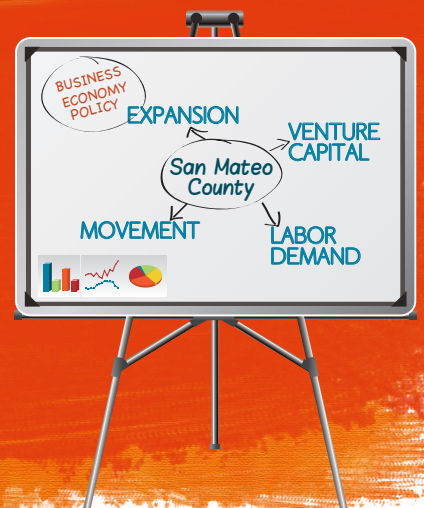




SAMCEDA

San Mateo County Economic Development Association

Annual Update
2010-2011



SAMCEDA 2010-2011

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Rosanne Foust

President & CEO

Christine Madrigal

Manager, Operations & Research

Message from Steve Mincey, Chair of the Board

San Mateo County's future rests in its ability to ensure that the companies who are located here stay and prosper, and that other companies see great opportunity here. Home to many of the leaders in software technology, biotech, digital media and social games and an increasingly important green industry, San Mateo County rests at a crossroads.

Are we ready for the next Facebook or Oracle? Do our local policies and regulations assist or impede these companies? Can they employ the workforce they need? These are questions that need answers that incorporate an understanding of what we have, what we want and what we'll need in the next 5, 10, 20 years. It is a time for innovative thinking, a willingness to find common ground and a strong desire to recognize the important role that business plays in the economic vitality of a community.

The San Mateo County Economic Development Association (SAMCEDA) founded in 1953 strives to answer these questions through its focus on business, economy and policy issues. Here are the highlights of our efforts this past year.

- Strong support for the work of California Forward and its objectives to encourage systematic budget reform measures at the state level.
- Continuing our work on CA High Speed Rail and what its means for Peninsula cities.
- Partnering with other stakeholders on "Save Caltrain" and a long term dedicated funding source for our commuter rail line.
- Actively engaging with Bay Area business, economic development, housing and non-profit organizations on policy measures put forth by the Bay Conservation and Development Commission (BCDC) and the Bay Area Air Quality Management District (BAAQMD).
- Recognizing and honoring San Mateo County companies who epitomize innovation and entrepreneurship.
- Commissioning a labor demand analysis of San Mateo County that will assist us in business retention and attraction efforts and workforce development.
- Leading the effort to develop a San Mateo County economic development strategy and joining with members of the Bay Area Business Coalition in the development of a San Francisco Bay Area economic development strategy.

These are but a few examples of what we as an organization and through our members and partners have done. But there is much more to do. SAMCEDA looks forward to its continuing and expanding role as the regional cornerstone in San Mateo County for public policy advocacy, for promoting and embracing business and as a source for economic data that supports all our stakeholders.

Please join us as we move forward together to make San Mateo County an even better place to work, live and prosper.

One of the primary objectives of SAMCEDA is to support, champion, recognize and bring attention to the San Mateo County business community. All too often the contributions made by business to the economic health and well being of a community are overlooked and under appreciated. For San Mateo County a healthy business community directly translates to a healthy community and SAMCEDA strives to spread that message in a variety of ways.

Awards of Excellence



Keynote Speaker Garth Saloner, Dean, Stanford Graduate School of Business



AOE attendees in Oracle's Conference Center



AOE Award Winners with SAMCEDA Chair, Steve Mincey and CEO, Rosanne Foust

For the past two years the theme of SAMCEDA's annual Awards of Excellence has been Innovation and Entrepreneurship. Innovation is a fundamental pillar of our county's economy, and we are working to ensure that it continues to be an economic priority for both private and public stakeholders whose investment, management and support infrastructure create and sustain our competitive business climate.

Building off our 2009 Start-Up Company Research Report, and our 2010 County Economic Overview and Employment & Business Dynamics Report we continue to promote the location, retention and commercial success of innovative, knowledge-based businesses in San Mateo County. The 2011 SAMCEDA Awards of Excellence recognized San Mateo County companies developing and/or providing innovative products and services. These companies are our future and their success is our success. It is through them that we will be able to sustain and maintain the quality of life we all treasure.

I never perfected an invention that I did not think about in terms of the service it might give others... I find out what the world needs, then I proceed to invent.

– Thomas Edison, Inventor and Scientist

Fastest Growing Innovator



Biotech Innovator



Entertainment Innovator



Environmental Innovator



Technology Innovator



Aspiring Innovator



David D. Bohannon Memorial Award
Steve Westly



San Mateo County Labor Demand Analysis



Executive Summary

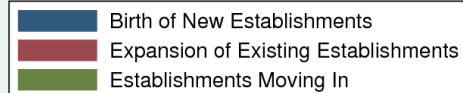
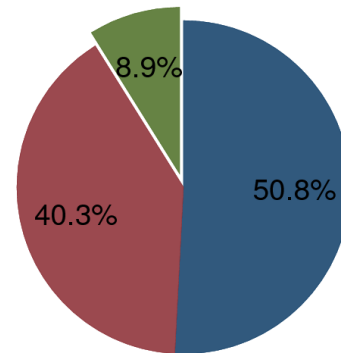
San Mateo County is no stranger to significant swings in overall employment. Indeed, between 1995 and 2000, overall employment increased by more than 30%, with the number of positions in particular sectors increasing by as much as 180%. Since 2000, employment has fallen, increased, and fallen again, so that by 2009 it was roughly 5% above its 1995 level. These dynamics are not unique to San Mateo County; both San Francisco and Santa Clara counties have been subject to even greater fluctuations in employment.

Knowing, however, that the county is dynamic and in good company is only so useful for developing appropriate programs and policies for either economic or workforce development. Of greater use is an understanding of the underlying influences on the overall employment dynamics of the region. That is, what are the sources of job creation and job destruction? How has each of these sources contributed to the overall employment picture in San Mateo County?

Jobs are created through the birth of new business establishments, the expansion of existing establishments, and the movement into the area of establishments. Similarly, jobs are destroyed by the death, contraction, or exit of existing local establishments. This job churn is enormous relative to the changes that are observed in aggregate employment. In an average year in San Mateo County, 9.1% of all jobs will disappear. At the same time, jobs amounting to 10% of existing employment will be created. In this, San Mateo County is again not unique, but it does exhibit more “churn” in its employment than any other county in the Bay Area.

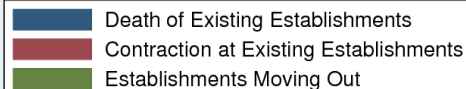
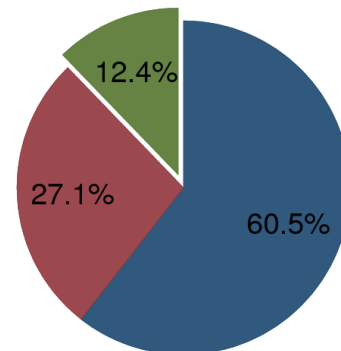
Between 1995 and 2009, births and deaths played the biggest role in employment changes locally. The birth of new businesses accounted for just over 50% of all jobs created and business deaths were responsible for over 60% of all jobs destroyed. The actual movement of business establishments into or out

Job Creation in San Mateo County
Annual Average, 1995–2009



Source: NETS 2009, Calculations by Haveman Economic Consulting

Job Destruction in San Mateo County
Annual Average, 1995–2009



Source: NETS 2009, Calculations by Haveman Economic Consulting

of the county was the smallest source of job creation or destruction. In an average year, the number of jobs created by businesses moving into the county adds nearly 9% of total employment while the number of jobs lost when businesses move out of the county reduces employment by 12.4%. The county is therefore a net exporter of jobs.

Historically, Santa Clara County has been San Mateo County's largest jobs trading partner. Between 1994 and 2009, in excess of 20,000 jobs moved from Santa Clara County to San Mateo County, while just over 17,000 jobs moved from San Mateo County to Santa Clara County. San Mateo County has a large trade surplus (exports of jobs exceed imports) with the East Bay. Alameda and Contra Costa counties are the destinations of choice for many businesses moving out of San Mateo County; far fewer make the reverse move into San Mateo County.

Much of this churn is accounted for by three large sectors of San Mateo County's economy: manufacturing; professional, scientific, and technical services; and

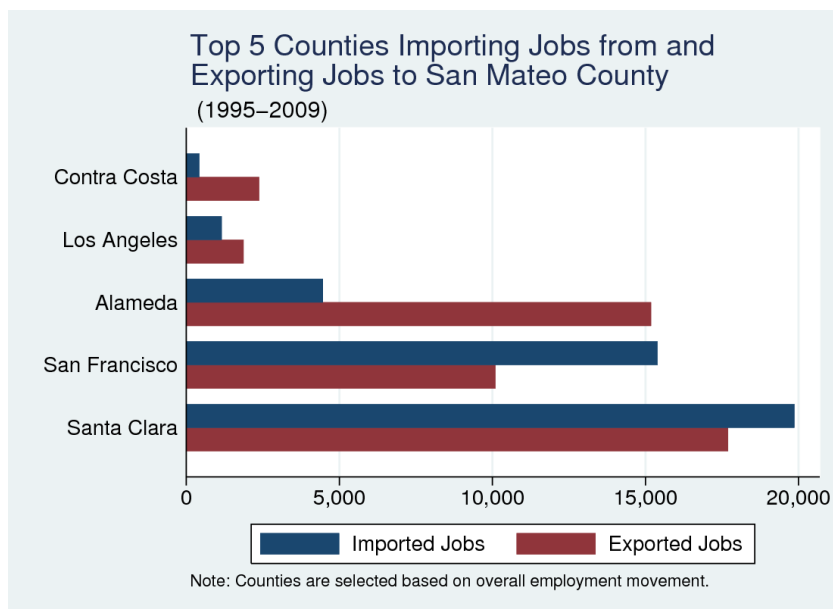
information. Manufacturing contributes the largest outflow of jobs, exporting the equivalent of 2.3% of local manufacturing jobs and importing just 1.3%. At the same time, manufacturing establishments in the county contribute significantly to employment growth through expansion. However, because the death of businesses exceeds new business births, manufacturing continues to be a drag on overall county employment levels.

The information sector and the professional, scientific, and technical services sector (PSTS) are the two largest contributors to employment growth. They are both net importers of jobs, but where they really make their contribution is through the expansion of existing establishments. Existing information-related firms add 7% to employment in the sector even after accounting for employment declines. In the average year between 1995 and 2009, businesses in the information sector added five jobs through growth and expansion for every job lost because of a business contraction.

These sectors also contribute significantly to the churn in local employment through births and deaths. Over the period, the birth of businesses and business deaths were approximately equal in both sectors, but this overshadows the large number of both births and deaths that occur. In an average year, births and deaths create and destroy jobs at roughly the same rate of 6.7% of employment in the PSTS sector. The information sector has a slightly lower rate, but it is still high at 5.1%.

Business startups play a significant role in the underlying dynamics of the San Mateo County economy. In an average year, the number of new businesses is equivalent to about 10% of the existing number of establishments in the county. This is a bit below the average in both the Bay Area overall and the state, but it is nonetheless a high rate of business creation. Information is a key sector in which births occur, generating new establishments at a rate of 12.6% each year.

An important driver of this startup activity is venture capital funding. In 2010, establishments in San Mateo County received venture capital funding at a rate that is exceeded only by Santa Clara County. In terms of the dollar value of investments received, industries in the county rank in the top 10 nationwide in all but three of the industries tracked by the PwC MoneyTree web site. In 2010, biotech and computer software were particularly



Economy

large recipients, pulling in more than a half billion dollars each. Although these investments are not enough to drive growth in the county, they are significant in that they project good things for the county going forward. Local businesses are at the forefront of development in a wide variety of commercial areas. As indicated above, the number of establishments moving out of the county is relatively small. Another concern regarding the displaced generation of job growth in the county is when firms that are headquartered in San Mateo County make new location decisions as they grow larger. If firms headquartered locally are choosing to expand employment outside of the county, this is a sign that they perceive potential limitations in the local business environment.

In 1996, locally headquartered firms kept 24% of their employees in San Mateo County. In the subsequent eight years, this proportion declined significantly, to just 15% in 2004. More recently, the share has rebounded to just under 19% as of 2009. The recent trend has been favorable and is driven by a wide variety of industries in the county, suggesting that there has been widespread improvement in the local business environment.

Overall, such dynamism is important for an economy. The changes help to prevent the economy from growing old or soft, allowing it to continue to reinvent and reshape itself. An understanding of these phenomena leads to important lessons for the county: the primary contributors to job growth are existing established businesses, the county is a net exporter of jobs, and the primary source of exported jobs is the manufacturing sector. These and other salient facts from an analysis of business dynamics are vital to building a sound and successful economy that continuously create good, high-paying jobs.

San Mateo County VC Investment Rankings by Industry in 2010

| Industry | Amount (\$Mill) | Share of U.S. | Rank |
|--------------------------------|-----------------|---------------|------|
| Other | 10.2 | 24.9 | 1 |
| Biotechnology | 575.9 | 15.4 | 2 |
| Computers and Peripherals | 61.1 | 12.9 | 2 |
| Financial Services | 68.7 | 12.9 | 2 |
| Software | 533.8 | 13.9 | 2 |
| Telecommunications | 75.1 | 9.2 | 2 |
| IT Services | 164.7 | 10.3 | 3 |
| Retailing Distribution | 11.4 | 8.1 | 3 |
| Medical Devices and Equipment | 117.7 | 5.2 | 4 |
| Semiconductors | 33.8 | 3.4 | 5 |
| Business Products and Services | 17.0 | 4.5 | 6 |
| Consumer Products and Services | 23.1 | 5.0 | 7 |
| Media and Entertainment | 61.8 | 4.4 | 7 |
| Health Care Services | 14.1 | 5.6 | 9 |
| Industrial Energy | 50.2 | 1.5 | 11 |
| Electronics Instrumentation | 5.1 | 1.2 | 15 |
| Networking and Equipment | 7.0 | 1.4 | 20 |

Source: PwC MoneyTree, Calculations by Haveman Economic Consulting
 Note: Rankings are by county across the country.

Employment Patterns of Multi-Establishment Firms
 San Mateo County Headquarters – All Industries



Report funded by:



EVRE Foundation

Analyzing | Educating | Advocating

Budgetary and Fiscal Stability

Actively Support **California Forward** and their proposed budget reform measures:



Performance-based budgeting. The Governor and legislators should establish clear goals and performance measures for all programs. At least once every 10 years, lawmakers must review programs to determine if they should continue, or how they can be improved.

Multi-year budget planning. The Governor and Legislature should prepare two-year budgets and three- and five-year fiscal forecasts, and publish updates on the state's forecasted fiscal condition prior to the budget vote and early in the subsequent fiscal year.

Pay-As-You-Go for new programs and tax reductions. Major new or expanded programs or tax reductions (created through the legislative or initiative process) should identify how they will be financed by additional revenue or compensating spending reductions.

Manage volatile revenue and increase reserves. Spikes in revenue, after meeting minimum K-14 funding obligations, should be used to fill the rainy day fund and for other one-time uses, starting with paying down debt.

Transportation

California High Speed Rail: Actively engaged in discussion and ongoing debate regarding the future of High Speed Rail on the Peninsula. Worked with CA HSR Authority and local outreach and engineering teams to disseminate information on the Peninsula segment including EIR analysis, proposed alternatives analysis, phased implementation, ridership studies, funding sources, financial projections and relationship with Caltrain.



Caltrain: Actively support efforts to "Save Caltrain" and identify a permanent and sustainable funding source for ongoing operations.

Grand Boulevard Initiative (GBI): Continue work with the Grand Boulevard Initiative and its efforts to revitalize El Camino Real and link housing, jobs and transit through these efforts.



Land Use

Bay Conservation and Development Commission (BCDC): Actively following and engaging with regional business, economic development, housing, local government and non-profit stakeholders on proposed Bay Plan Amendment No. 1-08 dealing with climate change.

Bay Area Air Quality Management District (BAAQMD): Actively following and engaging with regional business, economic development, housing, local government and non-profit stakeholders on implementation of the District's CEQA Guidelines.

Metropolitan Transportation Commission (MTC) and Association of Bay Area Governments (ABAG): Actively following and engaging on the **Plan Bay Area** which is a joint effort led by ABAG and MTC in partnership with the Bay Area's other two regional government agencies, BAAQMD, and BCDC. All four agencies are collaborating at an unprecedented level to produce a more integrated land use/transportation plan. Included in this effort are the nine counties and 101 cities and towns that have land use authority in their respective jurisdictions, and transportation partners who plan and manage the regional transportation network. **Plan Bay Area** grew out of California's 2008 Senate Bill 375 (Steinberg), which requires each of the state's 18 metropolitan areas to reduce greenhouse gas (GHG) emissions from cars and light trucks.

Who is SAMCEDA?

SAMCEDA (San Mateo County Economic Development Association) was founded in 1953 to promote business issues that enhance and sustain the economic prosperity of our region and its local communities. The message was and still is simple, "Business is Good, Business Brings Opportunity."

SAMCEDA leverages diversity, expertise and political capital of its membership base to form a unified and influential voice that represents the collective interests of businesses and community members in San Mateo County on national, state, regional and local economic and policy issues.

What We Offer

- An influential voice and a seat at the table on issues that affect business, education, non-profits and residents.
- Direct communication with top federal, state, regional and local political leaders and other stakeholders.
- Established relationships with regional partners throughout the Bay Area as a member of the Bay Area Business Coalition. This Coalition formed to advocate on specific public policy issues and is now exploring an economic development strategy for the greater Bay Area.



Interested in knowing more about SAMCEDA?

Visit our website at www.samceda.org

SAMCEDA Chairman Circle Members



BAY MEADOWS



HILLSDALE SHOPPING CENTER

ORACLE



SAMCEDA

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