

# Sizing Up the Economic Potential of 2021: Experts Offer a Variety of Perspectives

## ECONOMY: Speakers All Strike Optimistic Tone

■ By BRAD GRAVES

The outlook for 2021 was the topic on the table when the **San Diego Business Journal** presented its Economic Trends event on Jan. 26. Nearly 400 business leaders viewed the two-hour event, which was presented virtually this year.

Speakers included executives from **Cox Business**, **C3 Risk & Insurance Services**, **Deloitte**, the **Jacobs & Cushman San Diego Food Bank** and **Wells Fargo Bank**. Their organizations were event sponsors, or in the food bank's case, the charity event partner.

Master of Ceremonies **Mark Cafferty** thanked a sixth sponsor, **Kaiser Permanente**. The healthcare provider did not send a representative to speak "largely because of how busy they are dealing with everything that we've been talking about," Cafferty said.

"I just want to take a moment to recognize and think of everyone in the healthcare industry," said Cafferty, president and CEO of the **San Diego Regional Economic Development Corp.**, early in the program. "It's a huge part of our economy in San Diego. More than

130,000 people work in healthcare under any normal circumstance. We think of it as a critical part of our economy, and right now we think of it as a critical part of our lives. So I really want to thank all the healthcare workers, the first responders and everyone who has helped to make this year as strong as it could possibly be for all of us."

### Economic Forces at Work

A familiar refrain from the business and financial media is that "the virus is the economy." All of the speakers at Economic Trends touched on the subject.

Summaries of the speeches are presented on the following pages.

**Michael Pugliese**, economist with **Wells Fargo Securities**, gave a keynote speech mostly focused on the national economy and the national economic response to COVID-19.

Giving the local view was the EDC's **Mark Cafferty**, who noted the virus was not impacting all communities equally. He also encouraged San Diego's large "anchor" institutions to spur the region's businesses by buying locally.

Cafferty then introduced the day's

panelists, following up with questions and observations.

**Duane Cameron**, vice president for **Cox Business** in San Diego, spoke of the seismic shifts in the telecommunications industry as many clients began working from home.

**Jamie Reid**, chairman of the board of **C3 Risk & Insurance Services**, offered a snapshot of the business insurance landscape, circa 2021, going over its nuances.

**Juli Moran**, San Diego office marketplace leader and managing director for **Deloitte Consulting LLP**, spoke of San Diego's still-vibrant life sciences industry. She also offered a preview of changes coming to healthcare during the next two decades.

**Jim Floros**, president and CEO of the **Jacobs & Cushman San Diego Food Bank**, discussed how his organization pivoted from working during a normal economy to working during the pandemic.

**Joe Trimble**, vice president and small business leader with **Wells Fargo Bank**, shared the feelings of small business owners about the economy, taking information from a recent survey done in collaboration with **Gallup Inc.**

### A Slice of Life

The two hours offered economic insights as well as glimpses of life during the COVID-19 pandemic.

"I just want to say thank you to Cox in a huge way," Cafferty said in an exchange with Cox's Duane Cameron, "because from the day this started, I have done hundreds of meetings from where I sit talking to you right now, and simultaneously, like so many families in San Diego, my door could open behind me at any moment because my two sons are trying to do school every day online. ... Sometimes we don't thank enough the folks who've been out making sure that that connection stays going."

**Pugliese** outlined the massive federal effort to put money in the hands of U.S. residents, adding that it is building up disposable personal income among the population. Addressing the federal deficit, he said he was not concerned about deficit spending in the short run. The deficit was larger during World War II, he added, noting that it was paid down during the postwar years.

Turn the page for more of panelists' thoughts. Or view the Economic Trends program online. Video is available at <https://youtu.be/6obEQvdQ3XE> ■



**Michael Pugliese**

*Economist*  
**Wells Fargo Securities**



**Mark Cafferty**

*President & CEO, San Diego*  
**Regional Economic Development Corp.**



**Duane Cameron**

*Vice President*  
**Cox Business – San Diego**



**Jamie Reid**

*Chairman of the Board*  
**C3 Risk & Insurance Services**



**Juli Moran**

*San Diego Office Marketplace Leader*  
*Managing Director*  
**Deloitte Consulting LLP**



**Joe Trimble**

*Vice President and Small Business*  
*Leader*  
**Wells Fargo Bank**



**Jim Floros**

*President and CEO*  
**Jacobs & Cushman San Diego Food Bank**

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# Reading the Economic Tea Leaves: Data Reveal Hope for 2021

**ECONOMY:** Federal Fiscal Policy Response Has Been 'Tremendous' for Country



*Michael Pugliese is an economist with Wells Fargo. He covers the U.S. economy with a particular focus on fiscal policy and economic policy more broadly. His keynote presentation at the 2021 Economic Trends event comes on the heels of a keynote at the 2020 event.*

When thinking about the outlook going forward, if I was just going to sum it up in one sentence, the most important thing I would say is that the near-term outlook is fairly weak as COVID cases are elevated and the outlook going forward for the next few months is going to be pretty challenging.

But over the medium to longer term horizon, we're fairly optimistic. I'm going to outline a few reasons for why that is.

## GDP Outlook: Growth in Second Half

So like I mentioned, COVID cases are fairly elevated. We're averaging on a seven-day moving average basis around 200,000 new cases a day, more than 3,000 daily deaths. So quite elevated on that front and that continues to weigh on the economy in the near term both due to behavioral changes at the micro level and restrictions at the macro level put in place by federal, state and local governments. And so when you look at our GDP outlook, we're looking for flattish growth in the first quarter of 2021, maybe even a little bit negative in line with the negative jobs print that you saw in December and in line with our expectation that you're going to see fairly weak economic growth and economic data more broadly through the first few months of the year.

But going forward we're going to see much more robust real GDP growth over the second half of the year and through the first part of 2022.

Now in terms of what that outlook actually looks like from the labor market standpoint, it's really not as bad as you might think so right now. The unemployment rate is around 6½, 7%. That's around where it was in 2013 when the economy certainly wasn't booming. And that was the fifth year of the Obama Administration. It was several years into the last recovery and that's down quite substantially from the high we saw around the mid-teens in the unemployment rate earlier this year.

When you look at the jobs lost relative to where we were before the pandemic, we're still 6.5% lower in terms of total employment, which is around where we bottomed in the fairly severe recession in 2008-2009, so a long road to recovery still to go.

When you break it down by industry, it's quite striking how concentrated the job losses are in a handful of industries. So to put that in perspective, we lost about 22 million jobs over March and April of 2020. We've gained a little bit over half of those back, so call it 10, 11, 12 million, right around that ballpark. But so far we've only regained about 4 million of the more than 8 million leisure and hospitality jobs we've lost for example, so about 40 percent of the decline in employment so far is still as a result of those leisure and hospitality losses alone, a couple more million in retail trade, education and health services accounting for combined well over half of the job losses that we've seen so far. These are areas of course that are very service oriented, very high human to human contact, that of course have faced challenges during the COVID period, so a labor market that's maybe outperformed relative to some expectations particularly because

in some of these other industries, while there have been job losses, they've been a lot less severe than seen elsewhere.

## Certain Layoffs Are Temporary

Now some reasons we have to be optimistic are temporary layoffs still remain elevated. And you might say, why is that encouraging? Well, traditionally you don't see temporary layoffs in the unemployment rate have some type of connection to the business cycle. At the moment a little over 1 in 4 individuals are self-reporting that yes, they are unemployed but they anticipate going back to their old job in the next six months. That's down quite a lot from the peak we saw earlier in the pandemic but is still up substantially from what we saw in previous recessions. And so the hope is that there's still some labor market match there. And if we can get on the other side of this pandemic in the next four, five, six months that many of those individuals will return to their jobs, particularly in those harder hit sectors we just discussed in leisure and hospitality, retail trade, education and health services, etc.

## Fiscal Policy Stakes Optimism

The big driver of our medium to long-term optimism, though, really centers around the tremendous fiscal policy response that we've seen to date. It's almost impossible to overstate this and we could talk about it really for an entire another presentation but there's so much focus among some individuals on just specifically the highlights of the bills that Congress has passed, the direct household checks being a good example, but it goes well beyond that.

Obviously there was an original round of checks of \$1,200 and \$2,400 depending on if you're single or married, and then an additional \$500 per child. There was another round that was a little bit smaller, cut in half here, that was passed in December. But Congress has done quite a lot in addition to that. There was an extra \$600 per week from mid-March through the end of July for unemployment benefits.

## Disposable Income Rises

You then take on the direct checks, the PPP program, which is often portrayed as a small business relief program, which to some extent certainly is, but given that a large amount of that money must be used for labor costs to some extent, that also serves as a wage subsidy. And then you add in some of these smaller measures around increased SNAP benefits, other transfer payments and there really has been a robust increase in household income due to these fiscal policy programs. You then pair that with the fact that consumption for households is falling quite a bit either because households are choosing not to go out and spend or because they cannot go out and spend due to government restrictions, whatever mix that happens to be, and what you've gotten is a very elevated savings rate over the course of this pandemic. Our estimates are that there are \$1.5 trillion in excess savings sitting on the sidelines.

If I was going to just use one chart in this presentation it would be slide 11. It shows real disposable personal income. So real meaning inflation-adjusted disposable, meaning after-tax. And again this is for households and it's all forms of income: it's wages and salaries, it's rental income, it's transfers from the government, anything that would count as personal income. You can see when the pandemic hit, unlike in a normal recession when household income might decline, not only did it hold steady, it actually rose to record levels for the first few months of the pandemic and that kept fading and fading but still remained above our pre-COVID baseline. And now we once again expect it to spike due to what happened at the end of 2020 with the COVID relief deal that was passed in December. Again, remember that households have been saving a lot of this income, and so that's what we're relying on to fuel consumption later this year.

Just to take this a step further, another thing you've seen as a result of this lower spending, higher income combination is you've seen households paying down debt.

## Spending on Housing

When it comes to some other sectors of the economy like housing, they've done quite well as well. Part of that, of course, is due to the very low interest rate environment due to what the Federal Reserve has done with cutting rates, quantitative easing, that kind of thing. But also it just makes some

economic sense. If you're going to be spending a lot more time at home, then your home becomes a more valuable good to you and maybe you want to shift some of the income you have been spending on vacations or going out to eat or drink or other areas, and shift some of that into your home consumption. You've seen that response so far from home builders in terms of getting housing starts up to the highest level they've been since 2008-2009.

## New Administration's Game Plan

That brings us to the administration going forward. It's still very early to see what they will do. To me, I think, at a high level the big takeaways, this will probably come in two parts. The first thing they'll try to do is another COVID relief package to hopefully see us through to the end of this. A lot of the benefits that were passed in December expire in mid- to late March, so I think that provides a kind of good timing and natural deadline to potentially try to pass one more package that could get us to the May-June-July period, by which we and I think many other analysts anticipate that better weather and hopefully widespread distribution of the vaccine will allow us to get mostly on the other side of this. So maybe a COVID relief deal first and then second, maybe later this year, early in 2022, a focus on some other economic policy issues: an increase in taxes maybe, spending increases elsewhere.

But the big thing to keep in mind for us is when President Biden takes office, what we're going to be looking at is very razor thin majorities for the Democrats and so what does that mean? Well, in the House, the Democrats are only going to have a handful of seat majority and in the Senate it's going to be a 50-50 tie with Vice President Kamala Harris breaking that tie. So what does that mean? Well, that means that those razor thin majorities are going to make it very difficult to get things done. The way I like to think about what economic policy will look like under the Biden Administration under the first two years of his presidency is take a lot of these proposals that you can see and scale them back significantly maybe by half, two-thirds. I think that's more realistically what you might get in Biden's first couple years in office.

## The State and Local Views

When it comes to California, the labor market there has lagged a little bit for the United States as a whole. California's unemployment rate through November was a little bit above 8%. Like we already talked about, the U.S. rate is 6.7%, so right around a point and a half or so worse for California. Not terrible. Again, down significantly from the more than 16% that prevailed at the peak of the pandemic but still lagging some.

When you drill down a little bit more, specifically to San Diego, there you've seen the economic recovery be a bit better than California as a whole. Maybe not one of the strongest in the nation, but I think more kind of down the middle of the fairway compared to the United States as a whole. So as an example, the U.S. has an unemployment rate of 6.7% as of our last data point in November. San Diego was sitting at 6.8%, so right around the national average there.

Our hope is that yes, the next few months will be challenging given the cold weather in most places in the United States, given still-elevated COVID cases, given that we have not begun to feel the effect of the vaccine distribution yet. But our hope is that the economy will come roaring back later this year if two things happen. One, do we have COVID under control? Which we hope we will, given the combination of vaccine distribution and naturally acquired immunity to COVID from individuals who've had it. And then two, will people have the money to get out and spend once they do have confidence?

And while on the micro level, unfortunately, we don't think every individual will have that, of course at the macro level, given the levels of fiscal and monetary support, we are fairly encouraged. We do see signs that there's a pretty healthy amount of savings on the sideline, and we think that that will start to get to work later this year, in early 2022. So that we're not back to normal or 100%, or all the way back to the economy we had before COVID, but that maybe by late this year, early next year, we're back to like a 2015-type economy. Which was again, not a full employment economy, not a completely booming economy, but certainly a much, much healthier one than we had at our worst points of April, May and June 2020. ■

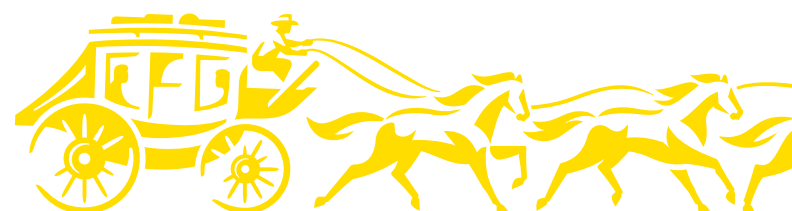




## Smart planning sparks success

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## After a Year of COVID, Local Economy Begins to Recover; Work Continues

**ECONOMY:** Region's Anchor Institutions Can Help Small Businesses



*Mark Cafferty is president and CEO of the San Diego Regional Economic Development Corp. He led the panel discussion at the 2021 Economic Trends event. Prior to that, he offered his perspective on the San Diego economy and its potential. Some excerpts from his speech:*

I'm going to present a little bit and take some of the context of what Michael [Pugliese] just shared from a national and state perspective, and talk a bit through the lens of what we're seeing at EDC here locally, what we're seeing now, more of a reality check on what we're seeing now, and some thoughts we have on what we need to do at the local level in the year ahead before we get into hearing from our panel of experts.

### Trending Up, Trending Down

I just want to show folks just sort of two places where we're thinking we're seeing things trending down and trending up and these don't necessarily correlate in a very positive way with each other. But right now we're continuing to see unfortunately a downward trend in hiring locally. We're continuing to see downward trends in consumer spending and confidence. We're continuing to see a downward trend in the number of businesses that we have operating in San Diego. And we're continuing to see a downward trend to some degree and some segments of the market around real estate demand.

On the other side, the things that we actually are seeing trending up — and again, not all positive here — is while Michael referenced a 6.9% unemployment rate, we've continued to actually see that tick up over the last few months. We did not see, for example, the retail bump in December employment that we would normally see during normal times. So our unemployment rate as we speak is closer to 8% in San Diego. We're continuing to see home prices trending up so in the midst of all of this, the home prices in San Diego continue to be significantly higher than where many of us would have thought to see them through the pandemic.

### Venture Capital Increases

And interestingly enough when it comes down to certain sectors of our economy, we are seeing an upward trend in venture capital flowing into San Diego — in particular around the sciences and technology, but especially around the sciences. Now some of that is related to the organizations here at the local level who are focused on things like vaccines and testing and much of what we have seen kind of ramping up across the country. But from a more broad perspective, the investment in our life sciences sector here in San Diego has not only been quite strong but has continued to move in an upward direction.

And a challenging thing that we need to watch is an alarming trend in inequality in our community and in communities across the country.

### High-Wage Jobs Recover Well

I just want to show you two charts. I want to make sure I explain these in a way that makes them easy to understand. So we're really talking locally about a tale of two very different recoveries. If you can't see the slide, well, there's a teal line

at the top, a blue line in the center and a red line very, very far below them at the bottom. What it says on my right as I face the screen is if you look at that teal line, this is where we have seen job recovery since we saw the pandemic begin last year. So looking back to pre-pandemic levels, where we were in January, if you look at our higher wage jobs in the technology and the scientific sectors that I just spoke about, the higher wage, higher skill jobs, we pretty much have seen a recovery already. In San Diego, we're actually 2.4% higher in net jobs in that category, \$60,000 a year or higher, than we were at this time in January of last year. In the middle economy jobs, the ones that you see represented by that blue bar, we have dipped 3.9%. So in sort of the middle economy, middle wage jobs that we have in our community which we have many of, we still have not seen a recovery back to where we were in January last year. But if you see 4% and you look at sort of where that's representative on there, you can see it trending in the right direction.

Where things get very, very alarming is when you look at the lower wage jobs in our community: the jobs in our community that are paying \$27,000 a year or less. If you look at those jobs right now, fully 30% of them have not come back. So while we have seen a net increase in high-wage jobs, we've seen certain sectors of our economy have to function differently but weather this quite well. We have seen other sectors of our economy, critical sectors of our economy that are way, way, way lower than we would ever hope to see them during this stage of the past year that we have gone through. Not surprisingly, many of the jobs in that particular area — and I'll get to where it impacts the overall number of businesses in a moment — are in places like tourism, are in restaurants and really are anywhere where foot traffic in general and people gathering in places is critical to the business model.

### The View From Small Businesses

So looking at this slightly in a different way: small business resiliency. You'll hear many of us in economic development and many of our regional economists talk about the critical importance of small businesses in San Diego. You'll hear us cite on a regular basis that 90% to 97% of our businesses are small businesses in San Diego, depending on what marker you're using. So this is a chart from January of last year to December of how many of the businesses, what the overall amount of revenue was for businesses within certain sectors of our economy in January of last year and where the overall revenue is as of December of the end of this past year. And again, if you look at the teal marker at the top, you'll look and see that that is for business services — kind of a broad category that catches a lot of the different business suppliers that we have around San Diego, a lot of the different types of companies that provide services to other businesses and provide professional services. And we have seen from where we were in January of 2020 to where we were in December of 2020 a 9.3% drop in the overall revenue in that particular sector of the economy.

But if you look down to leisure and hospitality, if you look at that red line at the bottom of the screen correlating with what I just talked about with the workers in the jobs on the last slide, this is where we have seen 61% of the revenue drop off and you see it gets even lower than that where we hit in the quarter that followed sort of the true downturn in the economy that came at the very throes of the pandemic. But all these months later, 61% of revenue in that industry has still not rebounded, has still not come back.

Now, Michael talked a bit about what his thoughts were and what experts' thoughts are on where tourism and hospitality and entertainment might be later on this year, and he talked about how across the nation and across the state, this particular sector of the economy was impacted greatly. In a place like San Diego where it is such a strong part of our economy, in such a large part of our economy, and so intertwined with other parts of our economy, we know this is going to hit us harder and longer in the overall process towards recovery.

### Steering More Business to Small Business

So something I want to talk to all of you about is an effort that we are part of with dozens of businesses who are probably on the phone today and something that we were working on well before the pandemic hit us and well before the economic

downturn really became as significant as was just described. And that is really looking at how do our small businesses do by way of getting connectivity and opportunity with the critical sectors of their economy that quite frankly someone like me promotes for a living?

So when we talk about the bigger businesses in San Diego and the anchors of our economy, who are those organizations, what are those sectors of the economy, and are our small businesses getting opportunities connected to and tied to those anchor institutions? This is something that the Business Journal is really going to help us amplify in the year ahead as well, and it coincides with something that you'll hear a lot of political leaders talking about, but I want to talk about it in more depth.

We'll hear people say that as we try to come out of this pandemic, as we try to come out of this economic downturn and as we see vaccine distribution become more widespread, people will tell you all the time we have to get back and buy in our local stores. You have to go to your local restaurants. We have to go to local stores in our community. The challenging part there is just how badly those small businesses are struggling in our community. Some of them don't even have their doors open anymore to function. But that is something that we all need to do.

The thing I would say to the bigger employers who are on the phone today and to the bigger institutions that are on the phone today and are listening in, is it's not just going out in our neighborhoods each of us individually and spending money at local stores. It's thinking of our larger institutions, and who they are procuring from, what contractors are they working with, and are those contractors local? And are they from our neighborhoods and in particular, parts of our region that are the most heavily impacted by what's happened with the pandemic? And that's something that we really want to take a focus on in the weeks and months ahead, and begin to build some strategies on that so over long term we can really see measured growth in the ways that our small businesses get opportunity, and from that opportunity comes revenue and jobs.

### The Potential of Anchor Institutions

Oftentimes people will speak about anchor institutions as two things: our hospitals, our major health care providers and our universities. And the thought behind that is they are anchors because they don't leave the region. These are places that employ a lot of people, they draw a lot of money in and they usually expand within the local footprint of where they are. So think of your Scripps, Sharp, Kaiser and other major hospital groups, and the University of California San Diego, SDSU, Cal State San Marcos, National University, USD, Point Loma Nazarene and so on. So if you look at our universities and you look at our hospitals in this region and then you start to think of other key anchors that we have in the economy as well: our major utility like SDG&E, who actually has been focusing in on tracking these types of efforts for a long time, or you look at the fact that we have a larger military installation in San Diego's economy than anywhere else in the U.S., and you see that not only do we have the hospitals and the universities to build a strong anchor institution strategy, but we also have some unique anchors as well.

And so we went through and we looked at just eight local anchors in San Diego's economy and just in tracking what their procurement spending looks like annually, it's almost \$8 billion. But if you then break that down to how much of that is going to small businesses, how much of it is going to women-owned businesses, how much is going to minority-owned businesses, veteran-owned businesses and so on, you begin to see that the numbers are very, very small and that a lot of our businesses here locally aren't getting opportunities to contract with those major institutions. And if they did, if the percentage of that spend just increased 5, 10%, think of what that would mean for overall revenue going into small businesses in San Diego and what that could mean for jobs and business growth.

This is a strategy that we're trying to get more and more larger San Diego businesses engaged in, so that we can ensure that our small businesses not only survive the pandemic that we're going through but begin to thrive on the other side. ■

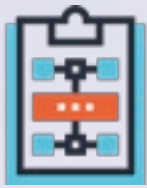
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## Internet Remains a Lifeline for Businesses and Community During the Pandemic

**COMMUNICATIONS:** The Home Office Gets New Capabilities



*Cox Business Vice President Duane Cameron oversees the day-to-day sales and operations for the delivery of data, voice, video and security solutions to San Diego businesses of all sizes. He's responsible for customer satisfaction, marketing campaigns and initiatives tailored to unique telecommunications needs and has held various leadership roles in the telecommunications industry in both California and Nevada.*

I'm glad to be here with all of you today. As the Cox vice president, I have a front-row seat to the evolution of technology and how that technology is powering homes, businesses and our communities. And some of that innovation is happening right here in San Diego, which has a strong entrepreneurial community.

We can talk about 2021 but before we move to 2021, we should really talk about 2020 and how the COVID-19 pandemic changed overnight how we work and run our businesses.

As businesses and organizations of all sizes shifted their operations and workforces during the stay-at-home orders, the telecommunications industry had to make the shift as well. Providers like Cox Business had to reach out and be unique and creative in their ways of engaging our business customers. In some instances such as with Rady Children's Hospital, we implemented an emergency network upgrade to double their bandwidth. This made it possible for their nonessential employees to do their jobs from home, such as video chats, handling large files and confidential files for their patients without overwhelming their online systems.

### Going Five Years Into the Future

The pandemic accelerated the shift in the workforce by five to 10 years and in 2021, we'll continue operating with a remote workforce. In fact, in a survey by Gartner, 80% of those surveyed said they'd want to continue working from home after the pandemic, if it's even for part time.

Telehealth was also accelerated by the pandemic last year and in the last week of March 2020, telehealth visits more than doubled compared to the same period in 2019, according to the CDC. As with Cox Business and what we did with Rady Children's Hospital, the telecommunications industry will continue to partner with hospitals and medical offices as they transition to offering more telehealth services in 2021. In fact, part of the Cox family of companies, Trapollo, works with the medical industry for their telehealth services and patient monitoring. And interestingly enough as a Consumer Pulse survey that was sent out by Cox last year, 40% of those surveyed used wearable devices such as a Fitbit or Apple Watch to track their health goals. Eighty-three percent of those respondents said that they would provide their physicians access to their fitness data. We also expect to see an increased focus in cybersecurity this year due to everyone working from home. According to PricewaterhouseCoopers, 55% of enterprise executives plan to

increase their cybersecurity budgets in 2021, and 51% are adding full-time cyber staff. Even though 64% of that same group said they expect business revenues to decline, they feel cybersecurity is more business-critical than ever. So as you can see, a remote workforce and the pandemic will continue to impact how businesses and organizations use technology.

### Maintaining Firewalls, Securing Employees

Asked about changes in cybersecurity in the past year, Cameron had this to say:

Such an incredible topic to address, now more than ever. There's some crazy stats out there about cybersecurity and businesses. One of them is the businesses that have been breached have a 60% chance of failing within the next three years. I mean, it's a crazy stat, and so the importance of protecting our remote workforce and our distance learning environment is even more critical.

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**We went to a policy of, Listen, come as you are. We want to embrace you, your families. We're probably tighter and more connected than we've ever been.**

DUANE CAMERON

And so there's really three components that are core to security and there are so many layers, it's like an onion. There's a lot to security, but at a high level, it's the infrastructure, the employees and web content.

Securing your infrastructure really is about that firewall. A lot of us have heard about that. And we use it in the business environment, and we use them at homes, but securing those firewalls, ensuring that the software is updated, you have the latest version, is absolutely paramount. The second is secure your employees. And now that sounds really weird, but of these three core components, the employee is probably the toughest — meaning that one mistake on a phishing email can open up an entire network and so the importance of training your employees, teaching them about the protocols on how to deal with some of the socially engineered emails is critical.

And then the last piece is — and this has really become more difficult in our current environment — is the web content filtering and how to control that. When folks aren't in the office and students aren't in schools, trying to secure your local home Wi-Fi. So many components are really tied into those three pieces.

Now there's some other stuff you can do and we're all familiar with the antivirus and the malware protection. Regularly scan for viruses. Making sure that you change your password. I mean, it sounds so obvious, but 25% of passwords can be hacked in three seconds. So it's really tying in the what's available and locking down the discipline, both in the work environment and in the home environment.

### Many Directions for the Smart City

Asked what Smart City technology means for businesses in San Diego, Cameron had this to say:

Cities around the country — not just here in San Diego but cities around the country — are looking to see how they can tap into these telecommunication infrastructures that are already in place. Some of the stuff they're trying to control and monitor is energy, water conservation, traffic control, parking management. Smart technology applications can be complex. They require a lot of telecommunication providers to be involved, and so

one of the things we're doing in the local municipalities is looking at what their long-term objectives are. We see crowd management. We see stoplight control. There's so many things that they're looking at and right now we have some pilots going on across the country. One of them happens to be in Henderson, Nevada. The pilot began in 2020 and it's the Water Street District Innovation Corridor and they're using smart water meters to control and conserve — especially in their environment — as well as crowd counting and vehicle detection. So we see police forces looking to use it. The smart city infrastructure solutions really can conserve these precious materials and create innovation in communities that haven't had it before. The other thing about smart cities that's interesting, and it's really tied more into the pandemic and what we've been going through the last year, is really looking at municipalities to service the underserved and making sure that they've got connectivity. So we're working with a lot of the cities right now. We're working with the city of San Diego to help provide connectivity to the underserved in areas where it just makes sense, like schools and libraries and parks. So a lot going on. It's very complex but at the end of the day, it's all about how do we provide more connectivity options to use these devices?

### Office Parks and Zoom Etiquette

When discussing use of office space, Cameron had this to say:

From a Cox Enterprise, Cox Business standpoint, you know we're a fairly conservative company around this. We're a tight family and so it's been difficult working remote, but our business is looking to find that balance, as are other large enterprise entities here in San Diego. When I work with my sales organization and I talk to them about the SMB [small and medium business] space and the medium-sized businesses in these business parks where we build our network out, I think that is something we're still waiting to see how that comes back. It's been very quiet and so we're not sure if these smaller storefronts will open up. Our hope is that they will, so we're kind of watching both and waiting to see.

Cameron had this to say about employees working from home, as well as skills, habits and etiquette of working at home.

After decades of being referred to as a family-owned business, and really treating our employees like family members, there was a concern: How do we stay so connected? People relied on that. They embraced it and it was really some of the key components of how we approach our every day. And so we came up with some incredibly creative ways to bring people together. In fact, we ran into what I would call the Teams or the Zoom Fatigue, where people were fatigued.

And I sensed an incredible amount of stress when family members would walk through the camera or potentially you hear noise in the background and so we went to a policy of, Listen, come as you are. We want to embrace you, your families. We're probably tighter and more connected than we've ever been and to that point I think you mentioned it around freeing up time slots for them. Hey, take a Zoom walk. Do that, give the lunch hour, free up folks. But these collaboration tools are evolving and they're getting more intense and so I think shorter meetings, more impactful time. And again I think you mentioned it with leadership. We've got to do a better job of being more efficient. The days of wasting a couple hours are gone.

### A Midyear Turnaround

Cameron had this to say about the outlook for 2021:

We expect to see Q2, early Q3 be kind of the turnaround for us in our business. And now there's been a ton of demand on what we offer, but the feeling in the environment, the economy for San Diego is that that'll be the time when companies start to think, "Hey we're through most of this." ■



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# Businesses Mitigate Risks of COVID-19, Reliance on the Internet, Life in California

**INSURANCE:** Booming Financial Markets Keep Rates in Check



*Jamie Reid is chairman of the board at C3 Risk & Insurance Services and managing director of the transportation division. He leads the sales efforts and serves select mature business clients that need sophisticated financial strategies to prevent unexpected loss. His background in risk engineering, underwriting claims management and actuary services provides unique insight he leverages to advocate on behalf of clients. Collateral negotiation and swift resolution to difficult claims are among his areas of expertise.*

Thank you, Mark. Your topic as well as what Michael presented is highly relevant to what's going to happen with insurance in the coming years as well, because the cost of insurance has a relationship to financial markets, and it's a basic philosophy of the law of supply and demand. So as the financial markets are doing well, the surplus out of that flows money into the insurance marketplace and that creates a good amount of supply and thus there's a competitive environment. With that, we tend to see pricing soften or go down. Now this is generally speaking. So as we look to emerge out of this pandemic, if the markets stay strong and hold steady, you could generally speaking anticipate the same conditions. But if things become less certain or there's recessive characteristics, then that does have an impact on the commercial insurance marketplace because the supply will then retract and with that there will be less competition and pricing in general goes up.

## Taming 'Nuclear Verdicts' in Auto

So let's speak about a couple of the specific policy types, however, that have different dynamics going on beyond the just general marketplace. The commercial auto market you may have experienced over the past couple of years is a place that we've seen rates increasing and that's primarily because we're all carrying little devices in our hands that are speaking to us throughout that drive. And we're experiencing over the past year 15% less commercial miles on the road while at the same time there was 13% more fatalities. And so what's happening in this space is something called nuclear verdicts. And I think back to the first one I ever heard of. It was an example where a lady burned her hand at McDonald's and I think the jury awarded \$4 million. That's about 20 years ago.

We're seeing that type of behavior happen in jury verdicts, and what is taking place is, if we have a commercial driver that's involved in an accident where a death or a significant amount of injuries occurs, and in that situation the business didn't take preventative measures — to have a cell phone policy, to train the drivers, to make sure that they have hands-free hardware so that the phones are

taken out of their hands — in those cases, we're seeing these verdicts that are becoming \$50, \$100, \$200, \$500 million. And that type of behavior is becoming something that's happening not just in California but nationwide. And it's really starting to drive the insurance marketplace regardless of what the economy is doing, because it's starting to get a little bit out of control.

## COVID and Workers Compensation

We want to touch a little bit about work comp because it's an uncertain place. Obviously we've all been dealing with COVID and in California there's a presumption that if somebody contracted COVID in the workplace, it is covered. So there's some ambiguity there. How do we prevent it or how do we determine if it's contracted in the workplace or not? And so the insurers back in 2019 when they're considering how to price for work comp, they weren't taking that into consideration when they set their rates. So in 2020 when it was mandated to be covered by work comp, you're adding cost to a system that was never anticipated. Now we're starting to experience some work-related deaths and the long-term effects of individuals who have contracted COVID are still to be determined.

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**The cost of insurance has a relationship to financial markets, and it's a basic philosophy of the law of supply and demand.**

JAMIE REID

And so the things that we're seeing first happen in the marketplace are behavioral changes around how underwriters are approaching it. We're starting to see specific industries — many of the same ones that Mark just highlighted around hotels, restaurants, where the exposures are great, grocery stores — we're starting to see insurers restrict their appetite in those places. And again if we take it back to supply and demand, the fewer insurance companies who are willing to participate in that market and keep it competitive means that we're going to start to see costs go up. Now we don't think it's going to be a catastrophic event that happens overnight, but as this unfolds, we have to figure out a way that COVID can be kept in check for our work comp pricing to stay in what has been a very good marketplace with some of the best rates that we've seen historically.

## Handling Risks in Cyberspace

The last thing that I want to comment on is cyber liability. Now cyber liability is something that's relatively new and is the cheapest insurance you can buy at the moment. We are starting to see a frequency of foreign actors who are taking IT systems hostage. And what happens is a business owner gets a call from whoever the first employee is to log on that day: their email systems have been taken, their IT infrastructure has been taken. And that's followed up by some sort of communication on a ransom notice. What happens is if you don't have insurance, they're giving you a demand of \$1 to \$2 million dollars. Frequently you're asked to meet them on the dark web and exchange currency through some untraceable means: Bitcoin or etc.

It's a difficult position to be in because none of us are experienced at how to handle a situation like that. If you have cyber liability in that same situation, we're going to turn the claim into the insurance company. They're going to assign a specialist who will interact with that third party. They will pay a ransom, recover a key that gives you back control of your system and help you prevent those situations from happening again in the future.

And so those are some of the most important things that you should keep in mind as we move forward from an economic perspective on the commercial insurance marketplace.

## Workers Compensation and Fewer Hours

Reid then took a question about refunds for workers' compensation insurance, specifically in a situation where companies paid premiums in 2020 and employees ultimately worked at home, worked on limited schedules or did not work at all:

The most common situation is going to be where a business has taken PPP funds but they were in some form shut down or those employees were not working and they were paid wages. Of course you shouldn't have to pay workers' compensation premium in a situation where employees weren't working. The key thing there is going to be documentation. So you want to be able to show proof that you did indeed receive PPP funds and hopefully there is some sort of communication trail you created where you can demonstrate to the insurance company those workers were put off work in that situation. You should be able to assert that and be able to recover those premiums that were paid for the workers during that time.

## A COVID Case and a Company's Response

Asked how a company responds during a situation where an employee is sick, possibly with COVID-19, but the case is not work related, Reid had this to say:

This is really around an investigation. So it kind of sounds harsh to say it in that situation. But that is what it is. There are ways to establish a nurse triage line where when your employee calls in, you connect them. It's the same way that many employers report their work comp claims and we need thorough investigation to understand anyone in their family who may have already contracted COVID, any of their friends, how they're socially spending their time outside of work and then similarly inside your own work, the types of people that have either been exposed or contracted that. Because the current presumption puts that burden on the employer. So there's an assumption there that it is work related, unless we can prove otherwise. Businesses do need to take those steps to protect themselves.

## 'On Vacation With Your Team'

Asked about the office environment in the recent months, Reid responded this way:

I'll just say I sure missed the heck out of our team and I hope we get back to a place where we're getting out a little bit. We've always had a flex environment and I think that we use it a lot like was just described, and so it makes it almost like going on vacation with your team, right? You're not around each other all the time and when you are around each other, it's electric, it's fun, there's more energy. So I hope that for the businesses that can do it, they use it in a positive way and hopefully we all get back to that sooner than later.

## Bottom Line

Asked about the outlook for the San Diego economy in 2021, he had this to say:

I absolutely see a positive outlook. ■





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# Biotech, Health Care Are Pivotal Parts of Economy; Deloitte Has a Front-Row Seat

**LIFE SCIENCES:** Next 20 Years Promise Some Dramatic Changes



*Juli Moran is the consulting managing director with Deloitte Consulting LLP and serves as the Deloitte San Diego office marketplace leader. In this role she helps to drive client and business growth, brings strategic insight and facilitates complex transformations for clients by leading cross-functional teams and solutions. She maintains her client services responsibilities as a lead client service partner. She is responsible for the overall relationships for a select number of Deloitte strategic life science clients in the Western region.*

I am thrilled to be here today. My background is all life sciences. So while San Diego has a real broad footprint of industries, I'm going to focus on life sciences and really what that impact is going to mean as we come out of this pandemic.

When I think about San Diego, to me it's a great example of what we would call an innovation ecosystem. And the definition of that is really a cluster of synergistic forces. If you think of Michael Porter's cluster theory, one great example of that is Silicon Valley in the early 1990s, and I think globally we have quite a few of these that have basically just erupted over the last decade in life sciences: Berlin, Tel Aviv, Boston, Shanghai. And as San Diego is one of the largest life sciences marketplaces in the United States, it's right up there with all these examples. So when we think about what is it that is contributing to that innovation and really making us a unique ecosystem, it's some of the things that all of you have mentioned already. We've got an enormous environment of enabling institutions. There are over 80 research institutes and universities in the San Diego region. That's phenomenal. And from those we graduate over 7,000 STEM professionals a year. So the talent basis that's available here is incredible. What that's actually done is it's brought many of our headquartered life sciences companies that are headquartered elsewhere into San Diego because of the research talent that's here. And they operate huge significant research and development organizations right here in San Diego because of that talent base.

## Capital and Specialized Knowledge

The other thing that's really necessary is that startup activity, that entrepreneurial community and what we have here is very unique. Thinking of the last few years, we probably have almost \$3 billion annually in terms of investment from venture capital in these startups in the industry, and that's pretty phenomenal. But what's even more phenomenal about that is we don't see a downturn in that right now — even with this pandemic. So we've really seen an even if not increased investment in venture capital. Mark mentioned that also.

The government policies, I think San Diego as a city has really done a lot to help establish these incubators. We've had a significant number of incentives to bring them and keep them here.

So all of those things really are bringing what we bring together as an ecosystem. I think Mark mentioned there's over 130,000 health care jobs. Now looking at just the life sciences part of that, it's over 50,000 of them, which means we're contributing significantly to the real estate market for both residential and commercial. The lab space and product development space that's involved in all that is significant and we haven't seen a downturn on that side yet either.

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**We probably have almost \$3 billion annually in terms of investment from venture capital in these startups in the industry, and that's pretty phenomenal. But what's even more phenomenal about that is we don't see a downturn in that right now — even with this pandemic.**

JULI MORAN

So even when we've had some of our life sciences companies really grow and expand, and they've needed to source labor elsewhere — maybe a more economical basis — we've definitely seen them keep these higher-value, high-impact jobs here. So even if they put up a shared services site offshore or in another area of the country, the actual headcount in San Diego from those companies has not decreased and in many times it's enabled them to actually increase their headcount here. I've also seen so many instances when our serial entrepreneurs have a successful commercial event and they get acquired by somebody. They turn right back around and reinvest in another company or start up another one. So we have an ecosystem here that keeps our executives. It keeps those serial entrepreneurs and they're continuing to reinvest. We're really resilient from that perspective.

## Shaping the Future of Health

Deloitte's really been thinking about what's the future of health. And the COVID-19 pandemic has just exacerbated the deficiencies in our health care system and it's really catalyzing change. All of our speakers today have mentioned something that is part of that change and it's something where it's not just the life sciences sector that is going to be a contributor to what does the future of health look like in the next two decades. It's going to take a multitude of industries to really contribute to this and actually realize that success and digital transformation and that future of health. So if we think about curative therapies, we're going to have to change our perspective of what does a cure mean. Some of the things that our biotech clients are doing in terms of immunotherapy, I might be a cancer patient but I may be able to keep those numbers down with these very unique immunotherapies. I can be considered cured and that's a very different business model from something that we've thought of in the past with pharmaceuticals.

Personalized medicine is absolutely front and center too in San Diego. If we think about really diagnosis of a particular patient, we need that genotypical, phenotypical data merged with the clinical data to come up with a very specific individualized cocktail and treatment protocol, and that's now possible. We think of digital therapies. We can now use different wearables and other wellness techniques and interactions with

the customer to really change their behavior and actually impact their health. Which gets us to the last area that we see in the next few decades. We're going to actually be treating a patient differently where I'm not treating disease but I'm very focused on prevention, intervention and wellness. So that patient and that consumer is really going to become the nucleus of healthcare over the next couple of decades. We're going to need AI, robotics, 3-D printing, all of that will become kind of course where we really have personalized medicine enabled.

## San Diego's Secret Ingredient

Asked about what makes San Diego unique or positions it differently, Moran had this to say:

I think it goes back to that ecosystem, when we think about the research institutes, universities and health-care providers that we really have here. I always love the quote, “success brings opportunity.” And what that really has done is created an environment where there are very strong relationships between the commercial organizations and companies that operate here in the life sciences sector and those research institutes, universities and health care providers. That really creates different relationships and it's fostering innovation. I think we also become what we hope is we can contribute back to the economy more quickly as we come out of this. That medical community has been a great, great consumer of hospitality and travel in San Diego with the symposiums and medical conferences, just even healthcare as a tourism event. So we really hope to contribute to that and spur that on when we come out of this.

Asked about areas that are positioned for growth in San Diego, she had this to say:

We definitely have a few very unique segments. San Diego offers a multitude of companies really at the forefront of innovation there. Diagnostics are front and center. I would have always said that it's imaging and the big guys, like GE Healthcare and that that was really the diagnostics — but that's not anymore. I think what we're realizing is we really have an ecosystem here that's got that scientific basis that's fueling these very unique, very personalized and very quick turnaround diagnostics. Many of these organizations have been front and center to what's happened with COVID-19 and testing and bringing the vaccines.

Personalized medicine, and this is another area where it's not just life sciences. It's our high tech, it's the bandwidth that we need to be able to do this and work virtually, so Cox and everybody's part of this, the telemedicine. Some of the interoperability between both the payers and the healthcare system, and in that individual patient and we get into consumer products there and wearables. So I think that we've got nutrition and food science. We really check all the boxes in terms of some of the really interesting industries that contribute to that. I think they've got great potential in terms of growth.

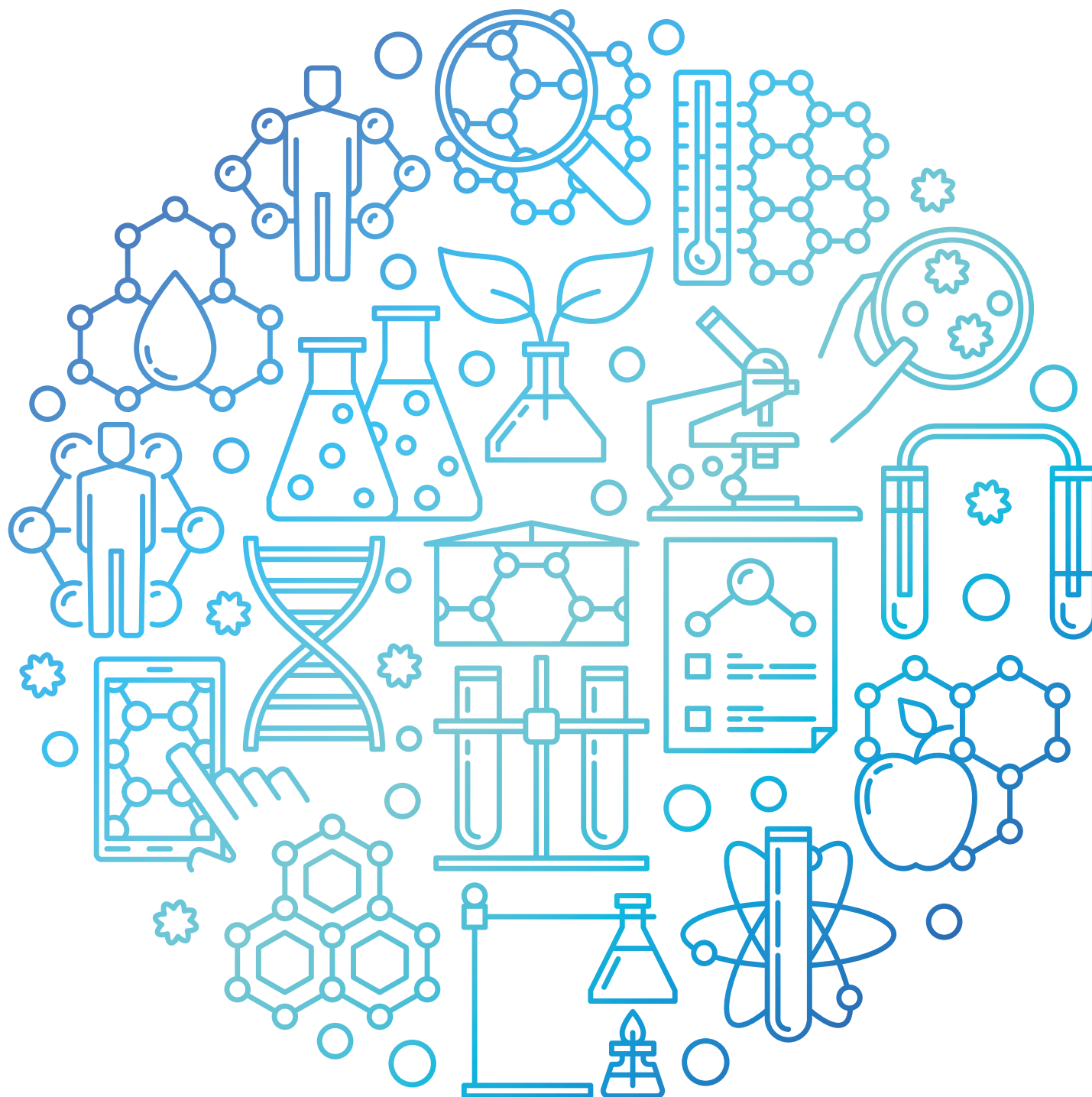
## The Future of Bricks and Mortar

On the future of office space and real estate, Moran had this to say:

Actually pre-pandemic, we've been helping some of our clients try to really classify certain roles as potentially flex on site, so that they could get a little bit of runway before having to lease the next building or build another building. So I think the permanent solution, because we have had success with certain functions and roles within a business community being offsite and working remotely successfully, is they're going to think of their commercial space as really a collaboration location, a touch point for meeting, a touch point for design and innovation, but not necessarily everybody has to have a seat. And I think it's going to help them even with attracting talent, retaining talent. But you know they're not going to get rid of their space or necessarily downsize it. They'll use it differently and it will enable them to continue to grow and stay here in San Diego. ■



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## Wells Fargo and Gallup Find Optimism As Entrepreneurs Think About Plan B

**SMALL BUSINESS:** Keeping Informed, Keeping Perspective Are Key



*Joe Trimble serves as vice president and small business leader for Wells Fargo's Desert Mountain Region. He joined Wells Fargo in 2001 and since then has held numerous roles in different locations within the bank's consumer banking division. Currently, Trimble is responsible for building Wells Fargo's engagement strategy with business owners in the 0 to \$5 million revenue segments by educating and developing talented small business relationship managers in Arizona, Nevada, New Mexico and Southern California.*

I have the privilege of supporting small businesses in a territory that stretches from New Mexico to San Diego and what that gives me the privilege to do is truly understand what small business owners are experiencing in today's environment.

I'll start today by sharing a little bit about the ever-changing landscape. When we think about this changing landscape from COVID-19 cases, surging restrictions and what they mean for my business and how I will continue to thrive are what is top of mind, according to data from the Q4 Wells Fargo Gallup Small Business Index Survey.

While the overall index score rose 12 points, optimism levels remain nearly half of what they were in late 2019. As you can see, owner optimism regarding their present situation, which saw sharp declines in Q2 and Q3, rose slightly. Optimism around future expectations among owners continue to rise in Q4. This indicates continued resilience from business owners but as optimism levels remain half of what they were in 2019, this is where I feel the community can really rally around its small business owners.

In recent news you may have seen how we are doing that at Wells Fargo. We recently selected Accion for a \$2 million local small business recovery grant. This grant will provide funding aimed at helping racially and ethnically diverse entrepreneurs in Southern California impacted by COVID-19.

### Optimism About 2021 and Beyond

Let's dig into the highlights of the Q4 survey. The number of owners that felt the economy was growing climbed 9 points to 29%, but 33% maintained it was continuing to slow, while a combined 38% said it was in a recession or depression. When asked about the timeline for economic recovery, 28% said it would not come until the second half of 2021, while over one-third — 34% — did not anticipate recovery in 2021. Over half — 57% — also said the recovery of businesses like theirs from the impacts of COVID-19 would take until the second half of 2021 or beyond. Further, over half of owners said that their business would not recover its pre-pandemic levels of revenue for up to a year.

Though COVID-19 continues to weigh on small businesses owners are focused on staying positive and continuing to make thoughtful decisions. Sixty-nine percent

of business owners rated their company's future financial situation as good or somewhat good and the measure lifted to 73% when asked about 12 months from now. With the shifts and changes small businesses have had to quickly make this year, 46% reported decreases in revenue, but 53% expect revenue to increase over the next 12 months. Indicators showing a very deliberate approach to weathering the storm in 2020 include only 23% of owners acknowledging investing in their businesses this year and only 13% reporting adding employees. Yet for the next 12 months, business owners hope to increase those numbers with 30% investing in their businesses and 25% adding to their staff. Owners seem to be acknowledging the challenges of COVID-19 which continues to bring their business closer to helping this resurgence or this recovery that we continuously hear about and I'm proud to say that as we continue to support small businesses at Wells Fargo, we will continue to lean into these indicators that help us provide the level of service that our small business owners who bank with us deserve.

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**As we move to the future, I really see adaptability becoming somewhat of a level of intelligence. There's that moment when, as a business owner, in order to get your customer base back to the levels it was before, your business model can't stay the same.**

JOE TRIMBLE

### Planning in 2020, Adapting in 2021

Asked about other key trends for 2021, Trimble had this to say:

In the two slides I just reviewed, we saw optimism rise 12 points. I think about the current environment and when that happened — you know that was Q4, which typically is our busiest shopping season of the year, which typically is the moment when we spend more time going out, spending money, putting that back into the economy — and even though that not all of that happened because of the spike in cases and those restrictions became more stringent or maybe weren't there and then appeared, it really caused business owners to have to pivot and be adaptable. And I think that's where we see this new environment. As we move to the future, I really see adaptability becoming somewhat of a level of intelligence. There's that moment when, as a business owner, in order to get your customer base back to the levels it was before, your business model can't stay the same — nor can that plan that you had in place that did not anticipate the pandemic. To me, that's where the landscape has to adjust, or at least our mindset of the landscape has to adjust, because how we did business may not be how we need to do business in the future.

### The Bad News Bubble

Asked for thoughts about technology investments, infrastructure and things the data might be telling him, Trimble had this to say:

One of the most challenging parts of COVID-19 is the uncertainty. So much is unknown about treating the disease, and when a vaccine will emerge. Planning ahead can really feel daunting, although when we think about how we overcome that, it truly is being or staying informed.

That is the constant drumbeat that will avoid that fall into what I refer to as “the bad news bubble” which continues to put these burdens or that sense of feeling like I'm burdened by everything happening around me.

What I always tell business owners is really try to pinpoint what's most important to your business and use news articles, use reference points. I really like to lean on the website [smallbusinessresources.wf.com](http://smallbusinessresources.wf.com) ... it is one of Wells Fargo's internal sites that allows you to see exactly what business owners are doing to stay afloat during this time and to really get to that moment where they feel like they're thriving again. Keep in mind, business owners, that unpredictability doesn't need to lead to an overhaul of how you do business. Like you said, Mark, most of the times it's just taking the plan that we have and making some adjustments. But I think the big part that we avoid, or we don't talk enough about, is projecting again what future hardships could our business face, especially when we think about the industry type that we're in. The great news is there's so much data right now, I think that's kind of what I've seen come out of COVID is I've seen data points that share really the specifics of how consumers are buying. And as a business owner, really understanding what those specifics are will help you drive certain scenarios. I think about cash flow forecast. It's one of my talking points that I really highlight with business owners as I interact with them, because that forecast will help that prediction which then removes that feeling of uncertainty.

### Patio Dining and Other Options

On the future of real estate, Trimble had this to say:

It's not the downsize that's starting to take effect. It's really how can we use the space better? And the good news is, I think a lot of business owners were already starting down that thought process pre-COVID. Unfortunately, COVID brought those thoughts to the forefront. But when we re-pivot and adjust our business model, you know restaurants are a good example of that, having limited or even reduced capacity and moving things to an outside capacity. When we get back to a place of somewhat normalcy, how do we continue to do almost a mesh of those two and leverage the outdoor and the indoor to create an environment where our customers feel safe? I think that's the most important piece for business owners is that safety component for their employees, but also for their customers if those customers are frequenting that business.

### Maintaining Employee Motivation

Asked about investing in the mental health and mental well-being of employees, Trimble had this to say:

Keeping an open door policy, I think that's important. As an employer, as a small business owner, you know a lot of the business owners that I've talked to that have gone through that: that lull of when they had employees and then they had to displace and then bring them back and then in some cases maybe even put them back on furlough. And unfortunately that that creates stress, and I think to Julie's point, it really is about mental health and understanding what keeps our employees motivated.

As I think about the team that I have the privilege of supporting, trying to dig in, and what are their goals, and what do they want to accomplish, what keeps them up at night. I think that's an important question to ask and to really get to know especially if you're thinking about the layers in your business and if you're thinking about middle management or the ones that that lead employees, it definitely is a tactic that will drive more success. Because in this environment, even though we're not in person and you know I live and breathe this, I tend to travel and I haven't at all, and even with that comes exhaustion. I know being on Zooms all day is tough, but how we use the time on that Zoom I think is what's critical. ■





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## Jacobs & Cushman San Diego Food Bank Filling Needs Among the Working Poor

**PHILANTHROPY:** Organization Pivoted Quickly With Arrival of COVID-19



*The Jacobs & Cushman San Diego Food Bank was the charity event partner for this year's Economic Trends event. Jim Floros, president and CEO, spoke of the organization's work. The Jacobs & Cushman San Diego Food Bank also runs the North County Food Bank.*

I love the speakers. All of this is truly interrelated. Pre-COVID, we estimated about 1 in 7 people in San Diego County are termed food insecure people, without a reliable source of food, not knowing really where their next meal is coming from, skipping meals. So about 450,000 people in San Diego County were termed food insecure pre-COVID, and the San Diego Food Bank feeding about 350,000 of those people every month.

### Expanding Services, Practically Overnight

Then COVID hit. No one could have really seen that coming and our numbers jumped dramatically. We went from feeding 350,000 people a month to nearly 600,000 people, which felt like it was almost overnight. I'm very proud of our organization. Being a local organization, we're very adept to pivoting and creating new strategies, and within 72 hours we were on phase one of our response. We went to phase two. Phase three included our super pantry program where we took 35 of our 500 nonprofit partners and made them high volume, high frequency distribution sites because we just had to get a lot more food out in the community. In typical months we used to distribute about 3 million pounds of food. As you saw in December, we did 6 million pounds of food. That is about the equivalent of about 5 million meals just in the month of December. The stat you saw in the video, 48 million pounds of food, well, that's already overdue and we're already at 52 million pounds of food, so it is crazy days for the staff and the volunteers for the San Diego Food Bank.

A segment of the population that wasn't normally in our service population was the hospitality industry, really hit hard. I think someone told me about 80,000 of those individuals laid off, losing their jobs, people in the restaurant community or what have you, but so many other layoffs, so many other businesses have tried to hold on, but they're under now a third or fourth round of layoffs — so again, so many people affected by the COVID crisis. While most people think that we're serving just the homeless or people on government assistance, nothing could be further from the truth. It's seniors on a fixed income, children living in poverty, believe it or not active duty military and the working poor.

And I'm going to spend most of my comments today talking about that largest segment of our population being the working poor. These are people who are struggling to make ends meet, trying to do the

right thing. About two-thirds of our service population actually have at least one wage earner in the home and so but they're many of them are unemployed, they're working multiple jobs, just really trying to make ends meet and then and living in San Diego — high costs of housing we know that is a challenge too and everything really starts with food and shelter. So anyway, we know that a lot of people in our community that are hurting.

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**We went from feeding 350,000 people a month to nearly 600,000 people, which felt like it was almost overnight.**

JIM FLOROS

### Breaking the Cycle of Poverty

One of the things that we know is that the cycle of poverty is really what is affecting the working poor and people who are primarily our service population. We know that nutrition-related disease is linked to poverty and when people have less resources, they have a hard time affording protein and fresh produce. And what can they afford? High sugar, high salt, high fat. So what you're seeing is generations of unhealthy people directly related to a poor diet which is directly related to poverty, rampant obesity, diabetes, heart disease, hypertension. Actually one of the leading determinants for mental health issues later on in life is food insecurity as a child. So you want to talk about drain on health care and you can talk to any healthcare professional, the number of people that they treat for preventable diseases is really affecting our economy, really affecting our health care system.

### The Link Between Food and Education

Then let's flip the coin and let's talk about academic performance. Children who aren't eating before school, they're not eating over the weekend. And when their families do feed them, they're not feeding them nutritious food, and we know that poor nutrition adversely affects the child's cognitive, physical and emotional development. So the chances for a strong academic outcome become compromised, so those individuals are less likely to graduate from high school. They're more likely to go into a low-wage job, become unskilled workers, not be able to support their family and again there is the cycle of poverty and we truly believe that education is the major vehicle to break the cycle of poverty.

And not only are we focusing on the school-aged children, but we're focusing on college students because we realize that about 40 percent of college students are actually food insecure. We start hearing stories even at UCSD; 44 percent of UCSD students are food insecure. So when you hear stories of students — not necessarily young adults, they could be older adults maybe going to a community college, working during the day and trying to get a better education, get a better job — yet they have to choose between books and food. That creates a lot of hardship. And so we are working really hard. We have a food pantry partnership on every college campus in San Diego County.

So we are laser focused on education. We're laser focused on nutrition and really focused on breaking the cycle of poverty. So many people in the hunger

community think the way to end hunger is by being more effective in feeding people. Being better at feeding people doesn't end hunger. Truly if you want to end hunger, you need to look at the root causes of poverty and really break that cycle of poverty, and if we can do that locally here in San Diego County, not only will those people who are lifted out of poverty benefit, but our entire economy and our entire community.

So on behalf of the San Diego Food Bank and the 600,000 people we're serving every single month, we appreciate the opportunity to present our important work and how truly food insecurity directly relates to our local economy.

### On Aid for Tourism and Hospitality Workers

We are entering phase four of our COVID response because we see certain conditions and we adapt, which is something that as I mentioned we're really good at. We think it could be two or three years before that segment of the industry really recovers and we know a lot of restaurants and bars are never going to come back. One of the things we've seen is that there are people in that industry in particular that are reluctant to seek help. I hate to say it, but I think some people are embarrassed that they have to ask or they're embarrassed to go to a food distribution. So actually we've just started on phase four of our COVID response and we are starting to do targeted special distributions just for the hospitality industry. We've done two of those so far in conjunction with the RedCoats and the Holiday Bowl and the San Diego Tourism Authority and will continue to provide that special assistance to that segment of the population.

### On Aid Programs and Child Care

We talked about nutrition, nutrition education changing bad habits. That's a key. CalFresh, which many of our viewers know as food stamps, it's called SNAP, it's a flawed system. CalFresh or SNAP is the number one vehicle to end poverty to help people who are food insecure. That's a flawed system and what you find is some people actually are better off on CalFresh than they are in going back to work. So that system needs to be created where you can have a low-paying job and get some kind of assistance, then you can provide that nutritious food to your families.

And then child care is a huge, huge challenge because for couples, they can't afford child care, so one parent has to stay home. Now you're living on one salary and it's \$20,000, \$30,000. So to have more free access to child care for low income families that would go a long way towards helping these people lift themselves out of poverty.

### On the Outlook for Growth

I think we're going to weather the storm. I think we're very resilient. For us, we know there's going to be a full-blown recession. I don't want to be Debbie Downer, but we're expecting an increased need for probably two or three years because now we've got a full blown recession. So things will be busy for us for the next few years for sure.

### On Employee Well-Being

Asked about investing in the mental health and mental well-being of employees, Floros had this to say:

It still goes down to culture. One of the things that's gotten us through the pandemic is we created a culture of people dedicated to our cause. And so there was never a flinch or a panic, and people want to be here. And we've been on the front line. We're not working remotely. I think that's a given in any business situation, especially with a nonprofit: you hire to culture, hire the right people. ■





## 3 Ways Your Company Can Help the Food Bank Feed Families in Need and Those Impacted by the COVID-19 Pandemic

### 1) Volunteer

Volunteer at the San Diego Food Bank's 90,000-square-foot warehouse in Miramar or the North County Food Bank's 40,000-square-foot warehouse in Vista.

- » The Food Bank is following all social distancing protocols and health and safety guidelines set by the CDC, state, and local authorities.
- » All volunteers wear PPE including masks and gloves, and our facilities are disinfected regularly.
- » We offer 2- or 3-hour volunteer shifts Monday through Saturday. For more information, visit: [SanDiegoFoodBank.org/Volunteer](https://SanDiegoFoodBank.org/Volunteer) or [NorthCountyFoodBank.org/Volunteer](https://NorthCountyFoodBank.org/Volunteer)

### 2) Donate Through Payroll Giving

Donate monthly through your company's payroll giving program. Your donation could be doubled with a matching gift from your employer. To see if your employer participates, visit: [SanDiegoFoodBank.org/Payroll](https://SanDiegoFoodBank.org/Payroll) or [NorthCountyFoodBank.org/Payroll](https://NorthCountyFoodBank.org/Payroll)

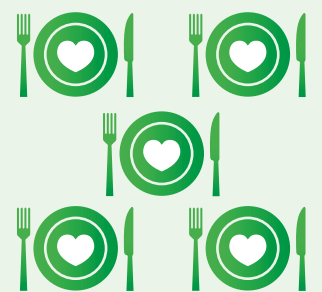
### 3) Host a Virtual Food Drive

Host a company-wide Virtual Food Drive this holiday season!

- » You can donate food easily online via the Food Bank's website.
- » Using your logo, we can customize a Virtual Food Drive for your business!
- » Set up a competition between departments to see who can raise the most food. For more information, visit: [SanDiegoFoodBank.org/Virtual](https://SanDiegoFoodBank.org/Virtual) or [NorthCountyFoodBank.org/Virtual](https://NorthCountyFoodBank.org/Virtual)

*Every \$1 donated provides 5 meals!*

**\$1=**



*The Food Bank is a 4-star Charity*



The Food Bank has received Charity Navigator's highest rating for eight consecutive years. Only 7% of charities nationwide receive this rating.



[SanDiegoFoodBank.org](https://SanDiegoFoodBank.org) | [NorthCountyFoodBank.org](https://NorthCountyFoodBank.org)