



THE CITY OF SAN DIEGO

SMALL BUSINESS ADVISORY BOARD  
MEETING MINUTES

April 3, 2007  
2:15 p.m.

Annual Community Outreach Meeting  
Mira Mesa Branch Library  
8405 New Salem Street  
San Diego, CA 92126

BOARD MEMBERS PRESENT	BOARD MEMBERS ABSENT
Auday Arabo Faith Bautista Kurt Chilcott Scott Cummins Ruben Garcia Richard Sims Spencer Skeen	Warren Simon Chi Tran

CITY STAFF
Steve Bal, Office of Small Business Kelly Broughton, Development Services Department Meredith Dibden Brown, Office of Small Business Ron Halbritter, Development Services Department Michael Lengyl, Economic Development Division Alicia Martinez-Higgs, Office of Small Business

GUEST PANELISTS
Rachel Fischer, San Diego Contracting Opportunities Center Patti Mason, Accion San Diego Curtis Moring Jr., Curtis Moring Insurance Agency Camille Sobrian, Connect

OTHERS PRESENT
Ralph Achenbach, International Rescue Center Michelle Butler, Women's Business Center of California Ken Clark, Small Business Development and International Trade Center Rick Hernandez, San Diego Gas and Electric Mouna Isaac, International Rescue Center, Center for Women Entrepreneurs Cindy Lennon, Able-Disabled Advocacy Joni Low, Asian Business Association Joyce Marieb, Greater San Diego Business Association Duane Trombly, San Diego Regional Chamber of Commerce John Weinstein, Smith Barney

## **Welcome and Opening Remarks: Richard Sims, Small Business Advisory Board (SBAB)**

- Chair Mr. Richard Sims welcomed the attendees to the Annual Community Outreach Meeting. The SBAB serves as an advocate for small businesses, by providing advice and guidance to the Mayor and Council on issues impacting the small business community.

## **Introduction of Board Members and Guest Panelists**

- The Board members introduced themselves, providing a brief description about their small business affiliation(s).
- Mr. Sims introduced each of the guest panelists: Rachel Fischer, Deputy Program Manager of the San Diego Contracting Opportunities Center; Ms. Patti Mason, Executive Director of Accion San Diego; Mr. Curtis Moring, Jr. President and Chief Executive Officer of the Curtis Moring Insurance Agency; and Ms. Camille Sobrian, Chief Operating Officer of Connect.

## **Technology and Small Business: Camille Sobrian, CONNECT**

- CONNECT was founded 20 years ago by a group of business leaders, government representatives, scientists and engineers from University of California-San Diego, venture capitalists, and entrepreneurs. CONNECT was created to provide innovators with the link to resources, including business planning, capital, business talent, and service providers. In the past 20 years, CONNECT has assisted over 1,000 companies and has made San Diego the leading wireless center in the world and one of the leading biotech centers in the world.
- CONNECT has a staff of 13 and there are 60 members on the Board of Directors, representing technology companies, universities, government, service providers, and business leaders. CONNECT offers 17 different programs to assist small businesses to become successful.
- Recently launched an economic indicator called “Connect Decks” which tracked over 7 quarters how many technology small businesses were created in San Diego County. About 100 new technology companies (including home-based) are started each quarter and 60 percent of them survive. CONNECT wants to increase the survival rate, so they are advocating for the small businesses to ensure that they are receiving the resources and support that are needed.
- One of their most important programs is called “Springboard”, which provides free assistance to life science and high technology companies in all stages of development. The “Entrepreneurs in Residence” provide the mentoring and coaching services to the companies. There are currently 80 “Entrepreneurs in Residence” and 60 companies that are receiving assistance.
- It is becoming more difficult for small companies to transition into a company that has established products and that can successfully attract financing to “scale up” into becoming a larger company. More companies are outsourcing, using technology to keep their construction costs as low as possible, while they try to “scale up” their business.
- A recent issue of Entrepreneur magazine listed 4 types of technologies that are really hot right now. They are: video conferencing, extension mobility, unified messaging, and customer relationship management.
  - 1.) Video conferencing – saves travel costs and keeps employees connected. It can be done with the Internet.

- 2.) Extension mobility – means keeping a small workspace and allocating it to employees as they come through the office for short periods of time. Using the Internet, it enables employees to stay connected with their phone and computer settings.
  - 3.) Unified messaging – for employees that travel a great deal or for going from location to location. It allows consolidation of faxes, emails, and voice mails which can be accessed on the Internet or by phone.
  - 4.) Customer relationship management (CRM) - allows management of contacts, keep track of what is being purchased, what customers preferences are, where they are in the sales cycle. Salesforce.com is a leader in CRM. Kintera is a local company that allows management of email blasts and linking email blasts to your business website. It is a big tool for nonprofits to use. Netsuite is a comprehensive integrated program that manages everything from CRM to accounting to eCommerce. It also provides dashboards, which provides businesses with real-time business intelligence across all areas – from accounting and sales, to fulfillment and support.
- Email solutions is sending out information to customers by email or newsletter emails. It is an inexpensive way to businesses to market their services. Blue Hornet and Constant Contact are two companies in San Diego that provide automated email marketing services.
  - Mr. Sims expressed concern about the digital divide and how communities are being separated out, adding that it isn't only about the communities, but also about the economy. Those companies that do not make the transition will be left behind in terms of their ability to do commerce. He stated that the general perception is that it is unaffordable or that it isn't a priority in their allocation of resources. Mr. Sims stated that in order to grow the small business community, they need to close the digital divide. He would like to see the issue placed on the agenda of Mayor Sanders, the City Council and other public officials. Also, there should be a funding program specifically developed for small businesses to assist them with their digital/technology needs.

<b>Bonding and Insurance: Curtis Moring, Jr., Curtis Moring Insurance Agency</b>
--

- The biggest issue is that the City of San Diego has changed the way they manage their insurance requirements for their vendors. They are now requiring higher limits of liability insurance and hired auto and non-owned auto coverage. Many businesses now need to go back and review their liability insurance policies to ensure they are meeting the City's insurance requirement.
- Insurance rates for small commercial are currently stable and are anticipated to remain stable for the next 2 to 5 years. However, rates for the larger commercial businesses are expected to decline. The insurance market is the most stable it's been in the past 20 years.
- Mr. Sims asked what factors a small business should take into consideration when they desire to contract with a large entity. Mr. Moring responded that the biggest challenge is a false sense of security. Many are not sophisticated about insurance and the risk that is associated when they take on a project. They should take their insurance broker, accountant, and attorney and sit down with them to iron out a strategy on how to manage the project, realizing that there is a risk involved. They need to understand the types of risks that are associated with it and also know what is insurable what is uninsurable.
- Mr. Spencer Skeen asked that with the advent of wage and hour class actions and discrimination lawsuits, has there been a greater incidental request for liability insurance. Mr. Moring responded that most small businesses do not purchase it, but it is a very cheap product if it's tied

in with directors and officers insurance policy. Many private companies do not carry directors and officers insurance, because they assume that only publicly held companies need to carry it. In reality, privately held companies are just as much exposed as publicly held companies and they should carry it. Mr. Skeen commented that small businesses should consider purchasing liability insurance.

- Mr. Moring also added that those businesses involved with eCommerce, in that have their own website are also open to possible litigation and should consider purchasing an eCommerce policy. There are many risks that many small businesses are not taking into consideration.
- Dr. Ruben Garcia stated that many businesses that want to get involved with government contracting are unaware that they need to be bonded. Mr. Moring stated that it isn't required if it is on the service side, but bonding is required if they are building a structure. The City's bond for a project is \$100,000 and the Federal government's bond for a project is \$2 million.
- Mr. Auday Arabo asked Mr. Moring that with the Americans with Disabilities Act (ADA) lawsuits occurring, are insurance companies moving away from them or are they providing coverage. Mr. Moring stated it depends upon the nature of the business. For example, most restaurant policies will pick up that exposure if they have to. Mr. Sims stated that he has discovered that many small businesses in San Diego are not covered for whatever reason.

#### **Financing Opportunities: Patti Mason, ACCION San Diego**

- ACCION San Diego is a 501(c)3 non-profit organization that does microlending. Microlending is defined as providing access to capital, technical assistance and other services to assist low and moderate income level small businesses. A microenterprise is defined as a family-owned business or a business of 5 employees or fewer.
- ACCION International started in 1961. In 1991, the first office in the United States was opened in New York and other offices throughout the U.S. were also opened, including San Diego in 1994. ACCION lends throughout the entire U.S. The U.S. version of ACCION is very culturally different than the ACCION that serves the third world countries in Africa and Asia.
- One of their challenges is getting the word out that they exist. They work with many community partners such as the Small Business Development and International Trade Center (SBDITC), the Women's Business Center of California (WBCC), banks, and many others.
- The microenterprise loans range from \$300 to \$35,000. They used to have a cap on their loans - \$10,000 for the first loan and after 6 months of repaying it, they could come back for additional refinancing. About 50 percent come back for a 2<sup>nd</sup> loan, and others come back for additional loans.
- They have a very simple application process. The applicant meets with the loan officer and they run the applicant's credit history. They look at every loan on an individual basis, noting that their lending methodology is strongly character-based. They get many referrals from banks. They have received 400 inquiries this year.
- The loans have to be used for the business, such as to acquire an employee, purchase inventory, working capital, etc. There are occasions when ACCION will piggyback on top of the bank loan, such as when the bank gives a smaller loan than what was requested.

- Announced that the Board of Directors has lifted the cap of \$10,000 and has increased the borrowing limit to \$35,000. There are stricter criteria, because there is more at risk. For example, bankruptcies must be at least 3 years old. Also, the applicant must be current in their payments and they also must show the capacity to repay the loan. The loan interest rates range from 10 to 16 percent. The average loan of \$5,000 is increasing, due to the cap being lifted.
- Also announced that they have recently reached their \$10 million mark and have provided 2,000 loans to small businesses.
- The loan loss rate is 5 percent. There is some concern, because they have seen a slight increase in the past couple of years.
- They also provide technical assistance to their applicants. A Technical Assistance Volunteering Committee was recently formed in which three levels of assistance were created to assist small business entrepreneurs.

### **Contracting Opportunities: Rachel Fischer, San Diego Contracting Opportunities Center**

- The San Diego Contracting Opportunities Center (SDCOC) is a program of Southwestern College. About half of their funding comes from the Department of Defense (DoD). The other half of their funding comes from prime contractors and local sponsors, including the City of San Diego. They are known as a procurement technical assistance center (PTAC), which is a national program created to assist small businesses receive government contracts. All their services are free of charge.
- Help small businesses navigate through the complex system of selling to government agencies. They are complex because of the regulations involved and also because the regulations vary between the Federal, State, and local levels of government. They provide one-on-one counseling and numerous workshops for small businesses.
- Have an electronic Bid match that small businesses can use. It enables small businesses to search agencies and locate matches that are appropriate for their type of business.
- They have noticed that the government contracts at various levels of government are becoming real large, which makes more sense at the procurement end, but it makes it harder for small businesses to get a \$2 – 3 million dollar contract. Many of the small businesses are unable to obtain a high enough bond for a multi-million dollar contract.
- Another issue is that the DoD wants those bidding on their projects to have a past performance history, so the SDCOC recommends that small businesses start out as a subcontractor.
- Ms. Faith Bautista asked Ms. Fischer if the SDCOC has any authority pertaining to quotas for awarding contracts to women- and minority-owned businesses. Ms. Fischer responded that they have no authority, but they do remind the Federal agencies that there are Federal procurement goals. They do have close relationships with the government entities that they work with.
- Mr. Skeen asked if the SDCOC provides assistance on bid protest issues. Ms. Fischer replied that they provide guidance to small businesses on the government procedures for bid protest issues.

- Ms. Meredith Dibden Brown inquired if prime contractors are coming to the SDCOC looking for subcontractors. Ms. Fischer answered that prime contractors are coming to them for names of sub-contractors.
- Mr. Sims commented that there are many small business resources in San Diego, but they are not coordinated nor are they strategically utilized. The small business organizations need to work together and be less competitive. Mr. Ken Clark of the SBDITC responded that they are working with the City of San Diego and the Business Improvement District Council on their SD Biz Guide. They have secured additional funding to continue the project of compiling a website directory of all the small business organizations, resource partners, and affiliate programs in San Diego. They hope to launch it this spring.
- Ms. Michelle Butler of the WBCC stated that a Small Business Community Coalition has been formed, consisting of resource partners such as ACCION San Diego, Asian Business Association, City of San Diego, Hispanic Chamber of Commerce, CDC Small Business Finance, SBDITC, and other organizations/companies. Ms. Mason of ACCION San Diego added that the Community Coalition is in the final stages of putting together a resource guide, which will assist small businesses in meeting their needs.
- Mr. Sims stated that they need to become more proficient in their outreach to small business owners to find out what they need to make their businesses grow.

#### Public Testimony

- No public testimony was provided.

#### Expansion of Adams Avenue Business Improvement District: Meredith Dibden Brown,

- Ms. Meredith Dibden Brown stated that the businesses in the Kensington area (east of Adams Avenue BID) have been interested in joining the Adams Avenue BID. Petitions were submitted to the City from at least 20 percent of the affected businesses in favor of joining/forming a BID to the City in accordance with Council Policy 900-07. That percentage amount enables the City to mail ballots to all the affected businesses in the proposed BID. About 130 ballots were mailed out to businesses in the Kensington area, with a few returns. The majority response was that 39 businesses responded in favor of joining the Adams Avenue BID and 12 businesses responded opposing the joining of the Adams Avenue BID.
- Ms. Brown stated that the BID expansion will involve amending a City Ordinance. The report will then go to the City Council sometime near the end of summer. **Mr. Arabo motioned for the SBAB to recommend that the Adams Avenue BID be expanded. The motion was voted upon and unanimously approved.**

#### Approval of Minutes

- The minutes of January 24, 2007 were voted upon and unanimously approved.

#### Closing Remarks/Meeting Adjournment

- Mr. Sims thanked the guest panelists for their participation. He also thanked everyone for attending the Annual Community Outreach Meeting.
- The meeting was adjourned at 3:45 p.m.