The Financial Services Cluster of the Twin Cities

Microeconomics of Competitiveness: Firms, Clusters and Economic Development

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May 4, 2010

Executive Summary

The Twin Cities financial services cluster is an important regional financial center, and ranked eighth in the country among U.S. metropolitan areas in financial services employment in 2008. On the national level, New York and Chicago maintain a durable advantage as the nation's top financial centers due to their stock exchanges and agglomeration economies that have developed due to their historical prominence in the industry. Although not employing as many financial services workers as the largest metropolitan areas, the state of Connecticut's financial services industry has recently emerged as a leader due to its close proximity to traditional financial centers and an effort to offer lower costs and a better quality of life.

The Twin Cities' competitive advantage rests in its highly educated population and high quality of life, which has led to the development and retention of a large number of Fortune 500 and Fortune 1,000 companies and results in the need for a sophisticated financial services industry. Twin Cities' depository institutions and securities brokerages may not have large job creation potential due to the local and regional nature of the demand for their services. In contrast, the insurance subcluster has a much greater opportunity for employment growth because it exports its products across the country. Minnesota's strong concentration of health insurance carriers, reputation as a state with high quality, low cost health care, and the current push for healthcare reform position Minnesota health insurance carriers to become national leaders in the industry.

This report lays the groundwork for an industry-lead effort to achieve the following vision: ***Within the next ten years, the Twin Cities will become renowned as a thriving business center and will become a national leader in community banking, developing emerging markets, and cost-effective health insurance carriers.***

- This vision recognizes that the future for the Twin Cities is a vibrant business center with a diverse mix of established companies and new high tech entrepreneurs.
- Community banking is essential to a healthy business climate because they provide the majority of small business loans.
- Minnesota health insurance carriers can create a competitive advantage by collaborating with local managed care systems and providers that have proven low cost, high quality outcomes.
- Minnesota's growing immigrant population presents a new market for the cluster. This effort will produce a more prosperous future for all residents by empowering disadvantaged communities with financial knowledge that will enable them to avoid predatory services, establish credit, and build assets for a stable future.
- Achieving this vision will require investing in education and quality of life. Successful individuals and firms stay in Minnesota because of the strength of these factors.

Although the recession has brought Twin Cities' employment down to approximately 2006 levels, the diversity of the Twin Cities' economy has helped it withstand the recession better than many other areas of the country. While it may take a while for the financial services industry to recover, the vitality of the cluster will be essential to the state's broader economic success.

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Introduction

The 2008 financial meltdown that created gridlock in the global financial system and the ensuing recession have called into question the practices of the financial services industry and the sustainability of the economic growth of the last decade. Although the diversity of the Minnesota economy has helped it weather the recession better than many of its peers nationally and internationally, the Twin Cities economy was showing signs of weakness even before the economic downturn. The Twin Cities' had been falling behind national averages in GDP per capita growth, real income per capita, and employment growth.[1] Leaders from the Regional Council of Mayors (RCM) and the Minnesota Department of Employment and Economic Development (DEED) have recognized that the Twin Cities needs a regional economic development strategy to get on a trajectory of economic growth and become a national leader. Such a regional strategy for enhancing economic competitiveness hinges upon collaboration, with local municipalities and industry leaders working together to build upon the Twin Cities' strengths and improve key areas of weakness.

Toward that end, RCM and DEED have initiated the Regional Competitiveness Project, a public-private collaborative involving RCM, DEED, the University of Minnesota's Humphrey Institute of Public Affairs, and the Itasca Project. Largely composed of private sector CEOS, the Itasca Project describes itself as an employer-led project to drive regional efforts to keep the Twin Cities' economy and quality of life competitive with other regions. Using the industry cluster approach developed by Michael Porter of the Harvard Business School, the Regional Competitiveness Project aims to find ways to enhance growth in industry clusters with a high concentration of employment in the Twin Cities in order to fuel economic growth in the rest of Twin Cities' economy.

The Regional Competitiveness Project has selected three Twin Cities' industry clusters on which to focus their efforts: financial services, medical devices, and distribution services. This study focuses on the financial services cluster, which, as defined by Porter, is comprised of real estate investment trusts, passenger car leasing, insurance products, depository institutions, and securities brokers, dealers, and exchanges. This study intends to identify practices that brought the financial services cluster to its current status, identify key issues within the cluster, and chart a vision toward sustainable growth in the future.

[1] Itasca Project. (2010). Charting a new course: restoring job growth in the Minneapolis-St. Paul Region. April 2010.

Background on the Twin Cities Financial Services Cluster

The history of the financial services industry cluster in Minneapolis begins with the area's reputation as the preeminent grain exchange hub for the United States from 1880 until 1930. Due to the presence of the only natural falls along the Mississippi River, Minneapolis naturally turned into the nation's "Mill City," supplying grain to most of the United States via rail and water. The combined growth of lumber and milling created the need for a banking system. The first and second major banks, First National Bank of Minneapolis (1864) and Northwestern National Bank of Minneapolis (1872), formed still exist today in the forms of U.S. Bancorp and Wells Fargo.

Founded in 1881, the Minneapolis Grain Exchange, whose membership was comprised of producers, millers, merchandisers and investors, provided the venue for firms such as Pillsbury, Gold Medal Flour (which later become General Mills) and Cargill to thrive. The grain exchange pioneered the concept of wheat futures, which led to the creation of futures and derivatives in finance. In 1914, Minneapolis became the Ninth Federal Reserve District's headquarters, helping to make it a major financial center. While many cities floundered through the Great Depression, the Twin Cities' stable banking system helped to save it. First National Bank of Minneapolis and Northwestern National Bank of Minneapolis each purchased networks of struggling banks to move around deposits and assets in order to meet the needs of other banks, thus creating stability through the diversification of risk.

Presently several financial services companies formed in the early twentieth century still exist in one form or another, including Thrivent (formerly Lutheran Brotherhood), Piper Jaffray, ReliaStar Financial (now owned by ING), Twin City Federal (TCF), and Ameriprise (formerly IDS and American Express).

Twin Cities' financial services industry has a location quotient (LQ) of 1.36 (See Appendix 6), revealing that the Twin Cities concentration of financial services employees is 1.36 times higher than the national average. This LQ suggests that the Twin Cities financial services industry is more competitive than the national average because it is likely exporting services and products outside the region. In comparison, the major financial centers New York and Chicago have LQs of 1.56 and 1.21, respectively, and Bridgeport, Connecticut's is even higher at LQ (2.06).

While the Twin Cities has become a regional leader in the financial services industry and has similar location quotients to national leaders, New York and Chicago maintain a durable advantage as the nation's top financial centers due to their stock exchanges and the agglomeration economies that have developed due to their historical prominence in the industry. Although not employing as many financial services workers as the largest metropolitan areas, the state of Connecticut's financial services industry has recently emerged as a leader due to its close proximity to traditional financial centers and an effort to offer lower costs and better quality of life.

Effect of Current Economic Conditions on the Cluster

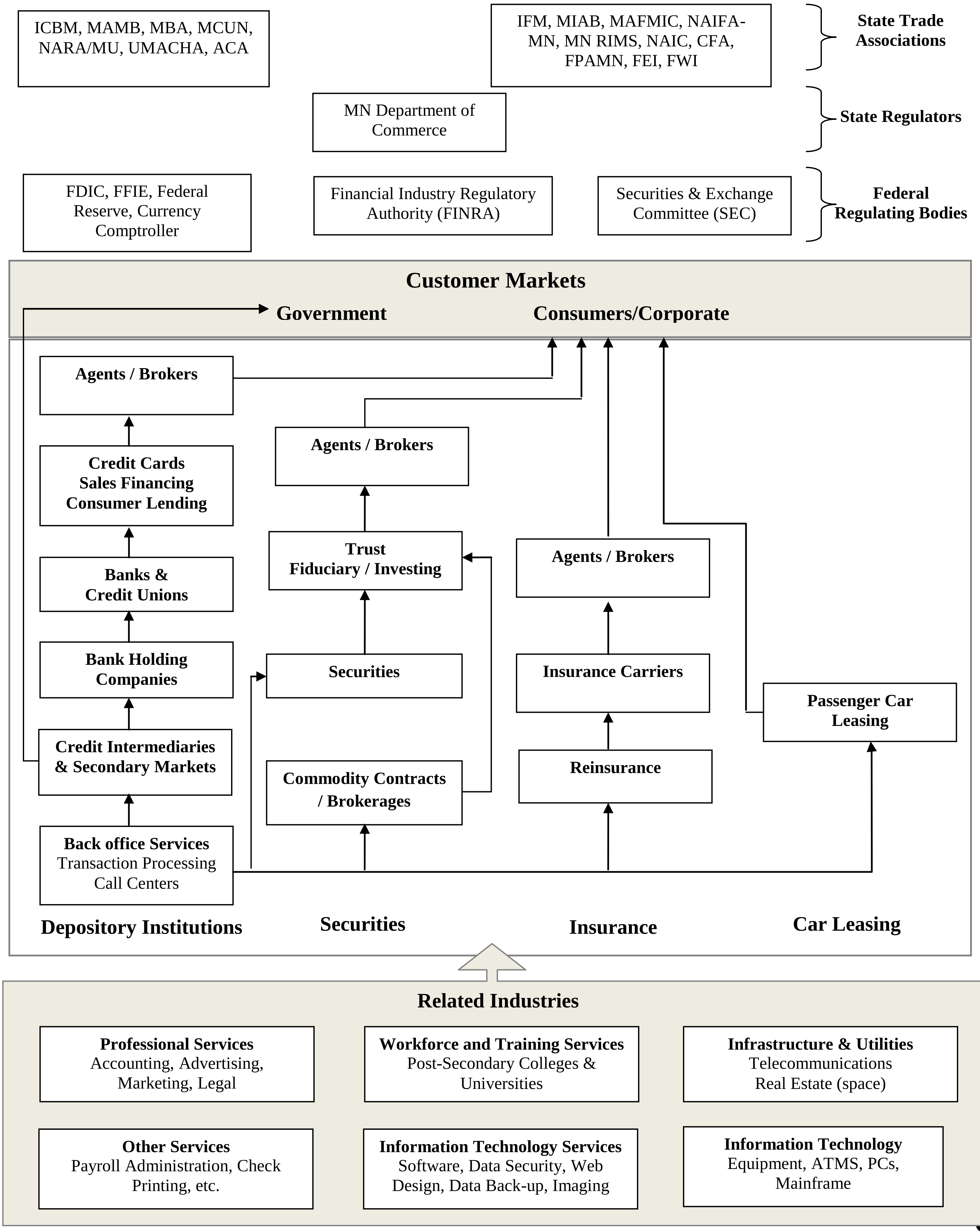
While much of the nation's banking systems headquartered in coastal areas have seen precipitous declines in revenue with subsequent employee layoffs, the financial storm has been less pronounced within Minnesota's financial services industry cluster. Between 2007 and 2008, the Twin Cities went from 10^{th} to 4^{th} of U.S. cities with the highest financial services workers, showing that Minnesota's financial services cluster was less affected by the recession than other top financial services cities (See Appendices 5 & 6). Industry and employment data for 2009 and beyond has not been released, so the full impact of the recession on the financial services industry is unknown. The more conservative nature of many Minnesota financial firms may explain the rationale behind the Twin Cities' move from 13^{th} to 4^{th} in the nation in the number of financial services employees (See Appendices 5 and 6). The economic crisis, however, will not likely provide a lasting competitive advantage for Minnesota financial institutions.

Just like cities all around the country, the Twin Cities has been hit hard by the foreclosure crisis. While Minnesota banks may not have engaged in subprime lending as much as institutions around the country, the new wave of foreclosures that has begun has resulted from reductions in homeowner income as a result of job losses. Furthermore, one of the institutions interviewed stated that its internal research revealed a trend that during the recession, consumers have been preserving their credit rather than attempting to keep their homes. Several financial institutions have data that shows credit card bills are continually being paid off, but mortgages are not; it is as if the mortgage debt has become too high to be considered financially viable to continue paying.

Although the recession has brought Twin Cities' employment down to approximately 2006 levels—with financial services employment down to 2004 levels—the diversity of the Twin Cities' economy has helped it withstand the recession better than many other areas of the country. While it may take a while for the financial services industry to recover both in terms of employment and in terms of negative public perception of the industry, the vitality of the Twin Cities financial services industry will be essential to the state's broader economic success.

CLUSTER MAP

See Appendix 9 for abbreviations key.



Subclusters

Real Estate Investment Trusts

Due to the relatively low employment level within the Real Estate Investment Trusts subcluster—with only sixty employed in the subcluster in 2007--this analysis is focused on the remaining four subclusters: passenger car leasing, insurance products, depository institutions, and securities brokerages, dealers & exchanges.

Table 1: Twin Cities Specialization by Subcluster 2008

Subcluster	2008 Employment	LQ
Insurance	50,968	1.74
Depository Institutions & Credit Intermediation	37,925	1.04
Securities and Commodities	17,491	1.5
Passenger Car Leasing	1,706	ND*
Total Cluster Employment		1.36

ND*= No Data

**Calculations include employment at the Minneapolis Federal Reserve

Source: MN DEED, Kyle Uphoff 2010

Passenger Car Leasing

The 2000 US Census data shows twenty two passenger car leasing companies operating in Minnesota, generating $402 million, the most revenue of any state in the industry. Minnesota employs 1,706 persons in this subcluster, with most employed by GE Fleet Services, based in Eden Prairie. GE generally serves mid-large sized companies (greater than 500 employees) and focuses on commercial leasing to small businesses, such as auto dealer chains like Walser, Lupient, and until recently, Denny Hecker. The nearest competition for GE Fleet is based in Chicago, with firms such as Donlen and Wheels aiming for GE Fleet's market share on both a regional and national level. Although passenger car leasing and even broader categories of leasing may merit further exploration in future studies, this study did not focus in great detail on passenger car leasing due to the higher concentration of the employment in the other subclusters.

Insurance Products

Minneapolis is a national leader in the insurance products industry, with a location quotient of 1.74 (See Table 1). This high location quotient reveals that establishments in the Twin Cities are exporting the majority of insurance products and services outside of the Metro area. The vast majority of jobs are concentrated in insurance carriers (life, health, and medical), although the overall Twin Cities specialization in insurance is also the result of high employment in insurance carriers, reinsurance insurance and employee benefit funds (See Table 2). The 2008 data on reinsurance employment was suppressed due to data privacy concerns, so the 2007 County

Business Patterns employment estimate of 493 persons and LQ of 2.14 are proxies for the 2008 data. The Twin Cities employment in insurance agencies and brokerages appears to only be meeting the metro area's self sufficiency needs, which is consistent with the more local customer-facing nature of brokers and agencies.

Table 2: Twin Cities Specialization by Insurance Products Subsegments

Industry code description	2008 Employment	LQ
Direct life and health insurance carriers	26168	3
Insurance agencies and brokerages	9692	1.1
Direct Insurance (except Life, Health, and Medical) Carriers	8865	1.2
Insurance and employee benefit funds	1484	2.3
Reinsurance Carriers	ND	ND

Source: MN DEED, Kyle Uphoff, 2010

With the recent passing of the Obama administration's healthcare reform bill, as well as the American Reinvestment and Recovery Act's (ARRA) Healthcare Information Technology (HIT) infrastructure investment of $19 billion, many Minnesota-based businesses stand to gain from the measures. Specifically, companies working to decrease the cost of healthcare, such as UnitedHealth Group, or any insurance company administering a Health Savings Account (HSA) management product would be eligible for receiving these funds. Consequently, this will catalyze development and investment in these sectors.

Minnesota health insurance carriers benefit from the close proximity to Minnesota's high quality low cost healthcare systems. Moreover, Minnesota's unique law requiring health maintenance organizations to be non-profits has helped create a low-cost system. In addition, Minnesota has a number of world-class medical hospitals and clinics. The confluence of all of these factors place Minnesota health insurance carriers in a unique position to learn from the local managed care systems and medical professionals regarding cost containment strategies that do not undermine quality. These factors have also helped showcase Minnesota as it consistently ranks among the top U.S. states in healthcare outcomes.

Depository Institutions

The Twin Cities has a strong banking industry composed of a large number of community banks and credit unions, as well as the headquarters of U.S. Bancorp, the twelfth largest financial holding company in the country. Within the financial services cluster, depository institutions had the second highest employment level in 2008 at 37,925 employees and represented 1.04%

share of national employment (See Table 3). Although the county business patterns data uses different categories to describe the industry, for the purpose of this study, we will divide the subcluster into three subsegments: community banks, credit unions, and money center banks.

Table 3: Twin Cities Specialization by Depository Institution Subsegments

	2008 Employment	LQ
Commercial banking	23,791	1.31
Nondepository credit intermediation	7,358	0.87
Credit unions	2,660	0.86
Other depository credit intermediation	409	1.61
Savings institutions	275	0.1

Source: MN DEED, Kyle Uphoff, 2010

Community Banks and Credit Unions

The banking field does not have a distinct definition of what constitutes a community bank, regional bank, or mid-sized bank, so for the purpose of this report, community bank will be used as an umbrella term encompassing all three categories. Community banks focus on serving the banking needs of their community, and may even have a multi-state service area across a region. Credit unions have a very specific definition: a credit union is a non-profit financial institution owned and operated by its members.

Credit unions in the Twin Cities employed 2,660 people in 2008, representing a location quotient of 0.86. This relatively low location quotient reveals that while the number of credit unions in the Twin Cities may seem large, the number of credit union employees does not rise to the level one would expect based on the Twin Cities' population.

Community banks are facing a number of difficulties in the current economy: liquidity problems, high exposure to commercial real estate, upgrading technology, and even some bank failures.

Liquidity

Banks need access to liquid assets in order to have the cash flow necessary to do business. While some assets cannot be sold at any time without a significant loss of value, liquid assets can be sold at any time to raise cash. One of the ramifications of the economic crisis has been a lack of liquidity in financial institutions, which have hit community banks especially hard.

To increase liquidity, financial institutions can take the following steps: raise new deposits (a time consuming and costly process), cut costs, sell assets, decrease new lending, or access credit markets. Since many community banks cannot access credit markets on their own, the Federal Home Loan Banking system plays a large role in providing liquidity to these smaller institutions.

In response to the liquidity crisis, the Federal Reserve expanded its existing programs and created new programs, such as the Temporary Liquidity Guaranty Program. Liquidity has stabilized significantly since August 2008, but still remains a lingering problem.

Exposure to Commercial Real Estate

In the years leading up to the economic crisis, the top ten lenders dominated the home loan market, leaving the community banks to focus on commercial real estate loans. This pattern has left community banks with a high exposure to the commercial real estate market, an area that is expected to have even more significant losses in the next few years as these commercial loans become due. Community banks also did not follow the lead of larger banks that diversified into stocks and bonds to mitigate their risk in any one area. The deputy comptroller, Brett Otto, at the Office of the Comptroller of the Currency (OCC) in the central district explained the potential trouble ahead during a meeting with the Minnesota Banker's association in February 2009:

> *"Clearly, community banks have a lot of commercial real estate. There's nothing wrong with that as long as it is adequately monitored and managed...In troubled times like these I think there's a tendency for banks to cut back on some of the control features. I just ask that [they] not do that."*[2]

Technology

The high cost of providing electronic services has reduced the competitiveness of community banks and credit unions. Originally community banks and credit unions operated very simply as savings and loan institutions, but eventually, they needed transactional income in order to stay in the market. Transactional income, however, is very expensive to maintain as a growing number of clients are opting for online banking. In addition to online banking decreasing revenues, the expense of keeping up with the latest technology has put smaller banks at a disadvantage because they do not have the economies of scale that allow larger banks to implement technology changes more cost effectively. Community banks and credit unions have attempted to decrease their technology costs, but often by the time they achieve any cost savings, their current technology has become obsolete.

Bank Failures

In 2009, six Minnesota banks failed, placing Minnesota fourth in the nation for the highest number of bank failures, behind Georgia, Illinois, California and Florida. Although there was a significant gap between Minnesota and next highest ranked state (Florida with fourteen bank failures) in 2009, Minnesota is currently at a pace to have more banks fail in 2010 than in 2009. To date in 2010, four Minnesota banks have failed. Unlike in 2009, Georgia, Washington and California have had as many or more bank failures. Florida once again has the lead with 10 bank failures already in 2010.[3]

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[2] Telschow, Tony. 2009. Regulators to bankers: watch liquidity and CRE. *The Financial Review.* Mar. 1,2009

[3] FDIC Failed Bank list. http://www.fdic.gov/bank/individual/failed/banklist.html. Accessed 4/21/2010.

Community Banks and Credit Unions Key Strengths
Despite all of these difficulties, community banks and credit unions have several key strengths:

- Personal relationships: According to Karen Tyson, Senior Vice President for the Independent Community Bankers of America, "community banks and credit unions are in the relationship-building business."[4] Credit unions have a similar membership focus that relies on relationship and customer service.
- Better rates and lower fees: community banks and credit unions may have an advantage because, as reported in Kiplinger's Personal Finance, they offer lower rates and fewer fees on loans, as well as higher yield on savings on average than large banks.[5]
- Small business lending: Community banks have a distinct advantage over large banks in small business lending. Their relationship-based business model and familiarity with the local business climate helps community banks evaluate small business lending opportunities. Unlike home mortgage lending—where large banks have a cost advantage through economies of scale—small business lending is most efficiently done on a local level.

These key strengths play a role in the other strategies that community banks and credit unions use in order to remain competitive with larger banks. These strategies include assessing fees and providing other services that generate revenue, such as insurance, long term financial planning, and investment management. These strategies provided needed income and showcase that smaller financial institutions are capable of providing some of the same services that the larger banks do. Due to more personal relationships and better rates and lower fees, community banks and credit unions are able to remain competitive by focusing on providing to their own clients what their competitors cannot.

Money Center Banks
Money center banks (or money market banks) represent large national banks with a global presence that controls a disproportionate amount of assets relative to regional banks. They generally place greater focus on government, corporations and banks rather than retail banking. Business activities cover a wider range than regional and community banks, including traditional portfolios, investment, corporate finance, trading, and distribution. Wells Fargo is the only money center bank with operations in Minnesota, although some listings included U.S. Bancorp in this category. For the purpose of this project, we will be including U.S. Bancorp in the money center bank category because their national presence makes them distinct from community banks. Wells Fargo still has a strong presence in the Twin Cities, although after its merger with Norwest in 1998 its headquarters was moved to San Francisco.

[4] Cohn, Laura and Joan Goldwasser. Banks that put you first: Looking for higher rates and lower fees? Switch to a small bank or credit union. *Kiplinger's Personal Finance. Aug. 2009: 43-46*
[5] Ibid (?)

Both U.S. Bancorp and Wells Fargo received funds from the Troubled Assets Relief Program (TARP), but quickly paid them back. Wells Fargo and U.S. Bancorp fared better than many east coast banks in large part because they minimized involvement in the subprime mortgage industry. In fact, prior the economic downturn, the Wall Street Journal derided U.S. Bancorp for not seizing the profits to be made in the sub-prime market. In general, Minnesota banks' more conservative approach to banking served them well, although some newer smaller banks did take large risks on commercial real estate, loosened lending standards, and offered unsustainably high yielding deposit accounts to lure customers, producing a negative effect on other banks' standards and bottom lines.

Securities Brokers, Dealers and Exchanges

As defined by the United States Census, the securities brokers, dealers and exchanges includes "establishments engaged in the underwriting, purchase, sale, or brokerage of securities and other financial contracts on their own account or for the account of others; and exchanges, exchange clearinghouses, and other services allied with the exchange of securities and commodities." In 2008, Twin Cities securities brokers, dealers and exchanges employed 17,491 persons, representing a 4.4% decrease in share from 2001 levels (See Table 1). An analysis of the shift-share decomposition reveals that this decrease was purely due to local factors rather than industry or national economic trends. The Twin Cities' high LQs in investment banking and securities dealing, securities brokerages, and commodity contracts dealing suggests that these are the only subcategories in which Twin Cities firms have a high degree of specialization in this subcluster (see Table 4).

Table 4: Twin Cities Specialization Securities & Exchanges Subcategories

Industry code description	2008 Employment	LQ
Investment banking and securities dealing	6415	2.56
Securities brokerage	5926	1.47
Investment advice	1920	1.06
All other financial investment activities	591	0.92
Commodity contracts dealing	220	1.37
Miscellaneous intermediation	178	0.52
Commodity contracts brokerage	130	0.74
Securities and commodity exchanges	66	0.59

Source: MN DEED, Kyle Uphoff, 2010.

Some of the largest companies in the Twin Cities Securities and Investments subcluster include Ameriprise Financial, RBC Dain Rauscher, Piper Jaffrey, Thrivent Investment Services, Woodbury Financial Services, Wells Fargo Institutional Brokerage, and Securian Financial Services. Other firms specializing in Asset Management include RiverSource Investments, FAF Advisors, RBC Global Asset Management, Thrivent Financial, Advantus Capital Management, and Peregrine Capital Management.

The regulatory reforms of the last 25 years have had a significant effect on the Twin Cities securities and investments subcluster. In particular, the passage of the Sarbanes Oxley Act of 2002 made it more expensive for firms to go public. The law's costly reporting requirements narrowed the margins of profitability, contributing to the closure of many smaller investment banks and brokerage houses in the Twin Cities.

Developments in the area of technology & venture also contributed to the demise of many smaller investment banks. The dot com bubble has had a lasting impact on investor behavior, with many investors wary of unproven companies. In addition, Control Data's decision to stick with mainframe computers rather than embracing desktop computers caused the Twin Cities to lose its place as the epicenter of computing technology. This loss of innovation spin-offs from Control Data and other tech start-ups has reduced the demand for local investment banking services. These investment banks had played a vital role in connecting investors to investment opportunities and these emerging tech firms.

Although some of the people who had worked at these smaller investment banks and brokerage houses started boutique investment firms or hedge funds in the Twin Cities, overall securities and investment cluster jobs have shifted to the east and west coast. This re-location of jobs has also resulted from mergers and consolidations within the industry even when headquarters have remained in the Twin Cities.

Michael Porter's Diamond Model

Chance

Natural Resources

Location

Firm Strategy, Structure & Rivalry

Rivalries among other financial institutions

Regional leader

Strong government relations

Factor Conditions

Highly educated workforce

Climate

High quality of life

Strong educational system

Transportation & Infrastructure

Demand Conditions

Entrepreneurship

Strong educational system

Emerging bilingual services market

Related & Supporting Industries

Professional services

Office services

Information & technology

Workforce & training services

Government

Regulation

Congenial state government relations

Michael Porter's Diamond Model

Factor Conditions

Previous studies on the financial services clusters, completed in 1995,[6] 2006[7] and 2008,[8] have identified the following factor conditions:

- Region's natural resources sparked economic development in the area
- Early unwillingness from east coast financial giants allowed for the creation of local institutions to serve the economic boom in the Twin Cities that resulted from the region's natural resources
- Strong rail and river transportation system has aided in the development of the financial services industry
- Location has been key to the expansion of the financial services industries, including several key mergers between important finance, securities, and health insurance companies
- Strong, well-educated workforce ready and available to enter the financial services field

While many of the factor conditions identified in the previous studies are still present, there are some additional factor conditions that have emerged as well.

Human Resources

The Twin Cities has a highly educated workforce, fueling much of the Twin Cities economy. Data from the 2000 Census notes that nearly 30% of residents in the Minneapolis-St. Paul Metropolitan Statistical Area have at least a high school diploma; 15% have at least a bachelor's degree and nearly 10% have a graduate or professional degree (See Appendix 4). Thus, the educational attainment of the workforce population in the area is more than sufficient to meet the needs of the financial services industry cluster. As noted in several interviews, there is no shortage of qualified individuals to work within the financial services industry. Additionally, this educated workforce is able to serve other industries, including medical devices, information and technology (IT), legal, medical, marketing, and publishing, all of which heavily influence the Twin Cities' economy.

Even workers who do not pursue post-secondary education benefit from Minnesota's strong K-12 public school system. Many entry-level jobs that do not require a higher degree in the financial services cluster, such as back office operations or customer service, require employees to be proficient in math, reading, and have strong computer skills. Minnesota's quickly growing

[6] Starling, Elizabeth. 1995. The financial services cluster of the Twin Cities. Metropolitan Council. October, 1995.
[7] Nelson, Jeffrey, et al. 2006. The Fianncial Services Cluster of the Twin Cities; Microeconomics of Competitiveness: Firms, Clusters, and Economic Development. Dec., 2006.
[8] Brzezinski, Brad, et al. 2008. Minnesota's Financial Service Cluster: DEED's Role in Maximizing Strengths and Mitigating Risks. Minnesota Department of Employment and Economic Development. Feb. 4, 2008.

immigrant population also increases the diversity of the available workforce, an asset that is necessary to fill the increase in demand for jobs that require a proficiency in a second language (see Appendices 3 & 8). Many members of the immigrant populations have taken the initiative to enroll in post-secondary educational institutions, such as the University of Minnesota, which in turn, increases the available workforce.

Strong Educational System

As noted earlier, the educational system throughout the entire state of Minnesota is very strong as well as elaborate, with numerous options in both the public and private market that relate to the financial services industry cluster (See Appendix 2). In addition to a strong K-12 public school system, those intending to go on to post-secondary education have options ranging from two year Associates degrees to graduate and professional degrees. Some of these educational opportunities are offered by local community and technical colleges who partner with other organizations, such as U.S. Bancorp, to offer continued education and training to their employees through tuition reimbursement. Educational institutions also work with Goodwill Easter Seals to develop basic entry level trainings for eventual placement with employers such as Ameriprise and Wells Fargo.

Curriculum development at the educational institutions also plays a role in their strength as many educational institutions have a board comprised of industry employees that offer continued input as to what skills students need in order to pursue a career in the financial services industry. This is a necessary strategy as fluctuations in the market dictate changes in the knowledge base and also ensures that the workforce is educated properly about current trends, regulations, and opportunities that could enhance the viability of the financial services industry.

Demand at post-secondary educational institutions has increased significantly due to the economy, but this trend is expected to decrease slightly once the availability of jobs increases. The economy is also positively influencing graduation rates as more students complete their degrees, rather than dropping out of degree programs as soon as they attain employment. However, there has been a boom in the number of non-traditional students as retirees who have lost a significant portion of their 401Ks are returning to gain needed skills for re-entering the workforce since they are unable to fully retire on their savings. As it will likely take a longer time for the market to fully recover to pre-recession peaks, the number of non-traditional students will continue to grow steadily until that occurs.

Despite the strengths of Minnesota's educational system, it is important to note financial education in Minnesota's secondary schools is lacking. The basics of consumer finance are not being taught in public schools because it is not a high priority curriculum under federal legislation. If more Minnesota students had left high school with basic knowledge in personal finance and managing debts, it is possible that the effects of the foreclosure crisis may have been mitigated in the state.

Funding cuts due to the state's budget constraints are also diminishing the quality and availability of educational programs, with the state's current budget crisis jeopardizing education funding even further. The recession is not only increasing demand for educational services, but is also limiting resources to public education, making it increasingly difficult to meet the needs and demands of both students and employers. Minnesota prides itself on its public education system, but needs support from local government in order to maintain quality.

Some interviewees noted that changing priorities at the University of Minnesota have been detrimental to the cultivation of Minnesota talent. The University of Minnesota has prioritized becoming a highly ranked research institution; more Minnesota high school graduates with high GPAs are having to leave the state to go to college because the University is accepting more out of state students. It is uncertain whether the University of Minnesota's increased revenue from higher out of state tuition rates has played a role in admissions policies. While the University of Minnesota's reputation is important, pursuit of high research rankings has resulted in Minnesota's tax money increasingly supporting the education of out of state students, who are more likely to leave the state after they graduate than native Minnesota students.

Competitive Costs

Similar to previous financial services cluster studies, the backbone of the financial services industry is still the supply of people with basic and advanced skills who are willing to work for reasonable wages. Interviews conducted found that firms reported wages in the Twin Cities lower than in other major metropolitan areas, a cost advantage which spans all wage ranges.

The Tax Foundation's 2010 State Business Tax Climate Index reports that Minnesota ranks 43rd in the country on business tax climate, although our interviews and the literature on taxes provided mixed results on whether business tax burden effects firm location decisions. Some businesses indicated concern that in the current budget crisis, lower taxes at the cost of reduced quality of life and a deteriorating educational system would not be worth the trade-off. One business explicitly stated that they are willing to pay more for certainty rather than having to wait out the budget stale-mate without being able to plan; however, they acknowledged that it is not in their best interest to tell state officials this information. In contrast, other firms reported that Minnesota's high tax burden was a major reason firms decide to relocate to other states. The Small Business Caucus of the Minnesota House of Representatives surveyed small business in 2009 and found that 40% of the respondents considered property taxes to be a barrier to starting or expanding a business in Minnesota. Income taxes ranked second, with 24% reporting them to be a barrier.

Accessibility

The Twin Cities is a major commercial hub for the Midwest, with strong air, rail, river, and highway transportation systems. Having a major international airport located close to the center of the metro area is an advantage for the Twin Cities because of ease of access to the central business districts. Many comparable metropolitan areas' airports are located in outlying areas, adding lengthy commute time to reach one's destination in the city by road. For busy business travelers looking at opportunities in the Twin Cities, the convenience of getting in and out of the Twin Cities quickly improves the area's competitive advantage.

The establishment of the Twin Cities as the hub for Northwest Airlines in the 1940s ensured that business travelers were able to travel to a high percentage of cities throughout the United States without a layover. However, the 2008 merger of Northwest Airlines and Delta Airlines has reduced the number of direct flights from the Twin Cities to other areas. As the direct effects of the merger are still ongoing, it should be noted that this decrease in service could potentially threaten the previous high-accessibility factor of Twin Cities' businesses and turn Minnesota into a fly-over state.

The internet is increasing the pace of commerce; cities that do not have access to fast internet connections will not be able to compete. The Obama administration has put forward a proposal to build the necessary infrastructure to bring affordable high speed internet to every home in America. In the meantime, many smaller regional banks with patrons preferring face to face interaction will have relatively higher administrative burdens than larger ones in closer proximity to major metropolitan areas.

High Quality of Life

The firms interviewed indicated that the high quality of life in the Twin Cities helps them recruit and retain talent. Businesses are able to highlight the strong public education system, abundant system of parks and lakes, as well as a thriving arts and entertainment scene. Diverse seasons offer the opportunity to participate in a variety of outdoor activities from hiking and biking in the warmer months to skiing and snowshoeing in the colder months. The abundance of activities and health-conscious environment also promote a healthy living style. Housing costs are significantly less than other cities, allowing a larger percentage of income to be spent on other life expenses. Multiple firms reported that once people relocate to the Twin Cities, they do not wish to leave.

Increasing traffic congestion in the Twin Cities metropolitan area is detracting from the quality of life residents enjoy and is creating inefficiencies for businesses. Compared to other states, Minnesota has lagged behind in the development of light rail transit. According to the Brookings Institution, Minneapolis-Saint Paul ranks 13th amongst U.S. metropolitan areas for traffic congestion (see Appenix 11). The Central Corridor light rail line on University Avenue is a step towards addressing the problem, but further investment in transit will be important to keeping the Twin Cities competitive as an enjoyable place to live and work.

Climate

Minnesota's climate presents a challenge to attracting new businesses and high-skilled worker relocations. Despite the fact that there is a high quality of life in the Twin Cities area, the weather deters people from considering Minnesota a desirable place to live. People around the country often associate Minnesota with cold weather to the point that many are not aware that Minnesota enjoys all four seasons. Employers report difficulty in getting prospective employees to consider relocating to Minnesota. As noted earlier, however, once people visit or move here, they usually find that the positive aspects of living in the Twin Cities outweigh the bad weather.

Demand Conditions

Major Corporations

Similar to the previous financial services cluster studies, growth in the overall Twin Cities economy accumulates the capital base necessary for the financial services industry to thrive. The presence of Fortune 500 corporations helps to fuel the local economy and is a marker of Minnesota's economic success. As stated in the 1995 and 2006 financial services industry cluster reference reports, "the development of major corporations as well as the cycle of entrepreneurship and small start-ups create demand for local financial services and encourage outside investors to consult local investment firms about these firms."

Emerging Markets

Financial services needs to keep up with the changing demographics in Minnesota and across the nation. The rising immigrant and non-English speaking population in the Twin Cities (Appendix 8) offers a unique opportunity to provide services to this largely unbanked population. The FDIC estimates that 7.7% of U.S. households are unbanked, with another 17.9% underbanked.[9] The challenge in serving these communities is building the capacity to provide bilingual services and building trust in financial services firms within these communities.

The Twin Cities is home to the world's largest Somali immigrant population outside of Somalia as well as to other major immigrant populations, contributing a total of 8.7% of the Minneapolis-St. Paul MSA's population that is foreign born in 2008[10]. With the influx of immigrant communities, the numbers of non-English speakers are growing as well as the variety of languages (Appendix 3). Spanish, Hmong, and African languages are the top languages. As immigrant populations adjust to life in the Twin Cities, service providers will need to adjust their strategies (locations, hours, etc.) in order to effectively reach and serve these populations.

The Wilmar, Marshall and Redwood Falls branches in southwestern Minnesota of Bremer Bank are examples of one service provider that has developed unique strategies over the past twelve years to target the growing immigrant populations in their communities. Gaining the trust of these communities has taken a very long time and partnerships with ethnic-based organizations, such as the African Development Center, have proven to be very successful in achieving that goal. The partnerships with ethnic-based organizations have also helped Bremer Bank with community outreach through the sponsorship of cultural events, including Cinco de Mayo and events that are held at the bank itself, such as having various ethnic groups come in and speak to

[9] FDIC. 2009. FDIC national survey of unbanked and underbanked households. Dec. 2009
[10] Census 2000

bank employees about cultural norms. Bremer also offers an internal session that allows bank employees from all of their branches to learn about ways to reach out to immigrant populations, based on the successful efforts of the Wilmar, Marshall and Redwood Falls branches. These educational efforts have not only increased Bremer's exposure to the growing immigrant populations within their communities and have also increased personal knowledge about the populations they serve, thus, alleviating some of the barriers that exist when attempting to bank the unbanked.

Strategies to reach out to immigrant populations extend into human resources as well; whenever there is an opening for an entry level position, Bremer utilizes its contacts within the immigrant populations and encourages them to send candidates for consideration. This coincides with a growing trend that many of the customer interaction related jobs in the financial services industry, such as tellers and loan officers, are seeking qualifications with proficiency in both English and another language, such as Hmong or Somali. This strategy is especially useful for companies that are located in areas with high percentages of immigrant populations, such as the Cedar-Riverside neighborhood on the West Bank of the University of Minnesota. Two examples of banks that cater to the representative immigrant populations in the neighborhoods include the Associated Bank on the corner of Riverside Avenue and Cedar Avenue and Wells Fargo on East Franklin Avenue and 26th Avenue, where employees speak both Somali and English in order to best serve their diverse clientele.

Many individuals within the immigrant populations are also enrolling in post-secondary institutions in order to gain the needed skills to enter the Twin Cities workforce, reiterating the strength of Minnesota's educational system. Developing the needed skills provides entry into companies that are located outside of their community, further diversifying the clientele of the financial services industry throughout the Twin Cities.

It is difficult to make progress when attempting to "bank the unbanked populations" within the immigrant communities because of the language barriers and cultural differences. As noted by the Minnesota Credit Union Network, many of the immigrants come from areas that do not trust financial institutions; thus, they must feel comfortable with whichever financial institution they do end up using. Therefore, many of the changes that need to be made to accommodate immigrant populations must be made from the top down and focus on understanding the clientele and their specific needs, which are different than the typical United States born citizen.

However, City-County Federal Credit Union is an example of a credit union that has made great efforts to reach out to the surrounding immigrant populations in the communities they serve. By partnering with EMERGE, a local non-profit in North Minneapolis, they have been able to offer financial counseling services with a deposits-only account. This deposits-only account allows an individual to save up to $240 over two years that can be matched up to three times the amount by government funds. This deposits-only account restricts individuals to use the accrued funds to save for a home, start a business, or for educational expenses. For Somali account holders whose religion prohibits the accrual of interest, City-County Federal has worked with their data processors to ensure that no interest is accrued in the account, but is still reported as required by federal regulations.

Entrepreneurship

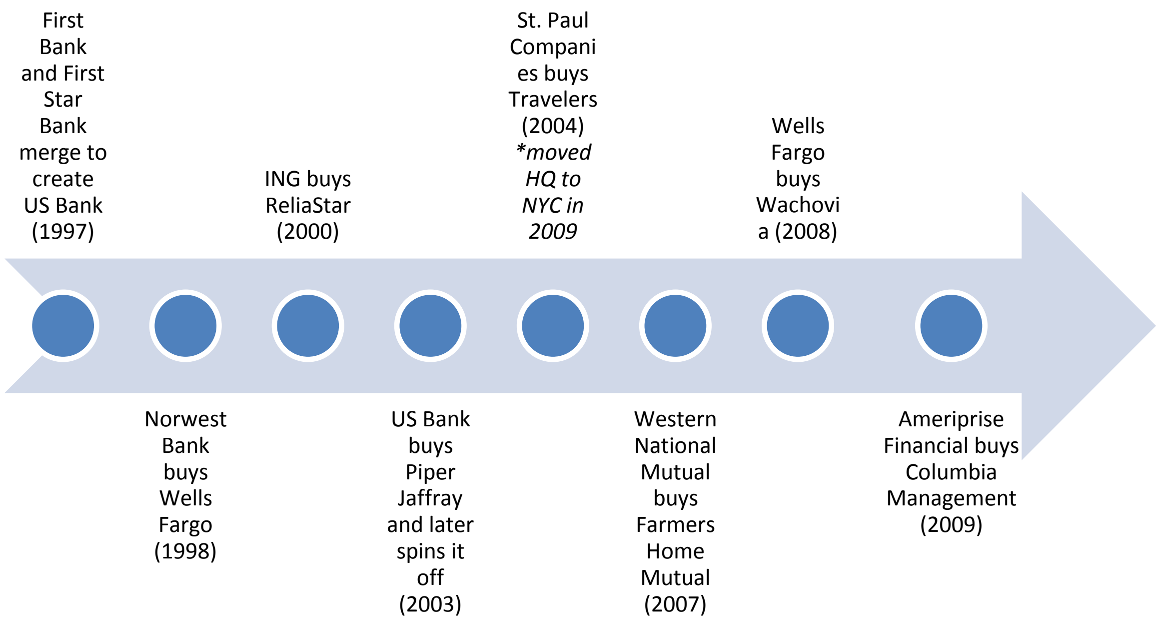
The success of local entrepreneurs is vital to the continued success of the Twin Cities' economy and to the health of the financial services cluster as well because new start-ups form a key source of capital creation. While budding entrepreneurs need capital, they do not have the business history required for bank loans. Angel investors and venture capital firms play a pivotal role in providing financing during the early stages of their business. Venture capital provides more than money; the management and expertise that venture capitalists bring to a new company helps to ensure its success. A brilliant invention alone does not ensure success if the entrepreneur does not know how to create an effective business plan and manage his/her finances. Additionally, many entrepreneurs do not want to relinquish control of their creation to someone aiming to provide short term (3-5 years) returns to investors.

In the wake of the economic crisis, a critical gap has emerged in the stages of entrepreneurship funding. Instead of the normal progression from owner funds to angel investors (design, prototype, market testing stages) to venture capital (up to 4 years) to an event of liquidity to eventually qualifying for bank loans, venture capitalists are waiting to invest until entrepreneurs can prove significantly more revenues than in the past, and the market is delaying the IPO or acquisition of the company. This trend makes angel investors even more important than ever in helping start-ups progress to the point where venture capital can become available to them. Minnesota had been at a disadvantage in attracting such investors because the surrounding states had an angel investor tax credit, but in April Minnesota passed an Angel Investor Tax Credit that will help level the playing field so that Minnesota can compete with its neighbors for angel investors.

Firm Strategy and Rivalry

Mergers & Acquisitions

Several consolidations have taken place within the last decade, most notably:



There have also been efforts within smaller regional banks, such as Frandsen Financial Corp., which consolidated the eight charters it held for community banks into one. Finally, other mergers and acquisitions in the Twin Cities have created work for ancillary financial services firms, such as the Delta-Northwest merger.

Motives for the mergers and acquisitions include creating economies of scale, capitalizing on synergies and increasing revenue or market share. Regional and stronger community banks have been able to take advantage of lower acquisition costs due to market downturn to gain a larger market share, thus increasing their competitiveness with larger banks. However, many of the interviewees noted that consolidation within the banking industry may be beneficial as there are currently too many banks. A higher supply of banks drives down the prices that financial institutions can charge for their services, thus creating an unsustainable business model. According to one source, there are also not enough qualified bankers to supply the large number of banks. The pressure on market share was also due to the expansion of non-bank lenders, who practiced loose lending standards and undercut the standard bank interest rates.

Community Banks and Credit Unions Offer a Personal Touch

As a result of community banks' and credit unions' smaller size and their focus on serving the banking needs of their community, they are able to exercise a more personal and relationship-based approach to their business. This type of approach goes hand in hand with the unique business model of credit unions. Since credit union members must be a member of a particular group to join, they have a built-in sense of community and affiliation with their particular credit union. The smaller market share and number of clients that community banks and credit unions have allowed them to offer more one on one interaction with their clients, leading to more personal services.

This strategy is effective as it draws in clients who want to personally interact with their bank; that is, they want to be able to put a face with the organization managing their money. They enjoy the interactions with the teller and trust the community bank and/or credit union because they have a personal connection with the institution. This is a strategy that larger banks find more difficult to compete with as they do not have the resources and/or the manpower to offer personal services to their clientele. Larger banks rely on the convenience factor, such as online banking and ATM availability, which suits busy clients who may not have the time or desire to physically go into the bank for needed transactions. However, those that favor using community banks and credit unions sometimes believe that reliance on technology to perform these transactions may not be as secure as the actual physical transactions themselves.

Related and Supporting Industries

Professional Services

The Twin Cities financial services firms greatly benefit from the high caliber professional services available in the metro area, including accounting, advertising, legal and marketing. Accounting and legal services are strongly supported by Minnesota's educational system with numerous post-secondary educational institutions offering accounting certificates, two-year accounting degrees, four-year accounting degrees, and juris doctorates.

Other Services

This umbrella term encompasses a variety of supporting companies, including check printing, payroll administration, building maintenance, security, and data security. An emerging trend within the office services is secure document destruction; many companies are now hiring professional secure document destruction companies to come and dispose of their sensitive materials. While most of these services are used by multiple industries, they play a vital role in the supply chain for financial services firms.

Workforce & Training Services

As noted in the factor conditions, there is a strong market for continued education and training services. Several educational institutions in the Twin Cities area (See Appendix 2) have strong financial services related programs, creating a pipeline of new financial services employees. Many of these are traditional schools, where students attend classes in person either full-time, part-time or during the evening. The diversity in options help to increase educational opportunities for those currently employed full-time. Recognizing that many people do not have time to physically attend classes has also fueled online educational opportunities where students can learn at their own pace. In some cases, employers have even partnered with online educational institutions in order to provide their employees with on-going workforce development. These were originally self-study courses with a hard copy book, but the rise of technology has transformed learning via digital media.

Partnerships with major employers in the Twin Cities area as well as with local non-profit organizations have also helped to develop the workforce by targeting individuals who have not had as many educational opportunities as the majority of the population. These individuals are able to get their foot in the door at the entry level, thus increasing and diversifying the workforce in the financial services industry.

There are also internal efforts that employers are making to ensure that their employees remain up to date on current trends and ready for advancement within the company. Leadership trainings are increasingly common where a small percentage of entry-level staff with high potential are given special leadership training designed to propel them into management positions in the future. In order to ease the transition from lower to upper management, some companies have an open door mentoring policy that allows prospective upper management candidates to openly ask about company operations so that they are adequately prepared when they reach the top of the management chain. These strategies ensure that the available highly educated workforce remains knowledgeable about the financial services industry and is ready to take control when the baby boomers retire.

However, the recession has caused many larger employers to reduce or, in some cases, eliminate employee training programs. This not only impacts the larger employers as their workforce does not receive on-going training, but affects smaller banks and credit unions as well. Smaller banks and credit unions often rely on attracting workers who have started out in larger banks, which have employee training programs. Thus, the reduction and/or elimination of such programs due to budgetary reasons have in turn decreased the amount of skilled workers in the financial services industry across all levels, from larger banks to smaller banks to credit unions.

Government

Minnesota's government plays a key role in setting the stage for the continued success of the many financial services firms which call the state home. The financial services industry also generates a large portion of the tax base the state receives each year, thus forming a symbiotic relationship. Government is responsible for creating and continuing to fund educational programs designed to supply qualified workers, thus maintaining interest as well as an incentive structure for workers to join this robust industry. While currently, as a result of the recession there is a glut of over-qualified, under-employed workers in the marketplace, the state will need to maintain its vigilance towards the ongoing education of "knowledge" workers to fill increasingly technical roles.

Regulation

Over the past decade, the Bush administration loosened financial regulations, which made it easy for financial services firms to expand and consolidate with others to rationalize the market quickly. Since the recession, the financial services market has generally taken to austerity, unless there are "bargains" to be had on the open market. While intended to prevent another financial crisis, the effects of increased scrutiny at the federal level by the SEC and other regulatory bodies have yet to be seen. Not surprisingly, financial firms perceived the increased regulatory scrutiny as an overly harsh reaction to the banking crisis, inhibiting their ability to operate and make new loans. Many interviewees commented that the real problem is that existing regulations were not effectively enforced in the past, and that the current regulatory environment has swung too far in the other direction. While often new regulations are intended to provide a fair playing field, smaller banks bear disproportionate costs of implementing new regulations. Larger organizations have dedicated resources to ensure adherence with increased regulation, and gain efficiency due to economies of scale.

Minnesota businesses have experienced increased administrative burdens through bills such as Sarbanes-Oxley (transparent financial reporting), Medicare Part D (extending prescription benefits to seniors), and the pending Volcker Rule (limiting speculative institutional investments). Similar to the Glass-Steagall Act of 1933, which established the FDIC to regulate banks and restore confidence in the market, the Volcker Rule has been a central tenet of the Senate Committee on Banking, Housing & Urban Affairs' pending financial regulatory reform in 2010. Minnesota businesses have been lobbying for their respective interests at the state and national level via associations and other interest groups. The Glass-Steagall Act was repealed in 1999, once again blurring the lines between the commercial and investment banks, which some economists attribute to fueling the 2008 recession. The proposed Consumer Protection Agency will also likely have a significant effect on the financial services cluster, and critics have argued that it would add another layer of bureaucracy. Since general federal legislation and regulation affects all states so it does not impact the state's competitiveness as much as local policies and regulations.

Within credit unions, many are opting to change from federal charters to state charters as state charters provide more flexibility and to better serve their members. As credit unions are made up of a specific membership base, federal charters only allow credit unions to cater to one set of regulations. State regulations are more flexible and allow credit unions to pick which regulations to cater to. An example of this is Wings Financial Credit Union, which was previously Wings Financial Federal Credit Union. Changing to a state charter allows Wings Financial Credit Union to cater to both the airline industry and state regulations whereas a federal charter only allows them to adhere to federal regulations.

Congenial state government relations

Many of the largest financial services companies operating within the Twin Cities have entire departments dedicated to maintaining an open line of communication between themselves and state and national regulators and politicians. In addition, several industry alliances, such as the Minnesota Banker's Association, interact with state and local politicians on a regular basis in advocacy of their industries. Many interviewees have noted that the state has adopted a laissez-faire approach to financial services, lending to an efficient market in the Twin Cities metro as well as greater Minnesota.

Chance

Location

As noted earlier, the location of the Twin Cities helped to initiate the early development of the financial services industry, which eventually expanded regionally throughout the 1900s. Many firms that started out locally within the Twin Cities have expanded to become regional competitors and now are even playing on the national and international level.

Natural Resources

The region's natural resources, including timber, helped to launch economic development endeavors in the Twin Cities through infrastructure and trade. As more of the region's natural resources were used and transported to other areas, a network of efficient and effective transportation grew with the need for commerce. This activity eventually set the stage for other financial services to grow, and in turn, Minneapolis/St. Paul has become a regional competitor in the latter part of the twentieth century through the present.

SWOT Analysis

STRENGTHS

- Educated population
- Strong educational systems
- Viable existing financial marketplace
- Thriving business community (includes major Fortune 500 & Fortune 1,000 companies headquartered here)
- Relative affluence of Minnesotans helps drive demand for financial services
- High quality of life helps workforce attraction & retention
- Lower wages compared to other major financial centers, which help to retain and grow the base of financial service companies doing business in Minnesota
- Strong relationships within the cluster
- Congenial relationship between businesses and state government

  Risk-averse culture is a good for MN's banking industry.

WEAKNESSES

- Minnesota is not considered a national financial center
- Minnesota's national image presents an obstacle to recruiting talent; image does not adequately represent the quality of life and vitality of the business community
- U of M is slow to commercialize innovation
- Lack of liquidity in community banks
- Relatively high business taxes
- Lower wages may decrease ability to attract high level employees. It can be emotional difficulty of accept a pay cut even if a lower cost of living offsets the lower dollar amount.
- Community banks' exposure to commercial real estate
- The U of M is increasingly educating out of state students who are more likely to leave MN after graduating. Risk-averse culture weakens the Angel Investment and Venture Capital environment.
- Increasing traffic congestion in the Twin Cities metro area

OPPORTUNITIES

- Possible to strengthen educational funding
- Can increase emphasis on as well as improve process for supporting commercialization of innovation at the University of Minnesota
- New Angel Investor Tax Credit may stimulate investment in MN start-ups and can be used to signal an improvement in MN's angel investor and venture capital environment. Twin Cities can market itself better
- Numerous opportunities with emerging markets
- Twin Cities health insurance carriers can gain a competitive advantage by collaborating with the managed care systems & health care providers on ways to decrease healthcare costs while maximizing health outcomes.

THREATS

- Regional competition from Chicago and Des Moines
- Long-term government de-prioritization of education
- Other states are seen as having more opportunity for Angel Investors and Venture Capital.
- Potential stringent regulations arising from the financial crisis
- Changing regulations are difficult for small banks to negotiate; presents an administrative burden and increases barriers to entry
- Funding cuts undermine the strength of the education system

SWOT Analysis

Strengths

There are several factors that play into the strengths of the Twin Cities in relationship to the financial services industry cluster. With a strong educational system in place, including options in both the public and private market, a highly educated workforce is already present. With the existence of several Fortune 500 companies in the area, including General Mills, Target, U.S. Bancorp and Ameriprise Financial, the Twin Cities has become known as a thriving business community, setting the field for an existing viable financial marketplace. Both of these factors subsequently influence the relative affluence of the area's residents, which also helps to drive demand for financial services. Wages are lower in the area compared to other major financial centers, which help to retain and grow the base of financial service companies doing business in Minnesota. Along with a high quality of life and low cost of living, the impact of lower wages is not as significant as one may believe as evident by high rates of workforce attraction and retention. With strong relationships within the cluster as well as with the local and state governments illustrate effective communication and partnerships between participating entities.

Weaknesses

Despite the Twin Cities' many strengths, Minnesota is not nationally considered a financial center when compared to New York, Charlotte, and Boston. The fact that those employed in the financial services industry earn lower wages than other competitive markets may decrease the ability to attract high level managers. Despite the fact that there is a lower cost of living in the Twin Cities and hence, more purchasing power, it is psychologically difficult to accept a pay cut. Current budget constraints have decreased funding to the state's educational system and the University of Minnesota is slow to commercialize innovation. High exposure to commercial real estate and a lack of liquidity in community banks will also likely stifle growth in smaller depository institutions. The Twin Cities also lacks diversity within those employed in the financial services industry at the management level and entry level, which limits the ability to gain a market share in specific communities nationally since there aren't local employees that are a part of that community. Finally, the Twin Cities metropolitan area is losing ground on road and air transportation systems, which make the area less attractive and competitive.

Opportunities

The Twin Cities has the ability to market itself as a business and financial center. Minnesota banks have numerous opportunities to reach out to diverse communities and develop emerging markets for their products, providing needed financial services that can strengthen immigrant and other disadvantaged communities. Minnesota also has the opportunity to regain its prominence a leader in education by strengthening investments in education, which will secure Minnesota's competitive advantage in human capita. The University of Minnesota has the opportunity to make commercializing innovation a priority, thereby creating a pipeline for capital and wealth creation for the state.

Threats

As noted earlier, the Twin Cities is not nationally known as a financial center; this can be attributed to the fact that there is strong regional competition from Chicago and Des Moines, which may hinder the Twin Cities progress. The long-term government de-prioritization of education throughout the state threatens the highly educated workforce that already exists by jeopardizing future employees. Neighboring states have the Angel investor tax credit where Minnesota does not; thus, investors are more attracted to such states and not to Minnesota. Due to the financial crisis, there has been an increase in the possibility of stringent regulations, potentially limiting growth within the financial services cluster. These changing regulations are quite difficult for smaller banks to negotiate as the administrative burden increases barriers for entry into the market and increases costs to remain competitive. With the large concentration of community banks in Minnesota, an increasing regulatory burden could be especially detrimental to the Twin Cities financial services cluster.

Vision Statement

We have determined that the vision statement for the Financial Services Industry Cluster should be as follows:

Within the next ten years, the Twin Cities will become renowned as a thriving business center and will be a national leader in community banking, developing emerging markets, and cost-effective health insurance carriers.

While Minnesota cannot match Chicago's position as a historic financial trading center, Minnesota's vast expertise in the financial services industry, combined with efforts to leverage Minnesota's competitive strengths to their full advantage, will create an environment for the cluster to grow and rival Chicago in other areas. The following activities will help to spotlight the Twin Cities as a national competitor, as well as a savvy marketer and agent for change in the financial services industry.

Emerging Markets:

The Twin Cities will become the U.S. metropolitan area that has most effectively reached out to emerging markets, increasing the demand for financial services in the Twin Cities and providing a much needed service to non-English speaking and minority communities. With a growing immigrant population, the Twin Cities is well-positioned to market its expertise in financial services to these unbanked residents. Providing mainstream banking to these populations will save these families the expense of predatory payday loans and check cashing services, and increase their ability to build assets and control their financial future. Once these populations develop relationships with banking institutions and grow in their financial knowledge, they will become customers for investment services and insurance products. Financial services companies will gain loyal customers and the Twin Cities as a whole will benefit from the greater financial stability within these communities. Other cities will look to the Twin Cities as a model for reaching out to unbanked populations and creating culturally appropriate services.

Community Banking:

Improving the competitive position of community banks will be important in the years to come as community banks struggle to compete with the economies of scale of larger banks. Community banks use depositor's funds to make loans in the communities in which their depositors live and work. Just as the "buy local trend" has brought attention to buying food and other goods that are locally made, people are questioning whether or not they should also bank local. Strengthening the competitive position of community banks is a very important economic development strategy as the money stays within the local community rather than going to outside of Minnesota as many larger banks often do. Community banks focus on small business lending, whereas larger banks often focus on serving larger corporations. This focus on small business lending expands the economic base of the community and can have other positive effects such as job creation, higher employment rates, and better public services due to an increased tax base.

Health Insurance:

Minnesota's strong concentration of health insurance carriers, reputation as a state with high quality, low cost health care, and the current push for healthcare reform position Minnesota health insurance carriers to become national leaders in the industry. Minnesota health insurance carriers can create a competitive advantage by collaborating with local managed care systems and providers that have proven low cost, high quality outcomes.

Entrepreneurship:

The Twin Cities will become a leading center of entrepreneurship. The Twin Cities' economy and financial services in particular have been successful as a result of the presence of a large number of Fortune 500 and Fortune 1,000 companies based here. The continuing competitive edge for the Minneapolis-St. Paul area will depend upon its ability to continue to grow successful companies into the future. Consequently, the Twin Cities must become a national leader in innovation and entrepreneurship, providing the financial resources and support necessary for start-ups and small businesses to grow and thrive.

Action Plan

Accomplishing the goals in this vision will require strong leadership from the new Minnesota governor, regardless of who wins the election in November. The plan lays out the creation of a Governor's Roundtable on Financial Services, which will spearhead all of the actions in partnership with the Regional Council of Mayors. In addition, we are recommending the creation of a Twin Cities financial services cluster alliance, who will also be a key partner in all of the action steps.

As a result of the timing of the upcoming gubernatorial election, the majority of the action steps will not be able to be implemented until after November 2010. The following action plan lays out the short term steps for gaining momentum with the candidates for governor and the business community, with the medium term steps demonstrating the actions to be taken as of November 2010 through the next four years. The long term steps are designed for the five to ten year outlook. The action plan incorporates some of the recommendations put forth in the 2008 Financial Services Industry Cluster Study.

SHORT TERM ACTIONS				
Area of Focus	**Objective**	**Action**	**Potential Partner(s)**	**Potential Funding Source(s)**
Overall	Gain support for the creation of a Governor's Financial Services Roundtable	Meet with financial services industry & education leaders to discuss the need for the Roundtable & recruit Roundtable members.	• Industry leaders who support the cause can assist in recruiting other leaders.	N/A
		Organize financial services leaders to call candidates to demonstrate the need and the industry support for the Roundtable.	• Industry leaders • Associations (see Appendix 9)	
		Meet with candidates for the Governor's office to secure their support for the effort if elected.	• Industry leaders	

MEDIUM TERM ACTIONS				
Area of Focus	**Objective**	**Action**	**Potential Partner(s)**	**Potential Funding Source(s)**
Overall	Establish the Governor's Financial Services Roundtable	Finalize arrangements for the Roundtable.	• Industry leaders • Associations • DEED • Education & job training institutions (see Appendix 9)	• Minimal public funding.
		Hold a kick-off event.		• Corporate sponsors
	Increase networking, knowledge-sharing, & problem-solving	Create a cluster alliance of all industry sub-segments and supporting industries.	• Industry leaders • Associations	• Corporate sponsors
		Create a website for the cluster alliance.	• IT staff from participating members • DEED	• Corporate sponsors
	Raise Twin Cities' profile as a business center	Organize quarterly meetings with local Chambers of Commerce, Meet Minneapolis, St. Paul Convention & Visitors Authority, & DEED to explore how they can work together in their efforts to attract attention to the Twin Cities.	• Chambers of Commerce • DEED • Meet Minneapolis • St. Paul Convention & Visitors Authority	N/A

MEDIUM TERM ACTIONS				
Area of Focus	**Objective**	**Action**	**Potential Partner(s)**	**Potential Funding Source(s)**
Overall	Improve education system	Increase investment in education at all levels, including priority admission for MN students at the U of M in order to develop and retain local talent.	• Trade Associations • Local primary and secondary school leaders • U of M Leadership	• State Legislature • Corporate Sponsors
	Improve quality of life	Invest in transit in order to reduce traffic congestion and to be better positioned to adapt to future conditions.	• Transit for Livable Communities • Center for Transportation Studies • Mn/DOT • Local Transportation Management Organizations	• State Legislature • Federal funds
Workforce Development	Develop post-secondary curricula to reflect the skills needed in the industry at both the entry level & professional level.	Create short surveys to generate feedback to determine the relevance of educational programs & how effective they are in job placement.	• Industry Leaders • DEED • Post-secondary ed. institutions • Alumni associations • Non-profit job training programs • Humphrey Institute	N/A
		Invite professionals in the field to give guest lectures and workshops.	• Industry Leaders • Post-secondary ed. institutions	N/A
		Include at least one high level financial services industry representative on the board of educational institutions with financial services related programs.	• Post-secondary ed. institutions • Industry Leaders • Associations	No funding necessary.

<table>
<tr><th colspan="5">MEDIUM TERM ACTIONS</th></tr>
<tr><th>Area of Focus</th><th>Objective</th><th>Action</th><th>Potential Partner(s)</th><th>Potential Funding Source(s)</th></tr>
<tr><td rowspan="2">Workforce Development</td><td></td><td>Using the results of the survey, educational institutions should partner with new board members and other financial services professionals to strengthen their curriculum in areas of weakness.</td><td>• Post-secondary educational institutions
• Industry Leaders
• Associations
• Non-profit job training programs</td><td>Grant funding may be available for non-profits that serve disadvantage d populations. (See appendix 10</td></tr>
<tr><td>Encourage current employees to seek on-going educational opportunities</td><td>Promote participation in professional development associations by attending their events, thereby raising awareness of their professional development & credentialing programs.</td><td>• Associations (see appendix)</td><td>No funding necessary</td></tr>
<tr><td rowspan="5">Emerging Markets</td><td rowspan="5">Increase financial services employees' cultural awareness by establishing relationships & trust within minority & disadvantaged communities; recruit & retain new customers and employees</td><td>Encourage financial services firms to cultivate relationships with local employment agencies & community groups</td><td rowspan="5">• Local employers
• Cultural & community organizations</td><td>• N/A</td></tr>
<tr><td>Sponsor &/or attend cultural events of immigrant populations</td><td>• Individual firms</td></tr>
<tr><td>Require attendance of cultural awareness /diversity training</td><td>• Individual firms</td></tr>
<tr><td>Create mentor programs & encourage cross-cultural exchanges amongst employees (e.g. cultural events, potlucks, etc.).</td><td>N/A</td></tr>
<tr><td>Support creation of affinity networks within the financial services cluster.</td><td>• Corporate sponsors</td></tr>
</table>

MEDIUM TERM ACTIONS				
Area of Focus	**Objective**	**Action**	**Potential Partner(s)**	**Potential Funding Source(s)**
Emerging Markets	Increase financial literacy & skills within the immigrant, non-English speaking, & other disadvantaged communities	Sponsor adult financial education classes	• Industry leaders • MN Financial Fitness Network	• Corporate sponsors matching grant funds
		Provide matching funds & letters of support for FAIM program administrators to expand their services	• Industry leaders • MN Financial Fitness Network	
		Distribute financial education & asset building information through government facilities, community centers, schools, & public employees.	• City, county & community leaders • Public school leadership	
		Partner with community groups in these communities to establish relationships with new banks and credit unions to provide participant accounts	• FAIM Administrators • AccountAbility MN • MBA & ICBMN	
	Increase minority secondary students' awareness of financial services career options	Create a job shadow program that allows interested secondary students to see what it is like to work in the financial service industry	• Industry leaders • Local secondary schools • Trio Educational Talent Search • The Link • City of Minneapolis STEP-UP	• Funding TBD as needed

MEDIUM TERM ACTIONS				
Area of Focus	**Objective**	**Action**	**Potential Partner(s)**	**Potential Funding Source(s)**
Community Banking	Increase small business lending	Create a MN tax credit to match federal tax credits available through the New Markets Tax Credit- investors who make investments into approved funds designated for business lending in low income or distressed areas help to incentivize the flow of capital and reduce the interest rate charged to the borrower.	• ICBM • DEED • Chambers of Commerce • Local business associations • Community Development Corps. • Community organizations	• MN Legislature
		Create a loan program to assist commercial property owners in making energy upgrades; this includes a government guarantee allowing the banks to extend the loan term so that the monthly energy savings would approximately equal the loan payment.	• ICBM • DEED • Chambers of Commerce • Local business associations • Community Development Corps. • Community & Environmental Organizations	• MN Legislature
	Liquidity	Cities, counties, and states should invest their deposits in local banks to keep that liquidity local and working in the community, creating a multiplier effect that will fuel job creation.	• ICBM • Community Development Corps. • DEED • Minneapolis Fed. Reserve Bank • MN State Board of Investments	• Increased tax revenue would off-set losses in yield
	State Regulators	Hire more state examiners and provide more training for them so they can stay current on compliance issue and provide better oversight.	• MBA, ICBM, MCUN • Consumer protection organizations	• MN Legislature

MEDIUM TERM ACTIONS				
Area of Focus	**Objective**	**Action**	**Potential Partner(s)**	**Potential Funding Source(s)**
Community Banking	Promote healthy banking environment on a federal level that will preserve community banking market share	Advocate for strict & consistent enforcement of reasonable standards	• ICBM • MCUN	N/A
		Support pending national legislation to lend $30 billion in leftover TARP money to community banks to increase lending to small businesses.	• SBA • DEED • ICBMN	
		Advocate for states to be allowed to authorize exemptions to the SAFE Mortgage Licensing Act requirements for foreclosure counselors and government-based and non-profit lenders.	• MN Home Ownership Center • DEED • Neighborhood Housing Services of America	
		Extend financial regulations to cover non-bank financial firms.	• MBA, ICBM, MCUN	• DEED • Donors
Entrepreneurs-hip	Improve resources for innovation entrepreneurs	Adapt current DEED instructions for starting a business to create a line of materials specifically geared towards the needs of innovation economy entrepreneurs	• DEED Office of Science & Technology • MN venture capital & angel investor groups • MN High Tech Association • Life Science Alley	• DEED • Life Science Alley
	Improve commercialization of innovation at U of M	Garner support from top leadership at the U of M to implement a strong new emphasis on commercializing innovation.	• U of M Office of Tech. Commercialization • DEED Office of Science & Tech. • Life Science Alley • MN High Tech Assoc.	TBD

MEDIUM TERM ACTIONS				
Area of Focus	**Objective**	**Action**	**Potential Partner(s)**	**Potential Funding Source(s)**
Entrepreneurs-hip	Improve commercialization of innovation at U of M	Re-evaluate the current approach to conflict of interest rules and the proportion of the profits that go to the University and the inventor.	• U of M Office of Tech. Commercialization • DEED Office of Science & Tech. • MN venture capital & angel investor groups	• Increased volume to offset loss of University revenue share
		Create annual awards dedicated to honoring U of M faculty in different areas of scientific research who are pursuing promising research that will likely become commercially viable.	• U of M Office of Tech. Commercialization • Life Science Alley	• U of M • Donors • Alumni • Life Science Alley
	Improve business climate	If taxes must be raised, consider types of taxes other than property tax, as research has shown that property taxes are the most difficult for new businesses to bear.	• Chambers of Commerce • Members of the MN legislature • MN High Tech Association • Life Science Alley	N/A
Health Insurance	Take advantage of opportunity to learn from Minnesota’s health care systems and professionals	Create a MN Healthcare Collaborative to bring MN health insurance companies, managed care systems, and health care providers together to share knowledge about how to create low-cost, high quality health care outcomes.	• Industry leaders • Managed Care Systems • Healthcare Providers	• Corporate Sponsors

LONG TERM ACTIONS				
Area of Focus	**Objective**	**Action**	**Potential Partner(s)**	**Potential Funding Source(s)**
Workforce Development	Encourage current employees to seek on-going educational opportunities to keep their skills current & build skills	Develop strategies to promote employee tuition/educational expenses reimbursement	• Industry leaders • Post-secondary ed. institutions	TBD
		Develop financial education programs that employers can use for quarterly educational in-services to upscale the skills of entry-level & lower level employees	• Industry leaders • Post-secondary ed. institutions • DEED • Non-profit job training orgs. • Trade & Professional Associations	May not require outside funding if employers have a budget for in-service programs.
Emerging Markets	Increase the financial literacy & skills within immigrant, non-English speaking, & other disadvantaged communities	Add a financial skills component to secondary educational curricula, teaching the basics of credit, budgeting, money management, & asset-building, thereby reaching younger members of disadvantaged communities as well as improving the financial skills of the future generation.	• Public Secondary School leadership • Trade Associations • MN Financial Fitness Network	• MN Legislature • Corporate Sponsors • Non-profits serving immigrant and/or disadvantage d communities
Entrepreneur-ship	Improve commercialization of innovation at U of M	Establish a Proof of Concept Center at the U of M to fill the early stage funding gap and to test the commercial viability of potential products.	• U of M OTC • DEED Office of Science & Technology • Life Science Alley • MN High Tech Association	• Fundraising campaign

Conclusion

While it may take a while for the financial services industry to recover from the recession, the vitality of the cluster will be essential to the state's broader economic success. The action plan set out in this study offers a series of steps that will help lay the groundwork for an industry-lead effort to make the Twin Cities a prominent, thriving business center with a strong financial services industry to match the sophistication of area businesses. It also aims to position the Twin Cities to become a national leader in three areas of financial services: community banking, developing emerging markets, and cost-effective health insurance carriers. Playing upon the Twin Cities' many strengths, these action steps focus on enhancing the key factors that attract and retain employers within the financial services industry and target actions that provide a wider economic benefit to the Twin Cities economy and the state.

The success of this plan hinges upon leadership and collaboration. Taking the lesson from Connecticut's successful effort to become a leader in the financial services industry, the leadership of the new governor and business community will be pivotal to Minnesota's success in achieving the vision articulated in this study. The proposed Governor's Financial Services Roundtable and financial services cluster alliance will strengthen collaboration and knowledge-sharing within the industry, helping firms overcome common obstacles and developing strategies for growth. With leadership of the Governor's Financial Services Roundtable, in partnership with the Regional Council of Mayors and the financial services cluster alliance, the Twin Cities will have the opportunity to pull itself out of the economic recession and chart a path towards economic growth. Despite the uncertainty about what the future holds for the U.S. economy and the financial services industry in particular, we strongly believe that this cluster study will provide direction for a more sustainable and prosperous future for the Twin Cities and the state.

Appendices

Appendix 1: Top 30 financial services companies operating in MSP by number of total employees

Company Name	Category	Employees	Sales ($ mil)
Wells Fargo	Bank and other services	281,000	41897.0
UnitedHealth Group Inc.	Insurance - health insurance	75,000	81186.0
U.S. Bancorp	Bank and other services	57,000	14543.0
The Travelers Companies, Inc.	Insurance - business insurance	33,000	24477.0
Ameriprise Financial, Inc.	Asset management	11,093	7149.0
Ceridian Corp.	Payroll processing services	9,177	1700.0
HealthPartners, Inc.	Insurance - health insurance	9,000	3033.5
TCF Financial Corp.	Bank and other services	7,802	1092.1
Thrivent Financial for Lutherans	Asset management	5,800	6080.9
RBC Capital Markets Corp.	Asset management	5,000	--
Securian Financial Group, Inc.	Asset management	5,000	2852.1
Blue Cross and Blue Shield of Minnesota	Insurance	3,650	--
Allianz Life Insurance Co. of No. America	Insurance	2,800	13056.4
Gelco Corp.	Auto lending	2,730	--
Onebeacon Insurance Group, Ltd.	Insurance - property and casualty	2,700	1293.6
Fair Isaac Corp.	Credit reporting	2,480	744.8
MoneyGram International, Inc.	Transaction processing	2,306	927.1
Old Republic National Title Insurance Co.	Insurance - title	2,300	--
Bremer Financial Corp.	Bank	1,652	550.6
Green Tree Servicing LLC	Lending - mortgages	1,600	297.2
Piper Jaffrey Companies	Investment banking	1,045	345.1
St. Paul Guardian Insurance Co.	Insurance - Fire/casualty	1,000	18.0
Marquette Financial Companies	Bank and other services	990	259.2
Long Term Care Group, Inc.	Insurance agent/broker	900	--
DeCare International	Insurance - Dental	700	103.9
Stockbridge Insurance Co.	Insurance agent/broker	637	0.3
Goldner Hawn Johnson & Morrison Inc.	Securities broker/dealer	616	--
Uniprise Inc	Insurance - process plans	600	--
RSM McGladrey Inc.	Financial services to corporate clients	490	--
Riversource Investments	Open-end management investment	425	--

Source: Hoovers, a D&B Company

*Includes those employed outside of Minnesota.

Appendix 2: Educational Institutions with Industry-Related Degree Programs

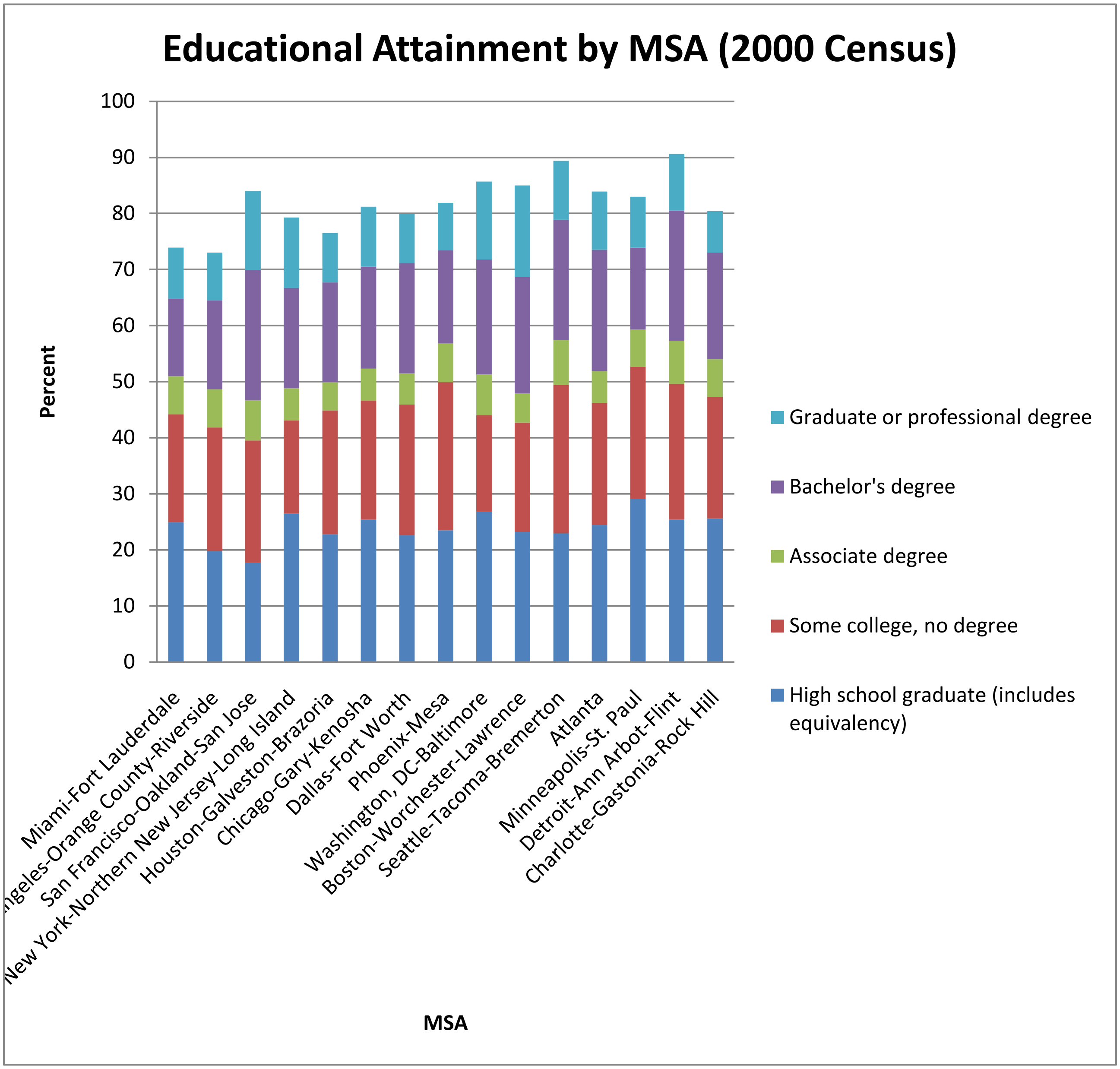
Name of Educational Institution	Website	Location(s)	Division	Degrees Offered
Argosy College	www.argosy.edu	Eagan	College of Business	BS, DBA, MBA, EdD, MSM
Augsburg College	www.augsburg.edu	Minneapolis	Business	BS, MBA
Capella University	www.capella.edu	Online	Business Management	BS, MS, MBA, DBA, PhD
Cardinal Stritch University	www.stritch.edu	Blaine, Eden Prairie, Plymouth, Rochester, Woodbury	Business and Management	AS, BS, MS, MBA
DeVry University	www.keller.edu	Online	Keller Graduate School of Management	MA, MBA
Hamline University	www.hamline.edu	St. Paul	School of Business; School of Law	BS, MBA, JD
Metropolitan State University	www.metrostate.edu	Twin Cities	College of Management	BS, BAS, MBA
Minnesota State Colleges and Universities	www.mnscu.edu	Statewide		AS
St. Mary's University of Minnesota	www.smumn.edu	Twin Cities, Winona, Rochester, Apple Valley, Minnetonka	Undergraduate College; School of Graduate and Professional Programs	BS, MBA
University of Phoenix	www.phoenix.edu	Twin Cities and Online	School of Business	AS, BS, MBA, PhD
University of Minnesota	www.umn.edu	Minneapolis	Carlson School of Management; Law School	BS, MA, MBA, PhD, JD
University of St. Thomas	www.stthomas.edu	St. Paul	Opus College of Business; School of Law	BS, MA, MS, MBA, JD
Walden University	www.waldenu.edu	Online	College of Management and Technology	BS, MS, MA, MBA, PhD, DBA
William Mitchell College of Law	www.wmitchell.edu	St. Paul		JD

Acronym Key: Associates Degree (AS); Bachelors of Applied Science (BAS); Bachelors of Science (BS); Doctor of Business Administration (DBA); Doctor of Education (EdD); Juris Doctorate (JD); Masters of Business Administration (MBA); Masters of Science (MS); Masters of Science in Management (MSM); Philosophiae Doctor (PhD)

Appendix 3: Languages Spoken in the Minneapolis-St. Paul MSA (2000 Census)

Languages	Percent
Spanish or Spanish Creole	3.2
Miao, Hmong	1.5
African languages	0.8
German	0.6
Vietnamese	0.5
French (incl. Patois, Cajun)	0.4
Chinese	0.4
Russian	0.3
Scandinavian languages	0.2
Mon-Khmer, Cambodian	0.2
Laotian	0.2
Other Asian languages	0.2
Arabic	0.2
Italian	0.1
Polish	0.1
Serbo-Croatian	0.1
Other Slavic languages	0.1
Persian	0.1
Hindi	0.1
Urdu	0.1
Other Indic languages	0.1
Other Indo-European languages	0.1
Japanese	0.1
Korean	0.1
Tagalog	0.1
Other Native North American languages	0.1
Other and unspecified languages	0.1
French Creole	0
Portuguese or Portuguese Creole	0
Yiddish	0
Other West Germanic languages	0
Greek	0
Armenian	0
Gujarathi	0
Thai	0
Other Pacific Island languages	0
Navajo	0
Hungarian	0
Hebrew	0

Appendix 4: Educational Attainment by MSA (2000 Census)



Appendix 5: Top 20 Metropolitan Areas by Employment in the Financial Services Cluster in 2007

#	MSA	2007 Total Employment	Finance & Insurance Employment	Share of National Cluster Employment	LQ
1	New York-Northern New Jersey-Long Island, NY-NJ-PA	7,032,453	579,392	0.082	1.568
2	Los Angeles-Long Beach-Santa Ana, CA	4,979,011	254,372	0.051	0.972
3	Chicago-Naperville-Joliet, IL-IN-WI	3,829,914	246,024	0.064	1.222
4	Dallas-Fort Worth-Arlington, TX	2,518,758	175,430	0.070	1.325
5	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	2,350,935	174,549	0.074	1.413
6	Boston-Cambridge-Quincy, MA-NH	2,099,976	153,631	0.073	1.392
7	Miami-Fort Lauderdale-Miami Beach, FL	2,008,475	114,554	0.057	1.085
8	San Francisco-Oakland-Fremont, CA	1,743,669	113,728	0.065	1.241
9	Phoenix-Mesa-Scottsdale, AZ	1,645,479	111,840	0.068	1.293
10	Minneapolis-St. Paul-Bloomington, MN-WI	1,531,506	108,703	0.071	1.350
11	Houston-Baytown-Sugar Land, TX	2,148,269	89,881	0.042	0.796
12	Detroit-Warren-Livonia, MI	1,655,557	77,460	0.047	0.890
13	Tampa-St. Petersburg-Clearwater, FL	1,078,451	75,051	0.070	1.324
14	Seattle-Tacoma-Bellevue, WA	1,457,203	68,591	0.047	0.896
15	Hartford-West Hartford-East Hartford, CT	-(ND)	64,349	-(ND)	-(ND)
16	Charlotte-Gastonia-Concord, NC-SC	736,911	62,067	0.084	1.603
17	St. Louis, MO-IL	1,144,855	58,246	0.051	0.968
18	Columbus, OH	763,600	56,741	0.074	1.414
19	Baltimore-Towson, MD	1,040,934	55,805	0.054	1.020
20	Cleveland-Elyria-Mentor, OH	903,352	53,911	0.060	1.135

Appendix 6: Top 20 Metropolitan Areas by Employment in the Financial Services Cluster in 2008

#	MSA	2008 Total Employment	Finance & Insurance Employment	Share of National Cluster Employment	LQ
1	New York-Northern New Jersey-Long Island, NY-NJ-PA	7,035,065	568,693	0.08	1.56
2	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	2,344,082	172,067	0.07	1.42
3	Boston-Cambridge-Quincy, MA-NH	2,111,053	151,539	0.07	1.39
4	Minneapolis-St. Paul-Bloomington, MN-WI	1,516,997	107,365	0.07	1.37
5	Charlotte-Gastonia-Concord, NC-SC	732,989	59,930	0.08	1.58
6	Columbus, OH MSA	756,419	54,307	0.07	1.39
7	San Antonio, TX	684,457	50,657	0.07	1.43
8	Jacksonville, FL	515,530	48,558	0.09	1.82
9	Salt Lake City, UT	536,692	40,208	0.07	1.45
10	Bridgeport-Stamford-Norwalk, CT	372,192	39,635	0.11	2.06
11	Omaha-Council Bluffs, NE-IA	388,031	31,960	0.08	1.59
12	Birmingham-Hoover, AL	414,685	30,395	0.07	1.42
13	Columbia, SC	267,292	23,162	0.09	1.67
14	Madison, WI	260,689	21,957	0.08	1.63
15	Harrisburg-Carlisle, PA	255,485	20,458	0.08	1.55
16	Chattanooga, TN-GA	200,819	14,441	0.07	1.39
17	Trenton-Ewing, NJ	162,483	14,430	0.09	1.72
18	Bloomington-Normal, IL	73,695	11,246	0.15	2.95
19	Green Bay, WI	145,841	10,848	0.07	1.44
20	Lansing-East Lansing, MI	152,801	10,838	0.07	1.37

Source: MN DEED, Kyle Uphoff, 2010

Appendix 7: Interview Acknowledgements

This report would not have been possible without the cooperation of many industry professionals. The following individuals contributed their insights and expertise through personal interviews.

Financial Services Segment	Person	Firm/Title
Venture Capital	Don Keysser	Hannover Ltd.
	Joy Lindsay	Startec Investments
	Rick Brimacomb	Brimacomb & Associates
Securities & Investments	Brian Pietsch	Government Relations, Ameriprise
	Laura Moret	Managing Director, Piper Jaffray
	Sean Wenham	Merrill Lynch
	Dave Lecander	ELCA Board of Pensions
		Attorney, Wells Fargo Institutional Investments
	Maren Adal & Anthony Carideo	Certified Financial Advisors of MN
Workforce Development	Philomena Satre	Manager of Diversity and Inclusion, Wells Fargo (Great Lakes region)
	Mary Schultz	DEED
	Judy Nevonen	Senior VP-Human Resources, US Bank
Education/Training	Mike McGee	Dean, MCTC
	Greg Schrock	Professor, Humphrey Institute of Public Affairs
Insurance	Peter Wagner	United Health Group
	Terry Chism	UCare Minnesota
	David Eide	Western National Insurance
Leasing	Perry Mead	Former Executive Vice President and General Manager, Cargil
Emerging Markets	Neil Christy	MN Credit Union Network
	George Jacobson	MEDA
IT Management Consulting	Bill Ristvedt	CFC Technology Corp.
Banking	Ben Crabtree	Senior Advisor, Oak Ridge Financial Services Group, Inc.
	Craig Bentdahl	Bancore Investments
	Mark Cummings	MN Credit Union Network
	Roger Madison	Bremer Bank
	Scott Reinhard	Bremer Bank
	David Reiling	Sunrise Banks
	Ken Olson	City County Federal Credit Union

This study also utilized the interview notes from Mayor Jim Hovland and Mayor Peter Lindstrom's April 2010 meeting with Elliot Jafee, U.S. Bank's Twin Cities' Market President.

Appendix 8: Twin Cities Emerging Markets Demographic Information

Twin Cities Foreign Born and Non-English Speaking Population Estimates	2000	2008
Total Population	2,968,806	3,229,878
Foreign Born	210,344	281,428

Region of Birth for Foreign Born	2000	2008
Europe	33,755	37,030
Asia	89,273	106,775
Africa	30,388	53,787
Oceania	1,020	945
Latin America	47,309	74,488
Northern America	8,590	8,403

Language Spoken at Home (Ages 5+)	2000	2008
English Only	2,476,998	2,640,646
Language Other than English	280,397	358,789

Appendix 9: Financial Services Associations & Potential Partner Organizations

Professional and Trade Associations, including but not limited to:

ICBM—Independent Community Bankers of Minnesota
MAMB—MN Association of Mortgage Brokers
MBA—MN Bankers Association
MCUN—MN Credit Union Network
NARA/MU—National Association of Review Appraisers and Mortgage Underwriters
UMACHA—Upper Midwest Automated Clearing House Association
ACA—Association of Credit and Collection Professionals
CFA—Certified Financial Advisors of Minnesota
MIAB—Members of the International Association of Bookkeepers
MAFMIC—MN Association of Farm Mutuals Insurance Co.
NAIFA-MN—MN Association of Insurance & Financial Advisors
MN RIMS—Minnesota Risk and Insurance Management Society
NAIC—National Association of Insurance Commissioners
FPAMN—Financial Planning Association of MN
FEI—Financial Executives International
FWI—Financial Women International

Employment and Job Training Organizations, including but not limited to:

- Employment Actions Centers
- Goodwill
- Twin Cities RISE
- HIRED
- PPL
- Emerge

Immigrant and Ethnic Community Groups, including but not limited to:

- Somali Education Center
- Confederation of Somali Community
- Hmong Cultural Center

Appendix 10: Potential Sources of Grant Funding

Ameriprise Financial
64 Ameriprise Financial Center
Minneapolis, MN 55474
County: Hennepin
Phone: (612) 671-3052
Email: community.relations@ampf.com
Web site: www.ameriprise.com
Contact: Tracy Hall, administrator, grants management & gift matching programs
Established: 12/22/1987

Andersen Corporate Foundation
White Pine Building
342 Fifth Avenue North
Bayport, MN 55003-1201
County: Washington
Phone: (651) 275-4450
Fax: (651) 439-9480
Email: andersencorpfdn@srinc.biz
Web site: www.srinc.biz/bp/index.html
Contact: Chloette Haley, program officer
Established: 12/01/1941
Donor: Andersen Corporation
Paid Staff: Yes

U.S. Bancorp Foundation
800 Nicollet Mall
BC-MN-H21B
Minneapolis, MN 55402-4302
County: Hennepin
Phone: (612) 303-7870
Fax: (612) 303-0787
Contact: John Pacheco, foundation director
Established: 01/11/1979
www.usbank.com/cgi_w/cfm/about/community_relations/commun_relations.cfm

Otto Bremer Foundation
445 Minnesota Street
Suite 2250
St. Paul, MN 55101-2107
County: Ramsey
Phone: (651) 227-8036
Fax: (651) 312-3665
Email: obf@ottobremer.org
Web site: www.ottobremer.org
Established: 05/01/1944

Wells Fargo Foundation
90 South Seventh Street
N9305-192
Minneapolis, MN 55479
County: Hennepin
Phone: (612) 667-7860
Fax: (612) 667-8283
Web site: www.wellsfargo.com/donations
Established: 11/29/1979

Xcel Energy Foundation
414 Nicollet Mall
Minneapolis, MN 55401
County: Hennepin
Phone: (612) 215-5304
Fax: (612) 215-4522
Web site: www.xcelenergy.com/foundation
Paid Staff: Yes

Appendix 11: U.S. Metropolitan Areas Traffic Congestion Rankings

Top 20 U.S. Cities by Traffic Congestion (2007)		
Metro	**INRIX Congestion Rank**	**INRIX Travel Time Index**
Los Angeles-Long Beach-Santa Ana, CA	1	1.34
New York-Northern New Jersey-Long Island, NY-NJ-PA	2	1.19
Chicago-Naperville-Joliet, IL-IN-WI	3	1.15
Washington-Arlington-Alexandria, DC-VA-MD-WV	4	1.22
Dallas-Fort Worth-Arlington, TX	5	1.12
Houston-Sugar Land-Baytown, TX	6	1.13
San Francisco-Oakland-Fremont, CA	7	1.2
Boston-Cambridge-Quincy, MA-NH	8	1.12
Seattle-Tacoma-Bellevue, WA	9	1.18
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	10	1.1
Miami-Fort Lauderdale-Miami Beach, FL	11	1.14
Atlanta-Sandy Springs-Marietta, GA	12	1.1
Minneapolis-St. Paul-Bloomington, MN-WI	13	1.11
Phoenix-Mesa-Scottsdale, AZ	14	1.08
Denver-Aurora, CO	15	1.09
Baltimore-Towson, MD	16	1.1
San Diego-Carlsbad-San Marcos, CA	17	1.11
Riverside-San Bernardino-Ontario, CA	18	1.09
Sacramento--Arden-Arcade--Roseville, CA	19	1.07
San Jose-Sunnyvale-Santa Clara, CA	20	1.14

Source: Brookings Institute

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