

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

September 3, 2004

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

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

CITY STAFF
Steven Bal, Office of Small Business Meredith Dibden Brown, Office of Small Business Kelly Broughton, Development Services Department Celia Griffin, Equal Opportunity Contracting Ron Halbritter, Development Services Department Stephen Russell, Councilmember Atkins Office, District Three Stacey Stevenson, Equal Opportunity Contracting Janet Wood, Office of Small Business

OTHERS PRESENT
Brad Barnum, Associated General Contractors Paul Delmore, San Diego County Food and Beverage Association Enrique Gandarilla, City Heights Business Association Rick Hernandez, San Diego Gas and Electric Shep Mais, San Diego Contracting Opportunities Center Becky Warren, California Restaurant Association

Introduction

- Mr. George Chandler called the meeting to order at 8:25 a.m. A quorum was present.

Approval of Minutes

- The minutes of June 4, 2004 and August 6, 2004 were voted upon and unanimously approved.

Public Comment

- None provided.

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

- Mr. Simon reported that there was no meeting in August. The next BID Council meeting will be held on September 23, 2004.

On Premises Alcohol Beverage Outlets: Kelly Broughton, Development Services Department

- The issue was scheduled to be in front of the Public Safety and Neighborhood Services Committee, but the meeting was cancelled due to Councilmember Lewis' death. Mr. Broughton will notify members when the item has been rescheduled.
- The City Manager has recommended that PS&NS not proceed with requirement of a Conditional Use Permit (CUP) and that the San Diego Police Department (SDPD) closely monitor their calls and responses to determine if the nuisances can be addressed with the existing regulations. After one year, SDPD will report back to PS&NS with their findings.
- An advocacy group that was originally supporting the CUP agrees with the City Manager's recommendation, because they support the monitoring by the Police Department. They were not pushing hard for a CUP.
- Mr. Steve Russell of Council District 3 stated that the SBAB should express their voice on the issue, because there are organized groups that are concerned about access to alcohol.
- **Mr. Arabo motioned for the SBAB to submit a letter to Mr. John Rivera, PS&NS Committee Consultant which states the SBAB's opposition to a CUP requirement for on premises alcohol beverage outlets. The motion was voted upon and unanimously approved. The letter will be drafted by Office of Small Business (OSB) staff for Mr. Chandler's review and signature.**

Development Services Department Committees Update: Kelly Broughton, Development Services Department

- Mr. Broughton stated that they are working closely with DSD's Budget Review Committee (BRC). The BRC will be coming forward with their recommendations for improvements.

- The Zero Based Management Review Committee (ZBMRC) performed another audit of DSD and made recommendations for changes in DSD. The preliminary results of the audit indicate that they are in close alignment with the BRC.
- Mr. Russell commented that the review is an outgrowth of last fiscal year's budget hearings. He stated that one of the core issues was that DSD did not have the resources needed to perform the job they were tasked with.
- There has been a great deal of attention focused upon DSD in the past 2 years by the SBAB, the BRC, the ZBMRC, and the consultant study performed by Maximus. What was found in general is that DSD needs to invest heavily in employees by providing training and support, so they will have the necessary tools to complete their job. Improvements in consistency, customer service and permit process should come as a result of the training and support.
- The report is scheduled to be released in October 2004 and it will be presented to the SBAB.
- Mr. Simon commended Mr. Ron Halbritter of DSD for resolving a difficult circumstance with one of their merchants in the Hillcrest business improvement district.
- Ms. Judy Preston also expressed her appreciation to Mr. Halbritter for his assistance in providing her with the necessary information they needed prior to starting a project.
- Ms. Preston inquired about the hiring status at DSD. Mr. Russell responded that 78 new positions were requested and those positions had been filled by the end of August. Mr. Broughton added that all the positions were filled and then they lost some staff through attrition. Currently, they are about 8 positions unfilled, but many of the sections are fully staffed.
- Mr. Russell stated that DSD was in bad condition 2 years ago and things have gotten much better. They are conducting a search for a new department director through the end of September. A new director should be in place in January 2005.
- Ms. Preston asked Mr. Broughton if their timecard accounting system is for hours actually billed against a project. Mr. Broughton replied that it still isn't close to real-time to what they would actually like it to be. They have created more detailed information so the permit applicant has more information on what has been done. The permit tracking system will have real-time data.

Council/Committee Report: Stephen Russell, Council District 3

- Mr. Russell stated that they will continue the False Alarm Ordinance docket item until after the False Alarm Task Force (FATF) and the SBAB have had time to review the regulations.
- He has reviewed the material and it appears that the language is consistent with what the FATF has asked for. He added that it is important procedurally for the SBAB to weigh in on the issue.

Small Business Enhancement Program (SBEP) Review Panel Recommendations: Meredith Dibden Brown, Office of Small Business

- The SBEP review panel for FY 2005 consisted of Scott Cummins, Warren Simon, and Chi Tran.

- Ten applications were received for FY 2005. The total request for funding in FY 2005 was \$242,260. The total recommended funding amount was \$110,915.
- The amounts awarded were based upon the applicant's ranking. The maximum amount awarded to an organization was \$21,250. Funding for the SBEP programs will begin on October 1, 2004.
- Unused SBEP funds are carried over to the next fiscal year. The SBEP budget for FY 2005 is \$1.1 million. Half of the funds are allocated to the BID Council and the remaining amount is allocated towards OSB staff positions and programs, including the Storefront Improvement Program, ABCs Seminars, etc.
- Mr. Jesse Navarro inquired if there was an appeal process for the organizations that will receive no funding. Ms. Brown replied that the applicant may appeal only if they believe that there has been some factual misunderstanding of their proposal.
- Mr. Simon stated that the review panel's goal was to fund all or as many organizations as they could. Organizations were disqualified only if they had an expense category or an item that did not meet the criteria. The 2 organizations that did not receive funding were ineligible, because they did not meet the criteria. Ms. Brown stated that the organizations did not fully explain what the services or benefits would be. Mr. Scott Cummins added that they had much discussion on criteria, adding that the SBAB may want to form a task force to review the current criteria.
- Mr. Kurt Chilcott stated that it is basic grantsmanship to understand the purpose of the funding source and to meet the required objectives. It is not the fault of the review panel, but it is a fault on the individual putting in the grant application. They do not want to discourage anyone from applying, but they want to ensure that applicant organizations are cognizant of the grant program's targeted objectives.
- Ms. Preston observed from her experience on the Economic Development and Tourism Support review panel (for Transient Occupancy Tax funding) that many of the same organizations come back each year seeking grant funding. They may need to provide other organizations the opportunity to apply. Mr. Chilcott responded that funding programs such as Community Development Block Grant and SBEP do tend to become entitlement programs for certain organizations. There have been discussions on how to get new applicant entries into the funding pool. It is a dilemma since the funding sources are not growing. When they can grow the funding sources, then perhaps more organizations could be added to the funding pool.
- Ms. Brown stated that they did review the SBEP application process two years ago to make its process similar to the TOT program. The SBEP guidelines follow the TOT's very closely, except that the TOT program has larger amounts of funding available and much larger thresholds for organization applicants. She added that the SBAB can look at having an emphasis that could be changed from year to year, based upon the kind of programs they are looking to fund. They may also look at having thresholds on the amount of funding an organization may receive.
- **Mr. Chilcott motioned for the SBAB to accept the recommendations of the review panel for funding organizations for the Small Business Enhancement Program for FY 2005. The motion was voted upon and unanimously approved.**

- Mr. Chandler thanked Mr. Cummins, Mr. Simon, Ms. Tran, and Ms. Brown for their work on the review panel.

Consideration of a Proposed Small Business Preference Program for City-funded Construction Projects: Stacey Stevenson, Equal Opportunity Contracting (EOC)

- EOC is responsible for implementing and mandating certain aspects of the City's construction and consultant processes. This includes overseeing some of the awards process and monitoring and compliance of awarded projects.
- Their emphasis is on disadvantaged business enterprises (DBE's), which formerly were referred to as minority business enterprises (MBE's) and women business enterprises (WBE's).
- Since the City went to a voluntary program approximately 9 years ago, in terms of percentage of dollars, DBE participation has plummeted from a high of 25 percent to as low as 5 percent. In California, they cannot have a mandatory program that would give preference based upon race and gender.
- Currently, the City has the Subcontractor Outreach Program (SCOPE) that requires contractors with awarded amounts of \$250,000 and higher to conduct a mandatory outreach. EOC prescribes what the outreach will look like in terms of soliciting for their subcontractors. The contractor has to subcontract a certain percentage of work and EOC does not tell them who they have to subcontract out to. If the contractor follows those guidelines, then they can receive the project as the low bidder.
- The outreach effort is labor intensive. The contractor has to do the outreach and to also provide EOC with the supporting documentation that demonstrates their efforts. They are finding that the SCOPE program is not achieving any significant results in terms of subcontractor participation, particularly in terms of diversity.
- The City of San Diego is considering their options for a small business program. One option is having a voluntary incentive program similar to the model adopted by the State of California. The voluntary program would enable contractors to receive a bid assistance of 5 percent if they reach a predetermined level of small business participation on the project. The 5 percent assistance would be used for calculating the lowest bidder, which may or may not change the award scheme. At the SBAB meeting on April 4, 2003, members accepted the voluntary program as the one to pursue.
- EOC was scheduled to bring the item to the Natural Resources and Culture (NR&C) Committee, but the meeting was postponed indefinitely due to Councilmember Lewis' death. Subsequently, EOC is reviewing the voluntary incentive program again and they wanted to obtain input from the SBAB prior to going to the NR&C.
- The other option is to implement a mandatory small business program for projects between \$250,000 and \$1 million. It would be similar to the model used by the Metropolitan Water District (MWD) in Los Angeles. In that program, the bidder must be either a small prime contractor or a contractor that contracts work to small subcontractors. If not, the bid will be rejected.

- There is no mandated outreach in both the voluntary incentive program and the mandatory small business program.
- The State is currently not tracking data in their voluntary program. The MWD has been tracking data and they have been achieving success with both their overall small business program and their disadvantaged small businesses. It is difficult to make a comparison between MWD and the City of San Diego, because MWD projects are significantly larger.
- The City will adopt one of the programs and try it as a pilot program for one year, although they have no agency to compare themselves to for both the voluntary and mandatory programs.
- Ms. Faith Bautista commented that she would like the City to adopt both programs, adding that she encourages the outreach program, because it provides small businesses with an opportunity to do business with the City. Ms. Stevenson replied that it is an option that they could attempt.
- Mr. Chilcott remarked that the City could do a mandatory small business program, because it is not targeted to DBE's, noting that it might pick up some additional DBE's. Ms. Stevenson responded that they want small businesses to grow and to be successful. They also desire having more diversity amongst the bidders. Presently, the bulk of the diversity among contractors is among the small contractors. They fluctuate between 40 and 60 percent DBE participation in the Minor Construction Program (for projects under \$250,000). There is no mandate, but it must be a minority- or women-based business enterprise.
- Mr. Chilcott stated that there are many organizations with missions on providing outreach to businesses on contracting and procurement and that the City should have more connections to them. This would lessen the burden on EOC staff to conduct outreach. Ms. Stevenson replied that EOC has connections with several organizations, but they are specific to procurement and purchasing. The Contracting Opportunities Center does work on construction projects and provides assistance in identifying small businesses. Organizations can notify their members of opportunities and encourage them to bid with the prime contractors, but it is up to the prime contractor to decide on who they will use. Mr. Chilcott stated that he would like EOC to use the same conceptual model as adopted by DSD, i.e., educating organizations such as DSD had done with the BID's and then utilizing them as resources to extend their outreach.
- Mr. George Chandler asked what EOC's definition is of a small business and their definition of a DBE. Ms. Stevenson stated that EOC uses 40 percent of the U.S. Small Business Administration (SBA) definition for small business. They also have thresholds based upon license type. For DBE, they use the Unified Certification Program (UCP) definition for determining a DBE. The DBE must be both socially and economically disadvantaged. They do not use the SBA definition. All government agencies in California that receive State transportation funding must accept UCP, formerly called CalTrans certification. EOC can also certify on behalf of them. They accept SBA certification only for identifying a small business, but not as a DBE. Mr. Chandler suggested that EOC also look at adopting SBA certification.
- Mr. Navarro asked if there was ongoing communication between EOC and organizations such as the Latino Builders Association, Black Contractors Association, and the Hispanic Chamber of Commerce. Ms. Stevenson replied that they send notices of opportunities to them. EOC encourages and invites organizations to participate at their annual summit with the contracting community. She noted that participation on the Public Works Advisory Committee has waned in

recent years. Reasons for the decline in participation range from frustration with the City to those that desire to be under contract and compensated instead of volunteering their support.

- Mr. Chandler made the following recommendations: 1.) Develop a set aside policy that any project that can be done by a small business be performed by a small business; 2.) All contracts have language that require the maximum practical opportunity for small businesses and for DBE's subcontractor participation; 3.) Having a DBE price preference. If the contract can only be performed by a large firm, EOC could provide a price preference for over a certain threshold of small business subcontractors; 4.) Using Pro-Net, Sub-Net, and other databases; and 5.) Utilize organizations more effectively as resources to extend EOC's outreach.
- Ms. Stevenson stated that it is her preference to move slowly to ensure whatever program they choose to adopt will have an opportunity to succeed. She will come back to the SBAB after they obtain feedback from other organizations and once they have a more solid proposal.
- Mr. Brad Barnum of Associated General Contractors (AGC) stated that they are working with EOC to get the word out about contracting opportunities. The AGC does have some concerns about the bid preference program.

Office of Small Business Report: Janet Wood, Office of Small Business

- Neighborhood Revitalization had 3 contracts that recently went out to bid. The first bid went to Metro Builders for Interstate 15 – University Avenue overpass and the El Cajon Boulevard overpass. This week they had two bids accepted; the bid for Hillcrest came within range whereas the other bid for Washington and Goldfinch came in substantially higher. The contractor Carolyn Scheidel grouped together two projects on Adams Avenue and Ray Street for curb, gutter, and sidewalk replacement and it has worked out very well. They have an open contract with Engineering for small projects. They are finishing projects in Council District 3 using the Housing and Urban Development (HUD) 108 loan.
- The “Expert Insights for Small Business Success” Seminar will be held on September 15, 2004 at the Mission Valley Branch Library.
- The next ABCs Seminar to “Starting, Growing and Financing Your Small Business” will be held on October 13, 2004 at the University City Branch Library.

New Business

- Mr. Arabo stated that the American Lung Association would like to license all retailers that sell tobacco products. He noted that there is already a State license requirement and a Federal fee that retailers have to pay. He will keep the SBAB apprised of the legislative status.
- Mr. Chilcott announced that the CDC Small Business Finance Corporation has relocated from their Mission Hills site to the Naval Training Center at 2448 Historic Decatur Road, Suite 200.

Meeting Adjournment

- The meeting was adjourned at 9:45 a.m.