

**CITY OF SAN DIEGO  
SMALL BUSINESS ADVISORY BOARD  
MEETING MINUTES**

May 7, 2004

World Trade Center, Seminar Room  
1250 Sixth Avenue, 10<sup>th</sup> Floor  
San Diego, CA 92101

<b>BOARD MEMBERS PRESENT</b>	<b>BOARD MEMBERS ABSENT</b>
Badi Badiozamani Faith Bautista George Chandler Kurt Chilcott Scott Cummins Judy Preston Warren Simon Richard Sims	Jesse Navarro Spencer Skeen Chi Tran

<b>CITY STAFF</b>
Steven Bal, Office of Small Business Kelly Broughton, Development Services Department Meredith Dibden Brown, Office of Small Business Tina Christiansen, Development Services Department Hank Cunningham, Community and Economic Development Ron Halbritter, Development Services Department Tony Khalil, Neighborhood Code Compliance Department Jeff Kawar, Economic Development Division Stephen Russell, Councilmember Atkins Office, District Three Janet Wood, Office of Small Business

<b>OTHERS PRESENT</b>
Rick Hernandez, San Diego Gas and Electric Scott Kessler, Business Improvement District Council

## **Introductions**

- Mr. George Chandler called the meeting to order at 8:18 a.m. A quorum was present.

## **Approval of Minutes**

- The minutes of April 2, 2004 were voted upon and unanimously approved.

## **Public Comment**

None provided.

## **Business Improvement District (BID) Council Monthly Report: Warren Simon, Hillcrest Association**

Mr. Simon highlighted the following information from their past monthly meeting:

- A brief overview of the proposed Big Box Ordinance was provided. They anticipate that it may be on the Council docket within approximately two months.
- Report from the ADA Subcommittee, noting that there have been attorneys following up on small business improvement projects. A number of civil lawsuits have been filed against businesses for noncompliance. The BID Council is reviewing ways to provide more information to business owners regarding ADA compliance.
- Report from Mr. George Chandler of the U.S. Small Business Administration on the Community Loan Program.
- The San Diego Regional Chamber of Commerce provided a brief update on the proposed Responsible Wage and Healthcare Act, commonly referred to as the Living Wage Ordinance.
- Report from the Service Corps of Retired Executives (SCORE) on their latest seminar.
- Mr. Simon inquired of Ms. Meredith Dibden Brown of the Office of Small Business and Neighborhood Revitalization (OSB) about the impact of the City Manager's Fiscal Year 2005 Proposed Budget on OSB and the entire Community and Economic Development (C&ED) Department. Ms. Brown replied that the proposed budget would eliminate four out of the nine positions in OSB. Seven other positions would be eliminated within C&ED. Two of those positions are to be shifted to other funding sources. The eliminated positions would also create "bumping" among the classified employees.
- Mr. Kurt Chilcott stated that he would volunteer to draft correspondence from the SBAB to the Mayor and City Council concerning the proposed budget reductions to OSB and C&ED. He added that the SBAB needs to remind the Manager, Mayor and Council that OSB generates and stimulates business investment, which is returned to the City in the form of revenue. He added that it is continually missed in the budget review process, unless there is direct reimbursement or cost recovery. The revenue side is as important as the expense side.

- Ms. Brown informed the SBAB that the Transient Occupancy Tax (TOT) funding recommendations will be presented at the June 7, 2004 City Council meeting. The C&ED budget is scheduled to be heard by the Mayor and Council on June 14, 2004. The actual final budget deliberations will occur on June 21, 2004 and June 28, 2004 (if needed).
- Ms. Tina Christiansen of the Development Services Department (DSD) suggested that the SBAB tie a fee to funding positions in OSB. The Council is reviewing 15 to 20 new fees for possible adoption. The fee list would need to be reviewed to determine if a nexus could be made between any of the proposed fees and OSB. There does need to be a direct nexus between what the fees are being raised for and what is being spent in the General Fund.
- Mr. Chandler stated that the SBAB has always been supportive of decreasing the business tax certificate fees, but in light of the current budget situation and the impact upon OSB, the SBAB would be amenable to increasing the fees to restore the reductions in OSB. Currently, the small business tax certificate fee is \$34 per year. The fee increase would need to be tied to the administrative costs. Additional revenue could be allocated towards other small business programs. There are approximately 75,000 business tax certificate holders within the City of San Diego. Mr. Hank Cunningham, Director of the Community and Economic Development (C&ED) Department commented that there has been discussion within the past year on raising the business tax certificate fee. There was discussion on whether the administrative portion of the business tax certificate could be increased with just Council action or if it would require a two-thirds majority vote, as mandated by State Proposition 218. Mr. Jeff Kavar stated that he could discuss the issue with the City Attorney's Office.
- Mr. Cunningham provided a brief overview of the City's budget situation. City Manager Mr. Lamont Ewell presented the proposed budget to the City Council on May 3. The budget fills a \$24 million General Fund deficit and proposes that services and positions be cut to balance the budget. Mr. Cunningham stated that he welcomes the support of the SBAB on behalf of OSB and the Economic Development Division (EDD). The proposed budget is not about revenue, but about a reduction in force by decreasing the number of City employees. He noted that the EDD within C&ED took a very significant hit. The SBAB can articulate to the executive management team that EDD activities are a core service, since they provide essential services to the community.
- Mr. Scott Kessler stated that the BID Council would support a small increase in the business tax certificate fee. OSB staff can show that administrative costs have not been recovered for the past 10 years. Additionally, there are \$3.8 million of public improvement projects in Mid-City that are currently being managed by OSB. The BID Council has been sharing some of the project management costs in the past couple of years with OSB. If the Engineering and Capital Projects (E&CP) Department is assigned those projects, they will charge more to contract monitoring costs. Also, OSB is indoctrinated in the culture of the small business community, but the engineers are not. He stated that OSB could start charging for contract monitoring costs.
- Mr. Stephen Russell from Council District 3 commented that at the end of the budget hearing process, the Mayor and Council will review the cut list and their wish list. The key to getting programs restored is through advocacy. SBAB members can make personal connections with Councilmembers (or the senior staff person) and advocate on the importance and value of the programs. At the budget hearing, the members must represent their case in an organized manner. He recommended that members try to tell a story in five or six serial testimonies, with each presenter stating a specific reason as to the importance of restoring the EDD programs.

Presenters must be focused on the topic they are speaking about and echo the information said to the Councilmembers in private discussions. Mr. Kawar stated that EDD has some statistical data and narrative information that could be provided to the members for their presentation.

- Mr. Chilcott stated that he would like to coordinate the efforts of the SBAB with the BID Council. Mr. Simon remarked that the BID Council's efforts could be broader in scope, since their charge is somewhat different than the SBAB's. He added that the SBAB does not want to repeat the same message coming from the BID Council. Members stated that the letters would be mutually supportive. Mr. Badi Badiozamani commented that the letter from the SBAB could be policy setting rather than going through the details. The letter would include information on the revenues that are generated by EDD activities. The SBAB's role would be to sensitize the executive management team.
- There was some discussion on developing an outreach of coalition support, which would include large businesses, the BIDs, and organizations such as the San Diego Regional Chamber of Commerce and all other business organizations that EDD interacts with.
- The strategy would be to submit a letter to the Mayor, City Council, and City Manager that articulates the SBAB's position and then to follow up with a presentation at the budget hearing on June 14, 2004. The third part would be for members to contact business organizations to request their support with letters and to appear at the budget hearing.
- Ms. Christiansen stated that the first step for a fee increase is to see if it can legally be done. The next step is to get a resolution from a coalition including the BID Council, the Chamber, and other organizations that supports the fee increase if the positions are restored. This would put it into a package form that Council can either support or not support and it would close a loop.
- **Mr. Kurt Chilcott motioned for the SBAB to: 1.) Establish a position relative to the impact of the budget cuts to EDD (including OSB) specific to small businesses and 2.) To participate in any type of actions which are necessary to support the SBAB's position, relative to the presentation to the Mayor and City Council. The motion was voted upon and unanimously approved. Mr. Chilcott will draft the letter and email the draft to the entire SBAB for their review and input. It was agreed upon that all SBAB members should sign the letter.**
- Mr. Russell recommended that the letter be personally delivered to each of the Councilmembers, A meeting could be set up with each of the Councilmembers and the letter could be provided to them at that time. He added that the members should set up appointments with the Councilmembers before the letter is drafted. Mr. Sims encouraged SBAB members to contact their Councilmember and to alert them to the letter that has been distributed. They could even write their own letter to their Councilmember, requesting that they read the letter from the SBAB.
- There was discussion on contacting organizations that have a direct nexus to the service reductions that are being proposed. Ms. Christiansen stated that the City has lobbying guidelines for their employees. Mr. Sims stated that there needs to be a mechanism that provides information to the business community as to what is going on.
- Mr. Kessler stated that the Small Business Enhancement Program and the Parking Meter District Program are intact. The TOT is relatively intact, with a 10 percent reduction. The BIDs are on

average leveraging their base assessments on an 8 to 1 ratio, with about \$1 million in assessments and \$8 million in budgets. He noted that EDD was significantly impacted by the proposed budget.

- Mr. Chandler requested that SBAB members email him with the Councilmembers that they intend to meet with and when they plan to contact them. Several members indicated the Councilmembers or organizations they intend to meet with. He recommended that members wait to contact the Councilmembers until the details are worked out. Mr. Kawar stated that staff can email the SBAB members what the proposed reductions are to EDD and the services associated with those positions.

<b>Development Services Department Liaison Report: Tina Christiansen, DSD</b>
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Ms. Christiansen provided the following information on DSD activities:

- DSD no longer has the services of Ms. Terri Marshall who served as Small Business Liaison, but it doesn't change DSD's commitment to the small business community. She introduced Mr. Ron Halbritter as Ms. Marshall's replacement as Small Business Liaison. Mr. Halbritter will also be covering some of Mr. Kelly Broughton's duties, including providing the monthly report to the SBAB and creating some small business brochures. They have found that the small business outreach will help small businesses and cut off trouble early in the process.
- Mr. Halbritter provided a brief overview of his employment history. He has 15 years of experience with the City of San Diego. His title is Supervising Plan Review Specialist in the Information and Application Services of DSD. He stated that he looks forward to being creative and providing alternative suggestions in his new role.
- Mr. Sims stated his concern of having a specific person assigned to specific services, because it creates vulnerability. He prefers that there be a systemic approach to meeting the needs of the small business community. Ms. Christiansen replied that some of the actions on the task list and the recommendations from the Maximus Report and from the forthcoming Zero Based Management Review (ZBMR) will assist in providing information on developing a systemic approach. The ZBMR report will be issued on June 7, 2004 and Ms. Christiansen will return to the SBAB with the information.
- Ms. Christiansen provided the following an overview from DSD's Budget Review Report:
  - DSD is involved with many things, including complex projects such as Petco Park and for infrastructure projects such as roads, sewers, water, lighting, Park and Recreation facilities, Police and Fire stations as development occurs. There is one place for the customer to go for the whole process.
  - Ms. Christiansen stated that she will continue serving as Director of DSD, while a national search is being conducted by the City Manager's Office for a new Director. At that time, she will become Assistant Director of DSD, focusing on the permitting side of the process.
  - The budget for DSD for Fiscal Year 2004 is \$55.7 million, which is entirely an Enterprise Fund. The services are provided by the fees and those services are improving.

- Forty-two percent of the regulations are controlled directly by the City Council. There are 28,906 pages of regulations of which more than 5,000 pages are community plans. There are 490 DSD staff to interpret the 28,906 pages of regulations and 40 layers of maps. Eighty-two percent of the City is potentially subject to discretionary review. The complexity increases confusion, increases processing time, and can influence the accuracy of services being provided.
- Factors influencing processing time include: 1.) Process Type? 2.) Controversial? 3.) Number of permits, deviations and type of policy change? 4.) Skill and responsiveness of applicant? 5.) Type of environmental review.
- In one week, DSD: 1.) Performs 3,250 inspections, 2.) Responds to 3,750 calls for information, appointments, and records, 3.) Performs 925 plan checks, 4.) Issues 750 permits, and 5.) Takes an average of 12 projects to a hearing.
- DSD is in the process of obtaining the services of a professional survey company. The survey company is currently in the process of developing the survey. The survey will be deployed at every service point in DSD.
- The project tracking system was deployed over the past year and every permit will be on the system by the end of this year.
- Ms. Christiansen provided the following information from an organizational assessment of DSD, conducted by Maximus, Inc.:
  - Applicant concerns were: 1.) Long turnaround time, 2.) Inconsistency and unpredictability, 3.) Excessive costs, and 4.) Poor staff attitude.
  - Noted there are 3 players in the process: 1.) Decisionmakers (includes the City Council, the Planning Commission, and California Coastal Commission, 2.) Customers (property owners, developers, contractors, and businesses), and 3.) Stakeholders (people affected by the process, including the community, citizens, community planning groups, environmental groups, and business groups). She noted that businesses fall into the categories of customers and stakeholders.
  - In the Manager's Report, there are 5 issues of concern and 17 recommendations. The general trend is focusing on the basics, including training and accurate information. They are focusing on reducing submittals.
  - In closing, Ms. Christiansen stated that the Budget Review Committee will be making their recommendations to the Rules Committee and to the City Council. SBAB members will be receiving a letter shortly requesting their input on the recommendations.
  - Mr. Sims asked what mechanism will be put in place to educate customers about the expectations. He added that DSD cannot change the processing time, but they can change the perception. Ms. Christiansen responded that managing expectations is one of the key areas of service that DSD needs to improve upon. She noted that DSD is currently tracking 165 projects. The Budget Review Committee may provide their input on the areas where DSD should focus upon.

- Mr. Sims stated that the SBAB desires the continued improvement of operations. Ms. Christiansen stated that DSD will focus upon 3 areas: 1.) Training, 2) Customer survey, and 3.) Auditing. Mr. Badiozamani commented that he was very encouraged to hear Ms. Christiansen speak again on changing the culture of DSD.
- Ms. Christiansen stated that although things are changing at the City, DSD is committed to the small business community and to improving their services.
- At the June 4, 2004 meeting, the SBAB will take action on the letter that is expected from Councilmember Scott Peters. Ms. Christiansen stated that the SBAB may provide input to the Budget Review Committee on areas that are working and areas that are not working. Members requested that Ms. Christiansen contact them by email when she knows the public hearing date and time.

**Update Council Policy on Small Business Enhancement Program (SBEP): Meredith Dibden Brown, OSB**

Ms. Brown provided the following information on the SBEP Council Policy

- The current SBEP Council Policy was enacted in 1999 and it had a 5-year provision for the allocation formula.
- She requested the SBAB's support of the SBEP Council Policy, since it will be going back to the City Council for another 5-year provision. This will allow for the split of SBEP funds between the City and the BID Council which will enable the continuation of small business programs.
- **Mr. Simon motioned for the SBAB to support the SBEP Council Policy for the 5-year provision of the allocation formula. The motion was voted upon and unanimously approved.**

**Office of Small Business Monthly Report: Meredith Dibden Brown, OSB**

- No report was provided.

**Meeting Adjournment**

- Mr. Chandler announced that the Small Business Awards Luncheon will be held on June 11, 2004 at the Marriott Hotel and Marina on Harbor Drive (same location as last year).
- The meeting was adjourned at 10:18 a.m.