San Diego Back in Business

Bouncing Back from Crisis

January 2021

Introduction

The global spread of COVID-19 has quickly eclipsed modern epidemics in both size and scope. Like every other major region, San Diego County has been deeply impacted and the path to recovery remains uncertain as the vaccine is gradually disseminated in the coming weeks and months. As of December, more than 20,000 lives were lost across the counties of California, and over 90% of San Diego County businesses have been hit with unanticipated revenue losses that have, and continue to, force thousands of layoffs.[1]

As San Diegans continue to cope with the long-term impacts of this virus, we have gathered information from local industry leaders to support businesses as they continue navigating and preparing for three anticipated stages in this pandemic: **Respond**, **Recover**, and **Thrive.** We note there may be overlap with these stages, and each stage will look different for businesses depending on their size, sector, and customer base. In this report, we seek to answer three primary questions:

90%

of San Diego businesses have been hit with unanticipated revenue losses.

1. **What is the economic impact and likely consequences of COVID-19 on San Diego?**
2. **What should businesses in San Diego prioritize to respond, recover, and thrive in the wake of the pandemic?**
3. **What are the long-term questions business leaders and policy makers should be considering to reinvent a stronger San Diego than before?**

1 From San Diego Regional Economic Development Corp. COVID-19 survey results (June 2020) https://www.sandiegobusiness.org/blog/tag/covid-19-economic-impact/

1

Economic Baseline

What is the economic impact and likely consequences of COVID-19 on San Diego?

1 Economic Baseline

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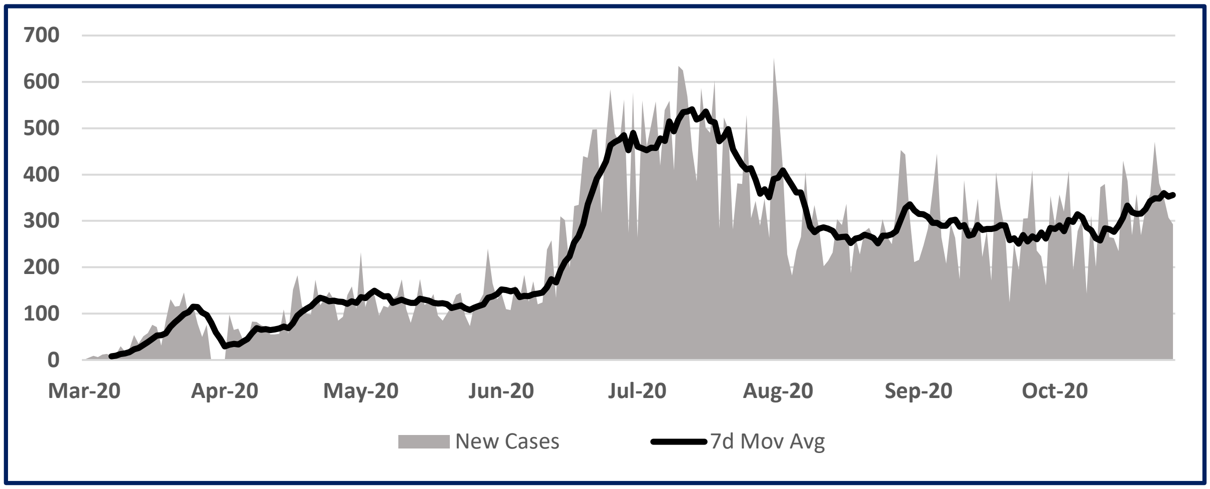
As of late October, San Diego County had a total of 57,102 confirmed cases of COVID-19, leading to 3,932 hospitalizations (6.9% of total cases) and 891 deaths (1.5% of all cases). San Diego's case count is the fifth highest in California, behind Los Angeles, Riverside, San Bernardino, and Orange Counties. Since San Diego is the second most populous county in California, the raw case count suggests that San Diego County has fared relatively well for a county of its size. However, while San Diego County has proven more resilient than many jurisdictions, the gravity of the situation remains heavy on the minds of our regional leaders.

FIGURE 1



7-Day Moving Average of New Cases in SD County
Source: *https://data.ca.gov/group/covid-19*

Figure 1 shows the number of new cases per day in San Diego County, between March and October, along with a 7-day moving average. Analyzing the monthly trends of this graph will be helpful in interpreting how the San Diego economy has responded to the pandemic. The initial surge of the virus and the stay-at-home order spanned mid-March to mid-April, generating the large initial shock to the economy. May and June saw obvious decreases in new cases at the national level, but San Diego just experienced a plateau, and not the explosive growth as projected. However, this was not the decline that was hoped for. Early June saw a loosening of many of the initial restrictions placed on businesses in hopes that the worst was behind us, and accordingly, the economic data during this period showed glimmers of a recovering economy.

Economic Baseline

Unfortunately, late June and July saw an explosion of new cases that dwarfed that of March. This new surge in cases was primarily among younger San Diegans. While fewer of these new cases resulted in hospitalizations and deaths, the exponential spread of the virus led to a new wave of restrictions. The peak of new cases in the summer occurred in late July, and in August, where San Diego was one of the few counties in California's less restrictive Substantial Risk tier, allowing for a broader reopening of nonessential businesses.

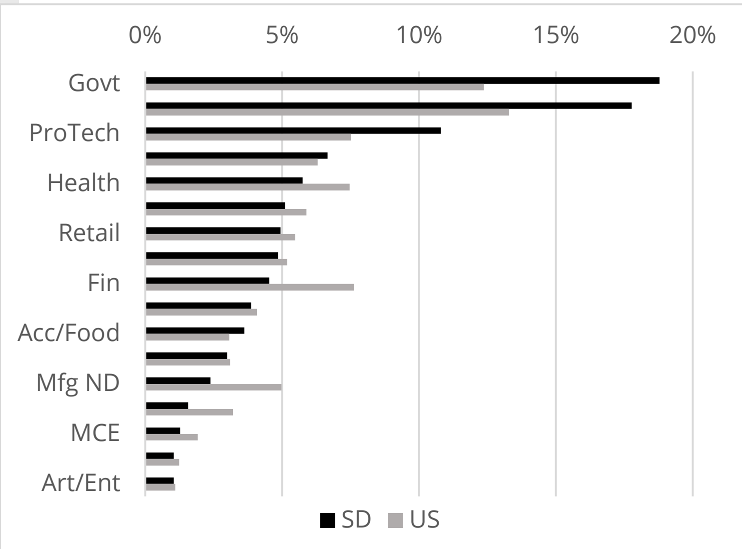
November and early December have seen the number of new cases reach a new high, forcing the county to lockdown and requiring many business to once again close their doors.

There is another facet of COVID-19's spread in San Diego that is particularly important to understanding its impact on the economy: its asymmetry. The virus has been particularly devastating in communities of color, with 61.8% of all of San Diego's confirmed cases in the Hispanic population. Using the Census's racial and ethnic categories, African American, Pacific Islander, and Native American populations are all experiencing between double and triple the case rates per 100,000 residents relative to White (Non-Hispanic) and Asian residents.

The geographic distribution of cases is similarly asymmetric, with south county zip codes having by far the highest case rates. Combined with the pattern of employment impacts discussed below, these data show that the asymmetric impact of the virus has fallen most heavily on San Diego's most economically vulnerable.

Economic Baseline

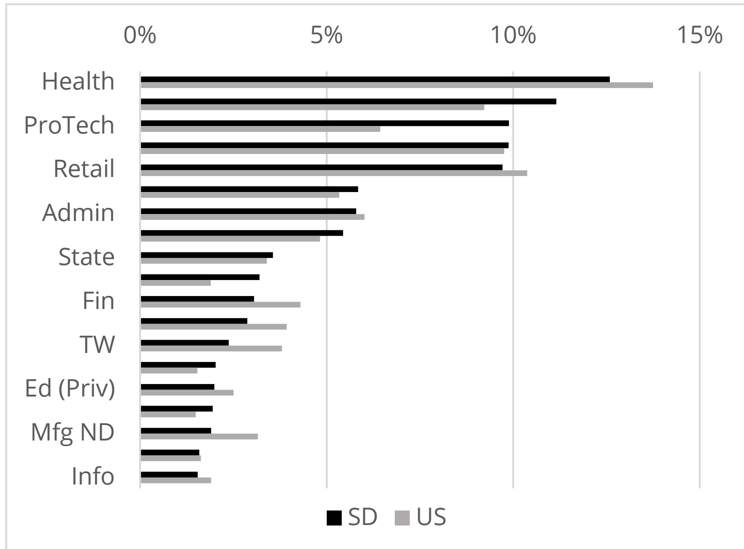
FIGURE 2



Sector's Share of 2018 GDP: US and San Diego County

Source: BEA

FIGURE 3



Sector's Share of YEAR Total Payroll Employment, US and San Diego County

Source: BLS

Figures 2 and 3 above show the sectoral distribution of 2018 San Diego County Gross Regional Product (GRP) and January 2020 employment, compared to the US economy. The key focus here is to note which industries have a substantially higher share of GRP or employment in San Diego, relative to the US. San Diego's sectoral rankings are mostly the same as the US – for instance, Retail and Wholesale Trade are very important parts of both economies, but their share of GRP and employment is about the same at the local and national level. The sectors that show big differences line up with much of the conventional wisdom about what makes the San Diego economy special. The three biggest contributors to San Diego's GRP are Government (driven in large part by Federal/military), Real Estate (driven by an accounting principle that treats homeowners as businesses renting to themselves), and Professional/Technical Services (a catch-all category for high skill knowledge workers). These important sectors contribute to a bigger share of San Diego's GRP than they do to US GDP.

The picture looks slightly different from an employment perspective: Professional/Technical Services is still the third largest employment category in San Diego, with a bigger share of total employment than in the US. However, the Federal government and Real Estate are much smaller shares of San Diego employment, even though they are a greater share in San Diego than in the US.

GOVERNMENT

SOLD

REAL ESTATE

PROFESSIONAL / TECHNICAL SERVICES

Economic Impacts of COVID-19

The high-tech sector in San Diego is not just the knowledge/service economy. The fourth biggest contributor to San Diego's GRP is Durable Manufacturing. San Diego has a broad range of high-end manufacturing, ranging from high-tech telecom and biomedical devices to military/defense production.

In these statistics, tourism is most directly associated with the Leisure and Hospitality sector, which is divided into Arts and Entertainment and Accommodations and Food Services (hotels and restaurants). The employment shares in Figure 3 (on the previous page) show that hotels and restaurants are the second biggest employment category in the county, employing a substantially higher share of the workforce than in the US. In Arts/Entertainment, San Diego shows a higher concentration of employment, even though the sector is a much smaller share of employment.

While San Diego's regional GRP shares for the Leisure/Hospitality sectors are higher than the US, their overall contribution to San Diego's GDP is surprisingly small relative to the other pillars. While some of this is based on the sector's low skill, labor intensive business model, this focus on direct GRP undervalues tourism for two reasons. First, tourism GDP is primarily money coming into the San Diego economy from outside – tourism is an export industry. Second, this outside money generates several indirect spillovers that these direct GRP numbers will attribute to other sectors, such as tourist shopping boosting Retail GRP. In 2019, tourists in San Diego spent $11.6 billion, with 70% of direct spending outside of lodging being spent at small local businesses.

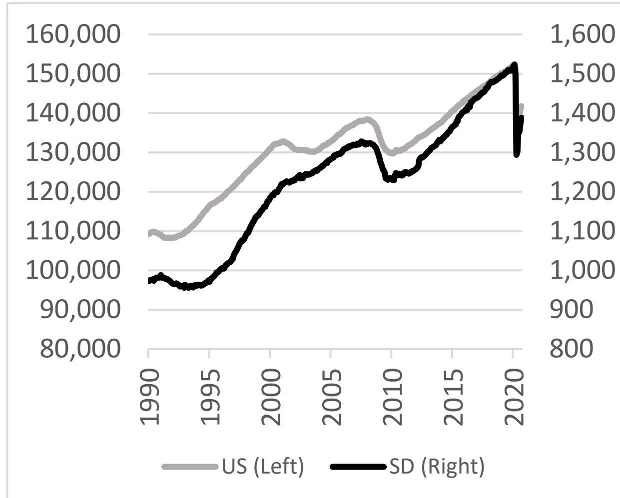
Understanding these sectors and their contribution to the San Diego economy is a critical step to realizing the full impact of the virus on the local economy: some of San Diego's specialties have been particularly hard hit by the pandemic, while other specialties have given our county a much-needed source of economic resilience.

Economic Impacts of COVID-19

During the initial surge of virus outbreaks, both the US and San Diego economies experienced the single most drastic one-month employment loss in recorded history: the US economy lost 19.5 million payroll jobs (a -13% decline), while San Diego lost 205,000 jobs (a -14% decline). Figure 4 (on the right) lends some historical context: these one-month job declines were on par with two years of job loss during the Great Recession and amounted to almost the entire number of jobs gained since 2009.

Keeping with the theme of asymmetry, San Diego's job loss was concentrated in a few key sectors. Sixty percent of the jobs lost in April were in Retail and Leisure/Hospitality sectors (primarily Accommodation and Food Service).

FIGURE 4

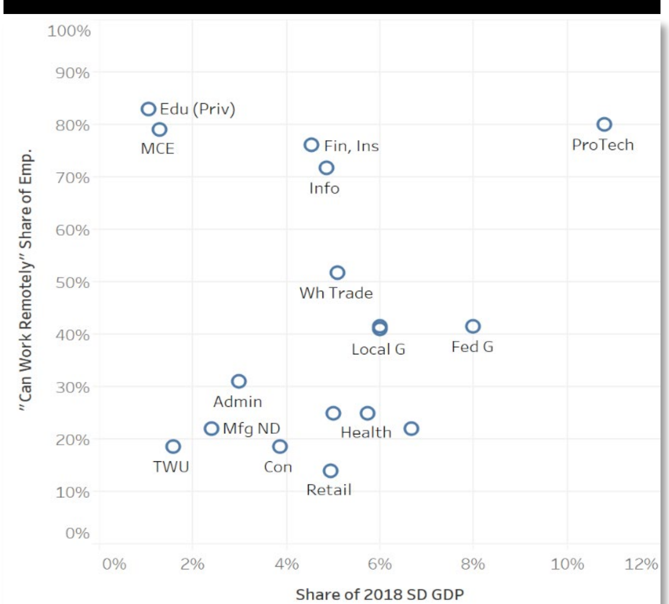


Non-Farm Payroll Employment (1000s)

Source: BLS

These one-month job declines were on par with two years of job loss during the Great Recession.

FIGURE 5



2020 Change in San Diego Payroll Employment (1000s)

Source: BLS

Broadly speaking, the recovery from the initial shock falls into three categories. To set the stage, Figure 5 shows the same GRP shares for San Diego County mapped against a measure of how many occupations in each industry can easily be transitioned to a remote/distanced form.

While an industry that employs many computer programmers might score highly in this measure, an industry that employs many forklift operators or dental hygienists have a more difficult time transitioning to a remote/socially distanced form. About 23% of San Diego GRP is in sectors where more than 70% of the occupations can easily make the transition, including the high-wage knowledge economy jobs in Professional/Technical Services.

These sectors have been an important shock absorber for the local economy. On the other end, about 32% of San Diego GRP is in sectors where less than 30% of occupations can easily transition, including Leisure and Hospitality, Retail, and Manufacturing.

While this suggests that the transition in these sectors will be more difficult and take longer, these sectors have shown real ingenuity in their ability to adapt, such as working with government partners to relax regulations to allow more dining outside.

1 From "How Many Jobs Can Be Done at Home" by J. Dingel and B. Neiman, University of Chicago (Apr. 2020) https://bfi.uchicago.edu/working-paper/how-many-jobs-can-be-done-at-home/

Recovery and a New Normal

The job recovery through September has, to some extent, followed these groupings. Figure 6 below shows the overall February-September job loss, mapped against the initial February-April job loss for reference. Many of the hardest hit sectors were the sectors that also scored low on ability to work from home. However, these sectors have recovered almost half of the initial job loss by reinventing their business models to accommodate social distancing guidelines as opposed to being completely closed.

In contrast, sectors that scored relatively highly on ease of transition to remote work were on the lower end of jobs lost, but also have not seen dramatic recoveries from those early losses. While the hard-hit sectors have recovered through business model innovation, the sectors that easily moved to telework are a sign that overall demand is still weak.

Unfortunately, there is a third set of sectors where job loss has accelerated relative to the initial shock: state and local governments. This lag is very typical recession pattern: as the private sector slump reduces tax revenue, government belt tightening surely follows.

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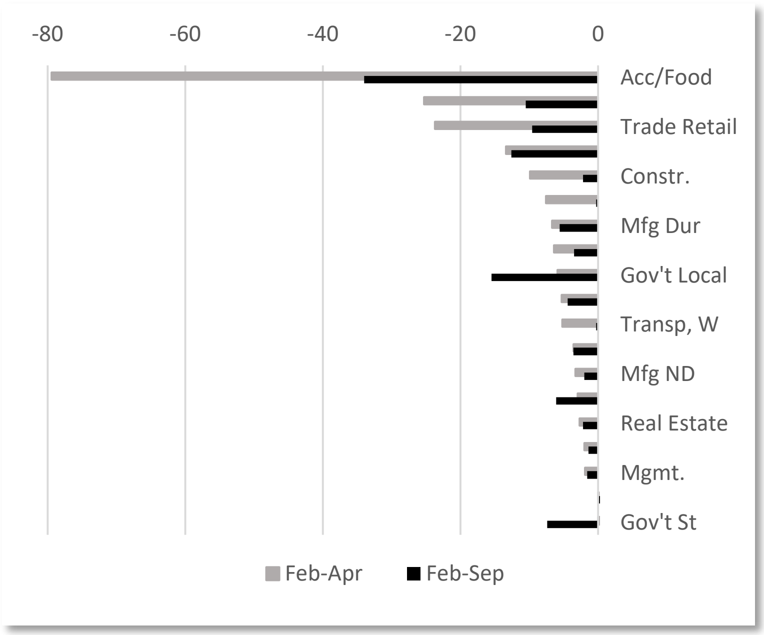
FIGURE 6



2020 Change in San Diego Payroll Employment (1000s)

Source: BLS

Recovery and a New Normal

The county can envision several recovery scenarios, based on different assumptions about the future behavior of the virus. At one end is a quick recovery based on worries about viral transmission falling away thanks to the vaccine. At the other end is a more cautious reopening based on the continued acceleration of transmission we have seen in recent weeks.

One of the biggest hurdles the county faces in making this transition is overcoming uncertainty. Consumers are uncertain about whether it is safe to dine out or visit the dentist, and businesses are uncertain about whether they should invest in ramping up operations only to see customers stay away. Already, the region has experienced the whiplash of policies that do their best to keep up with containment while providing operating space for businesses that are necessary to breathe life into the economy. For us, that means one of the most critical recovery strategies involves implementation of a robust and credible testing and tracing program. If the county can achieve the goal of locating new outbreaks quickly and containing them before they spread, consumers and businesses can regain confidence to emerge from hiding. As it is, businesses have worked closely with the County's Reopening Team to re-engineer their workplaces to meet safety protocols. Businesses who have been proactive in this regard have been, and continue to be, entrepreneurial in re-imagining their customer experience to meet new guidelines.

We are going to focus on a cautiously optimistic scenario that balances the goal of getting our economy up and running with new ways of doing business designed to minimize the transmission of the virus – all while taking things a little slower than the June reopening.

Recovery and a New Normal

While the county is cautiously optimistic about the private sector's transition and recovery, previous recessions have shown that State and Local Government sectors are often a drag on the private sector recovery thanks to their budget cycles. As tax revenue drops along with the contraction of private sector activity, the impact on state and local payrolls and services typically shows up as budgets are slashed in the following year. For example, in the wake of the Great Recession, private sector job growth in California had recovered to ~4% a year in 2011-13, while state and local government employment was still contracting. Indeed, just considering the impact of the various losses in the tourism industry, the region sees a loss of $22 million in transit occupancy tax dollars.

While the county is currently receiving mixed signals from Sacramento about the size of the budget cuts for next year, we are expecting a year or two of painful cuts to state and local services. The county is particularly concerned about a potential budget crunch in public schools. While education is obviously important, much of the pre-COVID19 economy was organized around parents going to work while kids were in school.

This has made reopening public schools and robust childcare planning key policy initiatives that will shape the broader economy revival. However, the current situation looks like schools may have to adopt a host of new and costly measures to reopen safely, while also potentially cutting their budgets for next year. Navigating this difficult choice will continue to be one of the key areas of legislative debate in the coming year.

2

Path to Recovery

What should businesses in San Diego prioritize to respond, recover, and thrive in the wake of the pandemic?

2 Path to Recovery

What should businesses in San Diego prioritize to respond, recover, and thrive from the pandemic?

As the COVID-19 pandemic radically disrupted work environments, San Diego leaders are continuing to focus on cautiously reopening and/or restoring the workplace. Yet the abundance of "unknown unknowns"—everything from changes in the social contract to macroeconomic impacts, to state and local health ordinances, to individual employee preferences or fears of populated work environments—make the challenge seem more like quantum physics than simple math.

What is clear: agility and willingness to try to adapt are paramount to success. The disruptive nature of the pandemic, and the consequent aftershocks that will undoubtedly follow make this period tilted in favor of businesses and individuals who can leverage entrepreneurial thinking. Put more simply, businesses that are more willing to attempt change are at a competitive advantage to those that lack flexibility and attempt adherence to "business as usual." One thing that might illustrate this, is the number of new startups that have filed in 2020, after the pandemic struck.

Unfortunately, state and county government orders that restrict reopening often fail to adequately predict basic economic ramifications for large swaths of the workforce, leaving many without resources or the necessary tools for adaptation. Going forward, these government leaders and new administrations will have routine opportunities to implement real, innovative solutions over the course of the next 18 months.

Thus far, businesses remain understandably frustrated; without a real understanding of how decisions are being made. In order to plan logically, we have identified six areas of focus that San Diego businesses are prioritizing during their recovery efforts.

1. **Enhancing health safety and pandemic preparedness**

2. **Managing finances and increasing revenue**

3. **Reskilling the workforce and investing in new capabilities**

4. **Rethinking working parents and caregivers**

5. **Accelerating digital adoption**

6. **Redefining the customer experience**

1. Enhancing Health & Safety Pandemic Preparedness

Implementing health safety and pandemic preparedness measures to prepare for future outbreaks is fundamental as we bounce back. Re-attracting customers will rely on robust, transparent safety protocols, particularly important for staff members that are asked to return to in-person workplaces.[2] Safety is the primary differentiator for businesses who are coping due to its ripple effect: If you keep one employee or customer safe, you help contribute to their confidence in keeping their colleagues, families, and extended community safe.

Success and safety are now viewed as inextricably linked — businesses that can adapt their business models to make their people safe can ramp up reentry sooner and more completely than businesses that fail to do so. Further, employers are most certainly setting themselves up for possible litigation or internal conflict if they are not clearly in control of the (admittedly) challenging and changing regulatory landscape. Most importantly, the more vigorously businesses respond to this challenge and prioritize the steps outlined below, the quicker San Diego's economy will recover.[3]

Following local public health orders, implement clear, data-driven guidelines to assist organizations and individuals during the recovery and gradual re-opening of public spaces and businesses. Employees and customers will have different personal situations that will affect their decision to come back to a shared, physical workspace or engage in social activity. Developing and broadly sharing information on employee and customer behavior along with concrete plans to address safety concerns and actions intended to minimize individuals' risk of infection is essential to recovery. This includes many of the steps taken to date to equip employees with necessary protective gear, offer masks to unprotected customers that visit, disinfect high-traffic areas regularly, and restrict occupancy to comply with social distancing guidelines.

Employers need to promote communications and ongoing education around protocols for their employees and visiting customers. Measures such as laying out a process for reminding patrons who remove their mask can spare staff from feeling pressured to keep a watchful eye on customers and avoid altercations that escalate as tensions continue to remain high in public spaces.

Talk with your team about how you/company leadership will help enforce the rules, and how to respond when and if a patron(s) refuse to participate in safety precautions. Focusing on communication with patrons and employees about how they have met and will continue to meet health and safety guidelines will play a significant part in recovering and building trust for your business. And equally important – it can save you from very expensive fines that are now being issued by enforcement agencies (some in the hundreds of thousands of dollars).

BUSINESS SPOTLIGHT:
PPE Exchange, founded by USD alumni, provides a marketplace for businesses to purchase PPE from trusted vendors while prioritizing transparency, quality, and efficiency.

By connecting businesses with suppliers and facilitating group orders, PPE Exchange drives down costs and helps get front line workers the equipment they need as soon as possible.

2 From "Embedding trust into COVID-19 recovery" by J. Lee, Deloitte Insights (Apr. 2020) https://www2.deloitte.com/us/en/insights/economy/covid-19/building-trust-during-covid-19-recovery.html

3 From "Safety: An essential ingredient to your recover strategy" by J. Foutty, Deloitte Development (Apr. 2020) https://www2.deloitte.com/global/en/pages/about-deloitte/articles/covid-19/covid-19-safety-an-essential-ingredient-to-your-recover-strategy.html

1. Enhancing Health & Safety Pandemic Preparedness

Leverage or develop accessible health and wellness resources. As we collectively attempt to navigate living and working during a pandemic and adapt to significant changes in our day-to-day routines, your employees and customers need to know that resources exist to maintain physical health, safety, and emotional well-being. The most basic requirement is showing that you care about each employee and customer's health and their individual perception of safety. Consider maintaining an online central repository or toolkit for health and wellness resources accessible by employees (e.g., up-to-date tips, discussion forums, knowledge articles, parenting support, mental health guides, etc.). Consult with occupational health partners about evidence-based methods for prevention of infection in the workplace, or rely on trade organizations, coalition partners, and industry groups for their resources.

The most basic requirement is showing that you care about each employee's health and their individual perception of safety.

Consider a dedicated hotline or point-of-contact for inquiries from employees to close the information gap. Host webinars bringing in medical experts to facilitate question and answer sessions with your teams to understand the facts of how to stay aware and safe during this time.[4]

If these options do not sound feasible for your business, or you are part of a small business with more limited resources, make sure that your employees are not left in the dark and feel informed about where or who to go for if they have questions. The UC San Diego COVID-19 Small Business Outreach Project has free toolkits for employers and employees, as well as a COVID-19 volunteer hotline to answer questions. Make employees a part of the process. The single greatest imperative is giving your employees the direction and comfort they need to protect their health and safety.

4 From "Practical workforce strategies that put your people first", Deloitte (Apr. 2020) https://www2.deloitte.com/global/en/pages/about-deloitte/articles/practical-workforce-strategies-that-put-your-people-first.html

1. Enhancing Health & Safety Pandemic Preparedness

Share resources and infrastructure to translate what works for first movers (e.g., resilient industries that recover most rapidly) to the broader region. Communication and collaboration between companies, across industries and international borders, and over traditional public/private boundaries is crucial to broadly sharing solutions and knowledge surrounding this highly contagious disease. While partnerships may look extensive and diverse, rethinking the ways in which they are connected and interdependent will be beneficial in developing creative responses to this and future crises. Every institution should actively encourage and promote comprehensive documentation of successful safety procedures, best practices, lessons learned, challenges faced, etc. and provide infrastructure to effectively share and scale these findings for other, non-essential organizations to leverage as restrictions are lifted.[5]

We are seeing traditional competitors coming together as they face the same challenges due to the similarity of operations, customer pool, and infrastructure. Trade organizations and groups like the Chamber can facilitate these critical discussions. Fostering that collaborative dialogue across companies may be conceptually foreign due to the competitive nature of our society, but the collaborative approach can enable breakthroughs, like maintaining a low budget during the crisis to sanitizing pens.

SD CHAMBER'S POLICY SUGGESTIONS

- *Many local jurisdictions, including the City of San Diego, have done an admirable job of helping to fund the expense of PPE and other workplace modifications to keep staff and patrons safe. As the learning and recovery curves stretch further into the future, cities and philanthropy should continue to prioritize funds to reimburse businesses for the costs of getting necessary equipment. This is especially important for small businesses that have less access to traditional credit and/or capital financing, meaning that the additional upfront costs of purchasing disposable masks, plexiglass, or heavy-duty sanitizing could prove completely unfeasible without financial assistance. To keep the costs of administering such a program low, it could be housed in an organization such as the Small Business Development Center, where businesses are already finding technical assistance, and where staff members are at the ready to provide guidance without the need for additional organizational changes to accommodate the added duties.*

- *Federal pandemic planning must be reinstated, and strategies at the local level should be ready for future scenarios that prohibit in-person interaction.*

- *At the County level, the tracking and tracing program must be funded to be more robust to react in a timely and efficient manner. It will be a continued challenge to convince decision-makers at the state that we can manage outbreaks if our follow up and response to spread is delayed. This is especially true for the tourism industry.*

5 From "COVID-19: A human-first approach as you recover and thrive" by A. Main, Deloitte (April 2020) https://www2.deloitte.com/global/en/pages/about-deloitte/articles/covid-19/covid-19-a-human-first-approach-as-you-recover-and-thrive.html?icid=covid-19_recover_twine

2. Managing Finances and Increasing Revenue

COVID-19 has directly impacted business continuity for organizations of all sizes as operations reduce, supply chains dry up, and demand plunges. These risks are leading to declining revenue and cash flow and refinancing requirements. The pandemic is forcing business leaders to get creative and use new tools to maintain a strong financial position in the coming weeks and months. Across sectors in San Diego, we are seeing difficult financial trade-offs being made to prioritize resilience over profitability and a shift in preference for cash transactions and cash-centric operations. Many CFOs and leaders are taking the following steps to help manage finances and increase revenue.

Determine cash profile and model cash flow. Run scenarios to understand financial and revenue forecasts and identify potential mitigating actions that can be taken to preserve cash in the short and medium-term. These actions include being relentless on controlling costs (e.g., reducing variable costs), putting off large capital investments, managing working capital, and reducing inventory where possible. Now more than ever, cash is king for businesses impacted by an unanticipated decline in demand for their products or services.

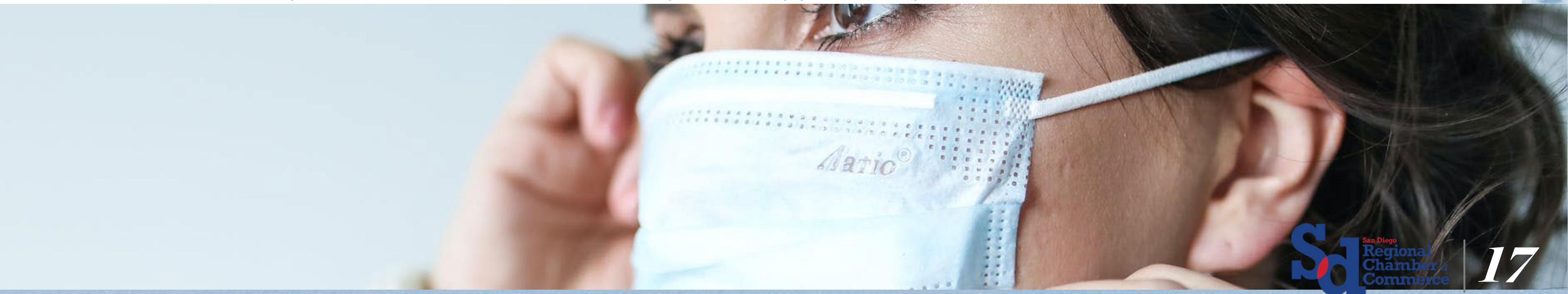
Diversify financing sources and work with current financing partners. Determine current and potential financing sources and actively engage with existing financing partners to seek waivers where necessary; understand if available lines of credit will remain open and what changes, if any, may be coming. Continue to nurture other financing relationships, such as banks you have approached, but have not done business with yet. In addition, explore alternative lenders and markets.

BUSINESS SPOTLIGHT:

FASTSIGNS Mira Mesa is an independently owned and operated sign, graphics, and visual communications company that provides comprehensive visual marketing solutions. When the pandemic struck, FASTSIGNS owner Shane Beard was worried, like many other small business owners in the region, that he would have to lay off his staff and may lose his business altogether. Beard chose to become an expert in all local, state, and federal financing options. Once he had his finances temporarily under control, he had the opportunity to begin thinking creatively and successfully pivoted his business from a visual marketing company to a one-stop-shop for social distancing graphics and PPE, effectively increasing his year-over-year profits.

**See Small Business Spotlight section for more information about FASTSIGNS*

Seek government relief funding and tax relief. As ongoing relief strategies and policies are negotiated at various levels, consider the implications of government relief programs on your current and future liquidity position. Assess tax planning options to conserve cash in the nearer term, including repatriating cash from non-US jurisdictions, cash tax planning with respect to analyzing and filing refund claims, and accelerating deductions or deferring revenue. Assess CARES Act provisions for potential tax relief. Businesses that had existing relationships with their banking representative were able to respond with more agility and in a timelier manner when government stimulus funds were available. It was much more challenging for businesses that could not engage their "home-bank" and had to go elsewhere to apply. Should future rounds of stimulus money become available, it would behoove any business to identify a regular, personal contact at their bank to position themselves offensively in the application process.



2. Managing Finances and Increasing Revenue

SD CHAMBER'S POLICY SUGGESTIONS

- *Government stimulus and relief funds have been the literal lifeboat for many businesses. Locally, approximately 7,595 San Diego businesses have received Paycheck Protection Program funds, allowing them to retain staff and plan how, or begin to, adapt to the new normal. However, businesses that are "underbanked" or "lightly banked" lack the traditional mechanisms to apply for and access such stimulus funding. Future stimulus programs must be better about vetting the businesses that receive the funds, both for practical application of funds' sake, and for the sake of the public's trust in such efforts.*

- *Local governments can further protect businesses from the ongoing financial hit of the pandemic by not raising rents on businesses located on city/county land and identify reductions or reimbursements of permit fees and licenses for closed businesses.*

- *San Diego enjoys strong legislative representation but has traditionally not competed well for state dollars. The California Rebuilding Fund, currently under development, lacks the bridges and infrastructure within its proposal to reach many businesses, making its success a question. The state should require that it work with local on the ground organizations to reach out to businesses, and to ensure funds are distributed equitably.*

3. Workforce Strategies for Post COVID Recovery

Just prior to COVID-19, a nationwide research study found that 74 percent of organizations say reskilling the workforce is essential or very important for their success over the next 12–18 months, but only 10 percent say they are very ready to address this trend.[6] The disruption caused by COVID-19 has accelerated the need for organizations to reskill their workforce, now more than ever. Businesses need to invest in workers' near-term skill needs and their long-term resilience. We believe that workforce strategies in the recovery phase should focus on the actions detailed below. These actions can help organizations hasten their transition to the new normal by laying the foundation to thrive in the aftermath of the crisis.

Cultivate capabilities that are most valued as organizations evolve their work priorities and outcomes. Businesses need to assess their current capabilities and think long-term about which skills will drive the most value for their businesses during and after the COVID-19 pandemic. They should commit to investing in their workforce to reskill, train, and build those capabilities, and leverage opportunities from organizations like the San Diego Workforce Partnership to help in those efforts. In an environment of constant disruption, a focus on capacity gives organizations greater flexibility to meet both today's and tomorrow's needs. Simultaneously, augmenting highly valuable capabilities will help individuals continuously develop the skills to remain relevant, and drive their organizations forward.[7]

Embed purpose and meaning into every aspect of work.[8] COVID-19 reminded us that people are motivated at the highest levels when they can connect their work contributions to a greater purpose and mission. Consider, for instance, how workers at some consumer products companies have found meaning and inspiration in their jobs as their companies increased production of (or in some cases, pivoted to start developing) disinfectants and sanitizers. To strengthen the link between belonging and organizational performance, organizations need to do more than treat their workers fairly and respectfully; they must enable a deeper connection by drawing visible linkages between how their contributions are making an impact on the organization and society as a whole. In recent years, San Diego's younger workforce has been clear that they value professional development opportunities, meaning that even while employers contemplate their future workforce, continuing to identify opportunities like local leadership programs that they can enroll a staff member in, can provide value and increase retention.

6 From "Investing in resilience for uncertain futures" by E. Volini, Deloitte (May 2020) https://www2.deloitte.com/us/en/insights/focus/human-capital-trends/2020/reskilling-the-workforce-to-be-resilient.html
7 From "Investing in resilience for uncertain futures" by E. Volini, Deloitte (May 2020) https://www2.deloitte.com/us/en/insights/focus/human-capital-trends/2020/reskilling-the-workforce-to-be-resilient.html
8 From "Workforce strategies for a post-COVID-19 recovery" Workbook, Deloitte Development (2020) https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/human-capital/deloitte-uk-workforce-strategies-for-post-covid-recovery-workbook.pdf

3. Workforce Strategies for Post COVID Recovery

Anticipate a different employer/employee dynamic thanks to changing regulations. Already, it appears that the need for quick adaptation to working from home, increased safety precautions, and heightened stress levels have changed how employees interact with their employers. Litigation is increasing as employers understandably fumble to get up to speed with how to manage employee time and needs. As mentioned above, there is an unprecedented demand for transparency, and to the extent, employers can be proactive to educate, communicate, and engage their workforce, they should. For instance, offering a webinar that provides tips on an ergonomic work-from-home set up is a low-cost way to support your workforce. Additionally, employers should trend toward flexibility whenever and wherever possible, as there are significant issues that have yet to be resolved with regard to an employer's vulnerability to legal action, regardless of their best intentions.

Reward individuals based on capacity development to encourage continuous learning and promote soft skills learning. Given the importance of reinvention to an organization's business strategy, organizations need to create incentives that motivate people to continuously learn, adapt, and improve both at the individual level and the team level.[9] Organizations should promote soft-skills learning that strengthens social and emotional well-being to improve collaboration and resilience. They should also support employees to build their self-awareness so they can use their experiences as a source of learning.[10] Consider sponsoring employee access to online soft skills training courses, like LinkedIn professional development courses emphasizing skills such as communication, adaptability, critical thinking, time management, and conflict resolution. Lead San Diego also provides extensive opportunities, and scholarships for personal and professional growth.

BUSINESS SPOTLIGHT:

Workshop for Warriors (WFW) is a 501(c)(3) nonprofit organization dedicated to helping veterans successfully transition into civilian life and rebuild American manufacturing.

They provide free education, training, and certification programs to help veterans enter meaningful advanced manufacturing careers.

WORKSHOPS® FOR WARRIORS

Plan for displaced workers. Some jobs will not return, and some industries are facing pivotal points for entry-level positions or how to best plan for their workforce in the long-run. San Diego's workforce should be positioned to be competitive in growth areas, an effort currently underway by the Regional Economic Development Corporation, Advancing San Diego, that fortunately was kicked-off prior to the pandemic. Additionally, thinking about reemployment in the long-run will require continued collaboration and creative leadership like that demonstrated in the Workforce Partnership's Employment Recovery Initiative. A regional approach to the programming and long-term needs of the workforce to establish skill sets and create a more level playing field for future generations should begin now.

POLICY SUGGESTION

Transparency is key to effective communication between employer and employee, and clear expectations are important in times when so much is perceived to be, and is, at risk. Congress has contemplated liability protections for businesses who understandably are concerned about being vulnerable to litigation as they operate in good faith to keep employees and customers safe. If a business is complying with guidance from local jurisdiction's health officials, state, and federal laws, they should be able to seek education from government agencies instead of immediately being penalized for honest mistakes. This scenario, however, is reliant on the aforementioned liability legislation being passed.

9 From "Investing in resilience for uncertain futures" by E. Volini, Deloitte (May 2020) https://www2.deloitte.com/us/en/insights/focus/human-capital-trends/2020/reskilling-the-workforce-to-be-resilient.html

10 From "Investing in resilience for uncertain futures" by E. Volini, Deloitte (May 2020) https://www2.deloitte.com/us/en/insights/focus/human-capital-trends/2020/reskilling-the-workforce-to-be-resilient.html

4. Rethinking Working Parents and Caregivers

Remote work, working from home, and increased flexibility for the San Diego workforce is one of the very few pros to come about during the pandemic. However, as the return-to-work path is different for every organization, each business faces significant hurdles for helping their employees return safely, particularly those who face higher health-risks, have children at home, or are otherwise unlikely to return to the traditional 9-5 before the end of the pandemic. Therefore, responding to the needs of children who are left out of school and without childcare options is a fundamental and critical first step for any return-to-work plan. Schools must be at the table and, like businesses, must have transparency into what supports they can expect from the state and local governments, and what their expectations are. Below we recommend considerations for businesses and local government to better engage working parents.

Approach working parents with an understanding of the demands on their time. While the reality of working parents is not new for employers, what is new is their dueling role currently as educational supervisors. As parents remain at home with children who would otherwise be in childcare or in school, employers should be sensitive to timelines, and be explicit about what is urgent and what is not. Employers would be wise to focus their demands on staff time in a predictable way that creates space for family time and “turning off” devices.

Leverage shared space for childcare facilities on-site. As employees return to work, it is likely that some childcare facilities will not reopen or will reopen at a pace different from that which working parents need. Employers who are located on a campus with other businesses, or in an employment district, may consider pooling resources to create on-site childcare within a facility. This would undoubtedly be a major attraction and retention tool, while also alleviating the childcare deficit in the region.

BUSINESS SPOTLIGHT:

SAN DIEGO HOUSING COMMISSION

The San Diego Housing Commission, a nationally recognized public housing agency, allowed its 365 member staff to work flexible hours during the day to accommodate employees managing family schedules and virtual learning following the stay-at-home orders implemented in March.

SD CHAMBER’S POLICY SUGGESTIONS

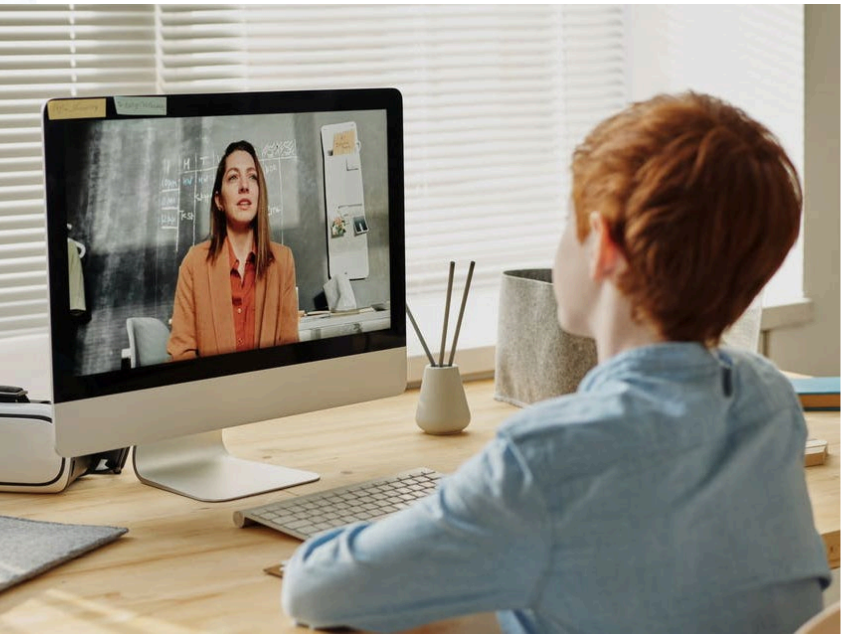
To allow for increased childcare availability throughout the state, legislation should be passed to provide an employer tax-credit for childcare subsidies to employees, for on-site childcare facilities co-located with employment, or for contracted services whereby an employer reserves childcare slots for their employees. While the state passed tax incentives for hiring in the 2020 legislative cycle, the fact remains that many will face a barrier to returning to work without childcare options, and this is a win-win way to make sure we don’t leave our working parents behind in our economic recovery.

Provide resources and encourage peer-to-peer supports and/or communication. The County of San Diego has created a number of programs and funds that employees likely are not aware of. Employers should ensure that parents in their workforce have the information to access resources by sharing the YMCA Childcare Resource line and the work of companies like Tootris. Additionally, a shared site or virtual communal space for working parents to share tips, child items, or emotional support to one another can help alleviate pressures. For businesses that have the option, a tutor that comes to the site to work with employees’ children twice a week and support remote learning can make an enormous difference in the family’s success at work and in school.

5. Accelerating digital adoption

Due to the pandemic, businesses were forced to quickly adapt their digital posture – creating work-from-home policies and implementing new technologies in a matter of days– to sustain current operations and open new ways of doing business and serving customers. This need to adapt due to the ongoing crisis has not only provided a unique opportunity for businesses to better leverage current technologies but to reimagine business models. Of course, digital adoption does not work for all industries, and some businesses simply cannot leverage technology and return to even modified operations as we have witnessed for many in the tourism/hospitality sector. However, for those that can, we offer a few steps we have seen taken by leaders to reset, pivot, and think big to transform their way of doing business.

When considering digitization and tools available, it is worth noting that providing those resources particularly to small businesses or otherwise marginalized populations should be the starting point for resource deployment. Those businesses that have traditionally been disconnected must be able to join platforms to access services, such as through a small business development center that helps a business owner who is juggling front-end, back-end, and employee engagement simultaneously, reasonably learn about digital options and make it easier for them to adopt them in the long-run. San Diego's business ecosystem may want to pool resources or efforts to make this possible.



Identify effective technologies to accelerate adoption. Most businesses across all industries in the San Diego region have adopted and utilized various digital solutions throughout the first wave of the COVID-19 pandemic in order to ease the transition from an in-office to a work-from-home workforce. For example, many restaurants have implemented a QR scanner to access menu options and facilitate contact-less bill pay.

However, with the dynamic nature of regulations in the region becoming ever more unpredictable as a result of the ongoing pandemic, it is essential that these digital technology adoptions continue in the region so businesses in all industries can be best positioned to capitalize in a post-COVID San Diego.

By identifying key digital technologies adopted by local businesses and industries in response to the ongoing crises, industry-best technologies can be recommended and adopted with proper training in order to best help companies not only recover but thrive. Given the breadth of needs of varying industries- this may be best identified via industry-specific discussions, roundtables, or partnerships to create wholesale purchases to address costs.

5. Accelerating digital adoption

Identify gaps in current enterprise processes that can be assisted through the adoption of technology. The COVID-19 pandemic has given businesses throughout the San Diego region a unique opportunity to analyze existing enterprise processes to adopt and implement digital technologies to optimize process flows. With the adoption and utilization of digital technologies for businesses, both public and private, it is possible to optimize both workforce efficiencies as well as consumer experience to maximize the value-add of adopting new technologies.

These technologies and their respective adoptions will become integral to businesses in a post-COVID environment from a monetary as well as utilization standpoint. From optimizing revenues to maximizing consumer experiences and retention, the utilization of new technologies to bridge the gap between a pre- and post-COVID environment will be essential in differentiating businesses that adapt and those that do not. Small businesses that are looking to implement contactless payment systems, for instance, will find that an up-front investment to minimize hand-to-hand transactions might be an affordable move: some systems can be found that cost under $100, but for higher-volume businesses, an entire system upgrade that includes numerous transaction points could end up in the thousands of dollars.

Municipalities: Adopt smart-city technologies to allow for communication between businesses, consumers, and government.

The adoption and integration of smart-city technologies by municipalities and the business community through public-private partnerships refers to technologies that enable better emergency and disaster responses for any future crises that may emerge in the San Diego region.

In broad terms, the adoption of smart-city technologies will provide key data inputs and outputs that can improve communication between businesses, consumers, and the government to address not only how to recover but thrive efficiently in post-crisis situations.

BUSINESS SPOTLIGHT:

GoSite offers a variety of digital services to help businesses establish a complete online presence and make the most of emerging technology.
Businesses can manage digital placement through search engine optimization (SEO) automation and transition from a physical point of sale to online payments, book services remotely, and more.

Current technologies provided by the city and county include the COVID-19 dashboard available on the county's website for easy accessibility of local data regarding the ongoing pandemic, as well as the SDPD's crime mapping site which allows for clear and concise visualization of incidents in the San Diego region. The City of San Diego's Get it Done app enables users to flag issues of concern such as stormwater drainage or illegal discharge. Those issues are issued tickets and the appropriate city agency is notified for direct follow up. All of these services help streamline information sharing and facilitate active problem solving across the region.

5. Accelerating digital adoption

SD CHAMBER'S POLICY SUGGESTIONS

- *Local governments can help ensure connectivity and limit digital disruption by viewing expansion of internet capacity and maintenance efforts done by the broadband providers as routine. Instead of forcing internet service providers to apply for multiple new permits, these efforts should be streamlined when possible to ensure that businesses and residents have safe, secure internet access to support success at work and at school.*

- *All legislative efforts should be made to promote online marketplaces in a way that makes it easy for businesses, particularly small and medium, to transition to online sales (including purchase online, pick up in-store options). This includes avoiding legislative ideas that are punitive to businesses attempting the shift who likely lack the lawyers and sophistication to maneuver an increasingly complicated statewide regulatory framework.*

- *California should adopt an online notarization law, allowing notarization to happen remotely and without jeopardizing legality or safety.*

The COVID-19 pandemic has given businesses throughout the San Diego region a unique opportunity to analyze existing enterprise processes to adopt and implement digital technologies to optimize process flows.

6. Redefining the customer experience

In a crisis, customers often revert to Maslow's Hierarchy of Needs and focus on fulfilling just the necessities, such as safety, security, and health. When consumers become more guarded in opening their wallets up to non-essential expenses, the onus is on San Diego business leaders to understand how the nature and tone of the customer experience need to shift.[11] Think critically: As a business owner, what kind of creative thinking can help to attract and retain consumers during this challenging time? Consumer research by Nielsen asserts that, after the pandemic, people's daily routines will be altered by a new cautiousness about health.[12] Already, by the sheer length of time people have been under stay-at-home policies, many have created new habits, systems, and priorities. Business leaders need to anticipate how the pandemic has permanently altered customer behaviors, experiences, expectations, and the role of digital engagement.[13]

Determine how customer behaviors and preferences have changed. While business owners may assume that you can communicate to your customers as you did pre-crisis, there may be a need to market new features of products or services to remain relevant to customers. In the food service industry, for example, guests are now prioritizing cleanliness and want to see hand sanitizer at the table, as well as single-use menus

BUSINESS SPOTLIGHT:

Bivouac Ciderworks has adopted the use of a QR coded menu. The customer simply scans the tabletop, orders, and pays their tab from their device. Investments in systems that text a patron when their table or order is ready can eliminate the need for a hand-off of a buzzer that may present a question of sanitation.

By pulsing customers' needs, through a simple survey or even casual conversation, you can better understand their priorities and ensure their desires are seen in your products. Businesses must also recognize that needs and desires will continue to evolve even after businesses return to in-person operations means that continued check-ins will prove important.

Redefine “customers” and local relationships. As San Diego’s economy begins its recovery, a review of purchasing and supply-chains to better reflect a “buy local” approach from anchor institutions, can have a sweeping and positive impact on our economy.

Thinking of your business as a customer, where are the primary expenditures made, and is there an emphasis on local business and those relationships that could be leveraged to create a San Diego-based network? Anchor institutions, like the university systems, hospitals, and major San Diego employers can have an enormous role in expediting our economic recovery by focusing their procurements on local business, but even mid and smaller private sector firms have a role to play in thinking about how their funds are used.

11 From “The heart of resilient leadership: Responding to COVID-19” by P. Renjen, Deloitte Insights (March 2020) https://www2.deloitte.com/global/en/insights/economy/covid-19/heart-of-resilient-leadership-responding-to-covid-19.html

12 From “Nielson: Coronavirus has CPG shoppers changing their ways” by R. Redman, Supermarket News (March 2020) https://www.supermarketnews.com/issues-trends/nielsen-coronavirus-has-cpg-shoppers-changing-their-ways

13 From “The essence of resilient leadership: Business recovery from COVID-19” P. Renjen, Deloitte Insights (April 2020) https://www2.deloitte.com/global/en/insights/economy/covid-19/guide-to-organizational-recovery-for-senior-executives-heart-of-resilient-leadership.html

6. Redefining the customer experience

Explore "self-service" customer experience in this "no-touch" world. Because of COVID-19, consumers have sampled service delivery in many areas they have never tried before, including virtual health care and home grocery delivery. In fact, the disproportionate impact of the virus on individuals over 50 has created a surge of first-time users of numerous delivery models, including services such as Instacart. This behavior shift for some older consumers may persist post-epidemic as they embrace the frictionless shopping methods popularized by Millennials.[14] Consider ways in which you can incorporate some "no-touch" necessities in your organization, like contactless payment systems or touchless transactions.

Identify new ways of working with consumers and business partners. The pandemic has made travel and in-person meetings infeasible across several industries in the near future. If you are a business owner affected by these new travel policies, consider how you can improve your customer interactions, despite the lack of in-person connections with clients. Depending on your line of work, simple actions, like hosting a virtual happy hour to check in with your customers or putting out a blog post or podcast episode goes a long way towards building and reinforcing brand loyalty. Some professionals might send a small, personalized goodie via mail to brighten their client's day.

Some businesses offer free training webinars and virtual pop-up events to maintain trust and consumer loyalty. Connection and the feeling of true community is so vital during COVID-19; the pandemic has presented business owners with new ways to take care of their customers that they must take advantage of.

SD CHAMBER'S POLICY SUGGESTION:

- *While a minor regulatory change, many restaurants remain afloat due to take-out orders that can now include "to-go" alcoholic beverages. Traditionally, this would not be allowable under Alcohol and Beverage Control regulations, but likely is something that would continue to benefit restaurants, which have been disproportionately hit, as customers adjust to feeling comfortable enough to return to dine-in experiences. Along this same vein, restaurants should be able to continue their outdoor dining operations, as long as it does not interfere with the public right of way.*

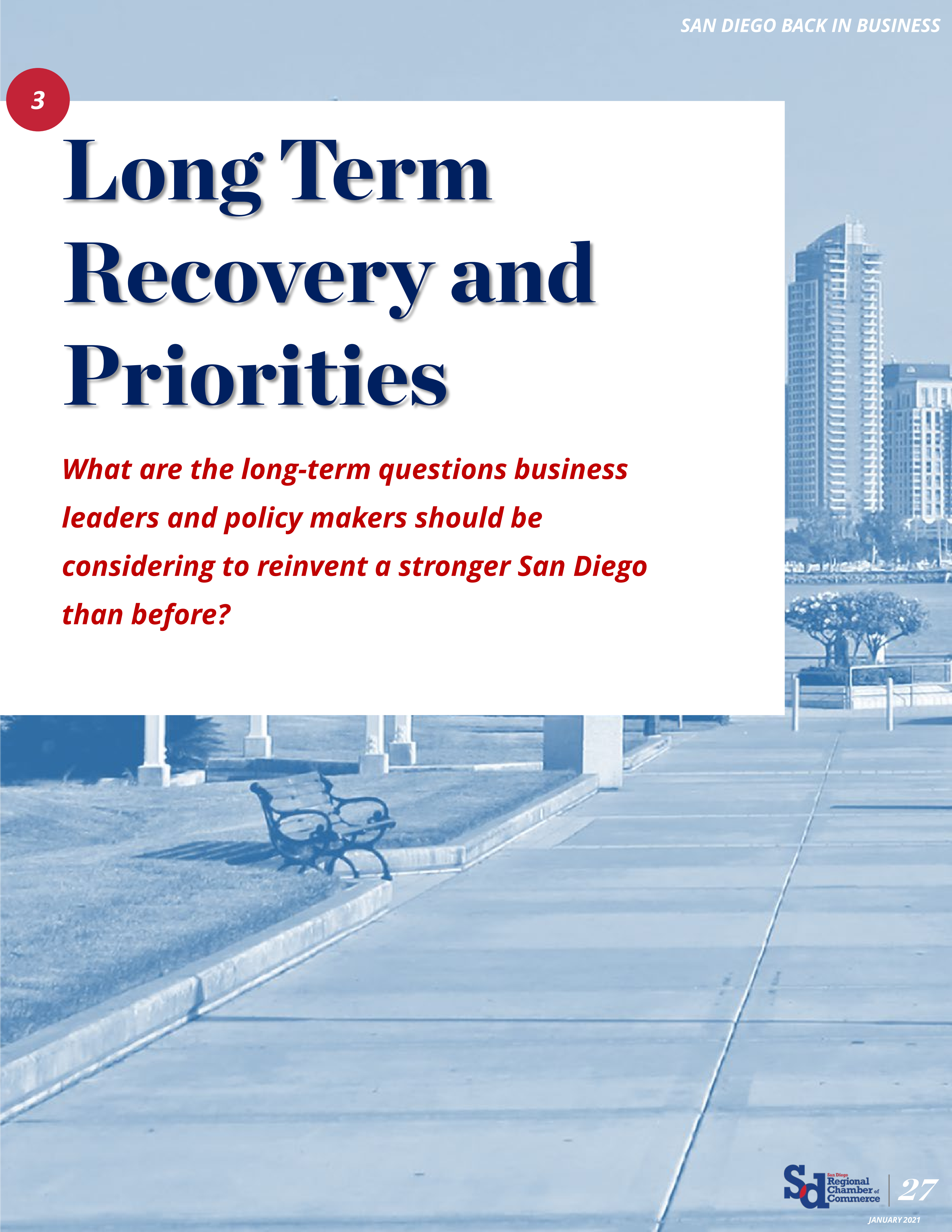
- *Cities and Counties should partner with Go-Biz and local Chambers of Commerce to establish a "task force" that can help businesses that are occupying any spaces that have become vacant as a result of COVID-caused closures. Reopening those spaces is critical for a functioning community, and investments at this time should not be taken lightly. Undoubtedly, their needs regarding permitting, compliance, and navigating the regulatory environment will still be significant, making some sort of cross-jurisdictional advisory group a possible game-changer for their near-term success.*

14 From "COVID-19 Drives Lasting Changes in Global Consumer Behavior and Business Operations by R. Martinez, Deloitte (June 2020) https://www2.deloitte.com/global/en/blog/responsible-business-blog/2020/covid-19-drives-lasting-changes-in-global-consumer-behavior-and-businesses-operations.html

3

Long Term Recovery and Priorities

What are the long-term questions business leaders and policy makers should be considering to reinvent a stronger San Diego than before?



3 Long term recovery and priorities

San Diego's community still has some important decisions to make that will impact its recovery. Particularly how to ensure that questions of equity and opportunity, which loomed large before, are answered in a sustainable long-term way. Some of those points and our suggestions are below:

Resources: As mentioned above, recovery will be unequal at best without significant stimulus funds. One beneficial factor is that our picture of the economy and its lopsided response to COVID has become much clearer allowing for a more targeted direction of stimulus funds. Tourism, restaurants, and retail must be front of mind.

Employment of the future: Simply preserving jobs via stimulus funds or legislation that protects them from the pandemic is likely only a short-term answer. If jobs are made obsolete by technological disruption, or other changes in the marketplace (COVID-related or not), we should be approaching that discussion with a mind to the jobs of the future. Straddling a need to protect low-income, low-opportunity jobs and efforts to create more forward-looking employment simultaneously is an inherently conflicted idea and one that will slow our ability to adopt such work. Programs like that of the San Diego Regional EDC that focus on inclusive economic growth have already made significant headway here and should continue to be front and center for our region.

Opportunity: Like with employment, technological progress is inevitable and welcomed, but may leave members of our community behind if not implemented correctly. Ideas like touchless payment can exclude those individuals that are unbanked and leave them without appropriate and equitable access to our business community. It's also likely that such technology can inherently advantage businesses that are appealing to banked-customers which are overwhelmingly less likely to be minority or lower-income groups. With that in mind, how can we ensure that each step forward is one made as a region in totality, instead of further exacerbating the inequalities that we grappled with before the pandemic?

Regional cohesiveness: Governor Newsom's response to the pandemic has been extreme, yet necessary, and likely the driving reason why some of California surge-periods were previously less than that of other jurisdictions. However, we know that businesses are overwhelmingly strong and willing partners in tackling outbreaks, making it increasingly frustrating that they often bear the brunt of the swings backward. San Diego's business community, particularly its tourism industry, needs support to move forward.

Thank you!

In Closing

Even before the pandemic, there were existential questions most businesses faced. We had the benefit of time and could reasonably postpone making some of those large, intimidating decisions. Some of the transitions happening as a result of COVID like the sudden embrace of work from home where possible, the integration of innovative and/or convenient technologies, and the repositioning of our businesses from new perspectives, are positive, even if uncomfortable. We do know some things will continue to remain true: businesses of all sizes look toward their elected officials and public agencies for stability and for guidance. Just as our employer/ workforce/ customer relationships will put trust above all else, we know that must be true also of those in political office.

Certainly, tough decisions are the norm and will continue to be for at least the near future. As we move further away from acute, crisis management and into the freedom of being able to think longer-term, it is critical that we maintain clear lines of communication across community so that businesses are provided a fighting chance to do that long-term planning. As the bedrock of our local economy, and the path through which financial opportunity must flow, the private sector and in particular our small businesses, must be viewed as fundamental to every discussion at every decision-making table in the country.

San Diego's businesses have demonstrated an extraordinary amount of resilience. Even though some of the more dire scenarios have thus far been avoided in our region, businesses will continue to need to be vigilant and flexible, and their governmental representatives will need to rely on private sector expertise as they make the hard decisions. But we remain hopeful that together, San Diego will return to the thriving economic force we know it to be.

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Small Business Spotlights

PPE Exchange

Co-Founders

JT Garwood

Russ Decker

Jake Deichmann

When the COVID-19 pandemic first struck, PPE Exchange co-founder JT Garwood was already working on a technology platform designed to streamline B2B transactions with his co-founder partners Russ Decker and Jake Deichmann. Garwood has a background in software and technology sales, while Decker and Deichmann are software engineers and the three were in the late stages of developing a model that they rapidly iterated upon realizing the challenges that hospitals were faced with **acquiring personal protective equipment (PPE).**

PPE Exchange was created as a **direct solution** to a serious and significant problem of **price gouging, market uncertainty, supply chain constraints and outright fraud.** Essentially, the business works to refine industry standards as a verification platform for vendors who sell PPE. Once a vendor is authenticated by the company, the platform organizes and categorizes the various products, making them easy to find.

"Quite frankly, our biggest challenge has centered around the uncertainty and general chaos of COVID," said Garwood. "The rampant fraud explosion – we saw a demand increase the likes of which we've never seen before. We weren't prepared as a country, and the supply chain of this sector was not up to the standard you'd see in other markets or even in other countries."

The business then liaises between hospitals, medical clinics and other businesses who have never before needed to acquire such high volumes of PPE and enables them to aggregate orders from verified vendors of masks, face shields, gowns, gloves etc.

The result is that these organizations are able to bring down the cost per unit by ordering en-masse and be confident that the product will be of suitable quality and will arrive on schedule. PPE Exchange takes a 3% transaction fee from the individual orders it aggregates, and everybody benefits up and down the supply chain. The business has also progressed to manufacturing "white label" PPE.

Most COVID-19 stories are ones of angst and anxiety. Uncertainty and outright sorrow. PPE Exchange is a rare case of opportunity meeting preparedness and resulting in a process where everyone involved benefits in some way. This pandemic caught us all largely by surprise, but **dynamic and innovative companies** like PPE Exchange have really helped to solidify best practices, streamline supply chain mechanics and also deliver medical providers the critically needed protective equipment used to continue serving the public. There are so many points of failure that have compounded the impacts of this pandemic, but the tale of PPE Exchange is one of **hope and optimism.**

FASTSIGNS

Owner

Shane Beard

FASTSIGNS®

More than fast. More than signs.®

Shane Beard is the Owner of FASTSIGNS in Mira Mesa which is an independently owned and operated sign, graphics and visual communications company that provides **comprehensive visual marketing solutions** to customers of all sizes.

Pre-pandemic, FASTSIGNS mostly produced signs for trade shows or new business openings. 2020 started off great; year-over-year **sales were up 10%**. Then when the coronavirus pandemic struck and Governor Newsom ordered all residents to shelter in place and non-essential businesses to close, Beard felt like time stood still. Like many small business owners, Beard worried about furloughing his staff, how to pay his rent, and if he would have to close up shop for good.

"No one knew what tomorrow was going to bring and business as we all knew it ceased to exist." – Beard

Beard immediately thought back to the 2008/9 recession and remembered the same feelings of nervousness when the stock market crashed. "I was slow to react back then," he said. "This time around, I knew I had to do things differently and create a plan of attack."

Beard proceeded to become an expert in all local, state, and federal financing options. He applied for every grant and loan they could find. Once he had his finances temporarily under control, he had the opportunity to begin thinking creatively about what to do next.

Customers began calling the store asking if they sold PPE and had decals to display new social distancing requirements. "These were items and phrases I hadn't even heard of yet," he recalls. Within days, Beard and his staff became experts in the county health guidelines and different types of PPE, motivating them to retool their machines to cut face masks, create acrylic sheets and dividers, and find venders who could supply stations and A-frame signs. **"We became the one-stop-shop for all things PPE and social distancing."** Customers would come into the store asking about what they needed to keep their staff and clients safe, and Beard was able to coach them on what was required and what worked best. Beard also read news headlines closely – he **targeted his marketing at hospitals and logistics companies** (FedEx, UPS, Amazon) and those accounts quickly became top customers.

Beard believes that the most important thing that he's learned is **that "people are thirsty for information and don't want to have to look hard to find it."** Business owners do not have time to dig through the confusing state and county regulations. Customers do not want to have to call a business or look at their website to see if they are open – they want the information visually. Beard succeeded because he was able to digest local and state health orders into terms that made sense to business owners. He was able to speak from his owner perspective as an owner/operator and from the credible perspective of sign making and advertising.

Going forward, Beard imagines that this is the new status quo. "Businesses have created new habits and procedures that will stick with them for some time in the future," he said. Businesses like his, that contract with other businesses, must continue to engage with and lean into these changes in behavior. Ultimately, he thinks that while people are **further apart physically**, we are creating new ways to **come together**.

Workshops for Warriors

Founder & CEO

Hernán Luis y Prado

When the scope of the pandemic began to take shape in early March, Workshops for Warriors (WFW) quickly took action to ensure the safety of their students and staff, and importantly, that student training would not be interrupted. WFW is a 501 (c)3 nonprofit school that provides transitioning service members and veterans accelerated training, nationally recognized credentials, and assistance with job placement in the advanced manufacturing industry, achieving a 95% placement rate for program graduates.

WFW serves as a vital portion of the training pipeline for the advanced manufacturing industry, which is designated as one of the nation's critical infrastructure sectors. If the organization failed to act, not only would the country lose a key advanced manufacturing training capability, but there was **potential for a $1.2 million burden in losses of GI Bill benefits for veterans** who participate in WFW's quality training programs. Students would be faced with a loss of their GI Bill benefits due to a school closure, and worse, would lose their pathway to a meaningful career that would ensure financial security for them and their families. WFW had two options, shut down or find a solution to stay open and continue their mission of providing quality training to their 41 students who were enrolled in the spring semester when COVID-19 manifested in San Diego. **Shutting down was not an option**.

Founder and CEO, Hernán Luis y Prado, is not new to overcoming challenging missions. He served in the United States Navy for 15 years as a Hospital Corpsman and then as a Surface Warfare Officer, with combat tours in Afghanistan and Iraq. Over a single weekend, WFW leaders came together, harnessed the organization's intellectual capital, and set the conditions by which the school could safely continue training students**. Luis y Prado stressed the importance to, "Share the problem."** Only through the efforts of the entire staff and student body could success be obtained.

WFW immediately implemented social distancing protocols, temperature checks, and mandatory facial coverings for everyone on campus, well before they were formally required in San Diego County. Enhanced personal hygiene and facility cleaning protocols were put in place. Virtual instruction was adopted in place of in person classroom work, while the critical hands-on training within the machining and welding programs was continued via strict scheduling to reduce the number of students in a laboratory at any one time. **Mandatory cleaning and comprehensive sanitizing of all high touch areas** such as machine control panels, hand rails, door knobs, tools, etc. was conducted before and after each shift occurred, coupled with increased ventilation and a one hour "air out period" between shifts.

One of the important challenges for the WFW community was social interaction, said Luis y Prado. The group of students every semester is tight knit, a **"tribe for life"**, who in pre-COVID times ate lunch together and had weekly group activities.

While it may be some time before group lunches and planned activities can occur, there are silver linings in every scenario. The organization transitioned to smaller ratios between students and instructors in the machining and welding labs, generating a more productive hands-on experience, which the students love and have benefited from, shared Luis y Prado. Most notably, the spring and summer student cohorts both graduated without a single confirmed case of COVID-19. **Mission success.**

San Diego Housing Commission

DCIO

Jeff Davis

The San Diego Housing Commission (SDHC) is a nationally recognized public housing agency, originally created in 1979. SDHC operates several programs including administering Section 8 housing vouchers, public housing, management of over 3,500 affordable housing units, development of affordable housing, providing gap financing for affordable housing developers and includes a major policy arm working to establish policy at the city, state and federal level.

The organization has roughly 365 employees, scattered across the various properties it manages as well as reporting to its downtown offices where it is headquartered. When the COVID-19 pandemic struck, SDHC senior leadership moved swiftly and decisively to enact protocols designed to protect employee safety and maintain productivity levels in order to continue executing its mission with the least possible disruption.

The pandemic impacted us all differently, but in many ways, the business activity of the Housing Commission actually increased. Balancing that challenge while also making sure to care for staff's financial and physical security and safety was top of mind for SDHC leadership. During an intensive two-week process at the onset of the pandemic, regularly recurring daily meetings of the CEO, COO and Senior VPs of the organizations various divisions enabled the Housing Commission to design protocols and schedule the transition of staff from working onsite to setting up for remote work.

As early as March 15, the organization increased its office cleaning schedule from a weekly to a daily cadence, installed foot openers on doors, and procured personal protective equipment (PPE) for employees still reporting to the office. Approximately 85% of staff transitioned to working from home, according to Deputy Chief Executive Officer Jeff Davis.

SDHC

"Our leadership opted to look at this crisis as an opportunity to reinforce the values we tout," explained Davis. "We realized that this was an opportunity to really *show* staff that we do care and that we are critically concerned about their well-being."

To that affect, the Commission got creative, going so far as to lift restrictions on the Paid Time Off cash-out rule in place or the employees who have it accrued and also gave staff the ability to cash in future earned PTO. All that in addition to paying people to stand by and wait while the IT department eventually updated employee access and providing stipends for staff to build out their home office capacity and initiating a 20% pay differential for the most at-risk staff still in the field. While these measures cost money today, Davis feels it was a "cheap" way to reinforce the values of the organization.

Looking forward, it is hard to say exactly what comes next for the San Diego Housing Commission. It still maintains a now largely empty office building downtown, but Davis says that the agency typically receives additional government funding during crises like the COVID-19 pandemic. The agency was able to draw upon CARES Act funding this year and anticipates more dollars coming in 2021.

Bivouac Ciderworks

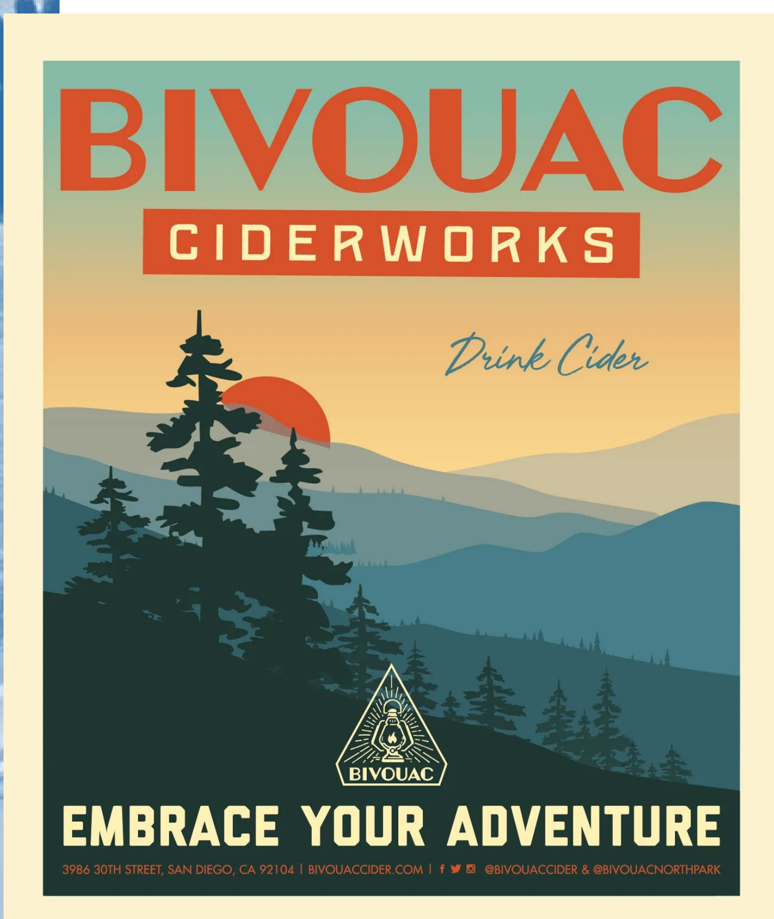
Co-Founder/Owner

Lara Worm

COVID-19 was not kind to Bivouac Ciderworks. Fresh from its two-year anniversary in mid-February, the **small craft cider maker was rocked by the stay-at-home order,** forcing it to abruptly close its doors and lay off staff while awaiting further guidance from federal, state and local leaders. Co-founded and now solely owned by 3rd generation San Diegan Lara Worm, the North Park based business has struggled tremendously in 2020 but is still hanging on.

"Our slogan here is literally 'embrace your adventure,'" said Worm of the outdoor adventurers inspired brand. "I'm not about to shut up shop just because this adventure is unlike anything I could ever imagined."

At the onset of the pandemic, Bivouac was pulling in about $40,000 a month in sales at its taproom, with keg and can sales making up close to 80% of its revenue. With the taproom and other venues who previously ordered kegs of cider closed, **revenue dropped overnight to nearly zero**. Inventory spoiled, the majority of staff needed to be laid off. In order to keep some money coming in, Worm turned to her company's highly engaged Instagram following and the San Diego restaurant and hospitality industry connections she had. Worm hosted virtual tastings, sent care packages with Bivouac product to people and encouraged fans of the brand to inquire about the product at local grocery stores.



She signed a new distribution deal and was able to secure orders from local stores and in July landed in Whole Foods. The result was that while taproom and keg sales plummeted, **can sales have soared to over 400% of pre-pandemic levels.** She also launched a new line of branded merchandise and kicked off a membership program to stay connected with her most loyal customers.

While she was successful in securing PPP funding, Worm struggled to re-hire staff initially when the state began allowing bars and restaurants to re-open. She's had multiple different cidermakers come and go in the last few months, making the consistency of product quality a challenge. Now open for in-house dining four days a week, Worm is navigating the challenges of this new reality as best she can, keeping a close eye on the state's new tiered system and adjusting her staff schedule multiple times a week depending on demand.

Business has stabilized, and there's a slight chance that year over year revenue may actually break even at the end of 2020, which would bring this adventure of a year to a somewhat triumphant conclusion.