

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

June 4, 2004

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

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

CITY STAFF
Steven Bal, Office of Small Business Kelly Broughton, Development Services Department Meredith Dibden Brown, Office of Small Business Ron Halbritter, Development Services Department Lynette Jones, Office of Small Business Jeff Kawar, Economic Development Division Luis Ojeda, Economic Development Division Stephen Russell, Councilmember Atkins Office, District Three Marcia Samuels, Neighborhood Code Compliance Department Janet Wood, Office of Small Business

OTHERS PRESENT
Rick Hernandez, San Diego Gas and Electric Scott Kessler, Business Improvement District Council Shep Mais, San Diego Contracting Opportunities Center

Introduction

- Mr. Sims chaired this meeting in Mr. Chandler's absence. The meeting was called to order at 8:20 a.m. A quorum was present.

Approval of Minutes

- The minutes of May 7, 2004 were voted upon and unanimously approved.

Public Comment

- None provided.

Economic Development Division Budget and the Small Business Enhancement Program

- Mr. Chilcott introduced the topic, stating that he had drafted another letter to the Mayor, City Council, and City Manager, that expresses the importance of the services provided by the Office of Small Business (OSB) and which recommends reinstating the services. Since the last SBAB meeting, both Mr. Chilcott and Mr. Scott Kessler of the Business Improvement District Council (BID Council) met with the City Manager Lamont Ewell and Deputy City Manager Bruce Herring to express their concern and to identify non-General Fund resources to support the services and to reduce costs to the General Fund.
- Mr. Chilcott stated that the BID Council Board of Directors has submitted a letter to the City Manager, supporting an increase in the administrative portion of the business tax certificate fee. This would cover some of the costs that would normally be covered by OSB through the City Treasurer's Office. He noted that Mr. Jeff Kavar of the Economic Development Division and Mr. Hank Cunningham of the Community and Economic Development Department met with the City Manager to develop a plan to find alternative sources of revenue.
- Mr. Kavar summarized the proposals that were presented to the City Manager to reinstate the 4 positions in OSB. Two of the Commercial Revitalization (CR) positions would be reassigned from the General Fund to Community Development Block Grant (CDBG) funds. Most of the projects are located in redevelopment project areas. The 2 CR positions would remain in OSB. Also, OSB would begin charging off a monitoring fee of 8 percent on all contracts which would bring in about \$61,000, which could support the Community Development Specialist II position. They still need to find an alternative source of revenue to retain the Community Development Coordinator position and a small piece of the other position.
- Mr. Kavar noted that Mr. Chilcott and Mr. Kessler mentioned to the City Manager that the City Treasurer's Office should consider cost recovery efforts for administering, collecting, and facilitating the business tax certificate. If the Treasurer's Office did cost recovery, they could recover a number of expenses that they are trying to find other revenue sources for, including the Small Business Enhancement Program (SBEP). He stated that the Treasurer's Office had information system expenses that were significant and that OSB wanted to support, because it would enhance revenue collections. OSB had made a tentative commitment to fund them with overage SBEP revenue. With the dire fiscal situation OSB is facing, OSB is retaining the overage funds to pick up the General Fund positions. The City Treasurer's Office will

implement their own plan to cost recover their expenses, which may include increasing the administrative fee portion of the business tax certificate.

- Mr. Scott Kessler of the BIDC reported that the BIDC proposed an increase of \$30 in the administrative portion of the business tax certificate fee, based upon the City Treasurer's estimates of costs they are not recovering. He stated that for the past several months, the City Treasurer's Office was researching the possibility of a ballot measure that would substantially raise the business certificate fee beyond what it was lowered to, so the BID Council took the approach of supporting cost recovery, but informed them they would oppose a ballot initiative. The \$30 increase per tax certificate would not go into SBEP funds, but instead would go into the General Fund. He stated that the cost of the Treasurers Tax Collection System (TTCS) software charged by the Data Processing Corporation (DPC) is about \$2 million for the past 2 years. OSB will not have to expend the \$140,000 per year to the City Treasurer's Office for the next 3 to 4 years. The overage funds will be used to restore services in OSB. Any excess funds would be rolled into the existing SBEP funded projects, such as the Storefront Improvement Program, etc.
- Mr. Cummins inquired that if this proposal is offered up, how much of a "quid pro quo" is there. Mr. Stephen Russell from Council District 3 stated that once the budget is approved by Council it becomes final. A proposal will be coming out of the Council floor as part of the budget discussion, that will be voted upon by the full City Council. Mr. Kavar stated that the City Manager has accepted the proposal in concept and wants to make sure that it is forwarded to the Mayor and Council for consideration. Endorsement of the proposal from the SBAB would assist them in their effort. They hope the proposal will be adopted by the Mayor and City Council on June 14, 2004.
- Mr. Chilcott observed that the 2 major issues for the SBAB to consider are: 1.) Does the SBAB support the compromised plan in terms of retaining the positions? and 2.) Does the SBAB support the \$30 increase in the business tax certificate fee to help recover administrative expenses? There was discussion on whether the Council would support the fee increase. Mr. Russell commented that procedurally, there is direction given to the City Manager to come back with the necessary documents. Mr. Kavar stated that part of the consideration is whether the City should be considering an increase in the business tax certificate fee, not just cost recovery. Mr. Sims recommended bifurcating them into two issues, since they are separate.
- Mr. Badiozamani commented that he understood that it was the purpose of the SBAB to advise and provide guidance to the Mayor and Council on policy matters and not to become involved in the details. Mr. Chilcott replied that the SBAB could have language in the motion to support a policy that retains the positions within OSB that have been proposed for reduction, using non-General Fund sources and sources that have traditionally been dedicated to OSB programs, such as SBEP. He added that it is in the SBAB's purview in how SBEP funds are expended and historically, the SBAB has supported trying to keep the SBEP funds dedicated for key services for the small business community.
- **Mr. Chilcott motioned for the SBAB to send a letter to the Mayor and Council supporting the City Manager's proposal for cost recovery for the restoration of the services and positions in the Office of Small Business, including the use of SBEP funds. The motion was voted upon and unanimously approved.**
- **Mr. Chilcott motioned for the SBAB to send a letter to the Mayor, Council, and City Manager that supports the Business Improvement District Council's exploration of cost**

recovery for the administrative expenses associated with the business tax certificate fee as a preferred option over a gross receipts tax. The motion was voted upon and unanimously approved.

- There was discussion on the proposed increase. Mr. Badiozamani inquired about the lack of discussion on the efficiency of services. Mr. Sims replied that efficiency would get into the performance issue, i.e. what is being returned on the investment. Ms. Preston stated that cost recovery to meet a future need is offensive and inquired if there was a better term to use. Mr. Kessler clarified that the law permits city governments to recover for their current expenses, not for future expenses. Ms. Brown added that the City has to justify what their costs are. Mr. Chilcott commented that for the past 10 years, the administrative fee of the business tax certificate has remained at \$14, whereas the remaining \$20 of the \$34 is dedicated for SBEP. He added that the motion is merely for exploring the cost recovery. Members stated that they can discuss the philosophical issues of cost recovery at another meeting.

Development Services Department Liaison Report: Kelly Broughton, DSD

Mr. Broughton provided the following information on DSD activities:

- DSD's budget review process is ongoing. There will be a public meeting on May 5, 2004 to take public comment. DSD is supportive of any input that would be received from the SBAB.
- Noted that the San Diego Regional Economic Development Corporation expects more efficiency from DSD and expects to see results in the first two quarters of Fiscal Year 2005. Additionally, they support regulatory relief reforms for small businesses, because of the larger financial impact on them. They also support a higher involvement of the Technical Advisory Committee (TAC) in regulatory matters, because of the cost and expenses to businesses in the process.
- Mr. Sims inquired if something had happened with the TAC meetings, since both he and Mr. Kessler hadn't received their meeting agendas for the past couple of months. Mr. Broughton replied that TAC still meets regularly and he will ensure that they receive their meeting agendas.
- Mr. Sims commented that DSD has reported that they are going to do many things, but they haven't seen the outcomes or results. The SBAB would like to look at specific structural changes in DSD's operations. Mr. Broughton replied that DSD was in the process of initiating the changes. The process has been delayed, because they wanted the Budget Review Committee to get further along in their review. DSD wanted to know if there was support for the changes they were implementing and support for the recommendations from the Maximus Report. Mr. Broughton stated that at the next meeting he can go through the report and discuss them.
- Mr. Kessler suggested having one meeting focusing on the DSD small business action plan, since they haven't had a meeting on it, since it was submitted.

Mentor-Protégé Program Status Report: Shep Mais, Contracting Opportunities Center

Mr. Mais presented the following information:

- An agreement was signed on June 2, 2004 between West Coast Air Conditioning (Mentor) and Critical Cleaning Services (Protégé).

- An agreement between A.M. Ortega Construction Inc. (Mentor) and Randall's Backhoe Inc. (Protégé) is expected to be completed sometime in June 2004.
- In-Line Fence (Protégé) is actively seeking a new mentor firm. They hope to have an agreement sometime in June 2004.

Economic Development and Tourism Support (ED&TS) Program: Luis Ojeda, Economic Development Division

Mr. Ojeda provided an update on the ED&TS Program.

- The item will be going to the City Council on June 7, 2004 for approval of the FY 2005 funding recommendations. He anticipates that there will be no problems.
- He asked for a representative from the SBAB to attend the Council meeting on June 7 to request the City Council to support the SBAB's recommendations. Ms. Preston stated that she will attend as the SBAB's representative.
- Mr. Ojeda thanked the five SBAB members that served on this year's ED&TS Review Panel. He also thanked the SBAB for their support of the recommendations. Mr. Sims also commended the SBAB members that served on the ED&TS Review Panel.

Business Improvement District (BID) Council Report: Warren Simon, Hillcrest Association and Scott Kessler, BID Council

Mr. Simon and Mr. Kessler highlighted the actions taken at their recent BID Council meeting:

- The BID Council endorsed a proposal for restricting super size stores in older commercial areas to an SKU limit of 30,000 units (approximately 100,000 square feet). This is the same restriction that is being supported by a coalition of grocery stores and labor unions. Another proposal by City staff has limitations on all big box stores. The BID Council was interested in the super size stores, because of their impact upon older commercial areas.
- The BID Council also voted to oppose the Responsible Wage and Healthcare Act (also called the Living Wage Ordinance) proposal, because of its impact on small businesses.

False Alarm Ordinance Revisions: Meredith Dibden Brown, Office of Small Business

Ms. Brown reported information from the recent False Alarm Task Force meeting:

- The Police Department had looked at the verified response program, but new Police Chief Lansdowne directed his staff to go forward with the Ordinance, incorporating the recommendations agreed upon by the Task Force in 2001.
- There were several changes made to the proposed Ordinance that were agreed upon by the Task Force at the recent meeting. The changes included an increase in revocation fines for chronic abusers which were originally raised by the Task Force, but have now been raised higher by the Police Department and which were approved by the City Council on May 25, 2004. Police Legal is conducting a review to determine if the City can require exempt users to pay permit

fees and fines. There were several other changes agreed upon which are contained in the draft version of the City Manager's Report, distributed to SBAB members at the meeting.

- There were concerns expressed about small business owners being charged with a misdemeanor. Ms. Brown stated that the Police Department and the City Attorney's Office would not back down from removing the misdemeanor citation in the Ordinance. She added that the misdemeanor citation is a measure of last resort since other steps have been introduced. Mr. Badiozamani stated that one of the requirements for child development centers is that they cannot be issued a misdemeanor. This would technically create bankruptcy for them. Ms. Marcia Samuels of Neighborhood Code Compliance Department commented that it is a misdemeanor citation, not a misdemeanor conviction. Members suggested calling the misdemeanor fee an administrative citation or fine instead. Staff will clarify the misdemeanor issue for the next meeting.
- SBAB members agreed to table any action on the Ordinance, until they have received the final completed version. If the issue needs endorsement prior to the next meeting on August 6, 2004, the final version can be distributed to members for review and a proxy vote can be conducted.

Point Loma BID Formation: Meredith Dibden Brown, Office of Small Business

Ms. Brown reported the following information:

- The first attempt for a Point Loma BID formation failed two years ago. This is the second attempt.
- 358 ballots were mailed to businesses in Point Loma and 111 have been returned. The City Clerk's Office is responsible for counting the ballots. Approval is based upon having a majority of the businesses that respond by assessed value and simple majority.
- She requested the conditional support of the SBAB for the formation of the Point Loma BID, based upon a favorable ballot outcome.
- **Mr. Simon motioned for the SBAB to endorse the formation of the Point Loma BID, if the business owners approve the BID formation. The motion was voted upon and unanimously approved.**

Office of Small Business Monthly Report: Lynette Jones, Office of Small Business

- Ms. Jones stated that she met with Mr. Halbritter, DSD Small Business Liaison, last week regarding how they will coordinate their activities in providing services to small businesses. The Small Business Assistance (A) Team is a new small business outreach program that will include representatives from DSD (Mr. Halbritter), the BID Council (Mr. Dean Brown), San Diego Gas and Electric (Mr. Rick Hernandez), San Diego Regional Chamber of Commerce (Mr. Ramsey Green), and others, including a representative from each of the Council Districts. Each District will have a number of targeted letters that will be mailed out to the businesses, informing them of the services that the City can provide. Ms. Jones will be the point of contact for the A Team. She will be preparing reports to the individual Council Districts informing them of the number of visits made, the number of businesses that requested assistance, and the services that were provided.

- Mr. Halbritter of DSD reported that they have started sending letters to new businesses when they receive their business tax certificate. The letter provides information on the services available within DSD.

Meeting Adjournment

- The meeting was adjourned at 9:58 a.m.