

**ANNUAL REPORT
JULY 2011-JUNE 2012**



**PREPARED BY
PIMA COUNTY SMALL BUSINESS COMMISSION
JULY 2012**

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PIMA COUNTY SMALL BUSINESS COMMISSION

**Ken Goodman, Chair
Environmental Strategies
District 5**

**Hal Burns
Jalopy's Grillville and Brewery
District 1**

**Tom Ward, Vice Chair
IsaiahOne, Inc.
District 4**

**Gerald Long
Tucson Safety & Medical
District 3**

**Pat Brown
Machine Concepts, Inc.
District 2**

**Dabney Philabaum
Philabaum Glass Studio and Gallery
District 2**

**Lyra Done
Lyra Done Realty
District 1**

**Joy Soler
Revolutionary Grounds
District 5**

**Eddie Lake
Gasoline Alley
District 4**

**John Peck
Oasis Cafe
District 3**

COUNTY LIAISON

**Tom Moulton, Director
Pima County Economic Development and Tourism**

July, 2012

The Honorable Chairman and Members
Pima County Board of Supervisors
130 W. Congress Street
Tucson, AZ 85701

RE: Pima County Small Business Commission Annual Report

Dear Chairman Valadez and Members of the Board:

In accordance with Board Resolution No. 2009-260, It is my pleasure to transmit to you the 2011-2012 Annual Report on the Pima County Small Business Commission.

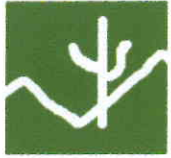
As I am sure you are aware from the various reports and memoranda the Commission and the County Administrator have provided you during the last fiscal year, you have a very hard-working, pro-active and dedicated Commission. This Annual Report briefly summarizes five accomplishments of the last year and five projects that the Commission will undertake during the 2012-2013 fiscal year.

The Commission is most appreciative of the support the Board and the Administration have provided during the last year. You may rest assured that the Commission will work hard during the coming year to represent the interests of small business in Pima County, and to provide the Board with the necessary information to help make Pima County a friendly environment for small business.

Yours sincerely,



Ken Goodman, Chairman



REPORT DISTRIBUTION

The Honorable Chairman and Members Pima County Board of Supervisors

Clerk of the Board

C.H. Huckelberry, County Administrator

John Bernal, Deputy County Administrator for Public Works

Hank Atha, Deputy County Administrator for Community and Economic Development

Priscilla Cornelio, Director, Transportation Department

George Widugiris, Director, Procurement Department

Tom Moulton, Director, Economic Development and Tourism Department

BACKGROUND

The Pima County Small Business Commission was created by a Resolution of the Board of Supervisors on March 18, 2003 (Resolution No. 2003-52). The Resolution was amended on October 13, 2009 (Resolution No. 2009-260), at the request for the Commission, to allow for informational public hearings and the submission to the Board of an Annual Report. The Resolution calls for the Annual Report to briefly outline the activities of the past year and the projects for the coming year.

The purpose of the Commission is to facilitate communication between Pima County and small business; to evaluate County policies and regulations for their impact on small business; and to help maintain a healthy environment in which small businesses and their employees can prosper.

The Commission is composed of 11 members, two appointed by each County Supervisor and one at-large member appointed by the Commission. The Commission selects its own chair and vice chair.

Every Commissioner must be the owner or manager of a small business located in Pima County. The business must have no more than 100 employees.

The present Commission represents a broad spectrum of business activity including automotive repair; medical sales; machine tool design; real estate sales and development; restaurant operation; economic development; and public policy consulting, as well as other small business ventures.

The Commission has had another very active year as the following list of accomplishments indicates.

ACCOMPLISHMENTS 2011-2012

1. In June of 2010, the Board of Supervisors authorized the Commission to create an ad hoc Committee to Review State Procurement Statutes (CRSPS). The purpose of the Committee was to review state statutes with regard to procurement practices for the professional services community. In Pima County, nearly all of the architectural and engineering firms, i.e. professional services firms, qualify as small businesses.

After careful review of their qualifications, the Commission selected four firms to serve on the Committee. The firms included two members from local firms headquartered in Pima County and two members from national firms, with local offices. This group joined four members of the Commission to comprise the Committee. In addition, the Committee had a representative from the Southern Arizona Chapter of the American Institute of Architects as an *ex officio* member.

The Committee was officially convened in January 2011, and spent nine months in the process of preparing an omnibus bill to enhance the small business procurement opportunities for professional services firms.

The Commission's original intent was to modify State Statutes, specifically, Title 34. However, after reading our proposed amendment, the County Administrator's office and the Procurement Department determined that the same results could be obtained by amending Title 11 of the County Code.

The language of the approved amendment is deceptively simple; however, it represents many hours of discussion over nine months to craft a document that is fair to both locally owned A & E firms and out-of-county owned firms with a permanent office presence in Pima County. Equally important, the language had to pass the scrutiny of the County Attorney's Office, particularly with regard to constitutionality.

2. Creation of a small business revolving loan fund. One of the most vexing problems small business faces is access to capital. In our discussions with small businesses of every type, this problem arises; the need is for both capital improvement funds and short-term operating funds, such as lines of credit.

During this last year, the Commission explored the possibility of creating a mechanism for a County revolving loan fund to be operated as a public-private partnership. The Commission investigated similar partnerships in other states, with particular interest in loan criteria and the due diligence

process. The Commission also called on the assistance of the federal Small Business Administration.

While some other such revolving loan funds utilize CDBG funds to sustain their loan pools, the Commission does not believe this would be necessary in Pima County. We have had very preliminary conversations with two local financial institutions who have both expressed interest in this project.

The Commission made its final report to the County Administrator in April 2012. As of this writing, the County Attorney's office is reviewing the proposal with regard to constitutionality.

The revolving loan fund, which the Commission has named the Pima Prosperity Fund (PPF), could make loans to small businesses, as defined by the County, for both capital and operating costs. It would have a five-member Loan Review Committee composed of representatives from the private financial community. Loans below \$50,000 would be approved by the Commission; loans above \$50,000 would be approved by both the Commission and the Board of Supervisors.

3. With more than 22,000 people working in the tourism industry in Pima County – and most of those people working for small businesses – the Commission is vitally concerned with the health and prosperity of tourism. In January 2011, the County Administrator appointed the Commission's chairman to an eight-member committee to conduct a performance audit of the Metropolitan Tucson Convention and Visitors Bureau (MTCVB) – the primary engine for tourism development in the County.

The result of this audit was a report with 24 recommendations to greatly increase tourism activity and income in Pima County. The performance audit committee became an Oversight and Compliance Committee approved by the Board of Supervisors in July 2011. This new Committee worked with the MTCVB to see that the 24 recommendations were implemented. The Commission closely monitored the Committee activities to insure that the County's small business tourism community has the opportunity to grow and prosper. The Committee made its formal report to the Board of Supervisors on July 10, 2012. One of the results of the Committee's work was the selection of a new president and executive vice president for the MTCVB.

4. In May, the Commission awarded its Third "Small Business of the Year" Award in a ceremony at the May 2012 Board of Supervisors meeting. The Award went to the Joint Technical Education District (JTED). In 2012, JTED serves more than 250 students at its main campus. In its 12 affiliated high schools, it serves approximately 15,000 students. It provides technical education opportunities at both its main campus and through its 12 affiliated high schools. Education opportunities range from aviation and automotive

mechanics to culinary arts, cosmetology, public safety and nursing. The classes prepare the students for both direct employment opportunities and post-high school education. The Award was designed and built by students in the JTED program at Flowing Wells High School.

5. Standing Committee for Legislative Education (CLE). While the Commission has been reasonably successful in educating the State Legislature on issues important to the Pima County small business community, our activities have mostly been of the “put out the fire” variety i.e. trying to stop legislation that was harmful to small business interests. Because all the Commission members have access to various reports outlining possible legislation that could affect their individual businesses, the Commission created a standing committee, headed by the vice chairman, to monitor the Legislature’s actions.

Much of the Commission’s efforts were devoted toward preventing the reduction of HURF funds since a good highway system is essential to every business – small or large – in Pima County.

Of particular interest to the Commission was HB 2127, the Arizona Film Bill, which would have encouraged film and video production in Pima County. In spite of our efforts, the legislation was killed at the last moment.

PROJECTS 2012-2013

1. On July 16, 2012, the County Administrator provided the Commission with an opinion from the County Attorney's office that approved the concept of the Pima Prosperity Fund – a County revolving loan fund designed to increase small business activity by creating and retaining more jobs in Pima County. The opinion stated: "There is clearly a public purpose for the proposed loan program."

However, the County Attorney warned that if the fund were legally challenged: "The [loan] agreements be structured in a way that exacts some promises from the borrowers regarding number of employees, pay scales, etc; something to point to as consideration for the favorable terms of the loans."

Following the opinion's guidelines, the Commission will explore the Pima Prosperity Fund concept during this fiscal year. The exploration activities will include:

- a. Create an ad hoc committee – Prosperity Fund Criteria Committee (PFCC) – composed of five members from the private financial sector and five members from the Commission to develop loan criteria and due diligence procedures, including the guidelines suggested by the County Attorney's office. (Note: we expect the private sector members will continue to serve the Commission as members of the Fund's Loan Review Committee.)
 - b. Submit the final report of the PFCC to the full Commission for approval and the County Attorney's office for review. Following these actions, the report will be brought to the Board of Supervisors for its approval.
 - c. Raise the Fund's loan pool from the private sector with a target of \$5 million.
 - d. Work with the Economic Development and Tourism Department to select a part time Loan Officer who will work for that department but whose salary will be largely generated by loan origination fees.
2. Explore the possibility of creating a local preference for the listing of qualified Job Order Contractors (JOC) similar to what the Commission did for professional services last year. This is a complicated issue with many challenges for the Commission. For example, while most vertical contractors such as building contractors, renovation and repair contractors, etc. are small businesses, most horizontal contractors such a

highway, sewer, water, and other utility contractors have more than 100 employees and, thus, do not fit the County's definition of a small business.

In addition, local preference for JOC contractors is forbidden by federal regulation for any project using federal funds.

In spite of the difficulties, the Commission believes that the construction industry's almost imperceptible recovery from the Great Recession requires us to look at any practical solutions for this industry.

3. In line with the County's Economic Development Plan, the Commission will seek to develop a program to specifically help small business in outlying unincorporated Pima County. The Commission will look at communities such as Ajo, Green Valley, Amado and Vail and work with local business organizations in developing this program.
4. The Commission will sponsor its Fourth Annual Small Business of the Year Award in 2013. The recipient will be honored at a Board of Supervisors meeting in April 2013.
5. Many Commissioners and their constituents, particularly those in the restaurant, retail and automotive repair trades, have voiced complaints about credit card business practices. While fees and credit card company regulations are of concern to these merchants, the main concern is the slowness with which credit card processors make payment on their credit card charges. If you sell something, today, you don't want to wait weeks to get your money. For a small business watching its cash flow, this can be a major problem.

While the Commission realizes this is an issue under which the County has little control, it does believe that an investigation of this matter, including a public hearing, can focus the spotlight of public opinion on the issue, and perhaps generate state or federal action.

The Commission expects to complete its investigation on this matter and hold a public hearing before the end of this calendar year.