

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

April 2, 2004

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

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

CITY STAFF
Steven Bal, Office of Small Business Kelly Broughton, Development Services Department Debra Fischle-Faulk, Community and Economic Development Lynette Jones, Office of Small Business Jeff Kavar, Economic Development Division Stephen Russell, Councilmember Atkins Office, District Three Janet Wood, Office of Small Business

OTHERS PRESENT
Donald Cohen, Center for Policy Initiatives Rick Hernandez, San Diego Gas and Electric Shep Mais, San Diego Contracting Opportunities Center Mitch Mitchell, San Diego Regional Chamber of Commerce

Introductions

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

Approval of Minutes

- The minutes of March 5, 2004 were voted upon and unanimously approved.

Public Comment

None provided.

Proposed Responsible Wage and Healthcare Act: Mr. Donald Cohen, Center for Policy Initiatives (CPI)

Mr. Cohen presented the following information on the proposed “Responsible Wage and Healthcare Act”, hereinafter called the “Living Wage Ordinance (LWO).”

- There is a high cost of living within San Diego and the housing affordability crisis is enhancing that awareness. The current economy structure is creating jobs that resemble an hourglass, i.e., jobs are being created that pay wages at the upper and lower ends. The middle income jobs are being squeezed while the lower paying jobs are increasing.
- The low wages presents a problem for the economy. The lower wage employees are unable to afford the cost of healthcare and burden the healthcare system.
- The LWO states that if organizations are using taxpayer funds to create jobs, then the jobs should provide some level of self-sufficiency. The concept is that if an organization does business with the City, they should pay a sustainable wage and provide healthcare benefits to their employees.
- The hourly wage rate was calculated using research methodology similar to that used by SANDAG (San Diego Association of Governments) and the Workforce Partnership. Their economists identified a basic needs budget, comprised of healthcare, childcare, housing, transportation, food, phone, household supplies, clothing and personal care. They used the local data sources to determine what the costs are for San Diego. The full study is available on their website at www.onlinecpi.org.
- The policy directly affects those organizations that have service contracts with the City. It does not affect construction contracts. The second category affected would be City facilities, including the Convention Center, Qualcomm Stadium, Sports Arena, and the Concourse. The third category would impact financial assistance recipients, which covers the City’s economic development programs. As a large employer, the City should have minimum employment standards. An existing City policy states that if an organization receives an incentive package, the organization must pay a minimum of \$14 per hour and provide healthcare benefits. They’re asking the City to expand upon it for organizations that receive \$500,000 or more and this would apply to subcontractors as well. There is a \$25,000 minimum cumulative limit on contractors.

- If there is a level playing field in bidding for contracts, the organization would have the resources to hire staff that could do a good job. This enables organizations to be in a better position when competing against larger organizations.
- The LWO specifies that an employer doing business with the City must pay their employees a minimum rate of \$10 per hour for every hour worked (there is no exemption for part-time workers), plus healthcare benefits, which would be phased in over a 2-year period. If healthcare benefits are not included, the employer must pay an additional \$2.00 per hour for a minimum rate of \$12 per hour. The Employment Retirement Income Security Act (ERISA) preempts any local jurisdiction from mandating healthcare benefits. The only alternative available is to have a two-tiered option. The decision is the responsibility of the employer.
- Once the LWO is passed, they would like to work with the small business community and healthcare community to develop plans for employers.
- The LWO has a small business exemption that applies to organizations with 5 or fewer employees. Mr. Cohen stated that the City considers a small business as having 12 or fewer employees, so it may make more sense to use the City's definition.
- Mr. Kurt Chilcott commented that it would be helpful to obtain contracting data to know the size of the firms and what they are receiving. Mr. Chandler stated that there is a Federal size standard that is based upon independently owned and operated businesses and it is typically based upon the average gross revenues for the last 3 years.
- Mr. Ric Sims asked 1.) How will the flexibility of the LWO work across time with economic and demographic changes and 2.) How will the City manage the average percentage increase in the total amount it will cost the contractor to perform the services, i.e. will the City increase those contracts accordingly or will the burden go to the employer? Mr. Cohen responded that his firm doesn't believe it's a regulatory ordinance, but a contracting standard. He expects that the LWO would be revised over time. An economic indexing factor is tied into the LWO.
- Ms. Chi Tran expressed concern on the LWO's impact to non-profit organizations, including reduction of services. She stated that although the contract with the City may account for only 5 percent of the total operating budget, the LWO would impact the entire organization. Mr. Cohen replied that the LWO would only legally affect the work that the City is paying for, noting that it may impact an organization's human resources policies and procedures. The Community Development Block Grant (CDBG) Social Service funded contracts are covered by the LWO. The social service contracts have an annual application for financial hardship or reduction of services.
- Mr. Cohen stated that they tried to thread the needle by coming up with the exemption process and everyone disliked it. He noted that there are real issues as some non-profit CEOs are making hundreds of thousands of dollars, while their workers are earning minimum wage.
- Mr. Chandler reported that if all small businesses were excluded by using the municipal concept of 12 employees, then the SBAB may be able to support the LWO, because it would give small organizations a competitive advantage over larger ones. Using the definition of 5 employees isn't realistic.

- Mr. Cohen suggested that a meeting be held consisting of City staff, SBAB representatives, and CPI researchers to further discuss the issues. Mr. Chandler, Ms. Tran, and Mr. Jesse Navarro volunteered to serve as representatives from the SBAB. Ms. Jones will coordinate the meeting.

<p>Living Wage Ordinance Proposal Study Results: Mitch Mitchell, San Diego Regional Chamber of Commerce</p>
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Mr. Mitchell reported the following data obtained on the proposed Living Wage Ordinance:

- Commented that the Chamber is in a difficult position in a dangerous time, because the proposal continues to change, which is creating confusion and anxiety.
- When the Chamber asked CPI for samples of what the additional \$2.53 per hour can buy for healthcare packages, they could only come up with 1 package.
- Originally, City employees were to be included in the LWO, however once the City and CPI realized the numbers to compensate City employees were going to be huge (approximately \$15- to \$20 million), they opted to pull the City employees out of the package. Subsequently, the Chamber voted to oppose the LWO, because the City was to be excluded. The LWO would be applicable to the business sector and non-profit organizations, which the Chamber feels is a bad precedent for the City. If the City can't lead by example, they shouldn't force the ordinance upon businesses. CPI didn't take into account the City structure, i.e. that the LWO would result in the wage rates for other employees in the City structure to be bumped up, which is contractually mandated by the Memorandums of Understanding with the employee unions. He added that whenever the Consumer Price Index moves, the wage rate will move. The medical premium of \$2.53 is tied to the medical Consumer Price Index.
- The Chamber has concerns for the small business community. He inquired how many small businesses are going to be willing to bid for City contracts, knowing that they're going to be mandated to increase their wage structure and have it tied to the Consumer Price Index.
- The Chamber informed Mr. Cohen that they would be willing to listen to a discussion about data collected from contracts. Decisions should not be made without the proper information, because the negative impact could be very significant. CPI started their LWO proposal with \$2.53 per hour for healthcare and has now been changed to \$2.00 per hour. They could only find one healthcare package for \$2.53, so he inquired if any packages are available for \$2.00. If no packages are available for that amount, then it is just additional money.
- All of the studies on the LWO have been inconclusive. He noted that 100 percent of the public contractor costs in Los Angeles are being passed on to the taxpayers. In San Francisco, they adopted a minimum wage of \$8.50 per hour.
- Remarked that Mr. Cohen continues to state that CPI is negotiating with non-profit organizations about an exemption, however, Mr. Mitchell made a presentation to the Arts and Culture Commission and was informed that they had never met with Mr. Cohen.
- Mr. Sims expressed that the LWO has flaws, but something needs to be done, particularly to addressing healthcare costs. He asked if the Chamber has developed any alternative proposals that are not biased towards large employers or employers in general. Mr. Mitchell responded

that the Chamber is reviewing alternative proposals that focus solely on healthcare. Mr. Sims stated that the \$2.53 comes out to about \$460 per person for a 40-hour workweek. He suggested that perhaps employers could participate in a healthcare plan offered by an association.

- Mr. Mitchell reported that Senate Bill (SB) 2, which was signed by Governor Davis, mandates health care coverage for employees that work for firms that have 20 or more employees. In 2006, firms with 199 or more employees will have to provide healthcare for the employee, plus for any dependents that are not eligible for healthcare elsewhere. If the referendum in November 2004 is unsuccessful, then they will have to wait and see on what happens to the contracts, because many of them will be forced to pay healthcare for employees.
- Mr. Scott Kessler announced that the BID Council's health insurance plan has signed up 600 businesses in a 6-month period for Sharp Healthcare coverage. The fee is \$220 per month and there are no restrictions on age or pre-existing conditions. It is a full cost plan with a \$10 co-pay to Sharp Healthcare. They can get the \$750 deductible which brings the premiums to about \$175 per month. The plan covers dependents, including the owner's spouse. The requirements are that there does need to be a minimum of 2 covered people in the small business and the business must hold a business tax certificate with the City. Mr. Chandler suggested that Mr. Kessler provide his information to Mr. Cohen.
- Mr. Stephen Russell, Council Representative from Council District 3 reported that Councilmember Toni Atkins supports the LWO, because public dollars have public obligations whereas private dollars are for private activities. The City should set a higher standard for wages. They need to look at the unintended consequences prior to taking any action.
- Mr. Mitchell commented that having the discussion on the LWO makes sense, but the discussion should continue throughout the course of the year, especially with the referendum on SB2 in November 2004, which will determine if healthcare becomes a mandatory benefit. The business community will be much more willing to discuss healthcare and the wage issue if the City is also willing to accept the same burden.
- The proposed LWO is scheduled to be on the Rules Committee docket of April 21, 2004. If it is successful at Rules Committee, the item will be forwarded to the City Council.
- **Mr. Navarro motioned: For the SBAB to send a letter to the Mayor and City Council requesting that any Council or Committee action on the proposed LWO be delayed to provide an opportunity for additional input from organizations and entities that will be impacted by the proposed Ordinance and to identify any needed improvements or alternatives. The motion was voted upon and unanimously approved by the SBAB.**
- Mr. Sims requested that a white paper be prepared that provides information on the needs and implications of the proposed LWO. Mr. Mitchell stated that he can email the information to the SBAB members. The information can be reviewed for discussion at a future meeting.

Business Improvement District Council (BIDC) Report: Scott Kessler, BID Council
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Mr. Kessler provided the BIDC report in Mr. Warren Simon's absence. He highlighted the following activities:

- In seven months of marketing the City Care Benefits Program through Sharp Healthcare, they have \$2.4 million in annualized premiums. Approximately 600 businesses with a total of 1400 employees are participating in the Program. They have already reached their second year goal. They expanded their bylaws to cover all small businesses within the county. To qualify for the Program, a business must have a business tax certificate from the City of San Diego.
- They expect to launch their electronic yellow pages next Tuesday, which will include approximately 70,000 businesses. The website address is www.sandiegobiz.com. The project was sponsored with a \$20,000 grant from San Diego Gas and Electric. It is possible to search by category (NAICS codes) or by easily recognizable retail categories. A person can search by city, or by community planning areas as a smaller search area. Every small business owner gets a free one page profile.
- Three of the BIDs were selected as finalists for the pilot City of Villages. The BID Council is participating as the developer for the San Ysidro pilot project. They go to the City Council on April 27, 2004 for their exclusive negotiating agreement. The proceeds from the development fee are being split amongst the BIDs through their foundation. By the end of the year, they hope to have an owner-participation disposition and development agreement. They are facilitating the project on behalf of the property owners. It is a 4-year \$134 million project on a 10 ½ acre site. They are proposing 130,000 additional square feet of ground floor retail and 800 housing units.
- They are planting about 1,000 trees a year, with about 25 trees per week planted in the older business improvement districts.
- Looking forward to the Small Business Awards Luncheon coming up. They hope to get each of the BID executive directors to name the BID operator of the year.
- Has been serving as chair of the City's Parking Meter Task Force for the past 9 months. They have proposed a new policy document that would govern parking in the City. Currently, the City doesn't manage its public parking reserves very efficiently with a 36 percent occupancy rate of meters, whereas other cities have an 85 to 90 percent occupancy rate. They estimate that the City is losing about \$4 million a year in parking meter revenue per year.
- The BID Council also serves on the Mixed Use Advisory Group that is coordinated by Ms. Jones. The issue is very important to the older BIDs where they have more residents moving into the area or conflicts because of residents and businesses being in the same area.
- Last week they elected new officers to the BID Council.
- Partnered with the Office of Small Business to reform the City Heights Business Association. They are currently working on reforming the Mission Hills Association.
- They hired the Border Agency as a contractor to collectively sell the assets in the BIDs. It is a corporate underwriting firm. In the first 3 months, they raised \$100,000 in additional funds which will be split among the BIDs. They are on line to raise about \$350,000 during the fiscal year. Within a couple of years, they hope to raise about \$1 million.
- Recently filed their contract which negotiated a 5-year deal with the City for fire and police protection during BID's special events. The collective amount is \$50,000 per year. The BID

Council will be sharing the costs with the BIDs, with the BID Council paying \$25,000. The BIDs will be paying on a pro rata share.

- The BID Council has a 3-year contract with the City Treasurer's Office to pay \$50,000 per year for updating the business tax certificate program. After the first year, the City has collected 10 percent in additional new business tax revenue.
- Recently dispersed grant funds to the micro districts. In prior years, the funds went to neighborhood Chambers of Commerce. This year they gave money exclusively to Council Districts that didn't have BIDs located in them. There are 14 micro districts in San Diego.

Development Services Department Liaison Report: Kelly Broughton, DSD

Mr. Broughton provided an update on the following DSD activities:

- The hiring effort at DSD is now on the positive line from where they started in July 2003. The new employees are going through the training exercise. They should start having an impact on their ability to make turnarounds on the project reviews and on the inspections.
- Working the past couple of months on another improvement effort. The Regional Economic Development Corporation organized a group of larger business firms that were having difficulties in getting through the approval process. As they get more proposals from the group, they will be sharing them to the degree that they benefit small business.
- There will be an alcohol licensing discussion at the Public Safety and Neighborhood Services Committee on April 14, 2004. The report is available on the City's website.
- Adding a comprehensive list of workshops and trainings to the DSD webpage. It will include the Small Business Workshops, hosted by Ms. Terry Marshall of DSD. Mr. Chandler suggested linking it to the Office of Small Business webpage.
- Working on a draft of a new information bulletin on how to get a permit for a restaurant, which should be ready very quickly.
- The pre-construction inspection process has been implemented, which is free to customers. Applicants with a permit for small business may contact their field inspection group to set up a meeting.
- Continuing their educational workshops for their customers. The last workshop was on the topic of sign regulations and how to get a permit for a sign and also the inspection process.
- Ms. Marshall is working with the Office of Small Business in a joint effort to provide small business assistance through a new small business outreach and assistance program.
- Distributed a handout in a table format that illustrated a consolidation of all the various improvement efforts that DSD has been asked to complete, including where it originated from. It was done in anticipation of the City budget review process. The City Manager's management study has been completed and will also be presented. The first meeting is on April 13, 2004 and

other meetings have been tentatively scheduled for April 27, May 4, and May 17. The first meeting will be an overview of DSD, including the tracking system.

- Another handout came from a “smart codes” training presentation that he had attended, that was conducted by Mr. Andres Duany and other presenters. He is uncertain how specific the concept would fit for small business and San Diego. The organization is good and is a simplified way of looking at code, but it asks the government to put more faith in employees to make decisions as opposed to going through a more formalized public hearing process. He is trying to determine if they can glean anything from the concepts for use in San Diego. He asked SBAB members to review the information as he will be soliciting their input when he moves through code update efforts later in the year. The SBAB can discuss the issue of “smart codes” at another meeting.
- Mr. Chilcott asked Mr. Broughton to look at piloting some of the “smart code” concepts for the City of Villages, prior to implementing it in a full community plan. Mr. Broughton stated that he is considering using elements of it for the City of Villages. It could potentially create a whole different pattern of regulations which means staff would have to know a different set of regulations. It might create another mini-planned district ordinance which he wants to avoid. Mr. Chilcott commented that it might mean more delegation and authority in those areas.
- Mr. Sims suggested that DSD look at finding common factor code restrictions that create barriers to accomplishing the City of Villages.

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

Ms. Jones reported on the following information:

- Excited about pursuing the “smart codes” which she feels is beneficial to the older urban areas.
- The ABCs Seminar will be held on April 28 at the Scripps Ranch Branch Library.
- The Expert Insights Seminar held on March 25 was very successful. There were approximately 45 attendees.
- Met with the Redevelopment Agency at their March staff meeting to share information about her role and the small business community, and ways to collaborate more closely with project managers and community development coordinators. She requested that periodic meetings be held with the project managers, community development coordinators, and Ms. Terry Marshall of DSD to share information on small business activities, including those in project areas.
- The Mixed Use Advisory Group meeting was held on March 13. They have begun the process of reviewing the draft Ordinance changes. They are addressing sound levels and what is acceptable and unacceptable.

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 10:00 a.m.