

**ANNUAL REPORT  
JULY 2012-JUNE 2013**



**PREPARED BY  
PIMA COUNTY SMALL BUSINESS COMMISSION  
JULY 2013**

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## **PIMA COUNTY SMALL BUSINESS COMMISSION**

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

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Five Star Pest Control  
District 1**

**Tom Ward, Vice Chair  
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District 4**

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District 2**

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

**Mark Finchem  
Long Realty  
District 1**

**Joy Soler  
Revolutionary Grounds  
District 5**

**Edie Lake  
Gasoline Alley  
District 4**

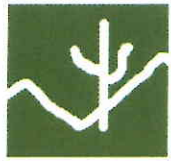
**Gabrielle David  
Ajo Copper News  
District 3**

**LYRA DONE  
Lyra Done Realty, LLC  
At Large**

## **COUNTY LIAISON**

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

**Patrick Cavanaugh, Program Coordinator  
Pima County Economic Development and Tourism**



July, 2013

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 2012-2013 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 the Commission will undertake during the 2013-2014 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.

Each Supervisor must appoint at least one member who is the owner or manager of a small business located in Pima County. The business must have no more than 100 employees. All eleven (11) members of the present Commission are either owners or managers of a Pima County small business.

The 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 a very active year as the following list of accomplishments indicates.

## ACCOMPLISHMENTS 2012-2013

1. The final report on a proposal for a small business revolving loan fund was completed by the Commission in May of this year. Brief details on this report and its implementation may be found in the following section on *2013-2014 Projects*.
2. In line with the County's Economic Development Plan, and in keeping with its mission to facilitate communication with small businesses throughout Pima County, the Small Business Commission traveled to Ajo April 18, 2013, to learn of the successes and challenges experienced by the business community in this rural but dynamic area of the County.

The Commission's fact-finding mission included a tour of the new Ajo Visitors Center, located in the newly restored historic Ajo Train Depot, and culminated with a joint meeting of the Commission and the Ajo Business Roundtable Forum.

The Commission heard from numerous Ajo businesses, the Ajo District Chamber of Commerce, the International Sonoran Desert Alliance and several Pima County departments that serve Ajo. The Small Business Commission wishes to extend its appreciation to Pima County Supervisor Sharon Bronson for facilitating the joint meeting.

3. 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 issue 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 realized this is an issue under which the County has little control, it believed that an investigation of this matter could focus the spotlight of public opinion on the issue, and perhaps generate state or federal action.

Under the leadership of Commissioner Edie Lake, who was appointed by the Chairman to spearhead the investigation of credit card processing, the Commission developed a series of recommendations concerning fee structure, approval fees, cancellation fees, equipment costs and a vendor's Code of Ethics. These recommendations were forwarded to Mr. Mallory Duncan, Senior Vice President and General Counsel for the National Retail Association on November 30, 2012. That organization was heading a class action lawsuit against the major credit card companies and their processors.

Earlier this year, the US District Court in New York authorized a \$6.05 billion settlement with the companies involved, and began processing retailers' claims. The Small Business Commission is pleased to have played a small part in the successful resolution of the matter, and will continue to monitor credit card processors activities.

4. The Commission's fourth annual "Small Business of the Year Award" saw an expansion in 2013 with two awards being presented, one for a business within the City of Tucson, and one for a business within Pima County, but located outside of Tucson. In addition, two cash awards of \$500.00 were provided; one from Pima County Supervisor Sharon Bronson, and one from the Department of Economic Development & Tourism.

The City, or urban award, went to the *Casa de los Niños Thrift Store* located at 1302 E. Prince Road. With 21 employees and more than two dozen volunteers, the store has been in business for 39 years.

A major force for good in the community, the non-profit *Casa de los Niños Thrift Store* was instrumental, when leveraged with other financial support, in allowing Casa de los Niños to serve 4,472 children and 2,740 families in fiscal year 2012. Additionally, the *Thrift Store* provides vouchers to program families for use to obtain needed items including furniture, clothing, housewares, toys, books, and more. This fiscal year over \$3,000.00 in voucher support was distributed.

The County, or rural award, went to *Second Generation, Inc., dba Ajo Transportation*. This 10-year old for-profit company located at 1248 N. 2<sup>nd</sup> Avenue in Ajo has 19 employees and a fleet of 12 buses. With a service population of nearly 70,000 people, through contract service with the Regional Transportation Authority, Valley Metro, Ajo Dial-A-Ride and individual routes to Gila Bend, Buckeye, Avondale, Goodyear and Phoenix, the company provided transportation for more than 69,000 riders last year.

Ajo Transportation is owned by Cathy Hutton a native of Ajo. The company slogan is "*We are here, so you can be there.*"

The Small Business Commission is particularly pleased that it had 13 finalists for this year's awards. In addition to the two winners, the other 11 finalists were;

#### **Urban**

- Julie Bar LLC, commercial kitchen at Broadway and Kolb, Tucson
- Grandma's Spinning Wheel, Inc., 6544 E. Tanque Verde #150, Tucson
- Reproductive Health Center, 4518 E Camp Lowell Drive, Tucson
- The Planning Center, 110 S. Church Ave., Suite 6320, Tucson
- AGM Container Controls, Inc., 3526 E. Fort Lowell Road, Tucson

- Hi-Tech Machining & Engineering, Inc., 1075 W. Wieding Road, Tucson
- Cozetti Construction, Inc., 3849 E. Calle De Soto, Tucson
- Metro Title Agency of Arizona, 2502 E. River Road, Tucson

#### **Rural**

- Oasis Café, 28 Plaza Street, Ajo
- Jax Kitchen, 7286 N. Oracle Road, Tucson
- Sabuku, Inc., 4140 N. Alvernon, Tucson
- JT's Closet-Consignment Boutique, 1295 W. Duval Road, Suite 151, Sahuarita

5. Because of the success of our local preference program for professional services i.e. architectural and engineering firms, the Commission explored the possibility of extending this program to qualified Job Order Contractors (JOC). This was 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 as 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 talking with representatives of the Arizona Builders Alliance and the Alliance of Construction Trades, the industry organizations for JOC, the Commission found almost no interest expressed in pursuing a local preference program.

Federal restrictions on such programs as well as skepticism about the viability of the local preference program for architects and engineers - then in its infancy - appeared to be the main reasons for this lack of interest.

Now that the A&E local preference program has proved to be a success, the Commission may revisit this project in the future if time and resources permit.

## PROJECTS 2013-2014

1. On May 13, 2013, the Small Business Commission submitted its final report on the proposed small business revolving loan fund - rechristened The Pima Prosperity Fund (PPF) - to the County Administrator's office with a request that it be forwarded to the Pima County Board of Supervisors for approval by formal resolution. Representatives of the Commission met with the Department of Economic Development and Tourism and the County Attorney's office on May 28 to make minor modifications to the report that insured the County would have no obligations regarding who is awarded a loan, and no liability associated with a loan that goes into default. As of this writing, the proposal awaits the County Administrator's final recommendation to the Board of Supervisors. Implementation would be as follows:
  - a. The Small Business Commission (SBC) will recommend five members for the proposed PPF Loan Board, all with lending experience, and ask these five individuals to form a nonprofit corporation for the purposes of carrying out the PPF mission. The Corporation will be called the Pima Prosperity Fund Corporation (PPFC). The Chairman of the SBC will be an *Ex-officio* member of the PPFC.
  - b. The PPFC will contract with the Business Development Finance Corporation (BDFC) to handle the initial contact and screening of loan applicants.
  - c. The loan processing and administration will be handled by a new subsidiary of the Business Development Finance Corporation – the BDFC Advisory Services LLC. This is the same organization that handles similar activities for the IDA. Gary Molenda, President of BDFC, has agreed to this arrangement.
  - d. The Commission will seek a minimum \$2.5 million loan pool from local financial institutions. In addition to banking institutions and credit unions, it is possible that some private firms might be interested in making dedicated investments to fund loans for small businesses in a specific industry.

While no public monies are involved in the PPF proposal, it is important that stringent conditions for obtaining a loan be enforced to insure that the public purposes of job creation and retention and tax base expansion are met. The minimum qualification for a PPF loan will be as follows:

- a. A specific number of new jobs must be created over a specified length of time.

- b. Wages for jobs created must meet or exceed the average of that specific job category in Pima County.
  - c. Retained jobs may be considered, but they must meet the same criteria as new jobs.
  - d. The amount of the loan must be tied to the number of jobs involved.
  - e. In capital improvement loans, a specific tax-generating investment must be guaranteed.
  - f. Failure to meet any of these loan conditions will require immediate repayment of the entire loan.
2. Mexico is a growth industry. In manufacturing, in trade, in the education of engineers, Mexico is moving forward. Today, Mexico exports more manufactured products than the rest of Latin America put together. Mexico has signed 44 free trade agreements, more than any other nation in the world; more than twice as many as China and more than four times as many as Brazil, two countries touted for their growth.

The Small Business Commission believes there is a possible role for Pima County's small businesses to play in Mexico's growth, particularly in exporting to Mexico's growing population- 50% of Mexico's population is under the age of 29.

The Commission will explore both trade and tourism opportunities with Mexico for Pima County's small businesses. The Commission will work with VisitTucson, Inc. (the Metropolitan Tucson Convention and Visitors Bureau) and the Hispanic Chamber of Commerce in these endeavors.

3. In line with the County's Economic Development Plan, the Commission will continue its program to help small business in outlying Pima County. The Commission will look at communities such as Green Valley, Arivaca, Amado and Vail and work with local business organizations in developing this program.
4. The Commission will sponsor the Fifth Annual Small Business of the Year Award in 2014. The Commission will again have two awards, one urban and one rural, and it hopes to continue the cash awards instituted this year. The recipients will be honored at a Board of Supervisors meeting in the spring of 2014.

5. The Pima County Sports and Tourism Authority fosters and supports amateur and professional sports. In so doing, it is turning Pima County into a sports tourism destination.

Expanded tourism activity means business for Pima County's small businesses. Whether it is eating out after an FC Tucson soccer game or spending a weekend in town to watch the Tour de Tucson, tourists -- both local residents and out of town visitors -- spend money with small businesses.

As it has done with VisitTucson, Inc. the Commission will work during the coming year with the Sports and Tourism Authority to promote increased tourism activities. It is particularly interested in developing a relationship between certain sporting events and the restaurant and hospitality industry.