

CITY OF WINDSOR SMALL BUSINESS TASK FORCE

FINAL REPORT

July 4, 2006

TO: Mayor Eddie Francis
Councillor Joyce Zuk
Councillor Dave Brister
Councillor Ron Jones
Councillor Caroline Postma
Councillor Alan Halberstadt
Councillor Fulvio Valentinis
Councillor David Cassivi
Councillor Ken Lewenza, Jr.
Councillor Tom Wilson
Councillor Jo-Anne Gignac
John Skorobohacz, Chief Administrative Officer

FROM: The City of Windsor Small Business Task Force

SUBJECT: Final Report to Council¹

The City of Windsor Small Business Task Force has concluded its assignment and is pleased to submit this document as its final report. The report is divided into three sections. Section I states the Task Force's mandate and approach. Section II presents the key issues identified. Finally Section III contains recommendations to address these issues.

I. INTRODUCTION

Small business is a strategic sector in Windsor's economy. It spans all aspects of the local economy including retail, manufacturing, construction, auto parts, metal cutting, health services, personal services, educational services, hospitality, entertainment,

¹ The Task Force wishes to express special thanks to Sarah Butler for her leadership in putting together a team of volunteer University of Windsor students, Sandi Moubarak, William Caswell, Ziad Raslan, Omar Raza, Alex Shallal, and Rami Ibrahim who conducted a City wide survey of small business owners. The Task Force acknowledges Charlie Regan's contribution including setting up its website, toll free phone and fax numbers, mailing address and hosting the launch campaign. The diligent effort of City Hall staff enabled the Task Force to carry its mission successfully, especially the valuable assistance of Bill Baker and Jackie Korosec, and the support and contributions by Mario Sonogo, Diane Sibley, Agatha Armstrong, and Brian Worrall.

agribusiness, professionals, and many others. For the purposes of this report, a “small business” is defined as establishments with a sales volume of under \$5 million that employ less than 50 employees. Such firms account for over 90% of business registrations. Their output represents a major portion of Windsor’s GDP. They employ a significant percent of the labour force. They generate the majority of new jobs in the City.

In a tight job market, small business is becoming almost the only option for many individuals to pursue gainful employment. Immigrants have a hard time finding jobs so they start a small business. As large corporations downsize and pursue global outsourcing, laid-off and early-retired employees often form small businesses in order to maintain their employment and standard of living. In Windsor, as a result of the retrenchment by the Big 3 and their suppliers, a sizeable number of employees have taken early retirement or have been placed on indefinite layoff. This will further increase the size and importance of the small business sector.

From the City’s viewpoint, small business is a major component of Windsor’s tax base. Small business owners pay property taxes and user fees for home and business. Further, their employees also pay property taxes and user fees. The importance of small business can never be exaggerated.

However, small business owners encounter daunting challenges. Besides the volatility of the marketplace, they are under-financed and many do not have the managerial resources and the wherewithal to attend to all aspects of managing and operating the business. They are overstretched--torn between the demands of the business and their personal lives. Governmental regulations and requirements, whether they may be permits, licenses, taxes or various compliances place a heavy, disproportionate demand on the financial resources and the time of the small business owner.

The Mayor, City Council, and the Administration are cognizant of the importance of small business to Windsor. In their strategic planning session, they expressed keen intent in addressing the issues pertaining to this important sector. Their ultimate objective is to create a small business-friendly environment that is conducive to the formation of new enterprise and to the prosperity and growth of the existing ones. They also recognize that City Hall is a critical component of this desired environment. Their feeling is that better, expedited, efficient municipal services for small business would be a crucial feature of a business-friendly Windsor.

To that end, City Council voted unanimously in September 2005 to establish a task force composed of business community leaders and members of the Administration, “The City of Windsor Small Business Task Force” (please see Appendix A for the mandate of the Task Force and its appointed members).

From the start, the Task Force did NOT view its mission as “fault-finding” with City Hall, City departments, and employees. In an age of declining funding and stretched

employees, City Hall is doing the best it can with the resources it has. The Task Force chose to focus on opportunities for improvement by identifying the concerns of small business and making recommendations to the decision-makers at City Hall – all in the spirit of continuous improvement. In doing so, the approach that the Task Force followed can be summed up briefly as follows:

- It began by laying out a framework for collecting data from small business owners regarding any concerns that they may have in dealing with City Hall.
- Members of the Task Force who are small business owners provided information based on their personal experience in dealing with City Hall. Further, they contacted their peers and collected information about their concerns and suggestions for improvements (please see Appendix B).
- To gather more information, the Task Force extended a range of opportunities for small business owners to voice their concerns as follows:
 - A website was established, “The Voice for Small Business”, whereby small business owners can visit the site and enter text and video messages (Appendix C).
 - A telephone line was set up so the small business owners can leave recorded messages.
 - A fax line was installed for small business owners who wish to fax their concerns.
 - A mailing address was publicized for those who wish to communicate by regular mail.
 - A City-wide mailing of a questionnaire sent along with the license renewal form.
 - Personal interviews were conducted with a cross sectional sample of 125 small business owners representing various types of businesses and the geographic sections of the City (Appendix D).

II. FINDINGS: MAIN CONCERNS OF SMALL BUSINESS OWNERS

The Task Force next analyzed the collected data. Its findings can be categorized as presented below. It is worth emphasizing that the cases and examples mentioned below represent perceptions by the individuals who stated them to the Task Force. Such perceptions were not directly verified because they were made anonymously since the Task Force assured promised confidentiality to all respondents. Once again, the purpose here is not fault-finding. Rather, the findings would highlight areas for continuous

improvement to assist City Hall to enhance its positioning as a major, positive force in creating a business-friendly Windsor.

2.1. Customer Service Orientation:

We live in the age of customer service. Whether the organization is private or public, the person doing business with it must be viewed as a "customer", i.e., the person whose interaction with the organization provides the funding required for its livelihood. As such, the customer must be treated with respect and his/her needs must be fulfilled as efficiently, effectively, and quickly as possible. In the case of City Hall, the customer is the taxpayer, the person who foots the bill for the operation of City Hall.

In this regard, small business people expressed concerns about the way they are treated. They felt that they are being given the runaround. They felt that they are not treated with the respect they deserve. In some cases, phone calls were not returned. They felt their issue was not treated with sensitivity, empathy and helpfulness. To be fair, there were instances when small business owners felt that they were treated right and given the assistance they needed.

2.2. Quality of Service:

Small business owners expressed concerns about the quality of service they receive from City Hall.

- In some cases, the small business owner was not provided with all the information he/she needs.
- In other cases, the service was not provided with the level of quality needed, and sometimes not at all. Examples frequently mentioned include garbage collection and snow removals. The garbage is not picked up on time. Snow removal is not done on time. Phoning does not seem to expedite things. Another example is security where the business is being robbed a number of times. Understandably, no one is expecting Windsor Police to post a police officer at each establishment. Nevertheless, the fear of business losses due to crime is an impediment for some owners to stay in business.
- In another case, one businessperson expressed the concern that the inspection, after construction, was not done by qualified personnel and the criteria set out by the Province was bypassed. The quality of service is costing the small business owner in terms of time, added expenses, frustrations, and delays in getting on with the business.
- Another aspect of quality of service is inconsistency in applying the rules and enforcing them. Legitimate small business owners are required to apply for a license, to pay for it, and submit to regulations that cost money to comply with. However, unlicensed operators (underground) steal business away from

the legitimate ones and no effort is undertaken to identify these individuals and make them comply with licensing and pertinent regulations.

2.3. Speed of Service:

The concern here is that it takes too long to get things done at City Hall:

- Applications take too long—as perceived by small business people. Response time is perceived to be too long.
- One businessperson states it took weeks to get various approvals to get his business started. The coordination between the Health Unit and City departments appears to take too long.
- Another businessperson states that it took more than 90 days to obtain a sign permit.

In business, time is money. The time spent waiting for City Hall decisions can better be spent generating revenue and paying back creditors and investors—as well as taxes to City Hall.

2.4. Cost of Service:

At various points, small business owners have to pay an array of fees whether it is for a permit, a license, or a service. These additional start up and operating expenses increase the break-even point for small business. A typical business will have to sell a considerable volume in order to generate enough profit just to pay for these added expenses. Now, when cost is high and the quality is not at a commensurate level, small business owners perceive that they are not getting value for the money.

2.5. Complexity of Service:

Compounding the issues of speed of service and cost of service is the matter of complexity. Often City Hall services require inputs from various departments and every department has its own process to ensure conformity to various regulations. Somehow, small business owners feel that there is little coordination among the various departments.

To be fair, the Task Force acknowledges that there are factors beyond the control of City Hall departments that add to complexity and hence to cost. Legislation over the last several years has made getting approvals more complex, (e.g., the new Building Code complicates the process and does not streamline it). Licensing has similar procedures that impact the licensing fee. Directions from legislation and Council to be self-funding often call for the imposition of fees and other charges. Design standards pertaining to city image (with the desire to improve the city's look) and services (given the shrinking funding) complicate the application and approval process and hence lengthen the response time. For example, to have cafes look a certain way and be

designed to a certain standard is more expensive, but in the long term will lead to a more attractive and distinctive look for the City's districts.

Unfortunately for small business owners, there are many regulatory bodies in addition to the City of Windsor. They all function in their own spheres without coordination and consideration of the impact of their policies on the total picture, on the economy, and especially on the small business sector. There is considerable confusion on the part of small business owners since they tend to perceive all these agencies as departments of City Hall. Somehow, there is a strong need for a champion to bring all these agencies together so that their actions can be coordinated and reconsidered in an attempt to reduce the negative impact on the small business sector.

2.6. Doing Business with the City:

The City of Windsor is a major customer for many small businesses. It spends millions of dollars purchasing a variety of products and services from numerous small businesses.

Many small business owners expressed frustration about getting contracts from the City:

- Often, the forms for request for proposal or bids are too lengthy, confusing, containing vague and ambiguous terms--thus requiring a long time and expense to complete.
- In many cases, audited financial statements are required even though the applicant will not be handling money for the City. Getting an audited statement is very expensive for a small firm. Besides, exposing all the personal and confidential finances of a business owner, just to submit an application, seems to be unreasonable, according to those who submit such proposals.
- After passing the hurdles involved in submitting a proposal, then the businessperson waits for a long time—with no mechanism or process to let him/her know the status of the submission. Phone calls to the respective departments do not provide the needed information.
- According to businesspersons who submitted bids or proposals, after a long wait, the contract is awarded without a convincing, objective logic.
- More frustrating is when contracts are awarded to out-of-town businesses (based on some unclear criteria). Local firms object to this situation given that out-of-town firms do not pay any taxes in Windsor. These businesspersons do not mind losing the bid. It is part of doing business. Their objection is to a process that puts them at a disadvantage vis-à-vis the out-of-town firms. Often, the latter might be larger, have scale, or have been in

business longer. However, this does not mean that the local firm cannot meet or exceed the performance of the out-of-town competitor. Besides, if local firms do not get business (from the City among other things), how will they grow and acquire the advantages of size, scale, and experience?

2.7. Property Taxes and Assessments:

Business owners are fully aware that the City needs the tax revenue in order to provide the various municipal services. The concern, however, is that the tax level is so high, so much so that it has become a major cost of doing business.. It is making their break-even point fairly high. They will have to sell a considerable volume just to break even--with little money left as profit or for them to withdraw from the business to support their families. Some cannot generate the needed volume and end up closing the business after sustaining continuous losses. It should be remembered that City taxes are only one of many taxes that they have to pay, not to mention user fees and other charges. This might cause considerable erosion in the business sector. It is also a disincentive for those who want to start a business here.

2.8. Parking:

Many types of small business rely on walk-in traffic:

- Owners of such establishments are concerned about the City installing parking meters in the critical blocks for the business.
- Once the meters are in, then periodic increases in parking rates follow.
- Then, customers are ticketed for parking violations. Eventually customers migrate to other competitors where free parking is available (such as the malls)—resulting in a significant business loss to those who have gotten caught in the City's policy of using parking as a revenue generation strategy.

2.9. Business Impacts:

- Regulations and the cost of complying with them are a big concern of small business. They often become insurmountable obstructions especially when the owner does not have the cash to make the changes needed for compliance. Regulations are needed to protect the public from bad business practices. However, they are imposed because of the behaviour of few bad apples. In the process they punish the majority, the good apples.
- Regulations have become too many and too complex so much so that the cost and burden of compliance siphon off the financial resources of the business, not to mention legal fees, and the overall distraction from running the business.

- Although the regulations are a big issue, the practices of officials who enforce them are a major concern for the small business community. Often these officials view regulations and their enforcement as ends in themselves--without regard for the impact of their decisions on the small business community. In the course of enforcement, many small business owners feel threatened and concerned that the officials would not hesitate to suspend/revoke their license or require measures of compliance that cost a small business badly needed thousands of dollars. Understandably, regulations are introduced to protect citizens from bad business practices. However, there are no mechanisms to protect small business owners from the arbitrary and excessive enforcement of these regulations. The Health Unit inspectors deserve a special mention here. There is a case of an auto service business owner who added a couple of vending machines for extra revenue. Soon, the business was visited by an inspector who insisted that the owner must obtain a food license on the grounds of serving food--even though the business is an auto service and the food is chocolate bars and drinks from a vending machine. The owner ended up removing the vending machine thus losing whatever meager additional revenue he was making from them. No one is disputing the importance of regulating businesses. However, regulations should not deprive small business owners from the opportunity to increase sales and cut the cost of doing business. Recently, we have seen an example of how excessive the enforcement practices can be when the Unit's inspectors poured bleach over sandwiches that were being sold in a public event. The incident caused the Health Minister to intervene. Although the Health Unit is not a department of City Hall, nevertheless its actions adversely affect the business climate here.
- Another aspect of business impacts is road construction where, for a long time, customers' access is blocked to numerous small businesses. Small business owners cannot withstand a loss of business for extended periods of time. They are already operating at a loss in many cases. Furthermore, if the construction goes on for several months, many customers are lost for good when they get into the habit of patronizing another store elsewhere.

III. RECOMMENDATIONS

To address the above concerns, the Task Force would like to submit the following recommendations for the consideration of City Council and the Administration:

1. Support and provide resources to implement and sustain the SimpliCity program and other customer service initiatives. SimpliCity, including 311, will considerably facilitate dealing with the various City departments. Please see Appendix E. The program allows a quick response to small businesses seeking access to City departments. It also develops metrics for response time, and this would be an incentive for the various departments to

improve upon these metrics. This will go a long way to address the issues of quality and speed of service.

2. Recently, the Task Force has been made aware of an exciting initiative that is being sponsored by Industry Canada. Industry Canada recognized that small businesses are often faced with complex service and a highly regulatory environment, which includes three levels of government and multiple service channels. The complexity results in high costs to small business owners. In fact the Canadian Federation of Independent Businesses reports that compliance costs for Canadian businesses are approximately \$33 billion per year. Small businesses are particularly disadvantaged since they often do not have the expertise, financial resources, or time to deal with these very complicated compliance regimes. In efforts to try to streamline and reduce the burden, Industry Canada has developed an online service for businesses called BizPal that is being piloted across the Country. The program is supported by the Canadian Federation of Independent Business, Chambers of Commerce and Canadian Manufacturers and Exporters. The online service allows a business to query one site to figure out which permits are needed and how to get them.

The Task Force believes that is a first step and would like the City of Windsor to participate in the pilot project. It is believed that it is important to partner with our federal and provincial partners. The Committee would like to be part of the solution from the ground up. This initiative is consistent with Council's direction with Simplicity. Accordingly, the Task Force recommends that Council request Industry Canada to pilot the BizPal project in the City of Windsor and allow the Administration to pursue initiatives.

3. A public education effort is suggested so that small business owners may understand why things take too long or cost more simply because of factors beyond the control of the respective City Hall department(s). There are policies and procedures that are legislated and these may take a long time or add to the charges for the service. There can be long term considerations that might affect approval processes as mentioned in the case of cafes in the preceding section. The public should know so that they do not blame City employees for it. Increasing their understanding would reduce the public's anxiety and frustrations. The effort does not have to be a massive public education campaign. The caveats about delays can be stated on a single page and handed to applicants at the time of requesting applications. Alternatively, an explanation from the department would go a long way to help the applicants understand.

4. Review policies, regulations, and procedures from the perspective as to how they impact on small enterprises. Policies, regulations, and procedures should not be all encompassing. They should be formulated with a view toward creating an environment in which business can operate efficiently and profitably within the bounds of reason, public interest, and the law. A focus group comprising business owners can provide information about which policies and procedures impact their businesses and how, such as:

- Policies and procedures pertaining to taxation, by-law enforcement, zoning, permits, licenses, health inspection, traffic arrangement during construction, and unlicensed operators need to be reviewed as soon as possible.
- The use of parking charges as a source of revenue for the City needs a special mention because it affects all businesses that have a storefront operation, e.g., retail shops, restaurants, convenience stores, personal service businesses and the like. Along the same lines, the eagerness of personnel ticketing expired meters in retail areas needs to be placed in a big picture perspective, i.e., how it can lead to stores migrating out of the district. Getting an expensive parking ticket will leave such a bad memory in the customer's mind, so much so that he/she might not come to that block (and the merchant) again.

5. Review the enforcement of regulations on small business in order to give the municipal employees who are the enforcement officers some latitude to help small business owners. In many cases, employees are trained to follow procedures regardless of the impact on the small business. Procedures should be implemented, not just to ensure conformity to essential laws and regulations, but also to meet the broader objective of making it easier and less expensive to own and operate a business. Municipal employees must realize the impact of their actions on the local economy. The local economy is made up of businesses that pay the taxes that pay their salaries. City employees must realize this connection. Again, a focus group composed of small business owners can provide the specific areas of conflict and suggest ways for accommodation.

6. Not all governmental and quasi-governmental organizations are City departments, e.g., the health unit. However, because of the seriousness of the negative impact on small business, the Task Force would like to suggest that Mayor, Council, and the Administration lobby the appropriate ministries to reconsider and revise the enforcement practices. This is doable. Lately, the Minister of Health intervened and proposed changes in the legislation to bring moderation in enforcing serving food in public events. Why can't this be done for other areas as well?

7. Re-engineer the various departmental processes and procedures that affect service delivery to the small firm. Process re-engineering should have the objective of eliminating unnecessary steps, reducing the number of essential steps, and minimizing turnaround time for each service. This will go a long way to increase the speed and quality of service.

8. A crucial part of process re-engineering would be the integration or assembly of the various departmental processes so that work will flow smoothly among them. The objective here should be "seamless delivery" or a "one-stop-shopping" type of set up.

9. **Train all City employees to view small business owners as "customers" and to acquire a customer service mindset. Employees must realize that they are in the "service business". Whether they are on the frontlines or back offices, they must**

have such a mindset so that they may change/modify/improve the way they implement policies and procedures. Such an attitude would enable employees to help and facilitate—to become problems solvers and facilitators. Of critical importance here is that policy makers, process and procedures writers and employees enforcing such procedures must consider the impact of such policies and procedures on the businesses affected by them.

10. Establish a “small business office” to assist small business owners. The office will be the conduit between the small business customer and all the departments of the City. Its staff will chaperon, guide, and pilot requests for services by small businesspersons. In addition, this office can serve as an “ombudsman” to help settle complaints and disagreements. This office should be in City Hall, not at the Development Commission as it pertains to City Hall operations. The office can be staffed by a small team that has the passion and commitment for small business owners. The duties of such office can be assigned as part of the regular duties of certain employees. It does not necessarily require new hires.

11. With respect to proposal for services and products, and contracts, the Task Force recommends:

- Simplifying request forms. They should be simpler, shorter, and easy to understand intuitively. Above all they, **SHOULD NOT BE WRITTEN IN LEGALESE AND BUREAUCRATESE.** Vague, ambiguous phrases and terminology should be eliminated.
- Requests for audited statements should only be required if the business will handle funds on behalf the City or if the City will impose a financial penalty for missing deadlines or unacceptable quality. In other cases, other alternatives can be explored, such as a statement from the business’ bank or a bank bond.
- The process of evaluating proposals must have checks and balances at all points. Furthermore, the process must be transparent at all phases from A to Z:
 - Bidders should be able to know in advance on what basis they will be judged and what objective mechanism will be applied to ensure that the evaluation criteria will be evenly and fairly applied to all bidders. This is crucial to make the playing field level for all competitors.
 - The criteria should be stated in concrete, operational terms, not in “generic”, vague words. For example, using the term “experience” as a criterion is too ambiguous. Alternatively, experience can be defined as the number of years performing the specific activity required by the bid/proposal in an environment similar to Windsor.
 - The criteria should be developed and defined with the assistance of panel of businesspersons from the respective industry. For

example, a focus group of contractors can be invited to establish and define the criteria for evaluating construction bids in general.

- Furthermore, the criteria should be applied through a rating system by a “jury” of knowledgeable persons (internal staff, and possibly outsiders who have no conflict of interest in the respective situation).
- Bidders should be able to know the status of their bid or submission at all times. There is no need for them to wait for months without knowing where they stand. A simple tracking system can be constructed to allow the staff to ascertain the status of a bid and answer the businessperson’s inquiry.
- The Task Force would like City Council and the Administration to explore the principle of giving local small business a favourable consideration during the evaluation of proposals--assuming that local firms equally meet the necessary criteria or if their submission is in “the criterion range”. For example if the bid price is within a certain range (e.g., + or - 5%), perhaps the contract should be awarded to the local small business. The owners of such enterprises are the taxpayers from whom the City derives its funding and sustenance. They pay property taxes and user fees. They employ people who also pay property taxes and user fees. The City does not get the same benefits from out-of-town companies.

12. City Council and the administration need to undertake action to reduce taxes and other charges that increase the cost of doing business for small enterprises. Assessments increase the level of taxation. Every effort must be undertaken to align these assessments with the realities of the marketplace in Windsor. Re-engineering the various processes and procedures at City Hall should help in reducing the operating costs, and these savings can be passed on to taxpayers.

13. City Council and the Administration need a mechanism to allow them to stay in touch, in real time, with the concerns of the small business community. Examples of such mechanisms include:

- Setting up ad-hoc focus groups where input can be sought on matters that impact small business.
- Field visits by members of City Council and the City’s department heads—to hear the concerns and explore alternatives.
- Conducting customer service audits—phoning after a service is delivered to obtain feedback about quality, speed, and cost of service. The information will be useful for continuous improvement.
- Setting up a permanent “small business panel” or a “small business council” along the lines of the Small Business Task Force, to serve as a

conduit between small business owners on one hand and Council and the Administration on the other. The panel/council can also advise City Council and the Administration on matters pertaining to small business. Such a body would consist of small business owners, councillors, the City Chief Administrative Officer, and the general managers.

14. Conduct a best-practices study of communities that are well-known for being supportive to small business, e.g., London and the municipalities in the Golden Horseshoe region such as Kitchener-Waterloo, Guelph, etc. It is important to know how they organize to create an environment conducive to business formation, growth, and retention.

15. Recently, a number of Provincial and Federal programs have been announced. Such programs are designed to help municipalities reach out for small business and mount initiatives to assist this important sector. One recent development of particular importance is the formation of a new ministry for small business and entrepreneurship headed by the Honourable Harinder Takhar. The Task Force recommends that the Mayor and Council have Administration pursue these initiatives and engage with the appropriate ministries and government agencies to make sure that Windsor gets its fair share. By forming the Small Business Task Force, Windsor has demonstrated its commitment to the small business sector, which will position it as the model that these ministries are looking for in delivering programs to small business owners.

In conclusion, the members of the Task Force are pleased to have been of service to the Mayor, Council, and the Administration. In return for the countless hours this group has contributed, the members would very much appreciate receiving a progress report on the implementation of the above recommendations. We are confident that the recommendations provided in this report will contribute to creating a small business-friendly environment that is conducive to the formation of new enterprise, and to the prosperity and growth of the existing small business community in the City of Windsor.

Respectfully submitted,

Alfie Morgan, Chair
Jerry Udell, Vice Chair
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Appendices:

Appendix A: Council resolution regarding the taskforce, mandate and membership.

Appendix B: Concerns Brought By Members of the Task Force from Personal Experience and From Peers.

Appendix C: Voice of Business flier and media campaign coverage

Appendix D: Interviews with Small Business Owners.

Appendix E: SimpliCity PowerPoint Presentation