

Present: Tom Barrett, Michael T. Bolger, Gale Klappa, Jim Kreuser, Dick Leinenkugel, Larry Nelson, Carlos Santiago, Carol Schneider, Steve Smith, Dr. Robert Spitzer, Steven Stanbrook, Richard Telfer, John Torinus, Scott VanderSanden, Dan Vrakas, Scott Walker

Absent: Mark Cronce, Michael Grebe, Willie Hines, Lee Holloway, Suzanne Kelley, Dennis Kuester, David Lynch, William McReynolds, Cory Nettles, Phillip Neuenfeldt, Joel Quadracci, Nancy Russell, Mary Ellen Stanek, Herb Tennies, Ed Zore

Staff Present: Dean Amhaus, Julie Granger, Wendy Hauser, Shelley Jurewicz, Pat O'Brien, Jim Paetsch, Mary Patzlaff, Eric Paulsen, Tim Sheehy, Julia Taylor, Marjorie Yoshida, Jim Zehner

Gale Klappa, chairman, president and CEO of Wisconsin Energy Corp. and co-chair of the Milwaukee 7 Council convened the third Milwaukee 7 Council Meeting of 2008.

Christian Barry, General Manager of the Service Lifecycle and Healthcare Institute for GE Healthcare welcomed participants to the GE Healthcare Institute and gave an overview of about the facility:

- 235,000 S/F State-of-the-Art Learning / Conference Center
- \$50MM Complement of Imaging Systems
- 75-room Imaging Center equivalent
- 50,000 Guests/Year
- Technical Education of ~7000/Yr
- Clinical Applications Education of ~1500/Yr
- 100,000 CE Credits/Yr
- 35 Conference Center Rooms

Dan Vrakas, Waukesha County Executive, gave an introduction to the county.

GENERAL UPDATE

Gale Klappa outlined the meeting's agenda. This meeting was focused on giving an update on the continued work to build the competitiveness of the Milwaukee 7 Region in today's global economy. The agenda started with a brief look at Milwaukee 7's accomplishments and bottom-line impact on the region to date. That was then followed by reports on some of the current initiatives and research work underway.

Back in 2005, the landscape of economic development changed in Southeastern Wisconsin with the Milwaukee 7 -- a new collaboration of seven counties formed around a united mission to grow, expand and attract world-class businesses and talent to the region.

Today, the Milwaukee 7's accomplishments are a testament to the power of that regional partnership.

Through the Milwaukee 7:

- We now have a signed compact that promotes a regional approach to economic development
- We have an economic development strategy and the team and tools in place to carry it out
- We have a single regional point of service for companies looking to expand or relocate in the region
- And we have a forum to bring the region together to address issues and improve our competitiveness

But these are just the beginning. As we refine our strategies to identify our best industry and company-specific expansion and attraction prospects, we're also investing in new ways to look at the region -- through research and development efforts like the work from Deloitte and the Water Council you'll hear more about later.

The bottom line is that M7 is making a difference. Our investors' contributions of \$6.4M have produced a \$270M return in annual **ONGOING** payroll - and created or retained more than 3,000 jobs via our wins in the region.

Prospects	30
Wins	12
Jobs created/retained	3,180
Direct/indirect annual payroll	\$270,300,000
5 year investor contributions	\$5,421,000
5 year in-kind investment	\$1,045,000

Another important part of those wins are the leveraged dollars they produce. The region's 12 wins have leveraged an additional \$9.4M in direct public sector investment for the region.

Federal earmarks	\$1,600,000
State tax credits	\$1,000,000
Other state assistance	\$1,600,000
TIF	\$5,000,000
Other municipal assistance	\$200,000
TOTAL	\$9,400,000

In addition, we've leveraged more than \$40M in investments to make the Milwaukee Region stronger and a more attractive place to do business. A prime example is the \$5.1M federal WIRED grant that is being used to spur innovative workforce training and capacity building solutions in the region.

- \$5.1 million WIRED grant from U.S. Dept. of Labor
- \$8 million (pending) EB-5 Investment Zone
- \$7.8 million expansion of Angel and Early Stage Seed Tax Credit
- \$1 million Film Wisconsin Tax Credit
- \$1 million for capacity increase in Amtrak Hiawatha Line (MKE to CHI)
- \$10 million for UWM Growth Agenda
- \$10 million for GE Scanner for MCW Translational Research Facility
- \$400,000 for WMEP staff expansion

The structure of M7 supports our core mission of moving the region forward through new business starts and business retention, expansion and attraction. As we approach our new funding cycle, we are cognizant of the challenges of the economy but realize this is no time to pull back on our efforts. We need to stay on the offensive and focus M7's resources where we add the most value.



With that, we moved on in the agenda for reports on some of our latest business development and research work.

BizStarts Milwaukee

First is an introduction to BizStarts, a tremendous new resource in the region to kick-start entrepreneurship and fast-track start ups. This new organization is a great example of a group taking the ball and running with it within the strategic framework of the Milwaukee 7 -- by taking the lead and creating a foundation for a stronger entrepreneurial climate in the region.

Gale Klappa introduced John Torinus, M7 council member, BizStarts president, and chairman of Serigraph in West Bend.

BizStarts Milwaukee is a new non-profit organization dedicated to helping create a vibrant, innovative and prosperous entrepreneurial business climate in the M7 region by inspiring, nurturing, connecting and celebrating entrepreneurs and their companies. Will have 5 volunteer staffers to start-up. Volunteers come from WE Energies, MEDC, and GMC.

- **BizBuzz:** Develop a significantly stronger entrepreneurial climate in the Milwaukee 7 region by promoting entrepreneurship and innovation.
- **BizLearn:** Advocate for an increase in entrepreneur courses, experiences, events and programming at schools K-16. Connect K-12 to universities, i.e. Project Lead the Way for STEM
- **Venture Track:** Create an infrastructure specifically designed to nurture, mentor & grow innovative, fast growing companies. "Merlin's Mentors" and "Fast Track" (10 week course, thesis at the end is a thoroughly vetted business plan). Kick off in two weeks.
- **BizConnect:** Connect entrepreneurs to the right resources online and at networking events. Become known as the "go to" website portal for entrepreneurs in Southeast Wisconsin. First event is December 9 @ 4:30 at MSOE.

Metric: 50 companies by the end of 2010. Must be partially funded by outside source. Have 6 so far, possible 2 more coming out of the Medical College.

Need:

- More Angels
- Sponsors
- Volunteers for initiatives
- Mentors for "Merlin's Mentors"

If interested, contact Penny Scheuerman (penny.scheuerman@we-energies.com) or John Torinus (jbt01@serigraph.com) .

FINANCIAL SERVICES SUMMARY

The M7 CEO Call Program has been an important barometer of the broader business issues facing companies in the region. The most recent call program targeted financial services companies, the region's second largest driver industry. Presenting a preview of the findings was Dr. Sammis White, professor of urban planning and director of the Center for Workforce Development at UW-Milwaukee.

SCOPE: The CEO Call Program for financial services was undertaken in the summer and fall of 2008. CEOs were asked a series of questions about their businesses and the region. Some calls preceded the financial meltdown and others followed. Originally, more than 160 firms were identified in this sector for the Milwaukee 7 region. That list was pared down in an effort to focus on firms more likely to bring income into the region.

Financial services firms targeted:

- Money management
- Investment analysis
- IT solutions for financial services
- Insurance
- Investment banking
- Other

About the Respondents

- 50 firms targeted: regional income producers

- 32 interviewed (64% completion rate)
- Respondents employ 8,200/region – 36,700/global
- 77% headquartered here
- 88% get half or more of revenue from outside the region
- Nearly all respondents are located here because they were founded here (i.e., did not relocate here)
- Firm responses suggest vibrancy:
 - 54% added employment in last 12 months
 - 69% are more profitable than 3 years ago
- Some respondents are industry leaders with national visibility in their markets

TALENT DRIVES SUCCESS: The needs and challenges of the firms visited vary widely, although all depend on talent for success. Some of the firms can only succeed if they are able to attract top talent from national and international markets. Others can succeed largely with regional talent. Regardless, talent is the single factor that most often influenced responses.

Financial services firms that compete globally, for example, in money management or investment analysis from the Milwaukee 7 region have to work very hard to succeed, given their location away from large financial centers. Talent attraction is a huge issue, as is credibility as a Milwaukee-based firm. Whether it is money management or investment analysis, other larger cities are thought of as the first and only choices by both talent and financial services customers.

One strategy that some firms have used to attract world-class talent is to allow that talent to live wherever in the world it wishes. Advanced communication technologies make this strategy possible by eliminating geographic distance as a barrier to getting things done. The gain for the region is a more successful firm, but we do not reap the benefits that accompany the presence of more high-wage professional talent.

Key Finding: Talent is the lifeblood of most financial services firms

- Competition for talent is intense and often global in scope
- Talent attraction and marketplace credibility limit growth of Milwaukee-based firms

HISTORICAL TIES: The vast majority of the financial services firms we visited are located in the region because they were founded here many years ago or they were spun-off from local firms. In many instances, firm management enjoys the region and does not want to move. In others, local ties are so strong that they cannot move. But hearing of their struggles gave the impression that some believe doing business would be easier in a more traditional financial services stronghold.

GROWING OUR OWN: Several respondents mentioned that the only way to grow the financial services sector in the region is to encourage new firms to start here, usually via spin-offs from existing firms. Attraction is just too difficult. Attention should be given to making spin-offs and firm growth easier to accomplish.

ONEROUS TAX CLIMATE FOR HIGH-INCOME PROFESSIONALS: Talent attraction is made all the more difficult by burdensome personal taxes. When asked to rate the state tax climate on a five-point scale (1 = Poor, 5 = Excellent), the average response was 1.7. The state income tax was noted repeatedly as the major culprit. This is a substantial barrier to attracting top-tier, well-paid talent, and often requires firms to pay salaries above market rates to offset the tax hit.

AIR TRAVEL DIFFICULTY: Air travel to and from Milwaukee is an increasingly difficult proposition for financial services professionals, many who fly extensively. Firms that cannot get their people to key business destinations respond by putting more personnel in satellite offices in other locales.

BENEFITS OF A REGIONAL LOCATION: Respondents identified several positives of being located in the region, including high quality of life (workers who come here often stay), strong work ethic, quality higher education, and our proximity to Chicago. When asked directly, however, more than half could not identify any regional characteristic that contributed to their profitability.

Other Findings

- Current market conditions will severely limit growth
- High state income tax negatively impacts recruitment for high-pay jobs
- Direct air service is essential

BOTTOM LINE: Financial services is not a sector on which the Milwaukee 7 should concentrate particular attention for growth. Many of the firms already here will likely continue to succeed here. But the region is a challenging place from which to compete. There are positives for being here, but talent attraction, the modest scale of the sector here, and the reputation challenge of being a global contender in a New York- and London-centric sector, all make this a long-shot for overall growth.

Efforts should, however, be made to help local firms grow and new firms start. Individual firms in unique niches can also flourish. We should not, however, expect large payoffs from explicit growth efforts by the region, given the hurdles that many of these firms face operating here.

M7 EXPANSION & ATTRACTION STRATEGY

Gale Klappa introduced Darin Buelow of Deloitte Consulting.

The primary objectives of the Operations Targeting Project for Milwaukee 7 are to:

- Inventory the business attraction and expansion strengths and competitive challenges of the Milwaukee 7 Region;
- Identify clusters with strong presence in the region that can be a focus for future growth through expansion and/or business attraction;
- Identify a few industry targets that exhibit a high degree of 'fit' with the Milwaukee region's strengths;
- Identify companies within these industries that may be suitable targets for future marketing efforts; and,
- Recommend key business climate improvement issues for each target industry

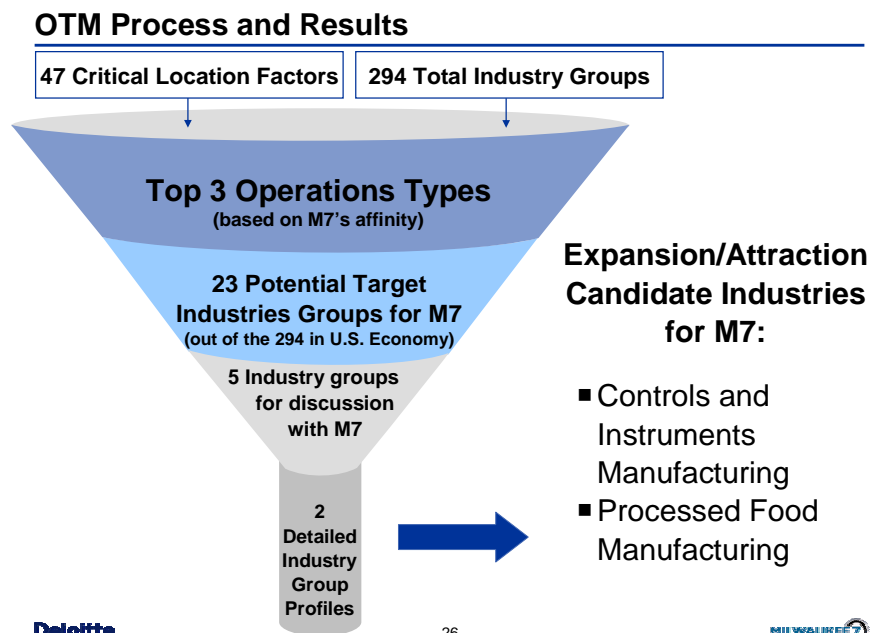
Milwaukee 7's Representative Strengths and Weaknesses:

Strengths

- Availability of manufacturing employees across various skill levels
- Strong availability of utilities at moderate cost (electricity, natural gas, and water)
- Good regional and international airport access within 2 hr radius of region
- Highly rated quality of life, especially in Waukesha and Ozaukee counties
- Numerous major corporate headquarters across several industries

Challenges

- Higher taxes, and limited economic incentives, compared with many U.S. regions
- Limited ability to exploit operating cost advantages compared to other U.S. regions
- Limited availability of large, shovel-ready industrial sites
- Educational attainment, while relatively high overall, remains highly variable throughout the region



A. Controls & Instruments Manufacturing Industry Snapshot

- Electromedical/Electrotherapeutic Product Manufacturing
- Search & Navigation/Avionics Product Manufacturing
- Industrial Controls and Measurement Devices Manufacturing

County	Controls & Instruments Estimated Total Employment*
Waukesha	7,635
Milwaukee	3,249
Racine	374
Walworth	275
Washington	97
Kenosha	38
Ozaukee	28

*estimated from D&B data

Major M7 Firms in the Industry

- GE Medical Systems
- Badger Meter
- Johnson Controls
- Rockwell Automation
- Honeywell International
- Quad/Tech Inc.
- Astronautics Corp. of America
- Unico Inc.
- Beckart Environmental
- Pope Scientific
- Dyne Systems
- Schenck Accurate

Potential Target Companies for M7

- Thermo Fisher Scientific*
- DRS Technologies*
- Boston Scientific
- Applied Biosystems
- Agilent Technologies
- Beckman Coulter
- Moog Inc.
- Covidien
- Millipore Corp.
- Sartorius AG (Germany)
- Eppendorf AG (Germany)
- Vaisala Oyj (Finland)

* Already has presence in the M7 region

Why Controls & Instruments Manufacturing for M7?

- High concentration of existing companies in M7 region, representing 5%+ of area manufacturing employment
- Favorable growth trends
- Industry benefits from a variety of strong demographic trends in health, resource conservation (water and energy), and technology
- Industry currently concentrated in higher cost locations on both coasts

Other Facts

- Current employment is largely on the coasts and the Midwest.
- Project announcements are taking place all over the Midwest except for Wisconsin.

B. Processed Food Manufacturing Industry Snapshot

- Snack Food Manufacturing
- Coffee & Tea Manufacturing
- Flavorings & Syrups Manufacturing
- Seasonings & Dressings Manufacturing
- Food Ingredients Manufacturing

County	Processed Food Industry Group Estimated Employment*
Waukesha	1,159
Milwaukee	1,090
Washington	633
Walworth	185
Kenosha	150
Ozaukee	105
Racine	2

*Based on D&B and Onesource Data

Major M7 Firms in the Industry

- Sysco Foodservices
- CHR Hansen, Inc.
- Ocean Spray Cranberries
- US Foodservice, Inc.
- Unilever Food Solutions
- George Weston Foods
- Wixon Inc.
- Masterson Company
- Sensient Technologies
- Kikkoman Foods
- Ventura Foods
- Kerry Ingredients

Potential Target Companies for M7

- Symrise AG (Germany)
- Robertet SA (France)
- Ralcorp Holdings
- Hain Celestial Group
- McCormick & Co.
- CJ Corporation (South Korea)
- Nissin Foods (Japan)
- Rich Products
- Greencore Group plc (Ireland)
- Takasago Flavors (Japan)
- Rieber & Son ASA (Norway)
- FlavorChem
- Cargill Flavor Systems*

*Other divisions of firm present in M7 region

Why Processed Food Manufacturing for M7?

- Strong existing presence of industry group in M7 region, coupled with strong projected employment and output growth for the industry group
- Favorable population and health trends driving future growth
- M7 proximity to Midwestern food producers, customers, and consumers
- Opportunity to leverage world-class agriculture, food science, and food technology research in the state

Other Facts

- Current employment is scattered across the region and the nation.
- Project announcements are taking place in the southeast of the country and the Midwest except for Wisconsin.

Why are Incentives Important?

- Incentives are part of nearly every location decision
- The value of incentives for a given project often ranges from 10-30% of corporate investment, and even higher
- During the location decision, incentives are viewed as cost offsets and ultimately have equal footing with labor, utilities, logistics, real estate, and tax costs
- Incentives alone do not serve as the driving force in an informed location decision, but will differentiate between finalists
- Focused, directed, and meaningful incentives are key to business attraction success (incentives efficiency)
- Incentives should be deployed evenly for expansion projects, in addition to business attraction

Incentives available in the marketplace:

Tax-Related

Ad Valorem/Property Tax Abatements
Corporate Income Tax Credits
Sales/Use or VAT Tax Exemptions

Site / Infrastructure Related

Land Acquisition
Facility Financing
Infrastructure Assistance

HR / Other

Relocation Assistance
Customized Training
Hiring Assistance
Other

Indiana offers several incentives that have successfully influenced corporate location decisions

- **EDGE Tax Credit (refundable credit):** EDGE credits are calculated as a percentage of payroll tax withholding for net new Indiana jobs.
- **Hoosier Business Investment Tax Credit (nonrefundable credit):** A company's credit award may be up to 10 percent of the qualified capital investment and may be carried forward for nine years.
- **Headquarters Relocation Tax Credit (nonrefundable credit):** Tax credit equal to 50% of relocation costs for businesses with total revenues of \$100 million or more.

Georgia, Oregon, and New Mexico also have strong successful state-level programs

- **Georgia:** Jobs Tax Credit (nonrefundable credit): Tax credit of \$1,250 - \$4,000 per job per year over five years depending upon location in the state
- **Oregon:** Business Energy Tax Credits (BETC) Program (nonrefundable credit): Tax credit for 50% of the eligible project costs for renewable energy projects
- **New Mexico:** High Wage Jobs Tax Credit (refundable credit): Tax credit equal to 10% of the wages and benefits for each new economic-base job created

Next Steps: M7 has the ability to address three areas that can improve the region's competitiveness for the targeted industries:

- Develop suitable real estate options
- Align education and training programs
- Demonstrate utility reliability and capacity
- Develop focused, directed, meaningful incentives programs for the region will require legislative action at the state level (with M7 support).

WATER COUNCIL

Next, Gale Klappa introduced Rich Meeusen, chairman, president & CEO of Badger Meter and co-chair of the M7 Water Council, who gave an update on the work of the Water Council.

Case Studies: Disney in Anaheim, CA vs. Orlando, FL
How Anaheim missed the boat. They didn't:

- Control use of land around Disneyland
- Encourage companies to build a tourism hub, i.e. Sea World, Universal Studios
- Leverage government investment behind tourism hub
- Align education around hospitality management

Orlando is the winner:

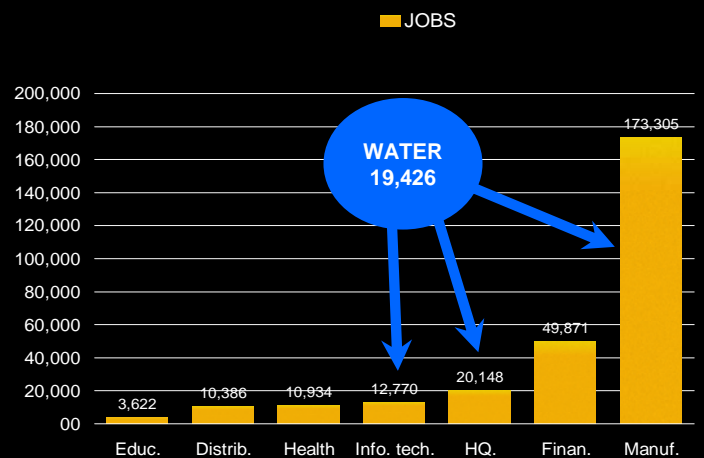
- Orlando #1 in total exhibition events vs. Anaheim #14
- Orlando 3.5 million convention attendance vs. Anaheim 1 million
- “Orlando outranks Anaheim in number of total events, number of conventioners, total hotel rooms and number of large trade shows. It has a bigger airport and lower taxes.”

What is at stake in Water?

Business Segment	2006 Revenue US\$ Millions	Growth % 2006 – 2008
Water treatment equipment	9,110	6 – 8
Water delivery equipment	11,660	3 - 5
Chemicals	4,020	2 - 3
Contract operations	2,350	6 - 8
Consulting/ engineering	7,460	5 - 8
Maintenance service	1,780	4 - 6
Instruments and testing	1,400	4 - 5
Drinking water utilities	35,070	3 - 5
Wastewater utilities	34,130	4 - 6
Total US water industry	106,980	4 - 7

Source: Environmental Business Journal 2006

MKE REGION EXPORT DRIVERS



Milwaukee 7 Water Council Annual Sales \$10.5 Billion and growing

Milwaukee Region's Competitive Advantage

- 120+ Water Companies
- 5 of the 11 largest water companies in the world operate in the Milwaukee region
- 87 Academic Water Scientists and Engineers
- 3 - Division 1 Universities
- Multiple Division 2 & 3 universities and technical colleges
- 1 School of Freshwater Sciences

Our Competition

- Singapore: 50% Tax Credit
- U of Illinois at Urbana-Champaign: \$40 million - NSF Grant and \$4 million - Illinois Government
- Michigan Water Cluster – proposed: \$2 million/year

Water Council Business Plan

Our regional water cluster consists of an impressive concentration of private sector businesses, academic institutions and all the research facilities and brainpower that comes from the two. These are complimented by a supportive public sector and a variety of funding agencies that can bring capital and resources to grow this cluster into the world hub we envision. A number of water-related opportunities have been identified and are being actively pursued. Thus, the region has approximately 120 business establishments with a direct interest in water.

Value Proposition Now

- Board and Formal Organization
- \$800,000 internships/scholarships
- First Joint Venture
- \$300,000 earmark for incubator
- New UWM engineering faculty positions
- MMSD/Veolia agree to be working lab
- MU courses in water law

Value Proposition Future

- UN Global City/NGO status
- *UWM School of Freshwater Sciences*
- Water Research Business Park/ Incubator
- *Policy Center and Endowed Chairs*
- Focus on JV and contract opportunities
- *International Trade Shows/ Conferences*

SOUTHEASTERN WISCONSIN REGIONAL TRANSIT AUTHORITY (RTA)

Next Gale Klappa introduced Julia Taylor, president of the Greater Milwaukee Committee and member of the Southeastern Wisconsin Regional Transit Authority, for an update on the RTA and its recent recommendations submitted to the governor and legislature.

Recommendations set forth on November 15, 2008

- **The RTA recommended that it continue as the permanent RTA for southeastern Wisconsin.**
 - Kenosha County
 - Milwaukee County
 - “Urbanized area” of Racine County, currently defined as the areas east of I-94
- **The RTA recommended that it be enabled to levy up to 0.5 percent sales tax as a dedicated source of funding to support transit, commuter rail and other transit projects in the region.**
- **The RTA recommends that it subcontract with the current operators for local bus transit service, or assume operations as appropriate.**
- **The RTA Board recommended that it be granted bonding authority by the governor and legislature to cover capital improvements.**

Sales tax facts

- **A supermajority of the RTA Board voted to support the funding recommendations after careful consideration of a range of alternatives and after examining practices by peer metropolitan areas throughout the nation.**

Next Steps

- **RTA report submission to Governor and Legislature**
- **Seek resolutions of support or endorsements**
 - Media
 - Business groups
 - Economic development agencies
 - Local government bodies
 - Labor groups
 - Other
- **Seek inclusion in the 2009-2011 Wisconsin State Budget**

NEXT MEETING

The next council meeting will be held in February/March 2009 in Milwaukee County, with date and location to be determined.

Meeting was adjourned.