</table>
1. WELCOME & ELECTION OF OFFICERS

Janet Lamkin opened the meeting about 11:10 am. As first order of business, she called for a motion to elect the candidates nominated by the Nominating Committee to the positions of Chair, Secretary, and Treasurer of the Bay Area Council Foundation. A motion was made, seconded and the following candidates were elected without a dissenting vote:

Chair: Janet Lamkin  
Secretary: Michael Covarrubias  
Treasurer: Perry Pelos

2. APPROVAL OF MINUTES OF PRIOR MEETINGS

A motion was made, seconded and approved to accept the minutes as presented for the following prior meetings of the BAC Foundation Board of Directors: November 16, 2004; April 28, 2005; June 30, 2005; December 12, 2005; April 3, 2006; and November 8, 2007.

3. ANNUAL REPORT & FINANCIAL UPDATE

Janet Lamkin introduced Erin Hafkenschiel, Director, BAC Foundation, and asked for her to present the highlights of the annual report for the organization. Erin referred to the Annual Report and Financial Update that was included in the pre-reading for the meeting. Erin briefly recapped the history of the BAC Foundation since its formation in 2004. She reviewed the revenue and expense history of the organization by year from 2004 through 2012 year to date. She noted that as of May 31, 2012, the organization had assets of $1,198K, liabilities of $979K, and net equity of $219K.

Erin then briefly summarized the current and pending grants of the organization and the work that they are supporting.

4. PROPOSED REVIEW OF BAC FOUNDATION GOVERNANCE

Andrew Giacomini reported that at the May 30, 2012 meeting of the Governance Task Group, it was suggested that after the recommended governance changes for the Bay Area Council are considered at the July 26, 2012 Executive Committee and Board of Directors meetings, that a
similar review be undertaken for the Bay Area Council Foundation. He said that it was suggested that such a review should include the following:

- Review and clarify the mission and purpose of the BAC Foundation, given the BAC-BAEF merger and the formation of the BAC Economic Institute in 2008
- Rationalize the governance of the BAC Foundation and the BAC Economic Institute:
  - BAC Foundation Bylaws & Board of Directors
  - BAC Economic Institute Charter & Board of Trustees

After a brief discussion the following resolution was moved, seconded and approved:

RESOLVED: That the Governance Task Group is assigned the responsibility of developing recommendations for the mission and purpose of the BAC Foundation, along with any recommended governance changes, and bring recommendations for review by the Executive Committee and the BAC Foundation Board later in 2012.

The meeting was adjourned about 11:20 am.
2013 is off to a great start. With our 2013 goal of $810,000 clearly in mind, we are focusing our fundraising initiatives around three important topics: Health and Healthcare, Early Childhood Education, and Flood Protection. Our work in these three areas all encompass the three most important elements that we feel are successful in attracting philanthropic investments: 1) An articulated strategy with clear goals and metrics; 2) Staff expertise; and 3) Interested funders with whom we are in contact.

We also feel that our work in these three areas will support and complement the broader regional visioning and planning initiative that we have been discussing with the Governance Taskforce Committee.

**Health and Healthcare**

We are excited to announce that we have received confirmation that our CA Endowment grant will be renewed at $150,000 in June 2013. This is a great start to our year. Our Wellness work is also going well and we are nearing completion of our strategic plan, which will be the basis of a fundraising plan for that effort.

**Health Reform Implementation, $150,000, The California Endowment**
The Bay Area Council continues to be the leading business voice guiding the implementation of federal healthcare reform, including the creation of the new marketplace for private insurance, the California Health Benefit Exchange. Our presence, both at public board meetings and in one-on-one conversations with Exchange and Administration staff, has kept the focus on affordability with every decision point in the creation of the Exchange. A series of decisions for the Exchange has been made based on the healthcare reform “Roadmap” report put out by the Council in 2011. These decisions will make the Exchange more transparent, competitive and successful, but there is much more work left to be done. Our grant for this work will be renewed by the California Endowment in June of 2013 through June 2014.

**Regional Workplace and Community Wellness Campaign, $150,000**
We are laying the groundwork for a cutting-edge regional initiative that engages business in developing a comprehensive workplace and community strategy for promoting health and wellness in the Bay Area. The intent is to create a model program that improves community wellness while reducing health costs, for both employers and consumers, throughout the nine-county Bay Area region. In January, we held an initial strategy session with Bay Area Council members and community wellness stakeholders to solicit input about how the Council can best participate in this area to improve the health of our region’s population while adding value for our members and the Bay Area business community. Based on that discussion and subsequent conversations with funders and partner organizations such as the Partnership for a Healthier America and ChangeLab Solutions, we plan to propose a project that will provide sector-specific community wellness guidelines for businesses and cultivate regional commitments from local companies based on those guidelines. Once the strategic plan is completed and approved by the Healthcare Committee, we plan to engage several foundations for funding for the implementation phase of our work.

**Regional Master Plan for Health, $250,000**

Changes occurring in California are causing tectonic shifts in its systems of financing and delivering healthcare. These include the implementation of the Affordable Care Act, but it also includes the vertical and horizontal consolidation of the healthcare industry and a move by large employers away from defined benefit health plans. Concurrent with these changes is a revolution in our understanding of the factors that promote health, specifically that health outcomes are socially-determined more than anything else. Though the Affordable Care Act provides one broad framework for the transformation of our healthcare system, it largely leaves our existing “non-system” in place. What is missing is a “Master Plan for Health.” Such a Master Plan would help guide the state’s incremental policy decisions and could move the state toward a physical infrastructure and personnel profile that is more consistent with our contemporary understanding of how to maximize the health and well-being of the state’s citizens. This project would complement and inform on-going work being done by other partners, but there is a distinct need for an independent, objective examination of the state’s health infrastructure needs that is not driven primarily by government or by industry but rather by objective data.

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**Education**

Our education work for 2013 is focused on Early Childhood Education and STEM Education.

**Early Childhood Development, Target = $1,000,000, Commitment = $100,000, Early Childhood Funders**

2013 marks the launch of our statewide messaging campaign around the importance of early childhood development. The campaign will focus on three important audiences: 1)
Parents; 2) Voters; and 3) Decision-makers. We will work with experienced messaging and marketing experts, but our hope is that the campaign will focus on two important data-points: 1) Investments in ECE have more than a 10% return on investment for the state; and 2) Education and development in a child’s early years are some of the most critical predictors of a child’s success. Our campaign goal is $1,000,000, with $250,000 of that goal specified for staff level funding. We have already received $100,000 from the Early Childhood Funders and financial pledges from Kaiser, Packard, and Wells Fargo Foundation. We are engaged with numerous potential funders and are confident that we will be able to launch Phase 1 in the next few months.

K-12 Education Reform and STEM Education
After years of little progress at the state level around K-12 education reform, this year marks a surprisingly promising window for reform in the form of Common Core Standards in Reading, Math and Science. The Common Core Standards are a significant overhaul in the K-12 curriculum with a focus on 21st century skills that students need to master to succeed in today’s economy. The Common Core Standards for Reading and Math have already been approved at the state level and the Next Generation Science Standards (NGSS) are on track to be approved in the spring of 2013. The difficult challenge, however, lies in implementation. Implementation requires significant professional development for teachers and important culture changes throughout school districts. The Bay Area Council is currently working to create a STEM regional alliance that will help to implement the math and science standards. We have received a $50,000 planning grant from CSL Net to launch the alliance. Our goal for 2013 is to secure $100,000 in grant funding to help identify successful implementation programs at the district level and strategies to scale them region wide.

Environment

The Bay Area Council has long been an advocate for preserving the region’s natural resources. Our natural environment is a major contributor to our economy and quality of life. Our existing grant-funded work in 2013 focuses on water conservation and flood protection.

Water Conservation and Efficiency, $60,000, Resources Legacy Fund
Our two-year $120,000 grant from the CA Water Foundation, a program of Resources Legacy Fund, will expire in 2013. The Bay Area Council is collaborating with its statewide partners in business, government, and the non-profit sector to promote policies to improve the overall reliability of the state’s water supply. In January, Council staff helped educate the REAL coalition with a briefing from the California Water Foundation. In a February meeting with Natural Resources Secretary John Laird, the Bay Area Council emphasized the need to renegotiate the long-delayed water bond, and that any delta solution must meet the coequal goals. Council staff is scheduling meetings with legislative staff on ways to improve overall reliability beyond the delta.
Disaster Resilience, Target = $100,000, Moore Foundation

In the wake of Hurricane Sandy, the Bay Area Council and Bay Area Council Economic Institute are developing an economic impact report on the risks extreme weather events pose to the Bay Area economy. The report would quantify the economic activity within each of the nine county’s inundation zones. Funding for the proposal is sought primarily through the Gordon and Betty Moore Foundation, who along with the Resources Legacy Group and Save the Bay, are crafting a parcel tax measure to fund Bay wetland restoration. Council staff are monitoring developments on the parcel tax, while advocating for increased funding for wetland restoration and flood protection from the federal government. At the state-level, Council staff members are exploring ways in which the state can use part of over $4 billion in approved by unallocated water-related bond revenues for bay projects. We are hoping to secure a grant from the Moore Foundation for $150,000 for the BACEI study and $100,000 for staff-time related to our education and advocacy efforts.

**BACF Grant Probabilities – 2013**

- **< 50%, $130,750**
- **50-74%, $172,500**
- **75-99%, $240,000**
- **100%, $360,000**
Maximizing the Impact of our 501c3: A New Vision for the Bay Area

Executive Committee Meeting
8:00 am, Thursday, March 21, 2013
Deloitte Offices
555 Mission Street, San Francisco, CA
Urban Regions Drive Economic Growth

Exhibit 7

The Bay Area is home to a high concentration of Fortune Global 500 companies.¹

1 Data from July 2011
SOURCE: Fortune Magazine, team analysis
The Bay Area = A Deeply Connected Ecosystem

Bay Area Non-Farm Employment

New Construction
1990-2000

New Construction
2000-2010

Note: data is plotted at the census block-group level. Source: ACS 2000-2010; calculation and mapping by Bay Area Council Economic Institute.
A Regional Vision = Models from other Regions, Our History with Regionalism

A Region At Risk: A Third Regional Plan for the New York-New Jersey-Connecticut Metropolitan Area

Five Initiatives:
1. Greensward
2. Centers
3. Mobility
4. Workforce
5. Governance

The Metropolis Plan: Choices for the Chicago Region

Six Priorities:
1. Education
2. Transportation
3. Land Use and Housing
4. Governance
5. Taxation
6. Economic Development

The Bay Area’s History with Regionalism:
1. The Greater San Francisco Movement of 1912
   1. Led by SF Mayor James Phelan starting in 1896 to acquire the South Bay and East Bay as boroughs (similar to New York)
2. The “Bay Area Master Plan”, 1947
5. Compact for a Sustainable Bay Area, 2003
Lessons from past efforts:

• **Powerful leadership is critical**
  – In the absence of a central city, we have to be creative about where to find compelling leaders
  – The Chicago model was to find 5-6 “senior executives” that were willing to donate 30-40% of their time to the initiative

• **Research**
  – Any effort needs to be backed up and based on research, studies and key findings
  – The lack of research and data associated with the *Compact* is an oft-cited example of while the effort wasn’t successful

• **Focus on goals/vision for the region (ie every child attends kindergarten), not process solutions (ie regional governance, a more powerful JPC, etc)**
  – Regional governance isn’t really the end goal, a great region is, so you want to identify the goals that bring people together, not divide them from the start

• **Balance top-down decision making with grassroots buy-in**
  – A successful effort needs both
  – Most of the pass efforts have focused too soon on regional governance decided by the state legislature
Why now?

• Numerous regional cities are struggling with budget issues, particularly around pensions and services (particularly police and fire departments)
  – Cities fiscal challenges could open the door for broader regional collaboration conversations

• Need to coordinate philanthropy within the region
  – While there has been a decline in state and local funding, we are a region blessed with immense philanthropic resources. Often, however, philanthropic sources don’t coordinate their investments. A common regional vision could provide an opportunity for philanthropy to coordinate around.

• AB 32 and SB 375: Great leadership, but implementation is needed
  – The state’s leadership on climate change is often discounted because of our fiscal struggles, so there is a need to get our house in order
  – With SB 375, our region is the farthest behind in developing a plan, often because we are getting caught up in details, because we can’t recognize we agree on the big picture.

• Economic growth is good for sustainability and equity (and vice versa)
  – The business community is often invited to conversations, but only to listen. We need to change the paradigm to the understanding that economic growth is good.
Phase 1:

- 2-3 months, $50 - 150K
- Meet with 50 people in the region to gauge feasibility - pick them carefully
- Go to 3 cities that have done this well
  - Chicago
  - New York
  - Portland
- Pick 4-5 regional leaders to serve on our interim Board
- Lead a BAC delegation to Chicago to meet with the Commercial Club of Chicago and Metropolis Strategies to learn from their success
Phase 2:

• 6-9 months, $1.5-2M

• Identify 4-6 regional priorities for a 20-25 year time period
  – Economic Development (Innovation and Entrepreneurship)
  – Land Use and Transportation
  – Governance and Taxation
  – Sustainability
  – Talent (Education, Immigration, Health)

• For each priority establish:
  – Goals/Vision
  – Milestones/Outcomes
  – Metrics

• Produce a regional report/plan
  – Convene committees around the regional priorities
  – Commission studies for each priority and a regional survey
Phase 3:

- 5-10 years, $2.5-5M/year
- Grassroots promotion
- Implementation
- 5 research/policy directors
- 3 research/policy associates
- Mayors’ council
- Nonprofit council
### Action and Funding Plan:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Duration</th>
<th>Description</th>
</tr>
</thead>
</table>
| $150K  | 3 months | • Meet with 50 people in the region to gauge feasibility - pick them carefully  
• Go to 3 cities that have done this well  
• Chicago  
• New York  
• Portland  
• Pick 4-5 regional leaders to serve on our interim executive committee  
• Lead a BAC delegation to Chicago to meet with the Commercial Club of Chicago and Metropolis Strategies to learn from their success |
| $2mil  | 6-9 months | • Identify 4-6 regional priorities for a 20-25 year time period  
• Economic Development (Innovation and Entrepreneurship)  
• Land Use and Transportation  
• Governance and Taxation  
• Sustainability  
• Talent (Education, Immigration, Health)  
• For each priority establish:  
• Goals/Vision  
• Milestones/Outcomes  
• Metrics  
• Produce a regional report/plan  
• Convene committees around the regional priorities  
• Commission studies for each priority and a regional survey |
| $5mil  | Year 2-5 | • Grassroots promotion  
• Implementation  
• 5 research/policy directors  
• 3 research/policy associates  
• Mayors’ council  
• Nonprofit council |
Governance

**BACF**

**BAC**

**BACEI**

**Governance:**
- BOD: 135
- EC: 40
- LC: 10
  - 100% Business

**Intellectual Capital:**
- CEO
- Office
- HR / CFO
- Staff

**Governance:**
- BOARD OF TRUSTEES (STRATEGY): 58
  - 29% Business
  - 19% Non-Profit
  - 19% Academia
  - 31% Government
  - 2% Foundations

**IDEAL BOARD:**
- 10
  - 60% Business
  - 10% Non-Profit
  - 10% Academia
  - 10% Government
  - 10% Foundations
Leadership: Interim Executive Board

• Elon Musk, Tesla
• Tom Steyer, Center for the Next Generation
• Carl Bass, Autodesk
• John L. Hennessy, President of Stanford
• Nicholas B. Dirks, UC Berkeley Chancellor
• Jack Dorsey, Twitter, Square
• Marc Benioff, Salesforce
• Sergey Brin, Google
• Paul Brest, Stanford Law School, Former Hewlett Foundation President
• Dick Rosenberg, Bank of America
• Gary Rodgers, Dreyer’s Ice Cream
• Peter Magowan, former Chairman and CEO of Safeway

• Craig Sullivan, Clorox
• Dick Kovacevich, Wells Fargo
• Suzie Tompkins-Buell, Esprit
• Don Perata, former Pres Pro Tem, CA State Senate
• Willie Brown, Former SF Mayor
Potential Funders

• Community Foundations
  – Marin Community Foundation, Tom Peters
  – Silicon Valley Community Foundation, Emmett Carson
  – San Francisco Foundation, Sandra Hernandez
  – East Bay Community Foundation, Nicole Taylor

• Local Private Foundations
  – Hewlett Foundation
  – Packard Foundation
  – Moore Foundation
  – Goldman Family
    • John and Marcia Goldman
    • Lisa and Douglas Goldman
  – Haas Family
    • Evelyn and Walter Haas Jr.
    • Walter and Elise Haas
    • Mimi and Peter Haas
  – Fisher Family
    • Doris and Donald Fisher Fund
Bay Area Council Economic Institute
President’s Report
March 2013

Since last Fall the Economic Institute has released the three reports or studies:

**Completed Economic and Policy Reports**

*Global Green Cities of the 21st Century*

Summarizes the findings of the Institute’s February 2011 Global Green Cities international symposium (October 2012).

*Bay Area Regional Economic Assessment*

Produced for the Joint Policy Committee of regional government agencies (MTC, ABAG, BCDC and BAAQMD) and leaders in the region’s business and economic development community, the study assesses the state of the region’s economy, analyzes the drivers and inhibitors of jobs and economic growth, and makes recommendations for regional economic strategy. The Assessment will lead to further analytical work under a new federal HUD grant administered by MTC that will generate approximately $80,000 in revenue, and provides a framework for closer dialogue between government agencies and business on regional economic priorities. It also sets the stage for a public-private debate on regional governance, in which the Council and the Institute are expected to play a central role. (October 2012).

**Completed Economic Impact and Contracted Studies**

*San Mateo County Economic Development Association (SAMCEDA)*

Provides economic and labor market analysis specific to San Mateo County (September 2012).

A number of other reports are underway and nearing completion:

**Economic and Policy Reports in Progress**

*International Trade and the Bay Area Economy*

Produced in alternating years, this report assesses the state of international trade in the region, including perspectives of the global economy, the global trading environment,
international trade negotiations, the degree of dependence of major Bay Area-headquartered companies on global markets, and issues concerning trade infrastructure. Sponsors include Wells Fargo, the Port of Oakland and SFO. Release is expected in March.

**Public-Private Partnerships/BART**

Produced for BART in partnership with a Peyser Associates, consulting team on the East Coast, the report evaluates opportunity for BART to make greater use of public-private partnerships to expand and improve its system. Completion is expected in March.

**Public-Private Partnerships/San Francisco VA**

Produced for the San Francisco Veterans Administration Medical Center and its affiliated center NCIRE, the report builds on the Institute’s continuing work on the use of public-private partnerships to develop California infrastructure. An Institute-led team is comprehensively assessing the financial and real estate considerations that would enable the VA to relocate a substantial part of its current facilities from the Presidio to a portion of the Salesforce property in Mission Bay, adding to the synergy of the Mission Bay life science complex. Funding is being provided by contributions from personal and corporate foundations with an interest in veterans affairs. Completion of the first of two phases is expected in March.

**Public Private Partnerships/UC Berkeley-LBNL Richmond Campus**

At the request of UC Berkeley and Lawrence Berkeley National Laboratory the Institute is drafting a high-level assessment of the potential for UC Berkeley and Lawrence Livermore National Laboratory to use public-private partnerships to build all or a substantial portion of their new Richmond campus. The initial assessment will be completed in March. Based on that presentation, Berkeley and LBNL may request a more in-depth analysis similar to what is being prepared for the VA.

**Economic Links to China**

Work is underway on a five-year update of the Institute’s 2006 report on the Bay Area’s economic ties to China. Since its publication, the first edition has gone through three printings and is currently out of print. The new edition will comprehensively update the original study, and addresses new issues in the relationship. The report will be based primarily on interviews with Bay Area and Chinese companies and organizations. Current sponsors include Deloitte, Pillsbury Winthrop, the Port of Oakland, SFO, Silicon Valley Bank, and SOM (Skidmore, Owings & Merrill) and Jeffrey Heller. Release is expected in May 2013.
Economic Ties with Europe

The Institute has been awarded a grant by the European Commission to analyze Europe’s economic ties with the Bay Area. The project will extend over 18 months and include two major components: 1) an in-depth study, and 2) a series of public forums. To date, matching funds are being provided by Bank of the West and SFO and additional partners are being solicited. This will be a major undertaking, involving 27 countries and their businesses. Fifteen European Consuls-General wrote letters to the European Commission supporting the Institute’s proposal and committing to work with us. The report will largely focus on investment, and provide an opportunity to engage the large number of European companies that have established a presence in the region. Work is underway, and will continue through June 2014.

Higher Education

The Institute is developing a white paper on the reforms necessary in California’s higher education system to meet the demands of a 21st Century economy but in which public funds are limited. A diverse advisory committee of university and industry experts has been created to support the project and drafting is underway. Completion is expected in May.

Economic Impact and Contracted Studies in Progress

Tech Works

A contracted study for Hattery Labs, this is a national-level analysis of patterns of the high-tech economy. Phase 1, focusing on high-tech employment, was released in December and has received national media attention. Phase 2, on high-tech startups, will be completed in March.

Entrepreneurship/UC Berkeley

A contracted study by UC Berkeley to document the economic impact of Berkeley graduates who have become entrepreneurs. Completion is expected in March.

SFO

SFO has contracted with the Institute to provide independent review of an economic impact study being prepared for the airport. Completion is expected in April.
Hotel Council of San Francisco

The Hotels Council has contracted with the Institute for an economic impact analysis of the hotel industry in San Francisco, including patterns of employee mobility (residence) and compensation. Completion is expected in March.

Observations

The P3 Project Portfolio

As you might note from the VA, BART and UC projects described above, the Institute remains actively involved in the California discussion on public-private partnerships (P3). We are actively engaged with the Governor’s Office on how to structure a more effective state-level P3 process. This dovetails with the leading role that the Institute has been asked to play in the California Economic Summit on infrastructure finance. We have also moved on into short and specific project opportunities in the Bay Area that can deliver important benefits for the community. The two immediate vehicles are the studies underway for BART and the San Francisco VA. I am particularly excited about the VA study, which has the potential to launch a project – the building of major new facility at Mission Bay – with large economic and social impacts. In contrast our normal policy work, this project could one day lead to “steel in the ground”. Our current project team includes Table Rock Capital, G&S Realty Ventures, KPMG, Goldman Sachs, Arup, Cannon Design, Hanson-Bridgett and SNR Denton.

Following on the model developed for the VA, an Institute team has also been asked by UC Berkeley and Lawrence Berkeley National Laboratory to advise on how P3 methods could be used to accelerate development of the new LBNL-Berkeley second campus in Richmond. It appears that our input will be central to the development course they choose. Should that discussion advance, it will present another opportunity for the Institute to support the development of the region’s physical and social infrastructure.

Economic Strategy and Governance

The Regional Economic Assessment report produced for the JPC and regional business leaders was unique in its public-private funding (50/50), and its potential to catalyze a better dialogue between government, business and other stakeholders around economic strategy. Our presentations at both government and non-governmental forums have particularly focused on its recommendations. This ties into current discussions in the JPC regarding the role it should play in supporting regional economic development, into proposed legislation by State Senator Mark DeSaulnier that would require the JPC to develop an economic strategy, and into thinking in the business and economic development community on the need for a more cohesive regional
strategy. Governance has always been a difficult topic in the Bay Area, and the region has never had anything close to an integrated perspective, so it is a challenging conversation. However, the Institute’s study has opened a door, key parties are engaged, and there is a better opportunity now than there has been in many years to move the conversation forward.

Sean Randolph
President & CEO
Directions to Deloitte LLP
555 Mission Street
San Francisco, CA 94105

From Oakland/East Bay:

1. Head towards I-80 West to the Bay Bridge
2. Take I-80 West across the Bay Bridge
3. Take the Fremont Street exit
4. Merge onto Fremont Street
5. Turn left onto Mission Street

555 Mission Street will be on your left side.
From the South Bay/Peninsula

1. Take 101 NORTH towards San Francisco
2. Take I-80 towards the Bay Bridge
3. Take I-80 EAST (signs for the Bay Bridge/Oakland)
4. Take the Exit for Fourth Street
5. Take a slight left onto Bryant Street
6. Turn left onto 3rd Street
7. Turn right onto Mission Street

555 Mission Street will be on your right side.

From the North Bay/Marin

1. Take 1 South towards the Golden Gate Bridge
2. Cross the Golden Gate Bridge and continue onto US-101
3. Take a slight left onto Lombard Street
4. Turn right onto Van Ness Avenue
5. Turn left onto Bush Street
6. Continue onto 1st Street
7. Turn right onto Mission Street

555 Mission Street will be on your left side.

If you are taking BART,

1. Get off at the Montgomery Street
2. Take escalator up to street level (Market Street)
3. Once on Market Street, walk towards Ecker Street (It’s more of a walkway than a street. The walkway is by a Chipotle’ restaurant.)
4. Right on Mission Street

555 Mission Street will be on your left side.
***The following rates were accurate as of 1/2012. Please contact the garage for updated information.***

**Parking**

1. 101 2nd St. $2.00 first hr, $8.00 for 4 hrs., $20 maximum. No monthly parking. Open 7a-7p M-F.

2. 560 Mission St (½ block away). $2.42 for 1 hr., $9.68 for 1-4 hrs., $24.20 maximum. No monthly parking. Open 4a-8p M-F.

3. 85 2nd St (½ block away). $5.00 for 20 minutes, $34 for 12 hours, $10 overnight. No monthly parking. Open 6a-10p M-F, 8a-6p Sat.

4. 55 2nd St (½ block away). $2.50 for 1 hr. $8.50 for 4 hrs. $21.25 all day. **$425 monthly. Open 6a-8p M-F.**

5. Palace Garage on Stevenson and 2nd (1½ blocks away). $8 for 1 hr, $18 for 2, $28 for 3 hrs., $38 for 9 hrs., $48 for 24 hrs., no monthly parking. Open 24 hrs.

6. 455 Market St (2 blocks away). $5 for ½ hr., $10 for 1 hr., $28 maximum. **$425 monthly. Open 6a-8p M-F.**

7. Paramount Garage, 680 Mission St. (1 block away). Flat rate: $30 per day. **$375 monthly. Open 24 hrs.**

8. Standard Parking, 100 1st St. (½ block away). $12 per hr., $30 maximum, $22 early bird (in by 9a, out by 6p), **$425 monthly. Open 6a-10p M-F.**

9. 50 Fremont Garage. $12 for 1 hr., $32 daily. No monthly parking.

10. Hearst Parking Center, 45 3rd St. (3½ blocks away). $2.50 for 20 min. $23 maximum. **$300 monthly. Open 5a-12a M-F, 6a-12a Sat, 10a-10p Sun.**

11. SFMOMA Garage at 147 Minna St (3 blocks away). $11 for 4 hrs, $23 for 10 hrs, $30 for 24 hrs. **$340 monthly. Open 7a-11p M-Sat, 9a-11p Sun.**

12. Lot on Howard and 2nd (3½ blocks away). $20 daily rate. **$325 monthly ($400 for large SUV). Open 7a-12a M-F (6a Sat, 9a-6p Sun).**

13. 55 Hawthorne St (4 blocks away). $2.50 each 15 min., $25 for 12 hrs., $30 for 24 hrs. **Open 6a-7p M-F.**