

Networks Northwest
CEO's Report, December 2014 – February 2015
(Items that are not on the board agenda but are worth noting)

One More Hurdle Gone

Perhaps our last big hurdle has been successfully removed for formal acknowledgment of the regional prosperity board in meeting all federal requirements, specifically those of a Workforce Development Board by US Dept. of Labor and those of an Economic Development Administration (EDA) Board by the US Dept. of Commerce. EDA's previous requirements were in direct opposition to those of DOL, by requiring a majority public sector board rather than a majority private sector board. Thanks to great work by Governor Snyder's office and our own Matt McCauley, EDA has now released its new rules removing their restriction.

Michigan Works Training Directions

As you have probably noticed in Janie's board reports, we continue to explore more non-traditional training approaches for the unemployed and also for incumbent workers. Increasingly, our emphasis is on blending some classroom work with some on-the-job work, on an individualized or small group basis. This seems to be a successful method for most people and for many occupations. It also gives the employers a great opportunity to have much more direct input into the content and methodologies of the training. We also continue to do our just-in-time trainings in response to labor market demand. These are short-term, intensive, customized trainings for which a group of companies designs the content. Our most current one is for industrial sewers, serving Armor Express and a number of other companies.

One bit of exciting news is that we received a small grant of \$65,000 to do 25 scholarships for Career-Tech high school seniors for transition into post-secondary training combined with on-the-job occupational learning. Our primary goals are to:

- Create customized models for combination of school & work-based learning that carry forward from senior year of high school to occupational degrees or certifications and long-term employment;
- Formalize partnerships among schools, students, parents and employers for shared commitment to the successful transition into middle-skill jobs;
- Bring positive attention to the great career opportunities available through Career-Tech education;
- Retain talented young adults in the region.

We'll have more information as the year progresses.

Web Site Advancements

We are continually looking for ways to enhance our web site and make it friendlier to use. Four recent enhancements I want to point out are listed here.

- Our web site can now be readily translated into other languages by the user.
- We have a special page to attract Veterans to our services and to highlight special activities we do for Veterans.
- We will soon have an interactive transportation/construction page where people can identify local road construction projects underway and determine alternate routes, ride-sharing opportunities, etc. This should become important this spring-fall as our region will see several large road improvement projects that will create serious traffic problems.
- We can now accept donations to our Beaver Island Lighthouse School via the web site. This is part of a larger effort just getting started to attract private funds to support the school.

Adult Ed

We continue our adult education distance learning pilot for the state through our Michigan Works Learning Labs. In our rural area it is often difficult for people to get to one of our seven labs, so we have been experimenting with distance learning options that include “check in” times in person with a teacher. Now the state has given us another element to the pilot: 20 computer tablets to loan out to students who lack the equipment at home to access the distance learning option.

Staff Activities & Recognitions

Every single day, I am reminded about and thankful for our fantastic staff! We had a rare all-staff meeting on November 4 during which we did a lot of useful cross-functional communication and identified our organizational values that run through all our activities. You saw those results in your December board materials.

At the annual Grand Traverse County-MI Township Association Awards dinner on November 6, Sarah Lucas was honored with the Roger Williams Planner Award for her work in housing. Sarah’s contributions to the region’s housing initiatives were highlighted. What a well-deserved recognition! It was really fun to witness Sarah being surprised by this award.

On November 10, Janie McNabb and Northwest Michigan Works! were honored with the Partnership Award from Goodwill at their annual awards luncheon. Janie has developed an outstanding partnership with Goodwill to implement training programs for special populations, who are so wonderfully served by Goodwill in multiple ways.

Presentation

I made a fairly in-depth presentation at a one-day conference entitled “A View from the Regions” on November 13 in Lansing, about our region’s transition to a public-private prosperity board and role of the board in regional prosperity planning. Other presenters were Chris Harkins of DTMB, Steve Arwood of MEDC, and Ben Damerow of Upjohn Institute.

Upjohn is the private non-profit entity that administers and delivers all Michigan Works and Regional Planning for the four-county area of Kalamazoo, St. Joseph, Calhoun and Branch Counties. The latter two counties recently merged with the others, and one former Michigan Works Agency was eliminated. The area’s Regional Planning agency was also recently re-formed in the same four-county configuration. These four counties represent 4/7 of Prosperity Region 8. Barry County, which had previously been affiliated with Calhoun and Branch for both Michigan Works and Regional Planning, joined the Grand Rapids area as part of Prosperity Region 4. This is one of the first examples of agencies re-aligning themselves to the new prosperity regions.

Board Orientation Sessions

During October I held six different half-day board orientation sessions. The content and timing were expanded based on suggestions from other board members. My thanks to the many board members who took time out of their busy schedules to attend one of these sessions. The feedback was very positive. We’ll be holding another orientation session on Monday, February 23 from 9-noon at the Networks Northwest office. If you have not yet attended one, please plan to catch this one. You’ll receive a notice via e-mail.

SBDC Partnership

I'm happy to report that we have a new partner for our Small Business Development Center (SBDC), which is Baker College of Cadillac. Baker joins Northwestern Michigan College as our primary funding and service delivery partners for this important economic development service. We must raise 100% matching funds for this program, which is difficult to say the least! But these two educational institutions are thoroughly engaged in incorporating SBDC services into their bigger picture of business enhancement activities, so it's a great fit and partnership. We also receive some small amounts of matching funds from various banks, credit unions and businesses; however the larger partnerships are crucial to the program's success.

Other SBDC News

We have two other big items to report about our Small Business Development Center (SBDC). Mary Rogers left at the end of December and I have promoted Annie Olds to be the SBDC Regional Director. Annie is a well-respected SBDC Business Consultant and very experienced in the program. She will be a great leader! We'll be "replacing" Annie with either one full time or two part time business consultants.

We have three SBDC trainings coming up starting in February. For the next several weeks we're offering a comprehensive Agripreneur training series for entrepreneurs who have a food or farming business getting started or expanding. We're doing this in partnership with MSU Extension's Product Development Center. Also on the docket are our *Starting a Business* class in Cadillac for entrepreneurs just getting started, and our *Know Your Numbers: Five Keys to Using Financial Statements to Maximize Cash Flow and Increase Access to Capital* workshop in Traverse City. This latter workshop is for any business owner, manager, and key staff who want to have a better understanding of their financial statements and how to use them in making business decisions. It covers how to identify opportunities and challenges with your balance sheet and income statement, proven ways to increase cash flow, applying breakeven analysis in decision making, and more.

Other Upcoming Business Trainings

Also coming up on February 19 are two trainings through our Procurement Technical Assistance Center (PTAC):

- *Doing Business with the State of Michigan* Workshop in Traverse City. This seminar will show how businesses can become state contractors. It will help answer these questions: Does the State buy what I sell? What steps do I take to get started? Who are my competitors? How do I find opportunities? What does a quality proposal look like?
- *Introduction to Federal Government Contracting* in Marquette. This will be followed over two months with *Responding to Federal Government Solicitations* and *Understand the Federal Acquisition Regulations (FAR)*, also in Marquette. The series of three courses is an important first step for companies interested in diversifying their products or markets through government contracts.

See more about both opportunities and others coming up, at:

<http://www.networksnorthwest.org/business/ptac/training-calendar.html#sthash.tvv0cFFt.dpuf>

Global Trade Alliance of Northern MI

We are pleased that our International Trade Manager, Chris Bosio, will be assisting Northern MI companies in four multi-sector trade missions in 2015 through the Council of Great Lakes Governors. They are in the following locations: three cities in Mexico; East Africa; Quebec; Calgary. These missions are open to all companies in the Great Lakes States, Ontario and Québec. See more at:

<http://www.networksnorthwest.org/business/sustainable-business/trade-missions-2015.html#sthash.UmGWJRIg.dpuf>

Regional Prosperity Plan

It's exciting to see Northwest Michigan's first Regional Prosperity Plan being used in a variety of ways across the region. Several communities or counties are actively using it to inform their master plans, recreation plans, economic development strategies, housing conferences, downtown development strategies, and more. Interest and use are increasing each month. And based on the feedback we're receiving, once Benchmarks Northwest and the Economic Dashboard are released, we think even more organizations, businesses, individuals and communities will find benefits, even cost savings, in their use.

Community Events

I'll be attending the Petoskey Chamber of Commerce's Annual Luncheon on Feb. 6, which is always an event I look forward to.

I attended the Traverse City Area Chamber of Commerce annual Economic Breakfast on November 11. One of the speakers this year was Mitch Stapley, Chief Investment Officer for Fifth Third Bank. His presentation on our current and projected 2015 economic status as a state and nation was one of the best I've ever heard. It was thorough, concise and very informative. With his permission, I am attaching his slides for your information. Although his commentary on these slides was the best part, I think you can still get the gist of his message, which was quite positive for our state's economy.

Customer Feedback

We have several methods for obtaining customer feedback including surveys, official performance metrics, letters/phone calls/e-mails, and customer comment forms we make available so people can leave their impressions. Often these comment forms have the most meaning to me because they are optional and completely customer-initiated.

I'd like to quote a recent comment made by a customer from Kalkaska County: "A little over a year ago, as a fish out of water moving to Northern MI from out of state, it was imperative to find a job ASAP. MI Works staff guided me every step of the way in revising my resume, references, updating my skill set to land me the job that would support the career field I'm employed with today. One and ½ years later, with the help of MI Works, I haven't seen a lapse in employment. I feel more secure about my future than ever before because of the resources they provide in continued education through the learning lab. Without MI Works holding my hand through the process, it would have been a long, stressful, lonely road, but they gave me the assurance everything would work out – and it has. Thank you and God bless the MI Works staff!"

Another we received on the same day said the following in response to the question "Which staff member(s) assisted you today?" – "Smiling ones." And in response to the question "Are there any comments or suggestions that you wish to make?" – "A coat hook in the bathroom would be useful."

Made my day! I hope you as board members can feel, through the small examples and data we can give you, what a significant difference our agency makes in the lives of our residents, businesses and communities.

Traverse City Chamber of Commerce

Michigan's Economic Outlook: Not Dead Yet

November 11, 2014

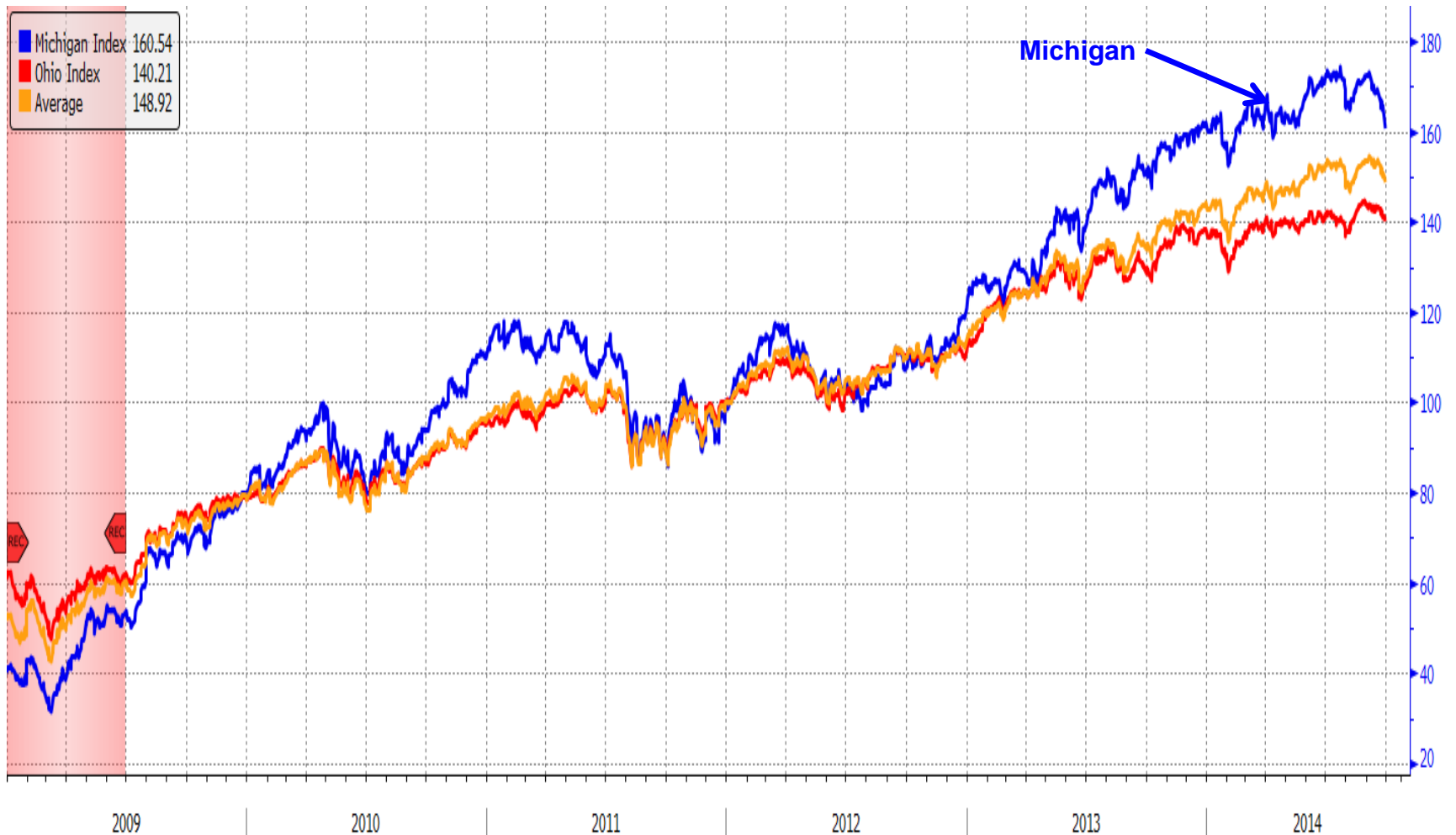
Presented By:

Mitch Stapley, CFA
Chief Investment Officer

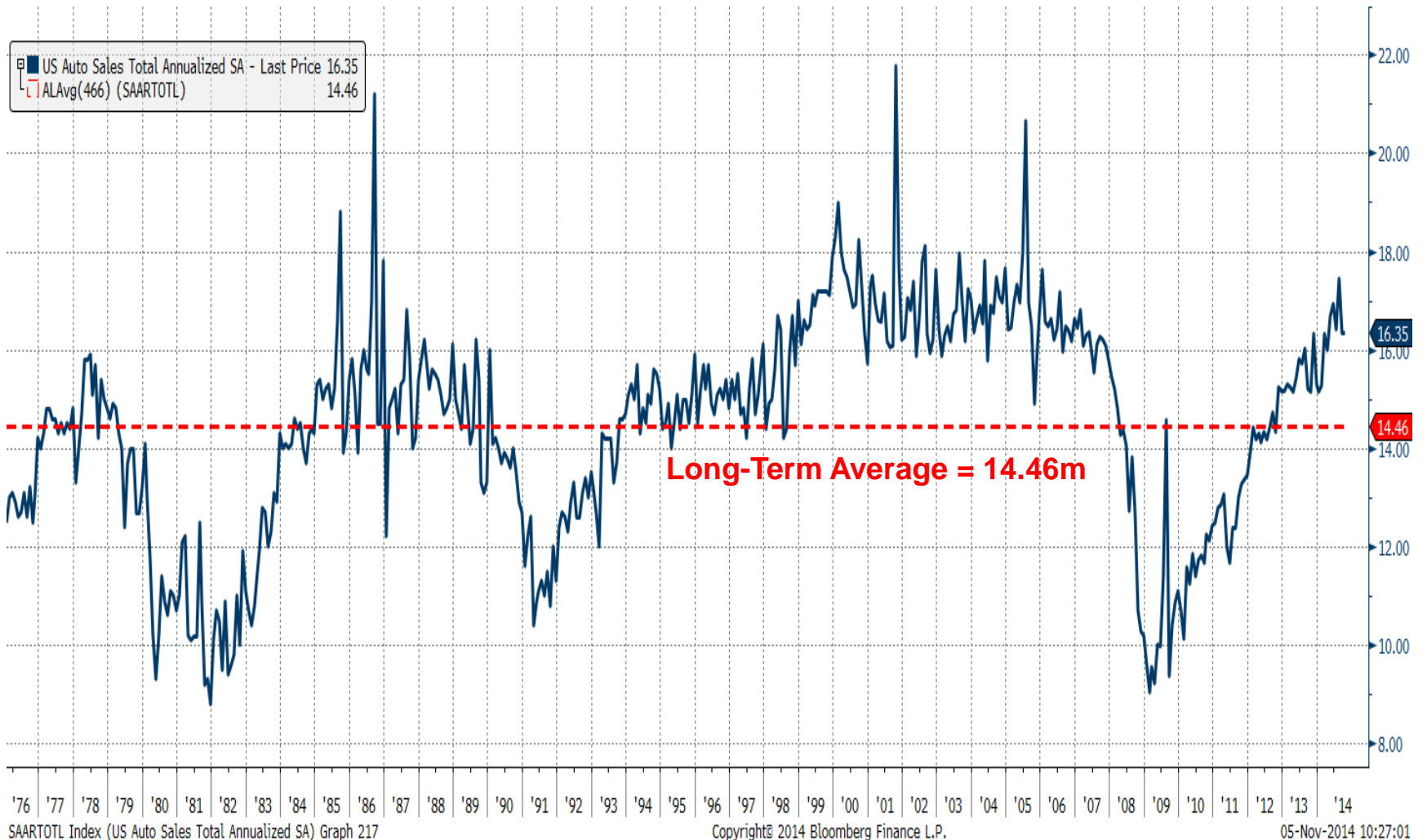
ClearArc
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Michigan Equity Index – Powering Out of the Recession



U.S. Domestic Auto Sales

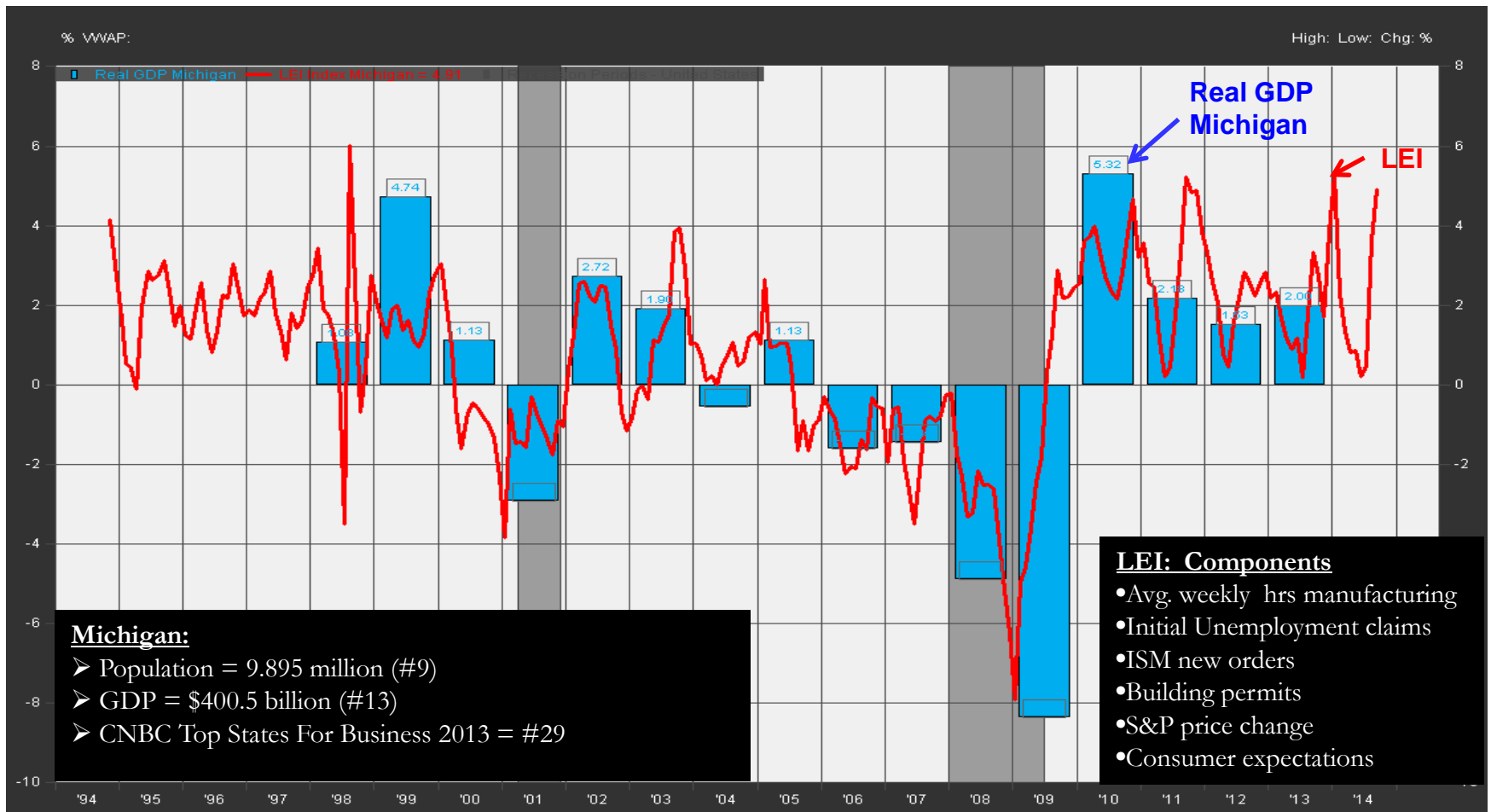


SAARTOTL Index (US Auto Sales Total Annualized SA) Graph 217

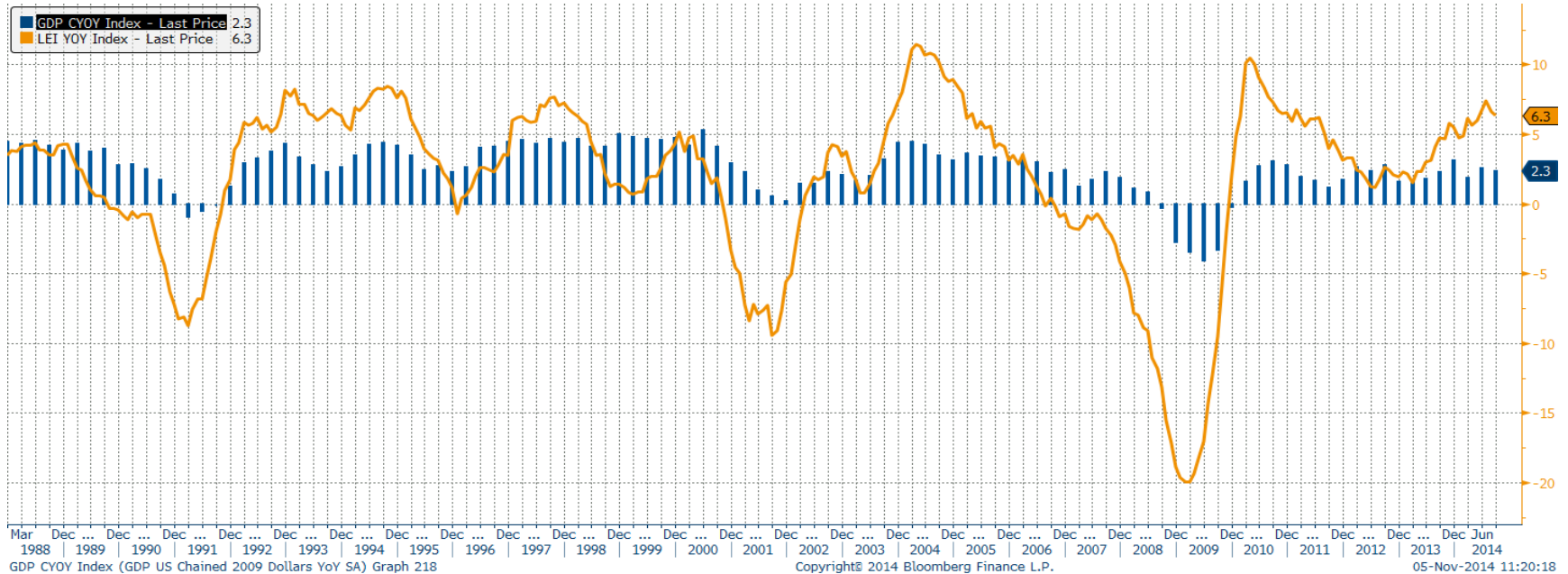
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Michigan GDP and LEI – Rebound Continues

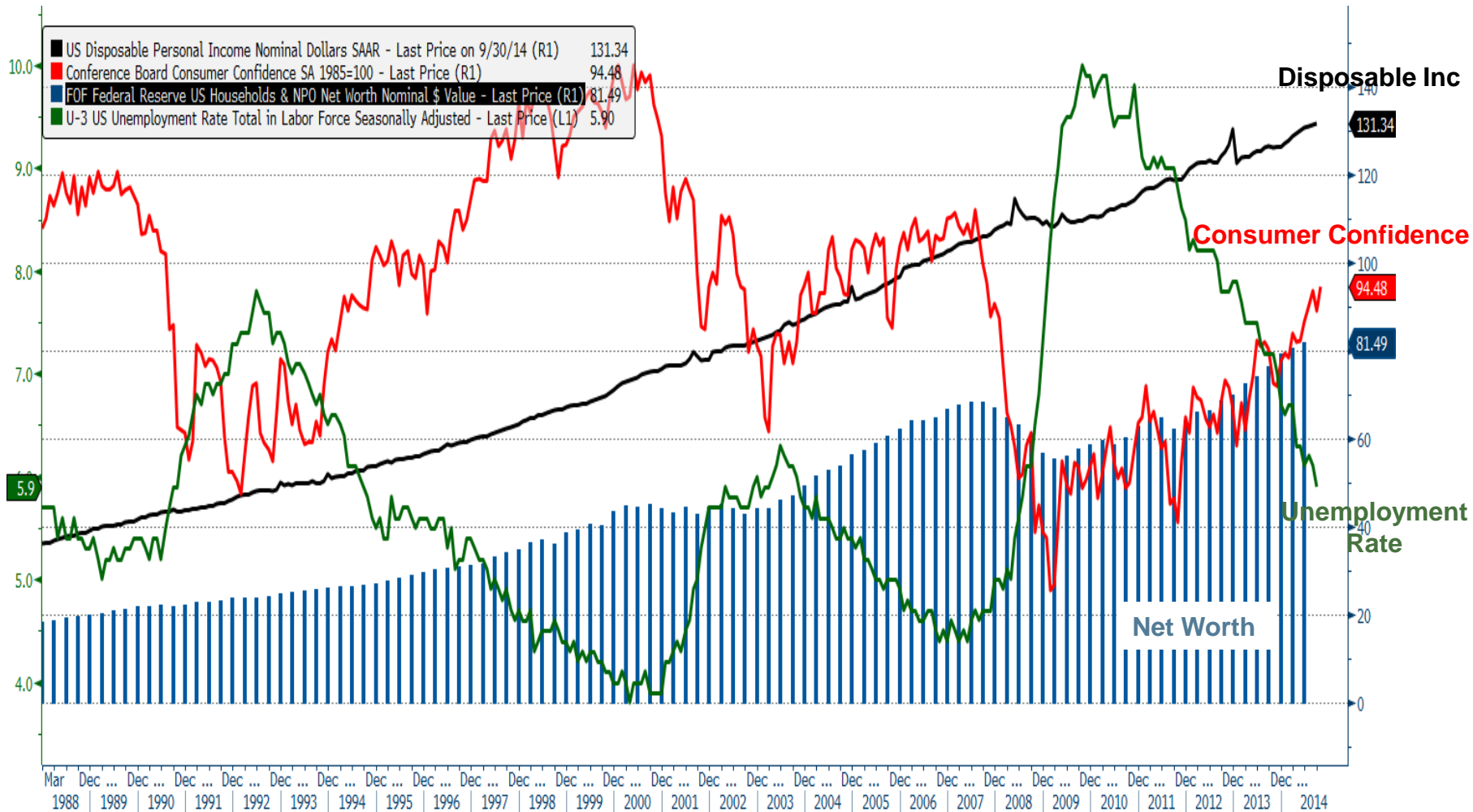


US GDP growth expected to improve pace into 2015



	2012	2013	2Q 2014	2014	2015
Actual annualized Real GDP growth*:	2.4%	1.8%	2.4	2.6	3.2**
Private US Economists:				2.2	3.0
Federal Reserve:				2.1	2.8
World Bank:				2.8	3.0
IMF:				2.2	3.1

Consumer Metrics Improving

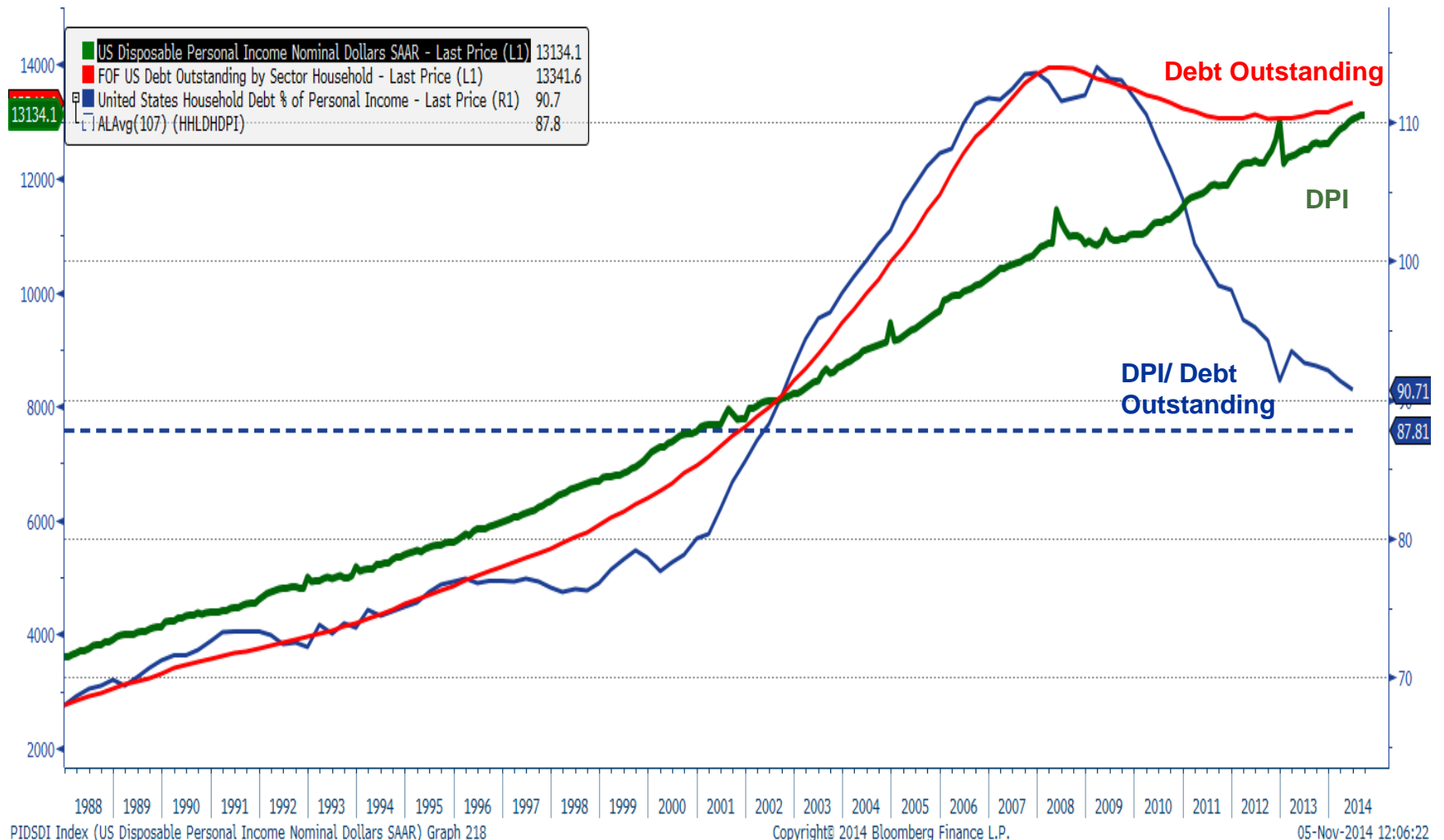


PIDSDI Index (US Disposable Personal Income Nominal Dollars SAAR) Graph 218

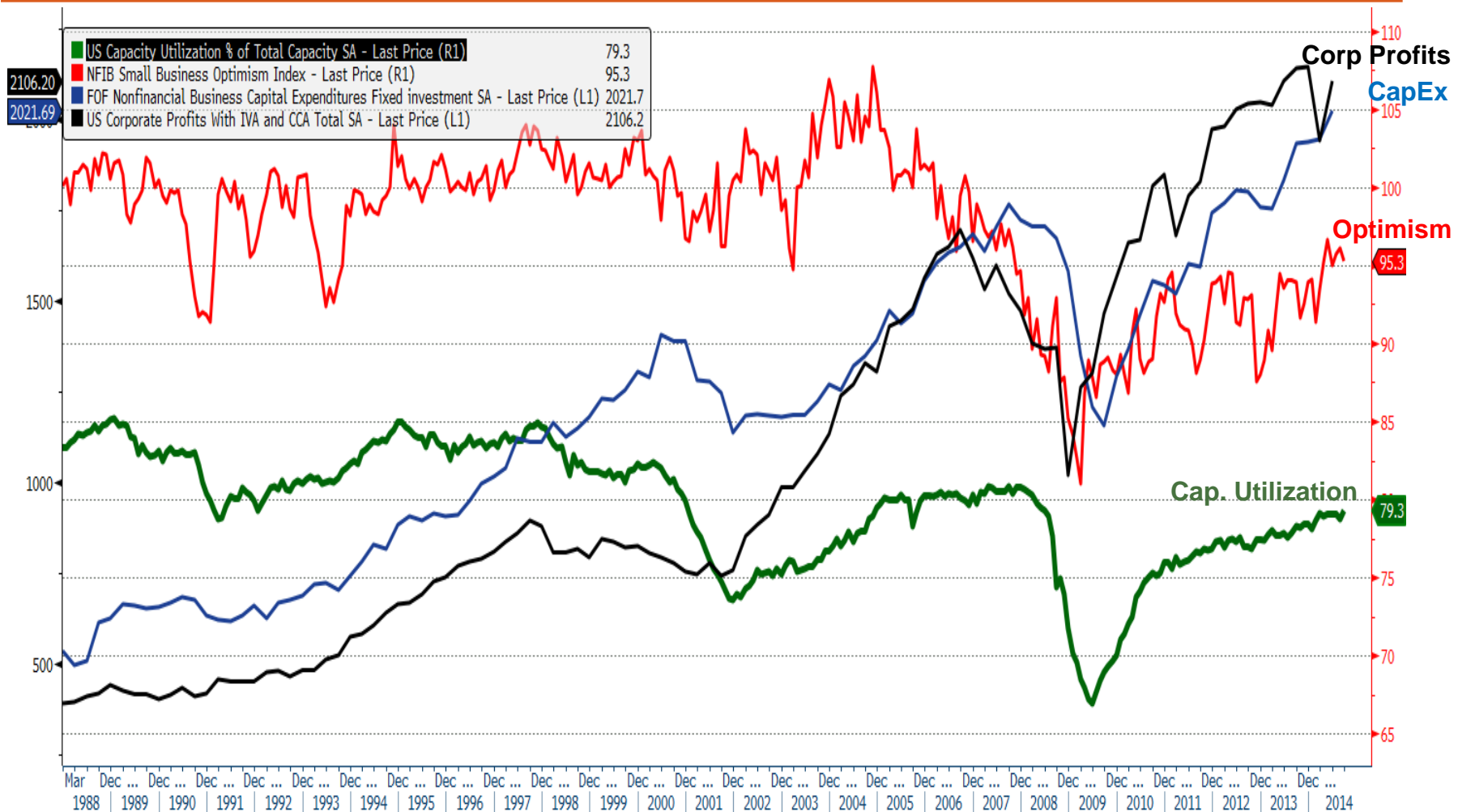
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Consumer Borrowing Turning Up?



Business Metrics Improving As Well

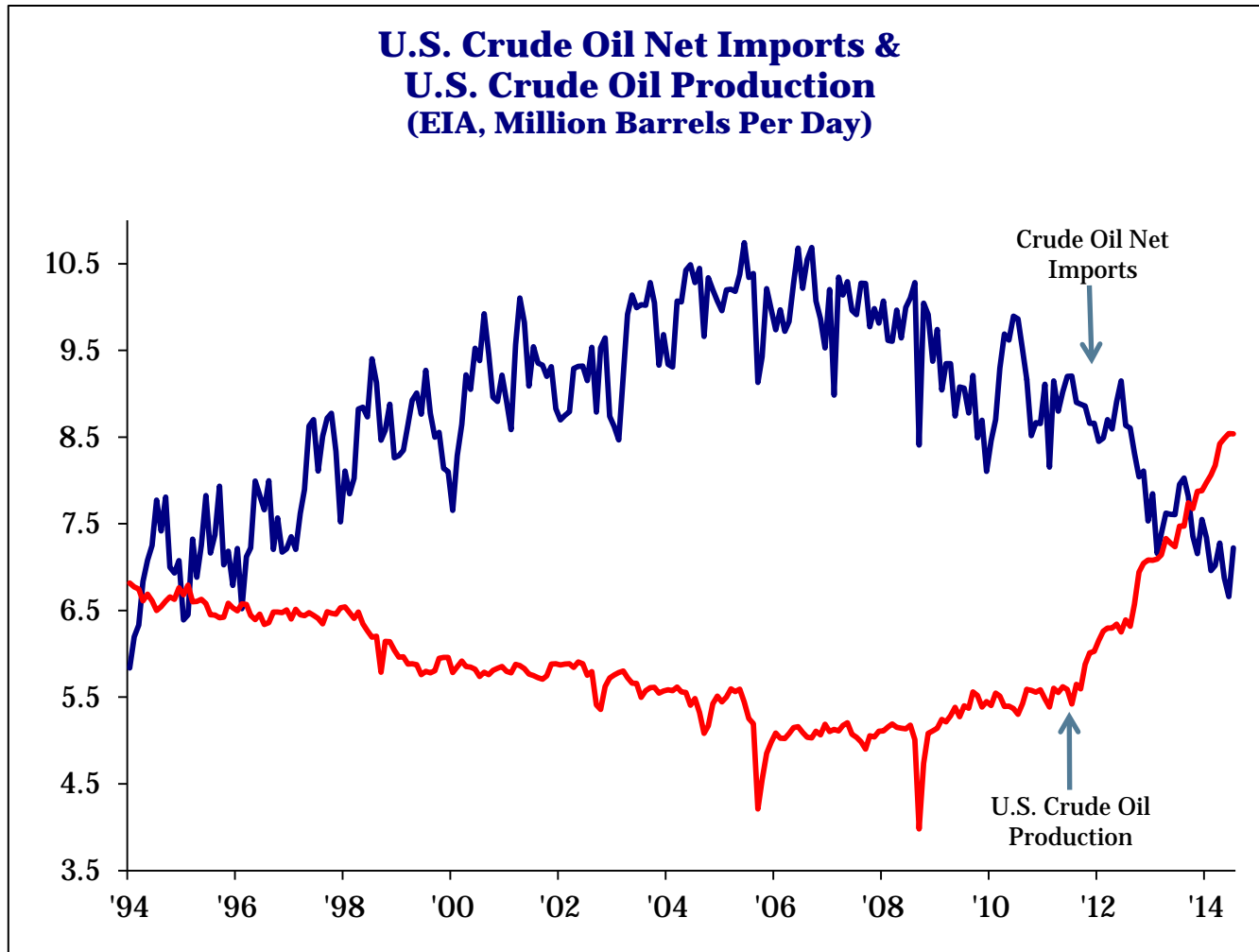


CPTICNG Index (US Capacity Utilization % of Total Capacity SA) Graph 218

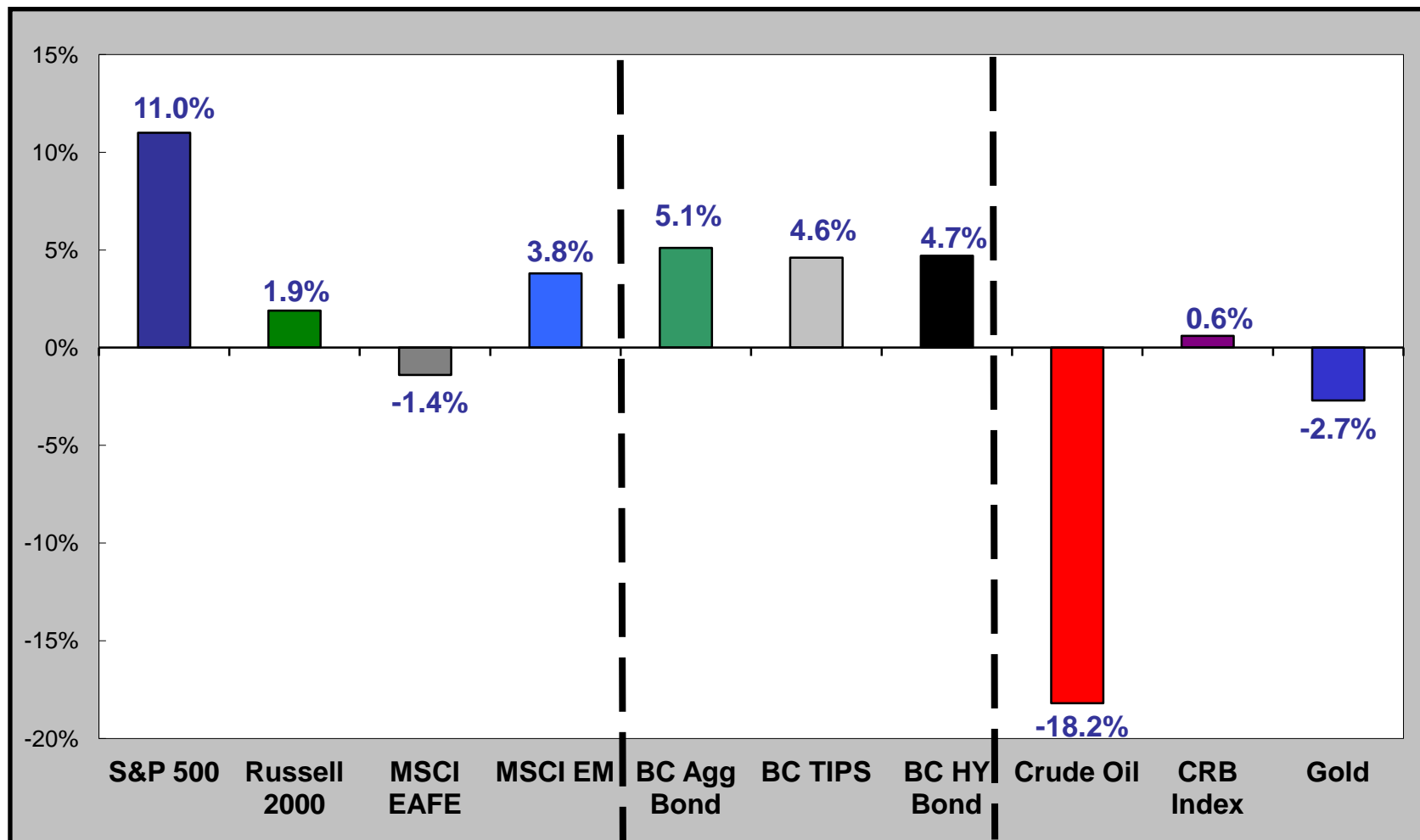
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U.S. Energy Renaissance



2014 YTD Asset Class Total Returns



Valuations of Five Largest Stocks Then vs. Now

5 Largest S&P 500 Companies (March 2000)

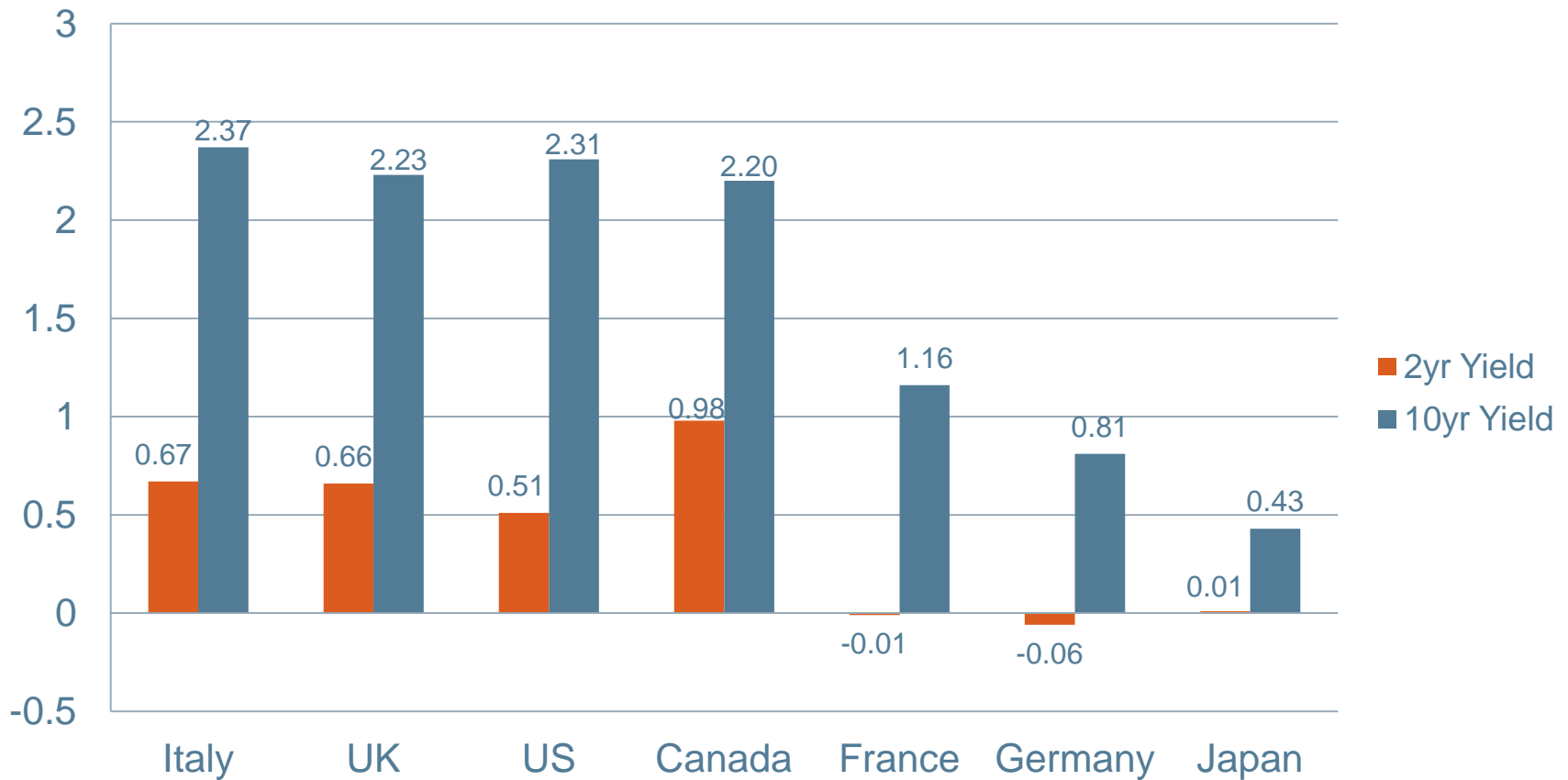
Company		Market Cap (\$BN)	NTM P/E
MSFT	Microsoft	\$553	59.7
CSCO	Cisco	\$538	132.9
GE	General Electric	\$513	41.7
INTC	Intel	\$441	44.8
XOM	Exxon Mobil	\$271	22.0

5 Largest S&P 500 Companies (October 2014)

Company		Market Cap (\$BN)	NTM P/E
AAPL	Apple Inc.	\$641	14.3
XOM	Exxon Mobil	\$406	12.9
MSFT	Microsoft Corporation	\$391	17.0
JNJ	Johnson & Johnson	\$301	18.0
GE	General Electric Company	\$258	15.4

Where do you go for yield?

2yr / 10yr Yield in %



Elevated but not Extreme

Economic Indicators by Decade

	S&P 500 LTM P/E	10-Year Yield	CPI Y/Y	Real GDP SAAR
'50	12.6x	3.0%	2.1%	4.3%
'60	18.1x	4.7%	2.3%	4.5%
'70	12.5x	7.5%	7.1%	3.2%
'80	11.7x	10.6%	5.6%	3.1%
'90	19.5x	6.7%	3.0%	3.2%
'00	20.1x	4.5%	2.6%	1.8%
Long-Term Average	15.7x	5.9%	3.7%	3.3%
Current	17.9x	2.3%	1.7%	2.3%

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