COLORADO BUSINESS REVIEW

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IN THIS ISSUE

Mayor Hancock Welcomes Attendees to 53rd Colorado Business Economic Outlook Forum

Jackson Rueter

Mayor **Michael B. Hancock** kicked off the Colorado Business Economic Outlook Forum with an apt assessment of the state, "When it comes to economics, especially coming out of the recession, Denver and Colorado lead the way." He noted that the strength of Colorado's economy lies in its diversity and resilience. Historically, the state has been included in companies' relocation discussions, but since the recession, Colorado has become a front runner for small and large companies alike. It is a direct result of the state's intentional economic development strategy: to play to our strengths and build resiliency in our industries and employers.

Mayor Michael B. Hancock

Since the recession, Colorado has gone through an economic renaissance. Very few expected Colorado to bounce back and thrive the way it has. As our strong economic growth over the last seven years begins to slow, Mayor Hancock stated that it is time to take a step back, "…to recalibrate and assess our current and future prospects."

With a strong economy comes new issues around cost of living, workforce management, and pressure on infrastructure.

Affordable housing and workforce development are key issues the state faces today. The cost of a place to live in Colorado has increased at one of the fastest rates in the country since 2010. High housing costs overburden current residents and make it more difficult to attract new businesses and maintain a high quality workforce. Both are hallmarks of Colorado's recent economic growth. Without addressing the cost of living, these advantages are threatened. Anticipating future workforce skills needed by business, developing local talent, and attracting workers from outside our borders is critical to forging a versatile, top-tier workforce. This will keep

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Forum Keynote Address

The Future of the Financial Services Industry

Terri R. Kallsen, executive vice president of investor services at Charles Schwab and keynote speaker at the 53rd annual Colorado Business Economic Outlook Forum, discussed the fiduciary responsibility and risks surrounding the financial services industry.

Kallsen began by discussing the tradeoffs associated with the financial services industry today. Consumers are often forced to choose between low-cost service, helpful advice, an effective financial plan, or talking to a certified financial planner (CFP). However, she believes that consumers should receive all four in their financial relationships. She believes that the industry needs to begin

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Leeds School of Business
UNIVERSITY OF COLORADO BOULDER
BUSINESS RESEARCH DIVISION

FROM THE EDITOR

As highlighted at the 53rd annual Colorado Business Economic Outlook Forum, Colorado's employment growth is expected to slow in 2018 compared to 2017, although the state will still be in the top 10 states. The three industries projected to add the most jobs will be Professional and Business Services; Trade, Transportation, and Utilities; and Education and Health Services.

The half-day event, held on December 11, featured an employment forecast for 13 industry sectors and a keynote address by Terri R. Kallsen, Executive Vice President, Investor Services, Charles Schwab & Co., Inc. Three industry breakout sessions rounded out the afternoon.

Summaries of the day's proceedings are featured in this issue. For additional details, visit colorado.edu/business/brd.

Please contact me directly at 303-492-1147 with any comments or questions.

—Richard Wobbekind

Summary of Forecast

Colorado's Employment and Population Growth to Slow in 2018

The following observations summarize the thoughts of the Colorado Business Economic Outlook committee members as of early December for 2018.

Richard Wobbekind, executive director, Business Research Division, and Kelly Brough, president and CEO, Denver Metro Chamber of Commerce

Following three consecutive years of employment growth in excess of 3%, the pace of growth slowed to 2.3% in 2016. The state continued the job-building momentum in 2017, adding an estimated 56,300 jobs, or 2.2%. In 2018, Colorado's pace of employment growth is projected to slow further, to 1.8%, as Colorado increases employment by 47,100.

The majority of jobs in every state are in services-producing industries. On the high side, 21.4% of wage and salary jobs in Indiana were in goods-producing sectors in 2016, and on the low end, Hawaii had 8% of employment in goods-producing industries. In 2016, 36 states added services-producing jobs at a faster pace than goods-producing jobs. As one of those states, Colorado had the 37th-highest concentration of jobs in goods-producing sectors (12.3%), or inversely, the 14th-highest concentration of services jobs (87.7%). In 2017 and 2018, Colorado will record growth in both goods and services, with the most jobs added in services. Over the past decade ending in 2016, all of the job growth has been in services—the state added nearly 335,000 jobs in services industries, but lost nearly 15,000 jobs in goods-producing industries.

In 2018, the three industries projected to add the most jobs will be Professional and Business Services; Trade, Transportation, and Utilities; and Education and Health Services. The greatest pace of growth will be in Natural Resources and Mining, Education and Health Services, and Professional and Business Services.

Agriculture—The Agriculture Sector will post lower net income for the second consecutive year in 2017 with profitability concentrated among only a few sectors. Following a decrease in net income of $70 million, from $1.23 billion in 2016 to $1.16 million in 2017, profits are expected increase slightly, to $1.37 billion, in 2018. Trade has had a large impact on Colorado farmers, with NAFTA affecting multiple agricultural sectors within Colorado. However, the political uncertainty surrounding the status of trade agreements could pose problems for the industry in 2018.

Construction—The demand for housing units in 2017 has continued to increase, largely driven by steep increases in net in-migration. New single-family detached home permits are expected to increase by 9.8% in 2017 and 9.7% in 2018. While multifamily construction is expected to fall slightly in 2017, it is expected to rebound in 2018, to 17,400 permits issued, a 2% increase from 2017. The industry continues to struggle with employment shortages as baby boomers retire and current construction employees move to areas recently hit by natural disasters. Along with growth in both nonresidential and nonbuilding construction, industry employment is still expected to see modest growth, adding 6,900 jobs in 2017 and 2,500 jobs in 2018, totaling 164,500.

Manufacturing—Following a decade of decline, the Manufacturing Sector is expected to grow for the eighth consecutive year in 2018. Nondurable goods continues to be a bright spot in Colorado's manufacturing industry, with projected employment growth of 1.3% in 2017, and 1.2% growth in 2018, to 53,700 workers. Durable goods, representing roughly two-thirds of employment within manufacturing, is expected to see modest growth of 1% in 2018. Most subsectors are anticipated to post modest employment increases, except printing and related products, paper products, machinery manufacturing, and metal manufacturing. The greater use of robotics and automation is increasing the productivity in the Manufacturing Sector but at the cost of declining employment growth.

Natural Resources and Mining— Compared to the rest of the nation, Colorado ranks 7th in petroleum liquids reserves, 6th in wet natural gas reserves, 13th in coal production, 3th in gold production, and 2nd in molybdenum production. Colorado is also a leading

COLORADO NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT

2018 (in thousands)

	2018[a]	Percent Change
Natural Resources and Mining	26.1	4.4 %
Construction	164.5	1.5
Manufacturing	145.6	1.1
Trade, Transportation, and Utilities	470.4	1.9
Information	72.4	0.4
Financial Activities	169.6	1.2
Professional and Business Services	425.2	2.4
Education and Health Services	343.4	2.5
Leisure and Hospitality	337.0	1.9
Other Services	108.0	1.6
Government	440.4	1.1
Total[b]	2,702.7	1.8 %

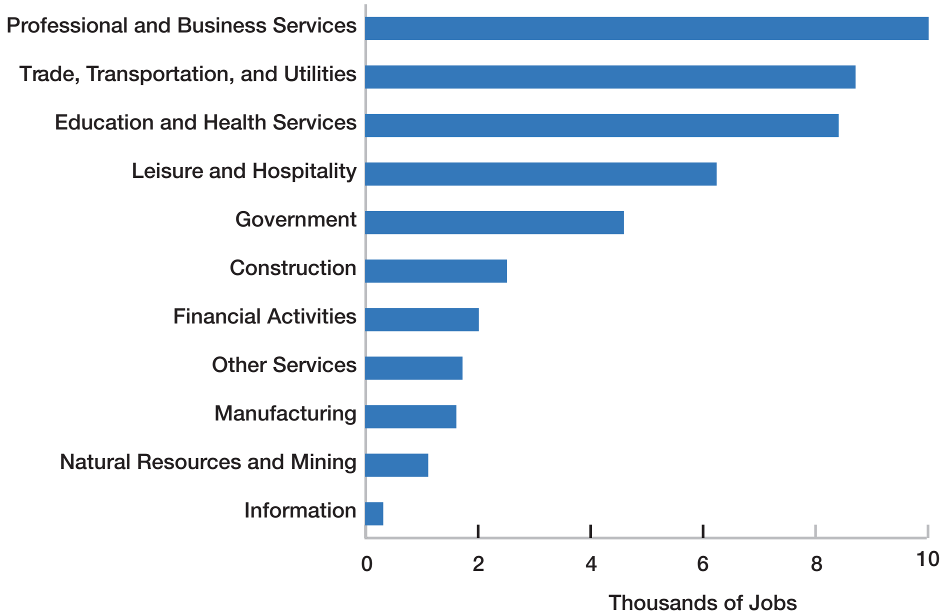
[a]Forecast.

[b]Due to rounding, the sum of individual sectors may not equal the total.

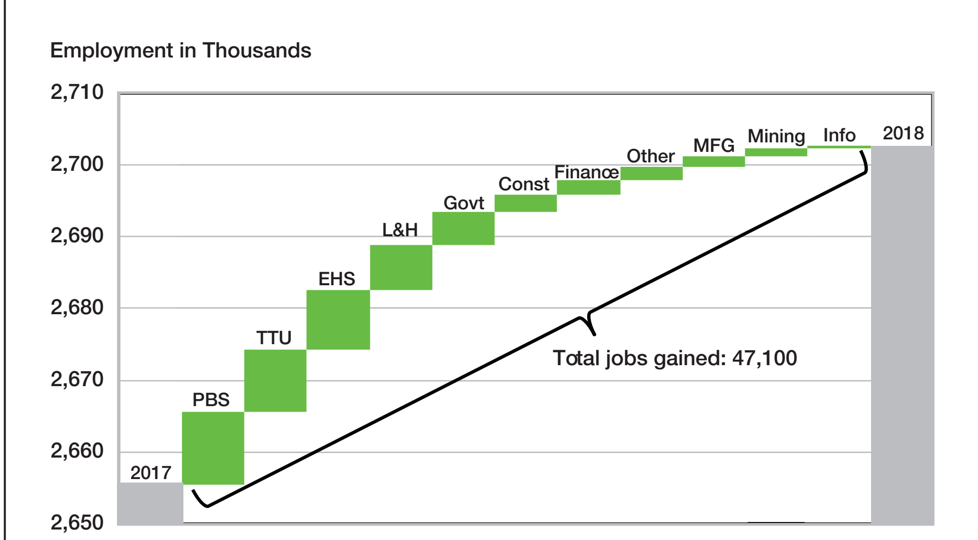
Sources: Colorado Department of Labor and Employment (CES Data) and Colorado Business Economic Outlook Committees.

COLORADO EMPLOYMENT CHANGE

2018 Forecast



Source: Bureau of Labor Statistics, Current Employment Statistics (SA).



COLORADO EMPLOYMENT CHANGE
2018 Forecast

Source: Bureau of Labor Statistics, Current Employment Statistics (SA).

producer of renewable energy, including wind, solar, biomass, and hydroelectric energy sources. Colorado natural gas production value in 2017 was estimated be $5.0 billion, a 15% increase from 2016. The total value of Colorado's Natural Resources and Mining production in 2018 is forecast to increase 6.9%, to almost $14 billion. Industry employment is expected to post an increase of 4.4% in 2018.

Professional and Business Services—Professional and Business Services (PBS) Sector employment growth continues to increase, but at a higher rate. The sector is projected to post employment growth of 2.4% in 2017 and in 2018. One of the main drivers of growth will continue to come from the Professional, Scientific, and Technical Services Sector.

Trade, Transportation, and Utilities—TTU employment is anticipated to increase by 1.9% to total 470,400 jobs in 2018, with retail trade contributing the majority of industry growth. The retail sales forecast for Colorado calls for a 4.6% increase in 2018, despite growing competition from e-commerce. Overall, TTU is expected to add 8,700 jobs next year.

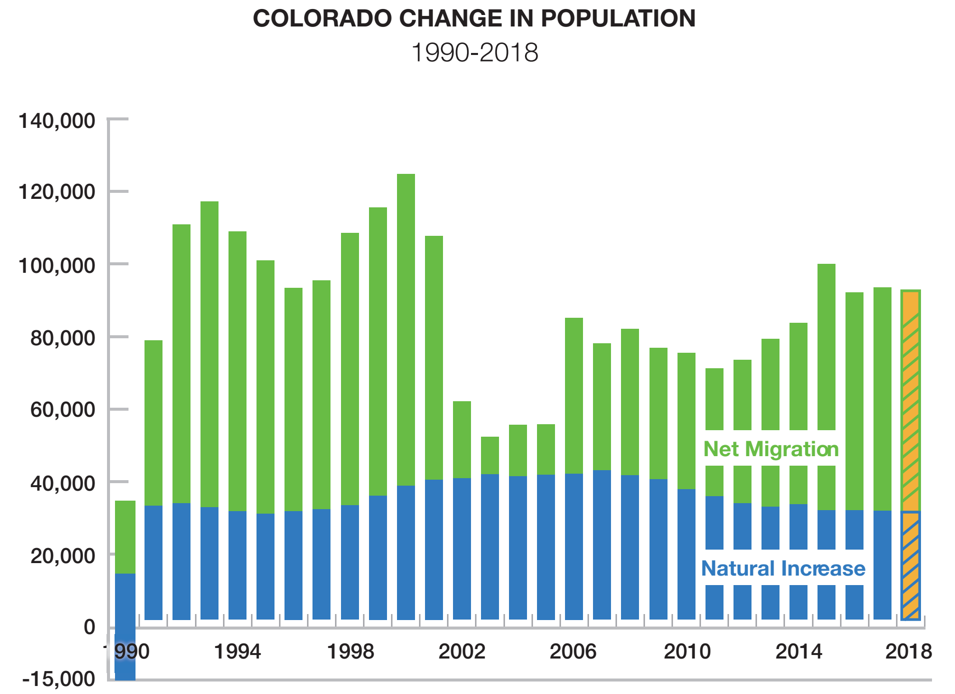
Education and Health Services— Private education and health care services are expected to continue their trend modest growth, adding 8,300 and 8,400 jobs in 2017 and 2018, respectively. The majority of sector employment is made up of health care professionals, representing 88% of industry employment. Demand for health care in the state is expected to be driven primarily by growth and aging in the population and the expansion of health care coverage. Between 2010 and 2017, Colorado's senior population increased by 41.2% compared to the overall population growth of 11.6%.

Leisure and Hospitality—Tourism-related employment is expected to grow for the ninth consecutive year in 2018. Growth is projected to decline from 2.3% in 2017 to 1.9% in 2018. Colorado posted a record number of visitors in 2016 for the sixth consecutive year, increasing 6% from 2015 to a total of 82.4 million visitors in 2016. Denver recorded one of its best years for conventions, hosting 858 meetings in 2016. Colorado continues to dominate the ski industry, capturing almost one-quarter of total U.S. resort skier visits during the 2016–17 season. Momentum in Colorado's tourism industry is anticipated to continue through 2017 and 2018, with a forecasted employment increases of 7,500 jobs and 6,200 jobs, respectively.

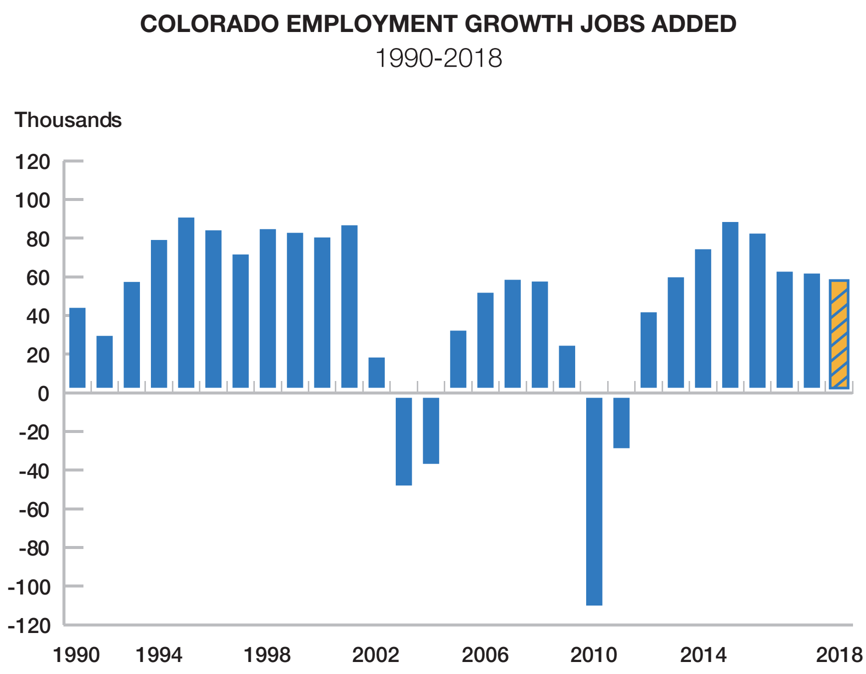
Government—Government employment within Colorado is expected to post a gain of 1.1% in 2018, driven by state and local government. Local government accounts for 60.2% of government employment in the state, the majority of which are teachers or staff in K–12 schools, and is expected to grow by 1.6% in 2018. Local government benefits from higher home values and increased consumer expenditures as revenues come from property taxes and sales and use taxes. State tax revenues in Colorado are capped by TABOR limit, and any excess revenues are refunded to taxpayers, creating very stable employment growth trends.

Financial Activities—The Financial Activities Sector is expected to continue to grow in Colorado in 2018, adding 2,000 jobs to reach total employment of 169,600. The forecasted increase in growth is driven by expectations of a stronger overall economy that provides more job opportunities within banking, insurance, and real estate. Financial Activities employment has recorded positive growth each year since 2012, illustrating a strong recovery from the recession. Residential real estate continues to be one of the nation's strongest performers in 2017, driven partly by millennials beginning to purchase homes.

Information—The industry has been plagued by structural declines in the Publishing subsector, as well as M&A activity that has impacted the Telecom subsector. Nonetheless, the industry posted the strongest pace of growth (1.4%) in 2016 since the tech boom. The Information industry is expected to add 400 jobs in 2017 and grow by 300 jobs in 2018.



Source: Colorado Department of Local Affairs, State Demography Office.



Source: Colorado Department of Labor and Employment and Colorado Business Economic Committees.

National and International

- U.S. output will continue to benefit from increased investment, complementing strong personal consumption.
- U.S. exports will gain from a stronger global economy and a more competitive value of the dollar.
- U.S. GDP growth will likely remain in the 2%–3% range in 2018.
- Inflation will inch closer to the Fed target rate, and the Fed will address policy with at least two rate increases in 2018.

Colorado

- Despite slower growth, Colorado will still be in the top 10 states in 2018.
- Employment growth is projected in each of the 11 industries in both 2017 and 2018.
- Commodity prices will help stabilize the commodity-sensitive industries.
- Population growth will slow modestly from 2017 to 2018; the state will still add an estimated 90,600 people, two-thirds of which will come from net migration according to the State Demography Office.
- Colorado's aging population and low unemployment rate will constrain job growth in 2018.

Colorado will remain a naturally competitive market in 2018, creating, retaining, and recruiting a highly talented workforce with assets ranging from a desirable quality of life to a diverse and robust economy.

For more information on each industry sector, visit colorado.edu/business/brd.

Forum Breakout Session

Denver's Real Estate Renaissance from Bush League to Prime Time

John Griswold

Michael Kercheval, CU Real Estate Center, with real estate panelists Darren Fisk, Forum Real Estate Group; Matt Joblon, BMC Investments; Andy Klein, Westside Investment Partners; Cooper Williams, Essex Financial Group; Brian Watson, Northstar Commercial Partners; and Luke Price, U.S. Bank – Real Estate Banking Group

Opinions expressed by panelists reflect the most current market information available as of early December.

Denver has experienced enormous growth in the real estate sector, and some are beginning to question the stability of the market with such a run-up in prices across all asset classes (multifamily, office, retail, and so forth). A discussion of cyclicality and further room for growth were the main topics in the breakout session regarding Denver's real estate market. **Michael Kercheval,** director of the CU Real Estate Center, explored the notion that Denver's most recent growth is a function of a fundamental shift in the market, rather than just another cyclical high. Kercheval coordinated and moderated the forum breakout discussion among a variety of industry representatives ranging from developers to financiers.

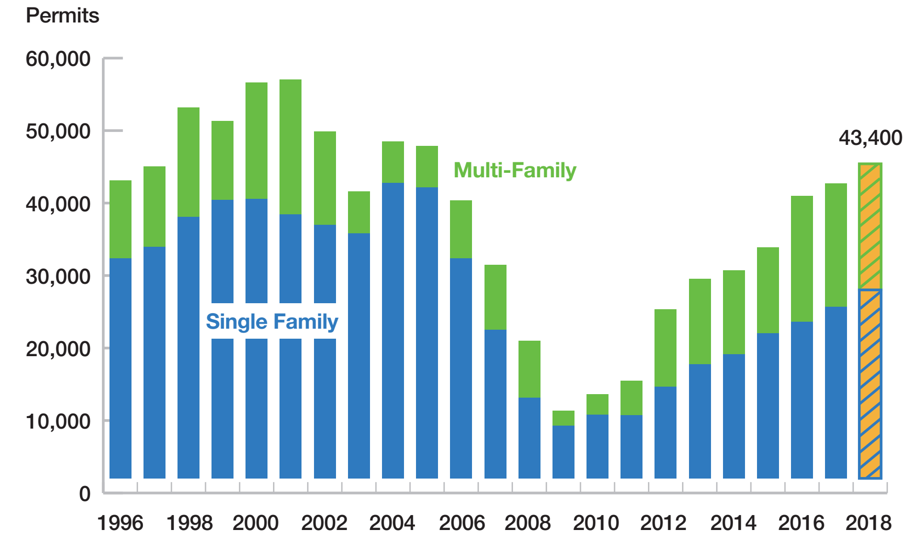
The multifamily asset class was highlighted by **Darren Fisk,** founder and CEO of Forum Real Estate Group, who views Denver's growth as a function of huge net migration based on an attractive lifestyle. Fisk noted that high construction costs have negatively impacted new building in the metro area; thus, the city will experience an extreme shortage of housing if current migration trends continue. Although largely positive in his outlook, Fisk also identified the lack of infrastructure to support the population boom as a potential threat to future market growth. He suggested that the boom cycle may be close to an end. Consequently, it is necessary to be patient and strategically choose the right investment opportunities remains paramount to Fisk's approach.

The retail and hospitality asset classes were discussed by **Matt Joblon,** CEO of BMC Investments, which has been largely responsible for the continued development of Cherry Creek North, including the Steel Creek Luxury Rentals and Halcyon Hotel. Joblon remains modestly bullish on the Colorado real estate market; however, he established that this view is contingent on having the right political leadership at the state level. The construction labor shortage has driven up building costs and made returns on development deals thin. Furthermore, a general housing shortage has exacerbated an affordable housing crisis in the city as those with low incomes are being priced out of the market. Although Joblon does see cracks in the Denver market, he remains largely optimistic about future growth if the industry can remain disciplined in its approach.

The single-family asset class was represented by **Andy Klein,** principal of Westside Investment Partners, which has developed a multitude of master-planned neighborhoods. Klein perceives the record-high prices in the Denver market as a bubble that has prompted him to seek returns in secondary markets like Colorado Springs. In discussing the real estate growth attributable to huge in-migration, he noted that sitting in traffic is a good sign for those in the industry as all of those new residents need homes. Overall, Klein remains bullish on Colorado and relatively bearish on the continued sustainability of growth in the Denver market.

Brian Watson, founder and CEO of Northstar Commercial Partners, a developer and investor in commercial real estate and office space, had a strong, positive outlook on the foreseeable future of Denver's market. Watson established that continued growth in the commercial asset class is reliant on Denver's ability to attract and retain corporate headquarters as the talent to support a firm like Amazon exists in the city. His most important concern remains the access to, and potential shortages of, water if the city's growth continues at such a fast rate. Moving forward, Watson noted the ability to buy cheaply and keep costs low as the determinant of success in the commercial subsector.

RESIDENTIAL BUILDING PERMITS
1996-2018



Source: U.S. Census Bureau.

Mortgage banking, a critical component of the real estate market, was represented by **Cooper Williams,** a principal at Essex Financial Group. Williams discussed the enormous availability of capital in the lending market due to a global search for yield. He noted that international capital from German, Korean, and Chinese investors is pouring into the Denver economy as they search for an elevated rate of return. Williams is bullish and anticipates much more growth in the Colorado system; however, due to tighter lending requirements, growth may not be as exponential as it has been since 2008. He believes that the market is in a much healthier state than it was prior to the 2008 recession as lenders today have been much more disciplined in their approach.

Capital markets and real estate banking were represented by **Luke Price** of the U.S. Bank – Real Estate Banking Group. He identified positive macroeconomic trends in Denver as the catalyst for future growth. In 2018, Price foresees spreads becoming much narrower on real estate deals due to anticipated interest rate hikes. While still aggressive, bank lenders have moved into shorter deals, greater equity requirements, and increased recourse provisions. Price identified the new downtown Denver resident population as a key example for understanding Denver's growth since the recession as new grocery stores and amenities are surfacing to support the growing population.

The real estate industry breakout session panelists had an overall positive view on Denver real estate based on favorable external trends; however, disciplined future growth is required to avoid another crisis. Further growth must simultaneously be supported through infrastructure improvements and a focus on water availability if Denver hopes to avoid many of the traffic congestion and water shortage issues that have occurred in southern California. Denver really has grown from a cow town to a skyscraper city, and the future is bright for the continued growth of the city's real estate market.

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Forum Breakout Session

Fact or Fiction: Entrepreneurship Propels the Colorado Economy

Michael Hansen

Erick Mueller, Leeds School of Business, with entrepreneurship panelists Stephanie Copeland, Colorado Office of Economic Development and International Trade; Dustin Kelley, Vail Centre; and Wendell Pryor, Chaffee County Economic Development Corporation

Opinions expressed by panelists reflect the most current market information available as of early December.

A defining feature of Colorado's business identity is entrepreneurship. A proliferation of local start-up activity in recent decades has put Colorado on a similar level as many of the country's traditional innovation hotbeds. The 2017 Kauffman Index of Startup Activity ranks Colorado 5th among all states in terms of total start-up activity, and ranks Denver 10th among all metropolitan areas. Despite the growing entrepreneurial culture in Colorado, the state is experiencing a "start-up slowdown." There are a million fewer jobs from new businesses today than there were 10 years ago. There is also a rural disparity, with a 50% decline in nonmetro business formations over the last decade.

During the 53rd annual Colorado Business Economic Outlook Forum held in December, a panel of local business leaders explored a number of different perspectives on entrepreneurship. Moderated by entrepreneur and Leeds School of Business faculty and staff member **Erick Mueller,** the discussion centered on entrepreneurship as an economic driver for Colorado. Joining Mueller were **Wendell Pryor,** director of the Chaffee County Economic Development Corporation; **Dustin Kelley,** chief innovation officer for the Vail Centre; and **Stephanie Copeland,** executive director of the Colorado Office of Economic Development and International Trade. Together, the panelists brought years of experience in entrepreneurship, economic development, and entrepreneurial education throughout the state of Colorado.

The panel opened with discussion about the definition of entrepreneurship and the characteristics of entrepreneurs. The panelists generally agreed that entrepreneurship is not necessarily equated with business acumen, but rather with certain personality traits and characteristics. Entrepreneurs, Copeland argued, are obsessively outcome oriented and try to solve problems or create markets. If an entrepreneur doesn't see something working, they will try to fix it. Kelley made a similar point, defining entrepreneurship as the action of *physically* acting on a new opportunity. The panelists also agreed that entrepreneurship doesn't exist only in the traditional "start-up" sphere, but can take place anywhere. Pryor noted that entrepreneurial principles can also be leveraged in existing large or small organizations through "intrapreneurship."

The panelists agreed that entrepreneurs may share many similar characteristics; however, the local environment and support system are also critical for cultivating new innovators. Successful entrepreneurial ecosystems benefit from both physical infrastructure and mentorship communities. Two panelists identified co-working spaces as assets that allow both new and experienced entrepreneurs to share ideas. Kelley described strong demand for space inside new co-working facilities in the towns of Avon and Edwards. These types of locations aggregate entrepreneurs and grow mentorship within the ecosystem. Copeland argued that that while there is no way to actually "force" mentorship in the business community, networks and relationships grow from just having people in the same space. Pryor also defined entrepreneurs as risk takers at heart, and exposure to a supportive community may enhance risk-taking and develop entrepreneurial skills. Startup Colorado, a new statewide initiative, is an effort to build the state's entrepreneurship ecosystem through meetups, internships, education, and research.

The conversation transitioned to the economic impact of entrepreneurship, with Mueller posing the question: *Does entrepreneurship drive the Colorado economy?* All three panelists agreed that entrepreneurial activity is a key determinant of the state's economic success. Copeland related entrepreneurship with economic resiliency, noting that areas in Colorado with healthy business formation have more vibrant economies and demonstrate a stronger ability to recover from economic shocks. Pryor echoed these sentiments, describing entrepreneurs as the forefront of innovation and creativity. However, Pryor warned, entrepreneurs may also serve as "canaries in a coal mine," meaning innovative small business may eventually become squeezed out of their own markets by mega-retailers. A successful outdoor industry retailer in Chaffee County was recently forced out of business due to Amazon and manufacturers selling directly to consumers. Kelley focused on spin-offs as a major benefit of entrepreneurship, describing entrepreneurship as an industry in itself that spins off other industries as locals develop new ideas. In the Roaring Fork Valley, Kelley argued, these new firms have a greater impact than many of the region's legacy industries. The three participants also discussed the jobs resulting from entrepreneurial ventures—noting that quality cannot be measured simply with salary. Copeland mentioned that motivations for entrepreneurs are often different than traditional career paths, arguing that entrepreneurs don't start ventures for steady hours and high wages, but to build their businesses and communities. Pryor offered a similar sentiment, mentioning that entrepreneurship generally improves diversity and inclusion within a business community, and may offer a greater satisfaction and a higher quality of life than traditional industries.

Finally, the panelists touched on the trend of "start-up slowdown." The trio argued that the lack of new business starts, especially in rural areas, is not the new normal, but rather a cycle that should be disrupted. In order for small businesses to survive business consolidation and online giants, the panelists expressed that communities need to better understand the issue, especially within education. Kelley specifically noted that MBA students should be able to launch any type of new business, but the focus on entrepreneurship in business programs may not be as robust as it needs to be. Mueller, however, mentioned that a growing number of students at the Leeds School of Business express interest in entrepreneurship, and a curriculum is offered to help develop the necessary skills. Pryor argued that students should be focused on solving problems with "human skills" that cannot be replaced by automation, mentioning that repetitive tasks will soon be replaced by machines. The panelists also focused on the importance of buy-in from a community as a whole. Kelley described the importance of entrepreneurial communities having a long-term vision plan, but also the ability to quickly adapt to the changing business environment. The panelists embraced entrepreneurship as a vital component of Colorado's business culture, but expressed that entrepreneurs must work hard to achieve future success.

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Forum Breakout Session

The Price of Pristineness: The Prudent Production and the Prudent Use of Natural Resources

Jackson Rueter

Opinions expressed by panelists reflect the most current market information available as of early December.

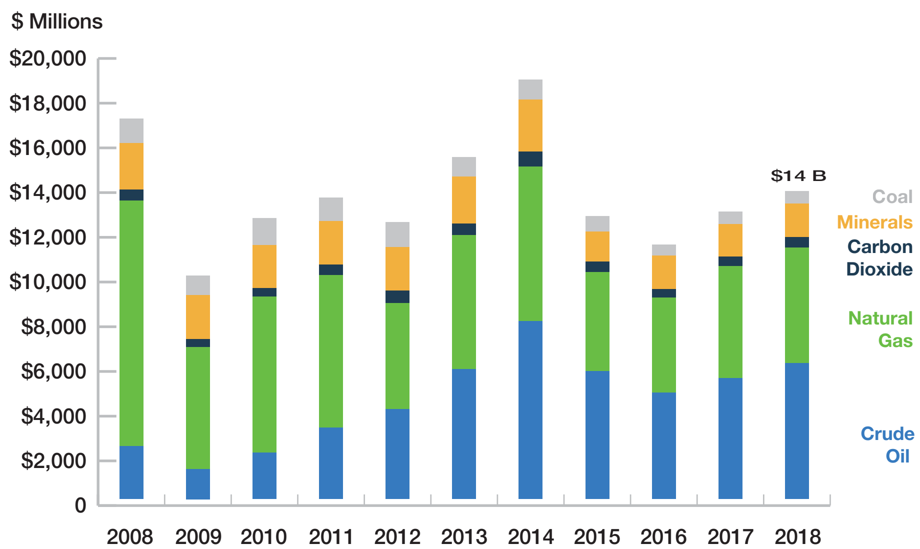
Prudent natural resource development requires addressing the triple bottom line: people, planet, and profit. Communities along the Front Range have determined that Colorado's diverse landscape warrants unique consideration, leading them to resist natural resource development in many areas. Moderated by **John Tobin** of the Natural Resources Education Program, panelists **Aaron Harber** (Harber TV), **Dave Neslin** (Davis Graham & Stubbs LLP), and **Melinda Truskowski** (Ramboll Environ) discussed what prudent development and the price of pristineness look like in Colorado.

As Tobin put it, "Prudent development requires public trust" and such trust is only achieved through effective community engagement. Trust is central to accessing areas for development and ultimately extracting resources. However, this trust comes at a price: the price of pristineness. The price of pristineness, and what pristineness means, is determined by local communities and land owners. Some communities place a high price on pristineness, which can be reflected in local regulations. In contrast, other communities and land owners accept natural resource development more freely and demand fewer concessions around environmental or social concerns, which implies lower prices for pristineness.

Social Need

The debate around natural resource development typically centers around the industry discussing economic benefits, while regulators and communities focus on environmental aspects. Understanding communities' emphasis on pristineness is critical to prudent development, and companies need to work on attaining what Truskowski calls the "social license to operate," or an implicit acceptance of a certain code of conduct for natural resource development. Without it, companies see more resistance to development, which creates delays, and delays cost money. All of the panelists highlighted the importance of *listening* to and addressing communities' concerns rather than using predetermined solutions to a generic problem. By listening, natural resource firms can tailor their solutions to communities and speed up the approval and development process. Truskowski explained this nuanced approach using a town in Texas as an example. While Coloradans are often concerned with environmental aspects, not every region is. Truskowski elaborates, "The biggest concern for them is the truck traffic and the trash. If you can take care of those items, for that community, they're going to feel like they've been listened to. But if you go ahead and talk about water water water, they'll say, 'Yeah, but could you clean up the road?'" Through understanding unique community needs, companies can shift costs from business practices the community does not deem necessary to those they do, and speed development and social approval in the process.

VALUE OF NATURAL RESOURCES
2008-2018



Source: Colorado Geological Survey Mineral and Minerals Fuel Activity Reports, Colorado Oil and Gas Conservation Commission, Department of Minerals and Geology, and Colorado Business Economic Outlook Committee.

Existing Resources

Resource development is made more complex by the additional strain it places on existing resources. Harber contended that the resource pressure comes not from the aggregate amount

Attendees at the 53rd annual Colorado Business Economic Outlook Forum, held December 11, 2017

of a resource that is used in the state, but rather from how that resource is distributed geographically. For example, water resources in northeastern Colorado are more strained due to agricultural and oil and gas development than most other areas in the state. Additional fracking in this area, though it does not use much water compared to state use as a whole, places more pressure on an already scarce resource. To combat the added burden, Truskowski noted that in the past, companies have recycled and reused frack fluid and produced water—an example of prudent development. Referencing the social license to operate, if the community is concerned about increased usage of a constrained resource, prudent developers should address that concern with their actions.

Crafting Policy

Government is one institution that can craft and enforce a long-term policy focused around prudent development and pristineness. Industrywide, companies will not naturally align themselves with these long-term goals because it requires all companies to have the same goal, and the same timetable for achieving it. By setting priorities at a government level, natural resource developers are forced to work toward these goals while remaining economically viable, explained Harber. Those companies that cannot do so are forced out of the market. This creates an industry made up of companies that develop prudently, and preserve environmental pristineness. The policy will have worked in this regard because the only players left are those who develop natural resources prudently.

In developing long-term goals, it is important to include all sides in the discussion. There is imperfect information about what the effect of policies may be, which Neslin refers to as the "knowledge challenge." What most people know, or think they know, is likely not completely true. Thus, when developing and implementing policies, it is important to hear perspectives from the community, environment, and industry before making comprehensive, long-term decisions.

Prudent natural resource development has been a long-standing issue in Colorado. With the state's beautiful landscape, there is a broad desire to protect the natural environment; however, this preservation comes at an economic cost. Balancing the price of pristineness with prudent natural resource development will continue to be a discussion in the state for the foreseeable future. Setting policies and long-term goals for communities, the environment, and the natural resource industry is a critical step toward a balance between prudence and pristineness in Colorado.

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Mayor Hancock

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businesses and jobs here, and reinforce Colorado's position as a national business leader.

Infrastructure is a challenge and an opportunity for Colorado as well. A quickly growing population further strains infrastructure and could impede economic growth in the long term as infrastructure fails to keep up with demand. Hancock cited a recent general obligation bond issued by Denver to work on infrastructure challenges as a good step, but said that both the state and federal government need to develop a cogent strategy for addressing U.S. infrastructure. By focusing on infrastructure improvement, Colorado can make the state a safer, better place for residents and continue to draw new businesses. Hancock explained that Colorado has the resources and will to solve this issue; we just need to continue making an effort to do so at all levels of government and in our communities.

Hancock described a tremendous opportunity facing the state. It is critical to reshape and retool the economy as it cools off so all residents can thrive. Mayor Hancock posited that the state needs to manage the economy in a way that reflects constituent values, and emphasizes the value of diversity. Shaping our economic foundation now—so all Coloradans benefit from the rising tide—ensures our economy is resilient and productive. Only then can we can enjoy the good times, and weather the bad, together.

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Terri R. Kallsen, executive vice president, investor services, Charles Schwab & Co., Inc.

Keynote Address

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looking through the consumer's eyes in order to offer the best possible service.

Looking forward, Kallsen believes that cybersecurity and lack of talent are the two most important issues facing the financial services industry. According to Kallsen, financial services firms need to emphasize protecting client data in order to facilitate trust with clients. Financial firms should continually innovate how they protect client data in order to stop the constant stream of cyberattacks; Kallsen states that one successful cyberattack would be devastating to the industry. The financial services industry is also struggling to attract enough talent to fill the more technical jobs. Kallsen believes that it is critical for the industry to focus on retaining current employees as well as continuing to attract new talent. To attract new talent firms need to establish relationships with universities and CFP programs. She also believes that the industry should emphasize the service aspect of financial planning over the money in order to entice highly motivated individuals who want to help their clients.

Kallsen concluded her address emphasizing the importance of financial literacy. She believes that investors need to be patient and willing to invest over the long term. Kallsen also wants to see more women take an active role in their financial planning as they are more often becoming the primary earner of the family.

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