

# HOW TO START A BUSINESS

IN

# SANTA BARBARA COUNTY

Fifth Edition

© April 2006

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The Service Corps of Retired Executives Association

Chapter 166

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## Economic Development Program

The mission of the Economic Development Program is to improve quality of life and job prosperity by engaging communities and stakeholders with respectful consideration.

The objectives of the program include: 1) pursuing the reduction of poverty through economic vitality, 2) capacity-building through the development of essential infrastructure, 3) collaboration with local organizations and communities to improve the business climate in the local economy. The program also implements a Comprehensive Economic Strategy, which allows local governments to pursue state and federal economic development funding.

### Santa Barbara County –Great Place to Do Business

**Santa Barbara County ranks in every survey of best places to do business, including:**

<p><b>Milken Institute</b>                  #2 – Best Places in California                  #16 – Best Places in U.S.  <a href="http://bestcities.milkeninstitute.org">http://bestcities.milkeninstitute.org</a></p>	<p><b>Forbes Magazine, 2005</b>                  #4 – Best Places in California                  #49 – Best Places in U.S.  <a href="http://www.forbes.com">www.forbes.com</a></p>
<p><b>Inc. Magazine, 2005</b>                  #6 – Best Places in California                  #20 – Best Places – Medium Sized Cities, U.S.  <a href="http://www.inc.com">www.inc.com</a></p>	<p><b>Creativity Index, 2005</b>                  #19 – Innovation Index                  #28 – Overall ranking                  #3 – Medium Sized Cities  <i>The Rise of the Creative Class, 1999</i>  <a href="http://www.creativeclass.org">www.creativeclass.org</a></p>



## FOREWORD

“Your success is our reward”

One of life's most exciting and rewarding challenges is owning your own business. It is as much a part of the American dream as owning your own home. America's small businesses employ more than 58% of the private workforce, generate more than 51% of the nation's gross domestic product, and are the principal source of new jobs. While the risks are great, the opportunities and rewards are even greater.

Information included in *How to Start a Business in Santa Barbara County* is both general to the State of California and specific to Santa Barbara County. This guide outlines the different forms of business organization and the establishment of a basic business plan. It assists you in securing adequate financial support, complying with federal, state and local tax obligations and obtaining necessary licenses and permits. Most of all this guide tells you where to find assistance and whom to call for answers to specific questions.

*How to Start a Business in Santa Barbara County* is designed to

give you the information you need before you open your business.

Remember that getting off to a successful start requires much hard, and somewhat frustrating, work. There are many agencies and organizations whose primary responsibility is to assist you in beginning or expanding your business. Don't be afraid to ask for help. Take advantage of the numerous addresses and telephone numbers included in the following pages.

The preparers of this booklet hereby acknowledge the significant contributions of the Fresno County and San Luis Obispo SCORE organizations.

While every reasonable effort has been made to ensure that the information was accurate as of publication date, SCORE will not be liable for any damages arising from the use of, or reliance upon, the information contained in, or omitted from, this publication.

## **INTRODUCTION TO SCORE®**

SCORE is a respected association of volunteer business counselors providing professional guidance and information to small business owners and prospective entrepreneurs, through a national network of chapters, strategic alliances, and a partnership with the United States Small Business Administration (SBA).

SCORE was created by the SBA in 1964 to provide management assistance to small businesses. An independent non-profit 501(c) (3) association operating with SBA funds, SCORE works cooperatively with the SBA and other governmental and private agencies to strengthen local and national economies by promoting the success of small businesses.

SCORE is one of SBA's primary resource partners, along with Small Business Development Centers (SBDC) and Business Information Centers (BICs). From time to time SCORE also enters into strategic alliances with private profit and non-profit organizations for the benefit of clients, members, and local chapters.



### **SCORE Programs and Services**

**Counseling and mentoring.** This service is free of charge and limited to U.S. citizens and resident aliens. Counseling is often one-on-one with a SCORE volunteer and the client, but may also involve a team of counselors. Mentoring involves a longer-term relationship with a client. In the mentoring relationship, the counselor is an advisor and sounding board for a variety of issues.

**Educational workshops and seminar programs.** SCORE chapters annually conduct more than 5,000 workshops nationwide on topics related to small business formation, management, administration, growth, and business sales or purchase. Most chapters charge a nominal fee for workshops to defray actual costs.

**Online counseling via e-mail.** This service is offered through the national SCORE web site at [www.score.org](http://www.score.org). SCORE member counselors from across the country use the web site to participate in an exciting online client counseling service. The same quality and professional standards that apply to face-to-face counseling apply to e-mail counseling.

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## **TURNING YOUR IDEAS INTO A BUSINESS**

### **Should I Start My Own or Buy an Existing Business ?**

The purpose of this publication is to help you start your own business. There are other alternative ways of going into business, for example:

- Buy an existing business
- Become a franchisee

### **Buying an Existing Business**

We suggest you contact your accountant or business broker if you are interested in buying an existing business. A thorough knowledge of the business you are buying is mandatory and having some years of experience in that kind of business is necessary — just a "good feel" is not enough.

### **Becoming a Franchisee**

A franchise is a form of licensing: it is a method of distributing products or services. A typical franchise is simply an agreement between a seller and a buyer that permits the buyer (franchisee) to sell the product, method or service of the seller (franchisor). The seller's knowledge, image, success, manufacturing and marketing techniques are supplied to the buyer for a royalty fee and often an initial payment.

### **Advantages**

Proven business methods and services: i.e. location analysis and counsel; store development; advertising; merchandising counsel and assistance; and financial assistance in the establishment of the business.

- Initial employee and management training, and continuing management counseling.
- Ready-made business without having to build up slowly.
- Established reputation.
- Reduced risks.

### **Disadvantages**

- Lack of independence.
- Continuing obligation to the franchisor.
- Lack of individual identity.
- Contract agreement difficult to cancel.
- Failure of franchisor to provide contracted services.
- High costs for product.

You may want to contact the following for assistance:

**International Franchise Association (IFA)**  
1501 K Street, N.W., Suite 350  
Washington, D.C. 20005

Phone: (202) 628-8000. Fax: (202) 628-0812

[www.franchise.org](http://www.franchise.org)

The IFA sponsors franchise management workshops, franchisor-franchisee relations seminars and trade shows.

### **American Association of Franchisees & Dealers**

PO Box 81887

San Diego CA 92138-1887

[www.aafd.org](http://www.aafd.org)

(800) 733-9858. Fax: (619) 209-3777

AAFD helps franchise systems promote more equitable relationships through Total Quality Franchising.

## **The Idea**

If you have decided to start your business from "scratch" you need to know how to find a good idea and turn it into a good business opportunity.

Business opportunities usually develop from simple ideas that come from ordinary sources. They do not have to be sudden flashes of inspiration. Many very good ideas have come from frustrating experiences as a customer, suggestions from friends or business colleagues, or from personal interests.

To find a good idea and turn it into a good business opportunity, it is critical that you focus your idea, set a goal and then get information and feedback on your idea.

## **Focus Your Idea**

A business idea should be well focused. You should be able to explain it clearly and simply to potential customers, future employees and investors. It should be straightforward and easy to understand.

If you are unable to describe your business idea in less than fifty words, you may need to take another look at your idea. Perhaps your idea isn't clear.

## **Set a Goal**

Once you have focused your idea, set a goal that fits your idea. Think about where you want your business to be in one to three years. Make sure the goal is ambitious yet achievable, and, most of all, keep it simple. Like your idea, your goal should be easy to explain to potential employees, financial sources, etc. The easier your idea is to explain, the easier it will be to achieve.

## **Get Information and Feedback on Your Idea**

Once you have set a goal, you must learn as much as possible about the industry or the market. You can do this by examining your competition, talking to potential customers and taking advantage of the many other sources of information available in the Santa Barbara area.

## Examine Your Competition



Finding out what your competition does to stay in business can be one of the most important forms of market research that you will ever conduct. Read your competition's literature.

Your competitor is in business for a reason. You must find out what that reason is and what's going to make the competition's customers come to your business and buy your product or service instead of theirs.

You don't have to reinvent the wheel. If your competitor is doing a good job, why not take the best of his ideas and throw in a few of your own?

Ask your family, friends, and co-workers, "What do you think of this?" They will be glad to help most of the time.

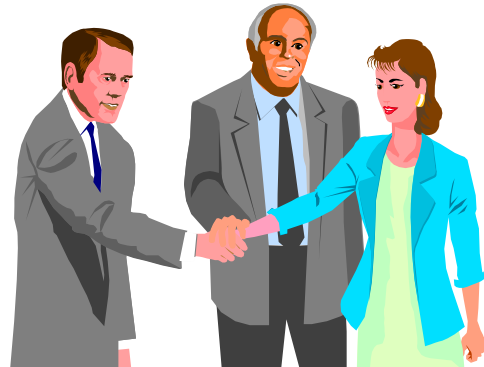
Seek out the competition and find out what you are up against in the marketplace. Is there room for another competitor in your community? Is there a profit potential or will another competitor be too much competition to make a profit?

## Talk to Customers

Successful businesses all seem to have at least one thing in common. Business owners continually conduct the most basic of all forms of market research: They talk to customers.

Talk to potential customers about your idea. If you speak enough with potential customers, you will develop a vision of what is needed in the community. You can tailor your product or service to meet that need.

You really need to tune into your customers? where they are, who they are, and what makes them buy. You need to know why they are buying, what they are buying now, if they will actually buy your product or service, and how that fits into your scheme of things. If you do not attract and hold customers, you are not going to be in business very long.



## Other Sources of Information

For you to gain the knowledge necessary to turn your idea into a successful business opportunity, you must get feedback. Before starting your business, get additional information, such as:

- Talk with suppliers.
- Attend trade association shows.
- Contact SCORE (Service Corps of Retired Executives) through any of the Chambers of Commerce in Santa Barbara County or at the SCORE Center in Santa Barbara, at 805-563-0084, and Santa Maria, at 805-739-8928. They will put you in touch with a SCORE Counselor. These former business people can help you evaluate your idea, share marketing experience, help you formulate a business plan, and offer

seminars throughout the county.

- Spend time in local libraries and those at UCSB and Santa Barbara City College reviewing demographic information, etc.

Now that you have thought long and hard about whether your idea can be turned into a successful business, you need to ask yourself why you want to go into business. Do you have the characteristics necessary to become a successful business owner? Have you realistically looked at the advantages and disadvantages of owning a business? Are you aware of some of the common problems faced by small business? These are questions you must ask yourself before, not after, the business has started.

## **ARE YOU READY TO START YOUR OWN BUSINESS?**

One of the first steps that you should take before deciding to go into business is to determine why you, the prospective business owner, want to go into business. Have you realistically calculated many of the advantages and disadvantages of owning a business? Do you have many of the essential characteristics to be a successful business owner? Are you ready to handle the common types of problems faced by small businesses? Are you ready to make the commitment and take the risks? Are you sure that this is what you really want? These are important questions that you need to ask yourself.

## **Advantages and Disadvantages of Owning a Business**

### **Advantages**

- Being your own boss.
- Direct involvement in all business decisions.
- Close contact with people (customers, employees, etc.).
- Potential for higher income.
- Independence and personal satisfaction.
- Creative opportunity.

### **Disadvantages**

- Vulnerability to economic changes.
- Long business hours, possibly few vacations.
- Necessity to be competent in most areas of business.
- Greater financial risk.
- Responsibility for employees, creditors, customers, etc.
- Having to meet obligations when inconvenient.
- Frustrations from customers, suppliers, government, etc.

## **Profile of a Successful Business Owner**

Successful business owners are known to have certain general attributes and characteristics that distinguish them from other people. These characteristics do not guarantee success in business, but acquiring them can

increase the probability of success. You may not have all the experience necessary for starting a business, but you have to be willing to learn. Concentrating on and developing the characteristics and actions of successful business people can improve the odds of success in your new business.

Below are several major questions concerning a business owner's characteristics and attributes. Take time to answer these questions honestly. If the majority of answers are "yes," then you probably have what it takes to start and run your own business. If your answers are "sometimes" or "no," it is suggested that you choose partners or possibly employees in your business who are strong on your weak points. Having a business team with strengths and characteristics that complement yours can be a deciding factor in the success of your business.

### **Drive and Perseverance**

Do you have the drive, persistence, and ambition to achieve and grow? Are you completely committed and determined to attain your goals? Do you strive to achieve excellence? Do you seek and take initiative? Are you a leader? Do you have a high level of self-confidence? Are you a hard worker? Do you have a need for status and power? Do you have good health and an enormous amount of energy?

### **Responsibility and Risk**

Are you willing to accept complete responsibility for yourself and your business? Do you take charge of things and see them through? Are you willing to assume risk (financial, career, family)?

### **Human Relations and Management Skills**

Do you get along well with others? Do you level with people and say what you mean? Are you trustworthy and reliable? Do you have patience? Do you have the ability to organize well? Can you make quick, confident decisions that are still well thought out? Do you have a tolerance for ambiguity, stress, and uncertainty? Are you aware of your strengths and weaknesses, as well as your partners'? Do you have good communication skills? Do you carefully read and understand important papers and documents before signing them? Do you seek and use feedback from your past actions?



## Mental Ability and Technical Knowledge

Do you have a "nose" for business? Are you creative and innovative? Do you have analytical skills? Do you have a "head" for numbers? Do you know or are you willing to learn the technical aspects of your business?

Successful business owners are not gamblers. They view challenges as opportunities rather than risks. They can recognize an opportunity and know how to take advantage of it.

Successful business owners are fanatics about fundamentals. They pay dogged attention to their firm's finances, operations and the external forces that affect them. They have the ability to think like their customers and cannot put up with bureaucracy. One of the predominant traits of a successful business owner is perseverance to the point of obsession. They demonstrate extraordinary motivation, tenacity, and a will to succeed.

Business owners that win have vision, boundless energy, intellectual creativity and patience. They have confidence in themselves, their business, their employees and the community.

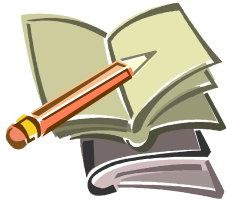
## Common Problems Faced By Small Business

- Owner's inexperience in business management
- Too much debt? business is too highly leveraged
- Weak competitive strength
- Lack of proper inventory controls
- Lack of proper credit or collection control
- Low sales volume
- Poor business location
- Owner's lack of bookkeeping knowledge
- Employee and labor problems





## WRITING A BUSINESS PLAN



Have you actually written down your business ideas? If you haven't, it is essential that you do so. The process of writing your business plan forces you to take an objective view of the business in its entirety. Most entrepreneurs have great ideas, but no plan of action, hence the business proceeds haphazardly. Writing down the specific details of the business while writing the business plan allows the entrepreneur to take an outside view and make realistic, objective decisions.

Taking an objective view of the business allows you to identify its strengths and weaknesses, as well as opportunities and possible threats. The business plan should give enough information to help detect problems, needs, and possibly overlooked details. Planning helps determine how to achieve your business goals.

The importance of planning cannot be overemphasized. It is the key to unlocking the door to success.

Once you open that door, what do you find? About a thousand more doors with all kinds of variables, problems, and situations. The only way you can effectively handle those variables in a business is to have a logical, well organized business plan.

A finished business plan becomes an operating tool that will help you to manage your business and work toward its success. A completed plan is the chief instrument used to communicate your ideas to vital people, such as bankers, business people and partners. If you are seeking financing for the business, the plan becomes the basis for the loan proposal.

When preparing your plan, it is important to give yourself time and privacy to do some creative thinking. Once you have gathered some information and know quite a bit about your business, give yourself enough time to bring out the facts in a clear way. This is the time to set up your marketing goals, objectives, targets, and develop a marketing outline, an operations outline and financial information.

Blocks of time are crucial to you. Set aside certain time periods, perhaps every Thursday night or Saturday morning. It is tough to find the time if you are working for someone or are already running a business. Trying to plan a new business creatively seems virtually impossible, but it is necessary that you discipline yourself to do this. You don't have to do it alone; discuss ideas with others.

Set up a time line for completion of your business plan. Begin planning on a certain date. Talk to certain people by a certain date. Have this or that section completely written by a certain date. Set a certain date for completion of the entire plan.

Your written plan should be long enough to cover your subject thoroughly. If you go much above thirty pages, including supporting documents, review your plan and see whether you can't get rid of some fat. Typically, as long as you are brief and to the point, less is more because in as few words as possible you have made an impact. Double check that you have not promised anything you can't deliver. If you are much under twenty pages, it's possible that you need to do a little more research to make sure that you have covered everything.

As you read the following section, keep in mind that you need to do all you can to enhance your chances for raising capital or otherwise increase benefits for your small business. Another important fact to keep in mind when preparing your plan is that you will not be creating it in the same order that it is presented. It is important that you do the proper research before you actually write the business plan, which may be incorporated as part of a loan agreement.

The business plan should have a cover. A plain businesslike cover is preferable to a flashy one. A lender is more likely to think well of you if you remain conservative than if you spend money on unnecessary show. This is the order of the plan as it should appear in the bound copy:

**COVER PAGE**

- Name of the business
- Address
- Telephone Number
- Name of Owner(s)

- Logo  
(A professional, businesslike logo can be used to dress up the cover page)
- Submitted to  
(For financing only).

### **Suggested outline for a business plan**

- Executive Summary
- General Company Description
- Products and Services
- Marketing Plan
- Operational Plan
- Management and Organization
- Personal Financial Statements
- Start-up Expenses and Capitalization
- Appendices

### **EXECUTIVE SUMMARY**

Write this section last. Make it two pages or less. Include everything you would cover if you had only five minutes to explain your business and your plans. Answer the questions of: Who, What, When, Where and Why.

Present a rationale for starting the business. Summarize all critical elements. Make it enthusiastic, professional, complete and concise. If applying for a loan, state the amount requested, how you propose to use it, how it will benefit the business, re-payment terms sought, and collateral offered.

### **GENERAL COMPANY DESCRIPTION**

Include a detailed description of the business, its products or services and where it will fit in your industry.

- Describe the industry. Is it new, growing, or in a state of change?
- State the company's goals and objectives (Mission Statement)
- Explain the form of ownership: sole proprietorship, partnership, S Corporation, Limited Liability Corporation, or Corporation
- Fully describe your business philosophy
- What factors will ensure your company's success
- If this is to be a franchise, give details of the franchise agreement

### **PRODUCTS AND SERVICES**

- Describe in depth your products and/or services
- Include brand-name information, trademarks, and proprietary features
- Discuss any factors that may provide you with competitive advantages or disadvantages
- What will be the pricing, fee or leasing structures for your product(s) and/or service(s)?

### **THE MARKETING PLAN**

- Include specifics of your marketing research in the plan narrative
- Define your target market and how you will reach it
- Define the current demands and trends in your target market
- What percent of the target market do you think you can capture?
- Identify your customers and their characteristics
- Why do customers need your new product or service?
- Why will customers patronize you over your competitors?
- List your major competitors and discuss them
- Compare your products/services with the competition
- What will be your competitive advantages and disadvantages?
- Summarize your marketing strategy and how you plan to contact your customers
- Describe how you will promote and advertise your products/services
- Describe your pricing strategy and channels of distribution
- Describe your proposed budget for marketing and selling your company's products/ services
- Finally, provide a sales forecast month by month, category by category, for the first year and then by quarter for the next 2 to 3 years

### **THE OPERATIONAL PLAN**

- Explain how and where you will produce your product/service
- Describe your physical location, proposed business hours, and any facilities that you are proposing to lease or purchase
- Define any licenses or permits required for your product or service
- Identify your personnel requirements by type of labor, number of employees, and skill level required
- Identify proposed suppliers and how you will handle supply costs
- Identify inventory requirements and how they will be managed
- If you plan to sell on credit what term's will you offer your customers and how will you manage the credit?

### **MANAGEMENT AND ORGANIZATION**

- Define who will manage the business
- Include a brief resume of all key management personnel and owners
- Describe how you will manage areas of the business in which you have no experience
- Include an organization chart if appropriate and define key employees, their positions, and their credentials
- List the board of directors
- List key advisors: attorneys, accountants, bankers, insurance brokers, other advisors and mentors

### **PERSONAL FINANCIAL STATEMENTS**

Include a personal financial statement for each owner or major stockholder showing assets and liabilities held outside of the business – and personal net worth. Owners will be asked to cosign or personally guarantee any business loans, and bankers or investors will usually want this information.

### **START-UP EXPENSES AND CAPITALIZATION**

It is important to estimate your start-up expenses and capitalization needs as accurately as possible. The financial assumptions that you make in this section and how close you can track them in the future will

establish the basis for your success or failure.

Identify your sales forecast and any financial assumptions that you have projected in establishing this business.

Identify as accurately as possible all start-up costs and expenses both fixed and variable.

Even with the best of research, opening a new business has a way of costing more than you anticipate. Include a contingency line in your spreadsheet to cover unforeseen expenses. Talk to others who have started similar businesses to get an idea of how much to allow for contingencies. If you cannot get good information use at least 10 percent of the total of all other start-up expenses.

## **THE FINANCIAL PLAN**

The financial plan consists of a twelve-month profit and loss projection, a cash flow analysis, an opening date balance sheet, and a break-even calculation. Together they will constitute a reasonable estimate of your company's financial future.

Forecasted sales, cost of goods sold, expenses, and profit month by month for the first year and by quarter for the next 2 to 3 years should be included in this section.

Your sales projections will come from the sales forecast, in the marketing plan.

The cash flow projection is basically a forward look at your checking account. Your cash flow analysis will determine your initial capital needs and whether you will need to inject more cash as your business grows.

The opening day balance sheet shows what items of value are held by the company (assets), and what are the debts outstanding (liabilities) at a single point in time. Prepare a narrative explaining how you calculated the opening day account balance.

The break-even analysis is a calculation that determines the point in time when sales volume revenues exactly covers all costs. Include a narrative explaining the assumptions upon which your break-even analysis was based.

## **APPENDICES**

This section will allow you to include detailed information without cluttering up the main body of the presentation. For example:

- Full resumes of the owners and key personnel
- Brochures or advertising materials
- Blueprints and other technical plans
- Maps and photos of business locations
- Market research studies
- Industry studies

**NOTE:** Sample business plans are available for study at [www.sba.gov](http://www.sba.gov). Business plan software can be purchased at Office Supplies Stores locally — and there are many web sites which sell software such as Business Plan Pro. They can be located by accessing the Google Search Engine and typing '**business plans**'.

## **MARKETING YOUR BUSINESS**

As you determine your business potential you should ask the following two questions:

- Is there a need for your business?
- Will your business be able to survive the competition?

Once you have answered these questions you will be able to check additional sources and develop a marketing plan.

### **Is There a Need For Your Business?**

People have a natural tendency to be overly optimistic about the prospects of success for a proposed venture. Yet the failure rate for new small businesses is high. To improve your odds, you should conduct a careful feasibility study before you start your business. Marketing research is a good way for you to look at your chances for success. The most important single thing about marketing your business is knowing your customer.

### **The Customer**

Most businesses depend on a specific group of the population for their sales. This group of potential customers is called a target market. The first thing you must do is get to know your target market. Find out the demographics, or facts, about your intended target market population by determining age range, sex, profession, income level, population size and growth rate, and permanency of the population.

The next step is to find out as much as you can about the life-style and social behavior patterns of your target market, such as buying habits, changing trends and social influences. The more you know about your potential customers, the more easily you can build a business to provide a service they need. After knowing who your customers will be, you must look into what their needs are and how to satisfy them.

Some other aspects of marketing that you should be aware of and familiar with are the four "P's" of marketing: **P**roduct, **P**lace, **P**rice, and **P**romotion.

### **Product Or Service**

Remember, a business must serve the needs of its customers if it intends to survive. A product/market mismatch can lead to the failure of the business. Successful people do not start out with a set idea for a product or service. They let the market tell them what is missing, and decide whether they are interested in supplying it or not. Build your business to fit the needs of the market and not what you think the market needs.

The word product can be interpreted broadly to include not only the goods or services, but also all the intangible benefits that come from doing business with you. You should ask yourself the following questions:

- Why should anyone want my product or service?
- Is it currently supplied by another business?
- How is my product or service superior to others?

It is also important to find out about the industry that you will be joining:

- What is the future outlook for the industry?
- What impact will the national economy have on your industry?
- What is the projected growth rate of the industry?
- When will the growth occur?

## Place

Place involves both location and physical facility.

**Location:** Many marketing experts consider location the make or break decision. Will customers be willing to go out of their way to come to you, or should you go out of your way to go to them? Your decision on where to locate must also be tied in with your product. If your product is subject to impulse buying and is not very different from other similar products, then you need a place with a lot of casual traffic. If you have a special product that people need, then you can afford to be somewhat out of the way.

A successful location is largely dependent on the type of business, (manufacturing, wholesale, retail, etc), type of goods or services to be sold and the target market. Major considerations are:

- Closeness to the target market. Customer flow is important to retail establishments and restaurants.
- Supplies and/or raw materials availability.
- Transportation costs.
- Labor availability, rates and productivity.
- Utilities and their respective rates.
- Overall business environment in the community.
- Police and fire protection.
- Housing availability for owner and employees.
- Quality of life in community (educational, cultural, etc.)
- Future quality of location. Location in relation to major competitors locations.

**Physical facility:** The next step is to determine whether to build, buy or lease the business facilities. The first two choices involve a considerable outlay of funds and raise problems of future relocation's. Major considerations are:

- Zoning: Can the business be operated without an exemption, or will a delay be involved? How many permits are required?
- Rental Expense: How is the rent determined - by flat rate or percentage of gross sales? What about sublet rights?
- Lease Terms: What are the options to renew or cancel the lease?
- Additional Costs: What is the condition of the facility? How much remodeling will be needed? Does it need additional lighting, air conditioning, plumbing, etc.?

- Remodeling: Will a permit be required?
- Lot and building Size: Can expansion be accommodated? If leased, will the lessor build additional facilities? If lessee remodels or adds additions, who owns such improvements?
- Storage Capacity: Is there enough to meet the need?
- Parking: Is there adequate parking for customers and employees?
- Insurance: What insurance does the lessor carry? Must the lessee purchase additional coverage (lessee should consider title insurance for leased or purchased facilities)?
- Type of shopping center: Will the nature and design of the shopping center complement or hinder your business?

## **Sources of assistance in locating a business site**

- Banks and insurance firms.
- Real estate agents specializing in commercial and industrial property.
- Chamber of Commerce and/or city and county economic development corporations.

## **Price**

The right price is very important in forecasting the cash flow your business will generate. The prices you charge will determine the dollar amount of your sales. You must set your price to be competitive, but at the same time, make enough profit to stay in business.

## **Promotion**

It is your responsibility to let your customers know about your business. What are you selling? Where are you located? What are your hours? How can you use your product packaging to increase sales? Like pricing policy, promotion decisions are mainly ongoing business decisions. You need not be overly concerned about promoting your business until all other considerations are taken care of. However, pre-opening promotion is a good idea. It lets you start your business with a bang! It also helps shorten the time it takes to turn a profit. Be careful, though, most new businesses badly underestimate their advertising budget.

Both pricing policy and promotion are very important issues when preparing your marketing plan. Price and promotion will be discussed more in the section on The Marketing Plan.

## **Will your business be able to survive the competition?**

In our free-enterprise system, no business is without current and future competition. Assessing the competition and finding a way to beat the competition is the key to success. Many entrepreneurs mistakenly believe that their competition consists solely of firms that offer similar products or services in the same geographical area. However, competition may actually include indirect competitors who are vying for the same customers. Your estimation of your competitors should include all those who offer similar products and substitute products. They may be in the same geographical area or in any other area that is accessible to your market.

To determine the competitiveness of your market, you need to find out:

- What businesses offer substitute or similar products or services?
- Who are your major competitors (direct and indirect, local and mail order)?
- How long have your competitors been in business?
- How will your business benefit the customer more than your competitors?
- How are the competitors businesses similar to and/or different from yours?
- What are your competitors strengths and weaknesses?
- How is the competitors business doing?
- How will competitors react when you enter the market?
- What are the competitors managerial abilities, financial situations, facilities, reputations, etc.?

Financial institutions and investors often place heavy weight on the elements of competition when deciding whether to fund a new business. Therefore, you should take their cue and evaluate very carefully your ability to compete. Join the game only if you are confident that you can be successful. If not, you may want to try another field.

## **Sources of Market Information**

There are several sources available for obtaining market information. They include:

- Market research consultants and advertising firms.
- College, university and civic libraries for census data, etc.
- Trade associations and government agencies.
- Research you conduct on your own.
- Other sources such as telephone Yellow Pages for competition, Polk City Directories, state industrial directories, etc.

## **Trade Associations and Government Agencies**

A trade association is a restricted membership organization that functions in a particular type of business or industry and is usually financed by membership dues. You can profit from the accumulated experience of the established businesses in your industry by joining a trade organization. Check with the Santa Barbara County Library (for all locations) which maintains directories of trade associations locally, statewide, and nationally. If you access the Internet – use the Google search engine for quick and accurate information.

### **CENTRAL LIBRARY**

40 East Anapamu Street

Santa Barbara, CA 93101

PO Box 1019, Santa Barbara, CA 93102

Telephone (805) 962-7653

Library Administration (805) 564-5608.      [www.ci.santa-barbara.ca.us/library](http://www.ci.santa-barbara.ca.us/library)

## **Colleges and Universities**

Local college schools of business often have professionals and student groups that offer consulting services. They can help you with both the market survey and the marketing plan as well as other problem areas. However, services may only be available during the academic year. Contact:

### **University of California at Santa Barbara (UCSB)**

Santa Barbara  
CA 93106  
Davidson Library (805) 893-2478  
Arts Library (805) 893-2850  
UCSB, Santa Barbara, CA 93106-9010  
(No street address necessary)



[www.ucsb.edu](http://www.ucsb.edu)

### **Santa Barbara City College**

721 Cliff Drive  
Santa Barbara  
CA 93109  
(805) 965-0581



[www.sbccc.ca.us](http://www.sbccc.ca.us)

### **Continuing Education Classes (SBCC)**

#### **Selmer O. Wake Center**

300 N. Turnpike Road  
Santa Barbara  
CA 93111  
(805) 964-6853



#### **Alice F. Schott Center**

310 W. Padre Street  
Santa Barbara  
CA 93105  
(805) 687-0812



### **Other Sources**

Your local Chamber of Commerce is another source of information because most Chambers function as the central clearing house for all types of business information. Refer to Table of Contents for Chamber of Commerce locations and phone numbers.

State and Federal procurement agencies are valuable sources of information and possible business opportunities. For example, you may contact:

#### **California State Contracts Register**

Office of Small & Minority Business  
Department of Government Services  
<http://www.osmb.dgs.ca.gov/cscr>

## The Marketing Plan

Now that you have decided to go ahead with your business venture, you must prepare a marketing plan to attract your customers. Price and promotion play a big role in this plan. Find out all you can about your competitors' pricing policies. Look through their catalogs and promotional materials. Calculate all your expenses to determine the minimum price you can afford to charge. Figure out when you expect to turn a profit, then set up a promotional plan to get the customers into your business.

Promotion can take many different forms. Each has its own advantages and disadvantages. The appropriate method of promotion depends upon the type and scope of your business.

(See the section on **STRUCTURING YOUR BUSINESS**.)

The two primary advertising media are print and broadcast. Print includes newspapers, magazines, fliers and posters. Broadcasting includes radio and television. In selecting promotional methods, do not go just for the cheapest option. Find out which option gives you the better dollar value and best reaches your target audience. Be skeptical when you talk with media experts. Be sure to conduct a follow-up test to evaluate the results of your promotional efforts. Modify your plan when necessary. Remember repetition is the key to successful media advertising.

A comprehensive marketing plan also includes a marketing budget. How much can you afford and how much are you willing to spend? How and when are you planning to spend it? Where will you get the necessary funds?

A very important aspect in designing your marketing plan is that it must be consistent with the sales goal you set for your business in the pro-forma statements.

Financial institutions weigh the soundness of your market survey and your marketing plan heavily when deciding whether your business is a good risk for their money. It is very important for you to prepare and present a credible market survey that shows there is a need in the community for your business. You must also demonstrate that you have the ability to compete successfully. A comprehensive marketing plan and budget are usually taken as a sign of responsibility and are viewed favorably by the financiers.

## STRUCTURING YOUR BUSINESS

### Advantages of Incorporating

Anyone who operates a business, alone or with others, may incorporate. Under the right circumstances, the owner of any size business can benefit!

#### **Reduces Personal Liability**

Incorporating helps separate your personal identity from that of your business. Sole proprietors and partners are subject to unlimited personal liability for business debt or law suits against their company. Creditors of the sole proprietorship or partnership can bring suit against the owners of the business and can move to seize the owners' homes, cars, savings or other personal assets. Once incorporated, the shareholders of a corporation have only the money they put into the company to lose, and

usually no more.

### **Adds Credibility**

A corporate structure communicates permanence, credibility and stature. Even if you are the only stockholder or employee, your incorporated business may be perceived as a much larger and more credible company. Seeing “.inc.” or “.corp.” at the end of your business name can send a powerful message to your customers, suppliers, and other business associates about your commitment to the ongoing success of your venture.

### **Tax Advantages – Deductible Employee Benefits**

Incorporating usually provides tax-deductible benefits for you and your employees. Even if you are the only shareholder and employee of your business, benefits such as health insurance, life insurance, travel and entertainment expenses may now be deductible. Best of all, corporations usually provide an increased tax shelter for qualified pensions plans or retirement plans (e.g. 401K's).

### **Easier Access to Capital Funding**

Capital can be more easily raised with a corporation through the sale of stock. With sole proprietorships and partnerships, investors are much harder to attract because of the personal liability. Investors are more likely to purchase shares in a corporation where there usually is a separation between personal and business assets. Also, some banks prefer to lend money to corporations

### **An Enduring Structure**

A corporation is the most enduring legal business structure. Corporations may continue on regardless of what happens to its individual directors, officers, managers or shareholders. If a sole proprietor or partner dies, the business may automatically end or it may become involved in various legal entanglements. Corporations can have unlimited life, extending beyond the illness or death of the owners.

### **Easier Transfer of Ownership**

Ownership of a corporation may be transferred, without substantially disrupting operations or the need for complex legal documentation, through the sale of stock.

### **Anonymity**

Corporations can offer anonymity to its owners. For example, if you want to open an independent small business of any kind and do not want your involvement to be public knowledge, your best choice may be to incorporate. If you open as a sole proprietorship, it is hard to hide the fact that you are the owner. And as a partnership, you will most likely be required to register your name and the names of your partners with the state and/or county officials in which you are doing business.

### **Centralized Management**

With a corporation's centralized management, all decisions are made by your board of directors. Your shareholders cannot unilaterally bind your company by their acts simply because of their investment. With partnerships, each individual general partner may make binding agreements on behalf of the business that may result in serious financial difficulty to you or the partnership as a whole.

## **Responsibilities when Incorporating**

While the argument for incorporating is strong, maintaining your corporation comes with a set of responsibilities.

Maintaining a corporation requires more paperwork and record keeping than sole proprietorships. Each individual state has its own legal procedures and regulations for forming and maintaining a corporation in good standing.

The legal structure of your business can take four basic forms:

- Sole Proprietorship.

- Partnership ("Limited" or "General").
- Corporation, S or C class.
- Limited Liability Company (LLC).

Before selecting the legal structure of the business, the following questions should be asked:

- How much money do I need?
- Who will be the source of any needed funds?
- What skills are needed that I cannot provide
- Are there other people available to round out the necessary skills in starting and continuing a business?
- How much control do I have over the operation?
- How will the business be taxed and how will applicable laws influence it?
- To what extent will I be personally responsible for debts or claims against the business?
- What will happen to the business if I am not able to work for any length of time?

There are many legal and tax considerations that will enter into this decision, so make sure you consult your attorney and your accountant.

## **Sole Proprietorship**

The sole proprietorship is the most common form of business organization. You own and operate the business and have sole responsibility and control. Essentially you, the owner, are the business. The profits of the business are considered personal income and therefore are taxed at your personal rate.

### **Advantages**

- Ease of formation: Fewer legal restrictions, usually less expensive than a partnership or corporation.
- Flexibility: Quick response to business needs.
- Profits: You have sole ownership of profits.
- Exclusive control and decision making: You are in charge.
- Tax deductions: Losses are tax deductible.

### **Disadvantages**

- Unlimited liability: You are responsible for the full amount of business debts, and this liability extends to your personal assets
- Unstable business life: Business could be crippled or terminated by your illness or death
- Limited investment: Investment in the business is limited to the resources that you can raise

## **Partnership**

A partnership is the association of two or more people as co-owners of a business. It is a legal mechanism that allows for profits and losses to be divided among a group of investors. Partnerships are typically used by groups of professionals such as lawyers and accountants, or for groups of real estate investors.

When forming a partnership, you should have a written partnership agreement developed that specifies the legal obligations of each partner. A partnership agreement will:

- Stipulate the initial amount of funding each partner will contribute to the business.
- Determine how management decisions will be made and authority will be divided.
- Establish methods for settling disputes among partners.
- Set up a procedure for selling out: specify how each partner's interest will be valued; establish restrictions on partner's interest to a third party.
- Specify what would happen to your business if one of your partners dies or becomes physically or mentally incapacitated.
- Specify the rights of the partner's spouse.

The most common types of partnerships are "general" and "limited."

### **General Partnership**

General partners participate in the management of the business and are personally responsible for all debts.

#### **Advantages**

- Ease of formation.
- More skills and capital available to boost performance and growth.
- Flexibility and decision making with relative freedom from government control and special taxation.
- Losses are tax deductible.

#### **Disadvantages**

- Unlimited liability.
- Personal liability of a solvent partner for the actions of unscrupulous partners.
- Unstable life of business: partnership is dissolved if a partner dies or withdraws unless specifically prescribed in the written agreement.
- Buying out a partner may be difficult unless specifically prescribed in the written agreement.
- Potential for disagreements between partners could lead to costly dissolution.

The above disadvantages may be minimized in an agreement reached by the partners at the formation of the business.

### **Limited Partnership**

Limited partners are liable only to the extent of their investment and do not share in the management of the business.

#### **Advantages**

- A person can invest capital in a partnership business and reap a share of the profits without becoming liable for all debts of the partnership, or risking more than the amount of capital contributed.

### **Disadvantages**

- Must have at least one partner who is liable for all debts of the partnership and other (limited) partners whose liability is limited to their investment in the partnership.
- No voice in the management of the partnership.
- There are other legal and tax considerations involved, and legal advice. is necessary in choosing this form of organization.

## **Corporation**

The most complex form of business organization is the corporation. A corporation is made up of three groups of people: shareholders, directors and officers. The corporation can borrow money, own assets and perform business functions without directly involving you or the other corporate owners.

### **Advantages**

- Limitation of the stockholders' liability to a fixed amount, usually the amount invested.
- Business looks more credible than a sole proprietorship to potential suppliers, employees and bankers.
- Ownership is readily transferable.  
Separate legal existence.  
Relative ease of securing capital in large amounts and from many investors.

### **Disadvantages**

- Activity is limited by the corporation's charter and various laws.
- Extensive government regulation and burdensome federal, state, and local reports.
- Considerable expense in formation of corporation.
- Greater administrative expense on an annual basis.

## **"Tax Option" Corporation (Sub-Chapter "S")**

This form of business organization permits a small business corporation to have its income taxed to the shareholders as if the corporation were a partnership. The double tax feature of the system of corporation income taxation can therefore be avoided. Shareholders can offset business losses incurred by the corporation against their income.

### **Advantages**

- Losses are tax deductible.
- Share the same operational advantages of a corporation.
- The double tax feature of corporate income taxation can be avoided.

- No limit is placed on the size of the corporation's total income and assets.

### **Disadvantages**

- Limited to a maximum of seventy-five shareholders
- Limited to one class of stock.
- Limited as to sources of income.
- Some states do not recognize such business organizations.

## Limited Liability Company

Limited liability companies, or LLC's, **now available in California**, are becoming more and more popular, and it's easy to see why. They combine the personal liability protection of a corporation with the tax benefits and simplicity of a partnership. In other words, the owners (or "members") of an LLC are not personally liable for its debts and liabilities, but also have the benefit of being taxed only once on their profits. Moreover, LLC's are more flexible and require less ongoing paperwork than an S-Corporation.

Like a corporation, an LLC is a separate and distinct legal entity. This means that an LLC can obtain a tax identification number, open a bank account and do business, all under its own name. The primary advantage of an LLC is that its owners, known as members, are not personally liable for the debts and liabilities of the LLC. For example, if an LLC loses a big lawsuit and is forced into bankruptcy, the members will not be required to make up the difference with their own money. If the assets of the LLC are not enough to cover the debts and liabilities, the creditors cannot look to the members, managers or officers for recovery.

An LLC can be taxed either as a "pass-through" entity, like a partnership or sole proprietorship, or as a regular corporation. If an LLC chooses to be taxed as a pass-through entity (and most do), the owners of the LLC are not subject to double taxation. This is as opposed to a regular corporation, which pays a corporate tax on its net income (the first tax) and then a second tax when the corporation distributes profits, as the stockholders pay income tax on dividends. Partnerships and sole proprietorships do not have to be treated as taxpaying entities. The profits "pass through" to the owners, who pay taxes at their individual tax rates.

### **Advantages**

- Limited liability for all owners.
- Treated as a partnership for income tax purposes.
- More flexible and less formal than other entities

### **Disadvantages**

- Complex Formation: Need Operating Agreement, higher organizational costs, new to more professionals.
- The Operating Agreement must be drawn carefully to avoid taxation as a corporation

- LLC interests will not likely be freely transferable.
- Practical inconveniences in business transactions.
- Legal aspects of LLC's are in transition and not uniform in each state.

## Comparing Organizational Structures

Attribute	S Corp	C Corp	Partnership	Sole Proprietorship	LLC
Liability Protection	Yes	Yes	No	No	Yes
Member restrictions	Yes	No	No	Yes	No
Double taxation	No	Yes	No	No	No
Transfer of shares	Yes	Yes	No	No	No
High cost of start-up	Yes	Yes	No	No	Yes/No*
Easy access to capital	Yes	Yes	Yes/No	No	Yes

\* Can be high, particularly in states that have only recently adopted LLC regulations

### Complying with the Rules and Regulations

Here's a sampling of the periodic paperwork required to retain your corporate status:

- Federal taxes (e.g., corporate income, Social Security, Medicare, unemployment).
- State taxes (corporate income, annual franchise, payroll, including unemployment, disability and workers' compensation, sales, certain property).
- Federal, state, and local licenses and permits (certification, operating, and safety).
- Shareholder agreements
- Company records (articles of incorporation and bylaws; personnel; key transactions; minutes of meetings, etc).
- State annual reports

### Resources for Incorporating Your Business

<a href="http://www.incorporate.com">www.incorporate.com</a>	<a href="http://www.entreworld.org">www.entreworld.org</a>
<a href="http://www.inc.com">www.inc.com</a>	<a href="http://www.irs.gov">www.irs.gov</a>
<a href="http://www.nfib.org">www.nfib.org</a>	<a href="http://www.nolo.com">www.nolo.com</a>
<a href="http://www.smartonline.com">www.smartonline.com</a>	<a href="http://www.chamberbiz.com">www.chamberbiz.com</a>
<a href="http://www.sba.gov">www.sba.gov</a>	<a href="http://www.legaldocs.com">www.legaldocs.com</a>

### The Company Corporation®

For more than 100 years, The Company Corporation has provided incorporation services to business owners. Our commitment to the success of our nation's small businesses doesn't end with filing incorporation and LLC documents. Because small businesses are the backbone of our nation, we sponsor the SCORE organization and provide educational materials for use by SCORE counselors and clients.

With more than 100 years of experience, The Company Corporation and its family of companies provide expert services to thousands of small-business clients. In addition to filing incorporation and limited liability companies in all 50 states and Washington, DC, The Company Corporation provides a wide range

of services, including registered agent services, corporate kits, and corporate compliance tools.

For more information, call 800-818-0204, e-mail us at [info@corporate.com](mailto:info@corporate.com), or visit our web site at [www.corporate.com/score](http://www.corporate.com/score).

In Santa Barbara & Goleta

### ***We The People***

**Forms & Service Centers USA, Inc.**  
1501 State Street,  
Santa Barbara, CA 93101  
Phone: (805) 962-4100 - Fax: (805) 962-9602  
[www.wethepeopleusa.com](http://www.wethepeopleusa.com)



### **America's Documents**

5960 Mandarin Dr,  
Goleta,  
CA 93117  
(805) 681-7325

**‘To Be Or Not To Be, That Is The Question’**

## **LEGAL REQUIREMENTS OF YOUR BUSINESS**

Before starting a business, the legal environment of your establishment should be researched. There are many laws, rules, and regulations that must be followed to start and run your business. Almost every aspect of your business is under some form of legal ruling. Specific forms, licenses and other documentation must be filed with state and local government offices in order to begin. Without this documentation, you may be unable to open. It is important for you to take a close look at California's legal business requirements.

### **Aspects Of Business Under Legal Guidelines**

Major aspects of business governed by business law can be divided into the following areas: legal structure, business name, trademarks and patents, licensing and permits, contracts and legal liability.

#### **Legal Structure**

What legal structure will your business take? This decision is of primary importance because laws governing many aspects of the business vary depending on its legal structure. The four main categories are: sole proprietorship, partnership, limited liability company and corporation. These four types of business entities are discussed in the section on "**STRUCTURING YOUR BUSINESS.**"

#### **Business Name**

Even though a business name has no magic that will guarantee success, the name is nevertheless very important to a new business. As a small business prospers and grows, the public will begin to recognize and associate the name with the product or service.

There is a body of law that specifically governs the business name. For example, if a business contains anything other than the actual names of the owners, then it is classified as a "firm name" or a "fictitious name." If the legal structure of the business is a corporation, then it must be incorporated and the business name must reflect this fact.

The Fictitious Business Name Statement must be filed within 30 days of the date you open your business. The statement is valid for five years. There is a fee for initial filing and a charge for renewal. The chosen business name must not be so similar to any other business as to mislead the public, and it must not violate any federally protected names. The fictitious name must also be printed in the newspaper for four consecutive weeks. The cost for this service varies considerably by newspaper, so check carefully.

To file your fictitious name or find out if the name you have chosen is still available, contact:

**County Clerk**  
1100 Anacapa Street

[www.sb-democracy.com](http://www.sb-democracy.com)

Santa Barbara 93102-0159  
Phone: (805) 568-2550

Refer to Table of Contents for County Government Departments.

The business logo, the design of the trade mark or service mark, and any other form of business identity are also part of the business name and subject to the same laws.

## Trademarks and Patents

A trademark is a symbol that identifies a specific product. If your business sells services, then the service mark is the one that you use in advertising; it will enable the public to set you apart from your competition. Both trademarks and service marks can be registered for your protection. You can do this by contacting:

**Patents and Copyright Office**  
U.S. Patent and Trademark Office  
USPTO Contact Center (UCC)  
Crystal Plaza 3, Room 2C02  
P.O. Box 1450  
Alexandria, VA 22313-1450



[www.uspto.gov](http://www.uspto.gov) (Specific information here).

A patent is a legally granted monopoly right to produce, use, sell, or gain profit from a specific invention. Patents are extremely important in business. There is a specific body of patent law that protects the rights of the registrant. Patent lawyers are usually listed separately in the telephone directory. In fact, general lawyers usually refer most inquiries about patents to these specialists.

## Licenses and Permits

Several federal, state and local licenses and permits are required for starting a new business. Before you even apply for a license, you must first find out the land use requirements, zoning requirements and detailed building code requirements for your type of business, and should do so before signing a rental, lease, or purchase agreement. Requirements may vary for each incorporated city in the county, and the county itself. For comprehensive information go to [www.calgold.ca.gov](http://www.calgold.ca.gov) "Business Permits Made Simple."

Permits required for new businesses are different depending on the type of business. The most common licenses and permits include: a business license, building permit, sales permit, State ID and sales tax schedule, and occupational license.

## Business License

Business licenses are issued by individual cities within the county, or by the county in county areas. These must be posted on the business premises for public inspection. The fee varies depending on the type of business. If you are going to do business in more than one city, a separate business license is required for each city and/or county.

City of Santa Barbara  
Finance Department

City Hall has an entrance on De La Guerra Plaza and an entrance at 735 Anacapa Street. Once in the main hallway, enter the doorway marked: Cashier - Business License. Office hours are Monday through Friday, 8:00 a.m. – 5:00 p.m., except for holidays.

Business License Office  
735 Anacapa Street  
P.O. Box 1990 93102-1990  
Santa Barbara, CA 93101  
(805) 564-5346

Refer to Table of Contents for City Government Departments.

## Home occupation permit

The use of residential property for business purposes may require a Home Occupation Permit. For information contact **Community Development at (805) 564-5578**. The city Municipal Code (Chapter 5 – Business Taxes and Permits) is available online at [www.ci.santa-barbara.ca.us](http://www.ci.santa-barbara.ca.us).

### For the County of Santa Barbara, go to:

#### County Clerk.

100 Anacapa Street  
Santa Barbara 93101  
Phone: 568-2550

*All other city locations can be found at [www.ci.santa-barbara.ca.us](http://www.ci.santa-barbara.ca.us).*

*Refer to sidebar on Community Development page*

## Sign Permit

If you are planning to place a sign on the exterior of your business, you need a Sign Permit. Regulations regarding the types of signs and placement depend on the zoning for the parcel and the type of business. The Sign Permit application requires you (the business owner) or your sign contractor to submit drawings indicating the advertising message, location, dimensions, construction, electrical wiring and components and the method of attachment. The fee for the permit depends usually on the value of the sign.

Start your permit process with the planning people at the addresses and phone numbers shown above, or the Planning Departments of the County or City in which you will be located. For comprehensive information go to [www.calgold.ca.gov](http://www.calgold.ca.gov) “**Business Permits Made Simple.**”

## Building Permit

If you are planning to construct your place of business, or do any major remodeling, you must have a building permit. Special permits may be required for parking, food preparation, fire safety, discharge of pollutants, etc. If you are building within city limits, there are specific forms that must be filed. For more information, contact:

City of Santa Barbara  
Community Development Department  
Building & Safety  
630 Garden Street

P.O. Box 1990  
Santa Barbara  
CA 93102-1990  
(805) 564-5485

If you are building outside a city, specific forms must be filed with the county. For further information on county building permits, contact:

**County Clerk**  
1100 Anacapa Street  
Santa Barbara 93101  
Phone: 568-2550

## **Seller's Permit**

If you are planning to sell items that are subject to state sales tax, you must also apply for a seller's permit for each place of operation. This "resale number" will eliminate the need to pay sales tax when you purchase items for resale in your business. A personal Statement of Financial Condition and estimations of monthly sales and expenses may be required with new applications. There is no fee required for a sales permit, however, under certain conditions a security deposit may be required. To apply contact:

**California State Board of Equalization**  
4820 McGrath Suite 260  
Ventura CA 93003-7778  
(800) 432-2829  
(805) 677-2700                      [www.boe.ca.gov](http://www.boe.ca.gov)

## **State ID and withholding schedule**

If you will be an employer, you must obtain a state employer identification number (EIN) and employees withholding schedule from:

**State Employment Tax District Office**  
4820 McGrath Suite 250  
Ventura CA 93003-7778  
(888) 745-3886                      [www.edd.ca.gov/taxrep/taxfaq.htm](http://www.edd.ca.gov/taxrep/taxfaq.htm)

If you are applying for a Fuel Tax Permit or Sales Tax Permit, you are automatically registered with the Employment Development Department. Registration must be within fifteen days of the first payment of wages. No fee is required for registration.

## **Occupational Licenses**

There are many occupations that require licensing in California. For information on this subject, contact:

**Department of Consumer Affairs**  
400 R Street  
Sacramento  
CA 95814  
(800) 952-5210  
(916) 445-1254  
[www.dca.ca.gov/](http://www.dca.ca.gov/) -

The Department of Consumer Affairs' mission is to promote and protect the interests of California consumers. We have information to help you make smart choices and solve problems. We'll educate you regarding your rights and responsibilities. To protect consumers, we license and regulate 2.3 million professionals, including doctors, dentists, contractors and auto-repair technicians.

Please see Business Tax Certificates under the chapter on "Understanding Taxes" for additional information on licenses and permits.

## Contracts

A contract creates legal rights and duties between people. Business contracts can be divided into three groups: commercial contracts, employment contracts, and real estate transactions.

**Commercial Contracts:** The laws of commercial contracts originate from many sources, but the most important law concerning commercial contracts is the Uniform Commercial Code. It is a comprehensive commercial law adopted by every state, that covers the sale and purchase of goods. It does not apply to services.

**Employment Contracts:** Employment contracts are governed by labor laws. An entire section of the legal profession specializes in this very complex and constantly changing arena.

**Real Estate Transactions:** Real estate transactions involve the lease or purchase of land or property for your business premises. Contact a reputable real estate person, or ask advice from a bank or title company.

## Legal Liability

A business has three types of liabilities: legal liability, employment liability, and product liability.

**Legal Liability:** Legal liabilities are the obligations a business owes to the government, such as abiding by the business law, the contract law, the tax law, the permit and licensing requirements. Legal liability also includes the protection against deceptive trade practices listed under the Uniform Deceptive Trade Practices Act.

**Employment Liability:** Employment liability is tied closely to employment contracts and labor laws. There is an entire body of law which regulates the number of hours worked, minimum wage, health benefits, discrimination, undocumented alien workers, termination of employment, retirement benefits, vacation, insurance, union contracts, etc.

## Injury and Illness Prevention Program.

California's worker safety law requires businesses with 10 or more employees to have a written comprehensive safety program that identifies work place hazards. Employers also must have a safety training program, a way for workers to identify hazards with no fear of reprisal and a person responsible to implement the plan. Employers with fewer than 10 workers must comply with the law, but do not need all of the regulations in writing. Penalties for violators range from fines, to closing down operations, to jail time.

For free assistance with your program, call:

### Department of Industrial Relations

#### Cal/OSHA Consultation Service

1655 Mesa Verde Avenue, Ste. 125,

Ventura 93003

(805) 654-4581

fax (805) 654-4852

[www.dir.ca.gov](http://www.dir.ca.gov)

*There is no longer a Santa Barbara office at this time.*

## Americans with Disabilities Act (ADA)

This comprehensive legislation provides civil rights protection in employment, transportation, public accommodations, and more to individuals with disabilities. Employers must comply with several provisions under this law. For ADA technical assistance, information, referral, training, and consultation on complying with the Act, contact:

**Pacific Disability and Business Technical Assistance Center**

555 12th Street, Suite 1030  
Oakland, CA 94607-4046  
1-800-949-4232 (Voice & TTY)  
510-285-5600 (Voice & TTY) 510-285-5614 (Fax)  
[www.pacdbtac.org](http://www.pacdbtac.org)

or

**The Equal Employment Opportunities Commission**

Roybal Federal Building  
255 East Temple St., 4th Floor  
Los Angeles, CA 90012  
213-894-1000 or 1-800-669-4000  
[www.eeoc.gov](http://www.eeoc.gov)

## Product Liability

Product Liability is a business' responsibility to ensure that the product it sells is safe for the public to use. It also covers warranties a business offers for its products. You must make sure you understand your responsibility, as a business owner, to the legal environment. This is a constantly changing area of U.S. law. You must become aware of its implications to your business before you start. For information about the legal liability of your business, you should contact your attorney.

## Where To Find Help

Business laws are very complex and all encompassing, as you probably noticed from reading the above discussion. In fact, business law covers such a vast area of our legal environment, a legal area of expertise has developed in "business law" and those lawyers who specialize in this area are known as business lawyers. To find a competent business lawyer who can handle all of you business needs contact the Santa Barbara County Bar Association or get referrals from Trade Associations, or personal friends.

Your business attorney should be with you from the start of planning your business through reviewing your business plan. While their services are not inexpensive the consequence of making legal errors in starting and running your business is very costly.

**Santa Barbara County Bar Association**

123 West Padre Street, Suite E



Santa Barbara  
CA 93105  
(805) 569-5511  
FAX 569-2888  
e-mailsblawmag.verizon.net

[www.findlaw.com](http://www.findlaw.com). A comprehensive and valuable information source web site.

## **FINANCING YOUR BUSINESS**

Financing is one of the most important aspects of starting a new business. Both insufficient and over financing can cause small business failures. Your ability to provide and raise adequate capital will determine the fate of the business venture.

Over financing with quick credit at high interest rates can also put the business at risk. So, before you start, you must take a careful look at what type of capital and how much you need. Then, you must decide how you are going to finance the capital you need for a successful business venture. Last, but not least, you have to find out where to get the financing you need at the most favorable cost.

### **Types of capital**

There are two types of capital: start-up capital and working capital

### **Start-up capital**

Start-up capital is the money you need to get the business ready before the grand opening. What constitutes

start-up capital and how much you need depends on the type of business you are starting. In a professional service business, you may not need much to start. But, if you plan to start a manufacturing or retailing business, then your start-up capital may be a considerable amount. It is very important to account for all possible expenses. These could include:

- Seed money: for research and planning
- Real Estate: for acquiring, leasing and improving land or building
- Equipment: for tools of the trade
- Inventory: for purchasing or commissioning goods you plan to sell
- Human Resources: for hiring the staff /management to open the business
- Legal Fees: for registering business name, trademark, etc
- Franchise Fees: If you are buying a franchise

## **Working Capital**

Working capital is the money you need for the day-to-day operation of your business. This capital is especially important for a new business. How much working capital you need depends on the type of business you are starting. The rule of thumb is that you must have adequate working capital in reserve to keep the business going until enough income can be expected to FULLY support the operation. Operating expenses could include:

- Taxes for installment payments to Federal and State governments based on sales forecast
- Payroll: for wages, benefits, and employer's contributions
- Utilities: for gas, electricity, telephone, etc.
- Rent: for monthly rent or yearly lease
- Advertising: for any type of sales promotion
- Debt Services: for repayment of loans
- Supplies: for replacing goods sold or used from inventory, including office supplies
- Maintenance: for repairs, security, janitorial services, etc
- Insurance: for property and legal protection
- Accounting: for bookkeeping and professional services

## **Miscellaneous**

If you have raised only start-up capital but have failed to get enough working capital to operate the business, then your business will not go anywhere. It is the working capital that keeps the business operating.

See the section "Writing The Business Plan" for more assistance in planning your financial needs.

## **Financing Your Capital Needs**

The amount of funds borrowed and the sources of funds will depend on the type of business involved, the legal structure, the nature of the financing, the cost of capital, etc. Three basic financing sources can be categorized as follows:

- Equity Financing
- Debt Financing

- Internal Financing

## Equity Financing

Equity refers to the amount of money that private investors put into your business. This also includes the money that you have invested.

Equity investment gives you, and other investors, ownership of the business.

Equity investment may come from private sources or from venture capitalists. These two sources are discussed later in “Sources Of Financing,” below

## Debt Financing

Debt financing is borrowing dollars which must be repaid with interest, but it does not give the lender ownership control. There are many alternate debt financing sources available to a small business. It is very important that you carefully investigate all possible sources to make sure that your business receives the most favorable terms available.

## Medium and long-term loans

Medium and long-term loans are loans that extend for over one year and are dependent on the cash flow generated by your business for repayment:

- **Unsecured Term Loans:** Granted only to firms with projected financial data to prove ability to repay. Usually they require owner to put up 30% to 50% of the funds needed, depending on the type of business
- **Equipment Loans:** Permits firms to purchase equipment or use owned equipment as collateral for loans when unable to qualify for unsecured loans. Loans are usually for 60% to 80% of equipment’s value with terms for repayment of five years or length of equipment’s useful life.
- **Real Estate Financing:** Commercial or industrial mortgage up to 75% of the appraised value for terms usually ten to twenty years.
- **Equipment Lease:** Banks will underwrite leases with terms for a minimum of three years or up to 80% of the useful life of the equipment

## Internal Financing

Internal financing can provide **only** working capital for your business — it is not a source of start-up capital.

Internal financing is sometimes called “bootstrap” financing. This means your business uses internal resources such as trade credit, conversion of assets to cash, and cutting operating expenses to generate working capital. Three common sources of internal financing are:

- **Customers:** The customers who supply raw materials for finishing or processing pay for

portions of the work when completed (progress payments), or provide cash deposits, or pay cash on delivery

- **Trade Credit:** Suppliers will often extend thirty to sixty days, or even ninety days interest free credit for goods or services once you have established a satisfactory payment record. This permits you to order, obtain delivery, and sell the goods before a bill is due. In some instances, suppliers have extended loans to their best customers. The key is a good customer/supplier relationship
- **Reduced Expenses:** The last method of reducing financing costs is tightfisted management. Examining the profit and loss statement to determine where the firm's funds are going and taking necessary action to cut back costs can reduce the need for financing

## Sources of Financing

Sources of Financing can be divided into five categories:

- Private sources
- Venture capitalists
- Commercial banks
- Government agencies
- Other sources

### Private Sources

A common method of financing comes from private sources such as your own savings, and from friends and relatives.

- **Your Own Savings:** The advantages of using your own money is twofold. First, there are no finance charges and, second, it cuts down on your search for funds which can sometimes be very time consuming. The disadvantage is that you lose the interest you could be earning on your money. You also lose the cushion for any future emergencies if you use your savings now.
- **Friends and Relatives:** The advantages of borrowing from friends and relatives are that they are less likely to make demands on your style of management, and there is no legal limit to how much you can borrow. A third advantage is that the terms of borrowing can be negotiated and usually are more flexible. The disadvantages center on the potential problems that may arise if the money is not paid back on an agreed to time schedule.

### Commercial Banks

Most banks are commercial banks or have a commercial banking division. Since the deregulation of the banking industry, many savings and loan associations also engage in commercial banking. Commercial banks offer both short-term and long-term loans at prevailing interest rates.

### Government Agencies

There are many federal, state, and local government agencies that offer special financial assistance to small

businesses. Many loan programs are available at any given time. These loan programs are administered under government guidelines and are funded or guaranteed by the government. Each program is designed to assist a special type of business.

Like any government program, new ones are sometimes introduced as needs for them arise and old ones are sometimes phased out. For an up-to-date list of loan programs available and the requirements of each program, you can contact:

**U.S. Small Business Administration**

Washington, DC District Office  
740 15th Street NW, 3rd Floor  
Washington, D.C. 20005-3544  
Phone: (202) 272-0345  
www.sba.gov

Los Angeles District Office 330 North Brand, Suite 1200 Glendale, CA 91203 (818) 552-3215
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The U.S. Small Business Administration (SBA) offers a variety of loan programs to eligible small business entrepreneurs who cannot borrow on reasonable terms from conventional lenders without government help, depending upon federal budget funding.

The SBA offers two types of basic loans:

## **Guaranty Loans**

Most SBA business loans are made by private lenders, usually banks, and are guaranteed up to 90% by SBA. This means that SBA acts as guarantor to the bank in case of default on the small business loan. While the SBA may guarantee your loan, you must first convince the lending party that you are a good risk and are capable of paying the loan back. Preparing a good and creditable Business Plan will materially assist in getting a loan.

Since the extent of participation on the part of the Small Business Administration varies from time to time, it is prudent to check with the SBA at the above address, telephone number, and website to determine what the current conditions are.

## **Direct Loans**

SBA direct loans are available only to applicants unable to secure an SBA guaranteed loan. Before applying for a direct loan an applicant must seek financing from a bank.

Direct loan funds are very limited. Interest rates on direct loans are based on the cost of money to the government and are calculated quarterly.

Since the “ground rules “ change frequently, you should call the SBA references above to verify the most recent values as to loan maximums and interest rates.

To apply for a business loan, you should prepare the following: current business balance sheet, profit and loss statements for the last three years, current personal financial statement, list of collateral and a detailed statement on the amount of the loan requested and the purpose of the loan. See the section “The Business Plan.”

Take these materials to your bank. Should the bank be unwilling to consider a loan to you directly, you should ask them to consider your request under the SBA Loan Guaranty Program. If you are unsuccessful in obtaining either kind of loan from at least three banks you may then apply under the SBA Direct Loan Program.

As a new business start-up, having no business track record, you must be prepared to submit a detailed business plan that emphasizes management experience, amount of equity capital you will bring to the business, and believable pro forma financial anticipated performance of your business.

In addition, SBA has a number of special loan programs for specific business needs:

- **Small general contractor loans** to assist small construction firms needing short-term financing
- **Seasonal lines of credit guarantees** to provide short-term financing for small firms having a seasonal loan requirement
- **Energy loans** to firms engaged in manufacturing, selling, installing, servicing or developing specific energy measures
- **Handicapped assistance loans** to physically handicapped small business owners and private non-profit organizations that employ handicapped persons and operate in their interest
- **International trade loan guarantees** for the acquisition, construction, renovation, modernization, improvement or expansion of productive facilities or equipment to be used in the United States in the production of goods and services involved in the international trade
- **Export revolving line of credit guarantees** to provide short-term financing for export firms that have been in existence for a year or more
- **Pollution control financing loan program** to assist those small businesses needing long-term financing for planning, design and installation of pollution control facilities or equipment.

## Venture Capitalists

Venture capitalists invest in a new firm in the hope that by growth, the investment will be multiplied. Many venture capitalist firms are controlled by banks, financial institutions, insurance companies, large corporations, private groups, or individuals. Investment minimums range from \$10,000 to \$50,000 depending on the size of the venture capitalist. Most have a definite preference in locations, industry and size of investment. While their preference is to purchase common stock or convertible preferred stock (often sitting on the board with ownership's near or above 50%) they are usually not interested in running the business, but will give advice.

Venture capital groups usually charge both a fee and interest. The advantage is that venture capital groups sometimes are willing to take risks not acceptable to public lending institutions. The disadvantages lie in the higher rate of interest they charge, the restrictions they place on the lending terms and the degree of control they may demand over your business. **ACE.NET** is the **SBA's** Angel Capital Electronic network. <https://ace.net.sr.unh.edu/pub/>

## Other Sources

Credit Unions and life insurance companies also can be a source of funds.

Credit unions offer personal loans to members usually at interest rates lower than those offered by commercial banks. Insurance companies often will lend you money against your life insurance policy for up to 95% of the policy value. Interest rates charged by insurance companies also generally are lower than those charged by commercial banks. Interest payment also may be deferred as long as premium payments are made. However, until the loan is repaid, your coverage will be reduced by the amount of the loan. This is a very common way to raise capital.

Your telephone directory is another excellent source for locating the help you need. Many private firms are listed under Financial Planners, Financing, and Financial Consultants sections of the Yellow Pages.

## **Credit Considerations**

Whether your business is considering debt or equity financing, it is more important to understand those factors which will affect a credit decision. These factors include:

- Experience of Management
- Collateral (banks will discount value based on quick sale estimate)
- Type of Business
- Type of Industry
- Ability to Repay
- Amount of Funds Required

The Federal Equal Credit Opportunity Act prohibits discrimination against credit applicants. If for some reason your loan application is turned down by a bank, do not give up. Try another bank. However, if two or more banks have turned you down and you think that it was done unjustly, you can file for a grievance hearing with:

### **The Comptroller of the Currency**

250 E Street, SW  
Washington, DC  
Consumer Affairs Division  
Washington D.C. 20219-0001  
(202) 874-4420  
[www.occ.treas.gov](http://www.occ.treas.gov)

Southern California - North Assistant Deputy Comptroller Dot A. Sander-Ziegler 550 North Brand Blvd., Suite 500 Glendale, CA 91203 Telephone 818-240-9192
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## **An Overview of Entrepreneurs and Capital Formation.**

SCORE (Santa Barbara) has available an excellent document on this subject written by Zoltan A. "Walt" Harasty, a SCORE counselor with over forty years experience as a (former) securities attorney and as a (former) principal in a management consulting firm specializing in capital formation.

This is not esoteric writing (understood by a privileged few), but an easy to comprehend explanation of DEBT/EQUITY financing – something you need to know and understand if you are interested in funding your new business.

Call 805-563-0084. A nominal charge may be imposed to cover printing and handling costs.

## Financial Consulting Firms

Financial consulting firms do not lend you money directly, but they are an invaluable source for locating the lenders and discovering what is currently available. Many of the financial consulting firms are contractors for government agencies. Financial consulting firms are professionals in the world of business financing, offering financial advice, and helping you determine your needs. Moreover, most financial consulting firms will also help you prepare a loan package to present to the potential lender. There are several in this county. Refer to the Yellow Pages for their names and locations. It is suggested that you request references and/or referrals before engaging their service.



## ACCOUNTING FOR YOUR BUSINESS

Good record keeping — a constant and detailed knowledge of expense, income, and profit or loss — is the first step toward the profitable management of your business.

### Record Keeping

Since few small business owners spend much time keeping records, the customary warning of keeping only those records that are actually used should be replaced by two warnings.

The first is to keep basic records. Never rely on memory, close personal contact with the business, or on some simple system that you believe replaces basic records.

The second is to make effective use of the basic records that are kept. Many owners fail to use inventory records for sales promotion, changes in buying or merchandising policies and charge account records for customer analysis and sales promotion.

Without adequate records, it will not be possible for your business to handle buying, inventory control, credit and collections, expense control, personnel, production control and most other aspects of management efficiently. Any experienced owner knows that it is just common sense to keep an accurate, written record of every business transaction. A lack of proper accounting and record keeping in your

business makes it impossible for you to know how your business is doing, and in the majority of cases, the first indication that something is wrong comes too late.

You will need accurate and complete records to help you monitor your business. Records will help you prepare your income taxes at the end of the year, obtain loans, inform suppliers and creditors, and keep you informed of how the business is doing financially. Records also aid in planning for the future based on factual financial knowledge rather than guesswork.

Trade associations often provide guidelines or accounting records tailored to a particular type of business. There are also a variety of records and record keeping systems available at bookstores. It is suggested you use some type of computer based program tailored to your needs. There are a number available on the market today that combine accounting (accounts payable, receivable, and payroll) as well as word processing and database, or some combination of these.

Every business should have up-to-date records which provide the following information:

- Accurate records of sales and operating results, fixed and variable costs, profit or loss, inventory levels and credit and collection totals.
- Comparisons of anticipated business performance with actual business performance.
- Financial statements, such as profit and loss, cash budget and balance sheet.
- Tax returns and reports to the government.
- A method for uncovering employee thefts, material waste, or record keeping errors.

Your essential records should include the following information:

- Daily summary of cash receipts taken from cash register tapes, charge slips, or sales receipts.
- An expense ledger tallying both cash and checks for accounts payable, payroll, rent and other recurring expenses.
- An inventory system showing shipments received, accounts payable and the amount of inventory on hand.
- An employee pay record listing hours worked, pay and withholding deductions for both full-time and part-time employees.
- An accounts receivable record for credit sales.

The Internal Revenue Service does not require specific accounting methods, records, or systems. However, the IRS does require that you maintain permanent books of account which can be used to clearly show income, expense and deductions. These records must be accurate and reflect taxable income and allowable deductions. Records also must be kept so that they are available for inspection by IRS officers.

## **Accounting Methods**

Choose either a cash accounting method or an accrual accounting method for reporting the income and expenses of your business. Your choice should be made after discussing the matter with your bookkeeper or accountant. Here are some of the differences.

### **The Cash Method**

The cash method of accounting is generally used by individuals and small businesses.

**Income:** With the cash method, all items of income received during the year are included in gross income.

**Expenses:** Usually you must deduct expenses in the tax year that you actually pay them.

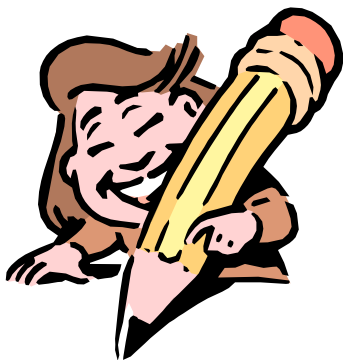
## The Accrual Method

The purpose of the accrual method of accounting is to match the income and expenses in the period in which they occur.

**Income:** Under the accrual method, all items of income are included in gross income when earned, even though they may be received in another tax year.

**Expenses:** If you are a business that uses the accrual method of accounting, you deduct business expenses when you become liable for them, whether or not you pay them in the same year. All events that set the amount of the liability must have happened, and you must be able to figure the amount of the expenses with reasonable accuracy.

## Hiring a Bookkeeper and an Accountant



It's highly recommended that you hire both a competent bookkeeper and a professional accountant. Spend the necessary time to find the right bookkeeper and accountant for your needs. Talk to people in the same type of business as you are in to get referrals. Trade associations, management consultants, business associates and friends are also good referral sources. It isn't necessary to hire an accountant to do your day-to-day bookkeeping, but your bookkeeper must have adequate experience and qualifications to handle the record keeping needs of your business. It is also a good idea to contract the services of a professional accountant to provide important advice and help in determining what records to keep, the most economical way of maintaining the records, techniques on how to insure against paying unnecessary taxes and the most efficient system of cash flow management. An accountant's advice is helpful in

keeping track of inventory, so that your business will always have enough on hand for customers but not more than should be kept. The accountant will also suggest methods for depreciating assets and maintaining up-to-date balance sheets and income statements.

**NOTE: There are no referral services for accountants.** However, the Santa Barbara Bookkeepers Association is a group of mostly independent contractor bookkeepers. They can be contacted at P.O. Box 30203, Santa Barbara, CA 93130-0203 and 805-965-5676. Their web site is [www.sbbaonline.org](http://www.sbbaonline.org).

## UNDERSTANDING TAXES

For any type of small business, different types of federal, state, and city taxes must be paid. Records must be kept that provide information needed to figure your tax deductions. These taxes include:

**Federal Taxes:** Employee Income Tax and Social Security Tax, Excise Tax, Owner-Manager's and/or Corporation Income Tax, Unemployment Insurance Tax

**State Taxes:** Franchise Tax, Income Taxes, Unemployment Insurance Tax, Sales Use Tax, and State Disability Insurance.

**Local Taxes:** Personal Property Tax, Real Estate Tax

Information and assistance regarding small business/self-employed tax obligations and requirements can be obtained from: [www.irs.gov](http://www.irs.gov) (One Stop Business Resource)... and

<b>Internal Revenue Service</b> 1332 Anacapa Street, Suite 101 Santa Barbara CA 93101 (805) 564-7555	<b>Internal Revenue Service</b> 2384 Professional Parkway Santa Maria, CA 93455 (805) 352-0355
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The IRS supplies several booklets, at no cost, which contain information about federal taxes. Information about all forms and publications can be located at "*Forms and Publications Finder*" at the above web site.

In addition, the Fresno IRS office offers a free monthly workshop to explain how federal taxes relate to your business. The San Luis Obispo office is too small to offer these workshops which introduce business taxes, highlight tax benefits and obligations connected with a small business, and emphasize employer tax responsibilities. For brochures and/or workshop schedules, contact the above office or:

### Internal Revenue Service

Taxpayer Education Coordinator

55 South Market Street, Stop HQ.6300  
San Jose CA 95113  
(408) 817-6747

Fresno Blythe Ave.  
Fresno, A 93722Office  
5104 N.  
(559) 452-3201

CAUTION: Always corroborate latest tax requirements. This information is changeable.

## Employer Identification Number

An Employer's Identification Number (EIN) must be obtained prior to starting your business. An EIN identifies your business for federal and state tax purposes. You may need to get a new EIN if the form of organization of your business changes or the ownership of your business changes.

To apply for an EIN, use form SS-4, Application for EIN. These forms are available from the Internal Revenue Service. The application should be made early enough to allow time for processing the forms for an EIN to be issued. For additional information call the IRS toll-free at (800) 829-4933

Form SS-4 is downloadable from PDF (Adobe Acrobat). [www.irs.gov](http://www.irs.gov)

In California applications can be made by mail by calling Tele-Tin toll-free at (800) 816-2065, and fax at (215) 516-3990

## **Federal Income Tax Withholding**

Any employer of one or more persons must withhold federal income taxes from wages paid to employees.

For each employee, you should obtain a withholding exemption certificate, known as the W-4, from the District Director of the Internal Revenue Service, and have the employee complete the form. Based on the information on the certificate, a certain amount of taxes is withheld from the wage payments. Generally, the income tax must be withheld from wages if the wage for any payroll period is more than the amount of the employee's withholding allowances (per W-4) for the period.

A payroll may be daily, weekly, biweekly, or monthly. The amount to be withheld can be determined by reading Circular E, furnished by the IRS. There should be no withholding for those employees who claim "exempt" on the W-4's. Those employees must renew their exempt status every year by filing a new W-4 by February 15th. Otherwise, an employee need only fill out a new W-4 when the situation changes (marital status, address or withholding allowances).

You are required to deposit the tax funds collected. You must file quarterly returns with the District Director of Internal Revenue. You must file an annual reconciliation of the quarterly returns with copies of the withholding statements. If you neglect to, or improperly file returns, penalties and excess payments may be levied.

The specific records you must keep for income tax withholding are:

- 1) Each employee's name, address, and Social Security number.
- 2) The total amount and date of each wage payment and the period of time payment covers.
- 3) The amount subject to withholding for each wage payment.
- 4) The amount of withholding tax collected on each payment and the date it was collected.
- 5) If the taxable amount is less than the total payment, the reason.
- 6) Copies of any statements furnished by employees relating to nonresident alien status, residence in Puerto Rico or the Virgin Islands, or residence or physical presence in a foreign country.
- 7) The fair market value and date of each payment of non-cash compensation made to a retail commission salesperson, if no income tax was withheld.
- 8) Information about the amount of each payment for wage continuation plans.
- 9) The withholding exemption certificates (Form W-4) for each employee.
- 10) Any agreement between you and your employee for the voluntary withholding of additional amounts of tax.
- 11) The dates in each calendar quarter in which the employee worked for you, but not in the course of your business or trade, and the amount paid for that work.
- 12) Copies of statements given to you by employees reporting tips received in their work, unless the information shown on the statements appears in another item on the list.
- 13) Requests by employees to have the tax withheld figured on the basis of their individual cumulative wages.
- 14) The W-5, Earned Income Credit Advance Payment Certificate, of the employees who are eligible for the earned income credit and wish to receive their payment in advance rather than when they file their income tax return.

An employee's Earnings Ledger, which you can buy at most office supply stores normally has space for the information required in items one to four.

## **Social Security Tax (FICA)**

FICA is Social Security tax. Anyone who owns a business, employs one or more persons and has net earnings of (\$XXX) or more as the sole owner or partner is subject to the Social Security tax. The employer pays a percentage of wages for each employee. This amount is matched by the employee on all wages received up to a maximum amount of earnings. The employee's share of the Social Security payment is deducted by the employer at the end of each pay period.

It is not necessary to pay the employer portion of FICA on tip income. Tip income should be reported by all employees who receive more than (\$XX) in tips per month, by the 10th of the following month. They can use Form 4070, Employees' Report of Tips to Employer.

Self-employed individuals pay a self-employment tax, which is also a percentage of wages up to a maximum amount of earnings. This tax provides Social Security coverage for the self-employed, and it is paid in place of the Social Security tax.

You also must maintain the following information in your records on Social Security taxes of your employees:

- The amount of each wage payment subject to FICA tax.
- The amount of FICA tax collected for each payment and the date collected.
- If the total wages payment and the taxable amount differ, the reason why they do.

For further information on Social Security taxes contact the Internal Revenue Service. Because of the nature of Social Security taxes, assistance in setting up records should be requested as soon as a business is formed. This information is changeable. Check for current status.

[www.irs.gov](http://www.irs.gov) (Business)

## **Federal Unemployment Tax (FUTA)**

The federal unemployment system, together with the state system, provides for payments of unemployment compensation to workers who have lost their jobs. Payments in kind (wages not paid in money) and tips must be included in wages paid to determine federal unemployment taxes.

Additional information in your records required by the Federal Unemployment Tax Act (FUTA) are:

- The total amount paid to the employees during the calendar year.
- The amount of compensation subject to the unemployment tax.
- The amount you paid into the state unemployment fund.
- Any other information required to be shown on the unemployment tax return, and amount of the tax.

For more information contact:

**Internal Revenue Service**



1332 Anacapa Street, Suite 101  
Santa Barbara  
CA 93101  
(805) 564-7555

**Internal Revenue Service**  
2384 Professional Parkway  
Santa Maria,  
CA 93455  
(805) 352-0355

[www.irs.gov](http://www.irs.gov) (One Stop Business Resource)

## **State Franchise and Income Tax**

Net income for corporations is generally the same as that determined for federal income tax purposes with certain exceptions. Income of partnerships or sole proprietorships is taxed as the personal income of the proprietor. The California personal income tax system is patterned after federal income tax law, including a comprehensive system for withholding personal income taxes. Taxpayers not subject to withholding or whose expected tax liability exceeds the amount withheld must pay estimated taxes quarterly. You should see your accountant for more complete information.

Annual tax returns and full payment are due by April 15th for most taxpayers. Information on tax rates and credits is available from any office of the Franchise Tax Board.

**Franchise Tax Board (Field Office).**  
Los Angeles  
300 S. Spring St., Suite 5704  
Los Angeles, CA 90013-1265

[www.ftb.ca.gov](http://www.ftb.ca.gov)

This is the closest office for Santa Barbara County at time of printing.

If your business is defined as a "subject employer" under the California Unemployment Insurance Code, then you must register with the California Employment Development Department to obtain a state employer identification number. By law, the California Employment Development Department administers the reporting, collection, refunding, and enforcement of state personal income taxes required to be withheld by employers. A business applying for a Fuel Tax Permit or Sales Tax Permit from the State Board Of Equalization is simultaneously registered with the Employment Development Department. Registration must be within 15 days of the first payment of wages. No fee is required for registration. Most employers who withhold California personal income taxes already report to this Department under the law relating to unemployment and disability compensation.

The Employer's Tax Guide (form DE-44) provides extensive instructions on requirements and procedures for withholding, filing, and remitting personal income taxes. For a copy of this form and/or additional information, contact:

**California Employment Development Department**  
130 E. Ortega Street

Santa Barbara  
CA 93101  
(805) 568-1280

[www.edd.ca.gov](http://www.edd.ca.gov)

**California Employment Development Department**

1410 South Broadway  
Santa Maria  
CA 93454-6971  
(805) 348-3230

[www.edd.ca.gov](http://www.edd.ca.gov)

## **State Disability Insurance**

California's Disability Insurance (DI) program provides benefits to eligible workers who suffer a loss of wages when they are unable to perform their usual work because of non-occupational illness or injury, or pregnancy. It applies roughly to the same employees as the state's unemployment insurance program. The disability insurance program is financed by taxes withheld from wages of covered workers.

Employers are responsible for withholding, and paying to the Employment Development Department, contributions from employees' subject wages. Employers are liable for the Disability Insurance contribution, whether or not such contribution has been deducted from the employee's wages. Disability Insurance, which covers non-occupational disabilities, should not be confused with workers compensation insurance, which relates to work-related injury or illness. However, if the weekly benefit rate for a workers compensation claim is less than that which would be payable under disability insurance coverage, disability benefits may be used to pay the difference.

## **Workers Compensation Insurance**

California law requires all employers to carry workers compensation insurance by certification or self-insurance. Premiums are based on payroll levels and the type of occupation insured; the California Department of Industrial Relations administers the program. For further information and specific requirements on workers compensation insurance, contact:

**California Department of Industrial Relations**

Information & Assistance  
455 Golden Gate Avenue  
San Francisco  
CA 94102 (415) 703-5070

[www.dir.ca.gov](http://www.dir.ca.gov)

**Workers Compensation**

6755 Hollister Avenue, Suite 100  
Goleta  
CA 93117-3018  
(805) 968-0258

[www.dir.ca.gov](http://www.dir.ca.gov)

## **Sales and Use Tax**

You must apply to the State Board of Equalization for a seller's permit for each place of business you operate.

The sales tax throughout Santa Barbara County is imposed on gross receipts from retail sales at a 7.75% current rate. These rates are always **subject to change** by the state, county and incorporated cities.

Most permit holders file sales tax returns quarterly, however, the Board requires many taxpayers to file monthly or annually instead. The Board has developed Form B-451 for use by cities and counties in order to inform those going into business of the need for a seller's permit. The Board also conducts an ongoing program to ensure that taxpayers are neither over or under paying. Complete records of all business transactions—including sales receipts, purchases, and other expenditures—must be maintained for at least four years and available at all times for inspection by Board personnel. For additional information, contact:

**State Board Of Equalization**  
4820 McGrath Street, Suite 260  
Ventura  
CA 93003-7778  
(805) 677-2700

Publications and forms available PDF (Adobe Acrobat)  
Toll-free information (800) 400-7115

[www.boe.ca.gov](http://www.boe.ca.gov)

## **State Unemployment Insurance**

Employers paying more than (\$XXX)\* in wages in any calendar quarter and employing one or more workers generally are subject to the California Unemployment Insurance Code.

The California Employment Development Department provides an Employer's Guide to the Unemployment Insurance Code of California (DE 44), which should be consulted for details on these procedures. Unemployment Insurance is financed entirely by employer's taxes.

Employer contributions are payable quarterly, on or before the last day of the month, following the close of the calendar quarter. Late payments incur interest charges and possible additional penalties.

\* Subject to change.

## **Employment Tax Periods**

You must use the calendar quarter for withheld income tax and Social Security Tax — and the calendar year for federal unemployment tax and W-2's.

## **Records of Employers**

You must keep all your records on unemployment taxes (income tax withholding, Social Security and federal unemployment tax) for at least four (4\*) years after the due date of the return or after the date the tax is paid, whichever is later. In addition to the items required for each specific type of employment tax, your records also should contain your employer identification number, copies of the returns you have filed, and the dates and deposits made. (\*Subject to change).

## **Business Tax Certificate**

A business tax certificate is issued for tax purposes only, and does not constitute a permit or authorization by the issuing entity to conduct a business.

In addition to having a business tax certificate, you must comply with zoning and occupancy law, building codes, traffic regulations, and other specific regulations. Permits from other city or county departments may be required to ensure your compliance. It is your responsibility to obtain any permits required for the conduct of your business.

Upon your application for a business tax certificate, information regarding your business will be sent to the other departments of the city or county which may have regulatory authority over your business. It is to your benefit, therefore, to obtain all appropriate permits before starting your business. If you do not, you may incur additional expense and penalties at a later time for your failure to have the proper permits.

All city and county business licensing information is available at:

**City of Santa Barbara**  
Finance Department  
Business License Department  
735 Anacapa Street  
P.O. Box 1990 93102-1990  
Santa Barbara  
CA 93101  
(805) 564-5346



and

**[www.calgold.ca.gov](http://www.calgold.ca.gov) (Business Permits Made Simple). This is a powerful and comprehensive web site providing city, county, state and federal requirements by business category, i.e., Child Care Services, Retail Bookstore, etc. A MUST for all Start-Up business planners.**

## **INSURING YOUR BUSINESS**

Before starting the business you should thoroughly investigate business insurance needs. Often, small businesses ignore the importance and necessity of insurance until after a major loss has occurred. A sound insurance plan protects you and your business by shifting the risks and reducing the uncertainties of your business.

In selecting an insurance plan, it is important that the business have all the right coverage for its specific needs at the best rates. There are many insurance companies to choose from, all having different plans and rates. Package deals which combine several coverage's in one policy are available to business owners by most insurance companies. The insurance plan for your business should be company specific to the business needs. A good insurance broker can be essential in helping select an insurance plan that is right for the business. It is preferable that you keep the same insurance broker who is familiar with the business for all the insurance needs, and any future insurance needs when updating the plan.

Critical factors of selecting an insurance plan:

- Identifying risks that need to be covered.
- Determining the amount of loss from each risk.
- Obtaining coverage for largest potential loss first.
- Avoiding duplicate coverage.

### **Types of Insurance**

There are a variety of coverage's available from different companies, with different premiums and deductions. There are, however, five major types of coverage that are considered to be essential for most businesses: key man life, liability, property, workers compensation, and automobile.

### **Key Man Life Insurance**

A sole proprietor or a partnership should consider obtaining a key man life insurance policy at least in the amount of financing to be obtained to start the business. The insurance will protect the business in the event of illness or death of the principal.

### **Liability Insurance**

Liability insurance is considered one of the most important types of insurance for a business. It protects the business from financial loss due to bodily injury or property damage caused by negligence or business operations (which may include acts of the owner, acts of the employees on the job, business conditions, or products of the business). In some cases, businesses may be subject to damage claims even when "reasonable care" was used. Several examples of liability policies available include the following coverage's: owner, product, contractor accidents, or personal injury (which includes libel and slander).

Package deals can include "umbrella" coverage which allows for raises in liability as well as items not specifically mentioned originally.

### **Property Insurance**

Property insurance provides protection to the owner from damage to, or loss of, property. Property losses which can be covered (some for an additional premium), include the following:

- Equipment and inventory
- Fire, windstorm, flood
- Theft, vandalism
- Explosion, riot
- Employee dishonesty
- Business interruption

In determining property insurance rates, insurance companies take into consideration several factors concerning the property and building, such as: location of the property and building; construction of the building; and smoke, sprinkler, and burglar alarm systems. If, for example, an automatic sprinkler system is installed, risk will be reduced, and fire insurance rates lowered.

A renter should determine, and include in the lease documents, such coverage as the landlord furnishes, and then provide such additional insurance as desired.

## **Workers Compensation Insurance**

Workers compensation insurance provides compensation benefits to employees injured on the job. Employers failing to provide safe working conditions are liable for damage suits brought by the employee suffering injury. Employers are required by law to carry workers compensation for all employees. Premiums are determined by the state, and will vary according to the occupation of the employees and the injury history of the business. Workers compensation insurance is available from the state as well as private insurance companies.

For further information and specific requirements on workers compensation insurance, contact:

<p><b>California Department of Industrial Relations</b>          Information &amp; Assistance          455 Golden Gate Avenue          San Francisco          CA 94102          (415) 703-5070   <a href="http://www.dir.ca.gov">www.dir.ca.gov</a></p>	<p>6755 Hollister Avenue, Suite 100          Goleta 93117-3018          (805) 968-0258          Robert Ebenstein, presiding judge          Disability Evaluation Unit, (Ventura) (805) 654-4708          Information &amp; Assistance Unit, (805) 968-4158          Rehabilitation Unit, (805) 968-7678          SIF (Sacramento, suite 355) (916) 263-2774          UEF claims, (Los Angeles, ) (213) 576-7300</p>
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### **State Compensation Insurance Fund**

2901 North Ventura Road  
 Oxnard  
 CA 93036  
 (805) 988-5300  
 Mail: P.O. Box 9045, Oxnard, CA 93031-9045

[www.scif.com](http://www.scif.com)

State Disability Insurance, which covers non-occupational disabilities, should not be confused with workers compensation insurance, which relates to work-related injury or illness. However, if the weekly

benefit rate for a workers compensation claim is less than that which would be payable under disability insurance coverage, disability benefits may be used to pay the difference.

## **Automobile Insurance**

Automobile insurance provides both property and liability coverage for vehicles owned by the business or vehicles used for business purposes. Several types of property insurance covering the automobile are: collision, theft, and glass breakage. Automobile liability insurance protects the employer from losses resulting from an employee's injuring people or damaging other people's property. Non-owned automobile liability insurance is available to the employer for employees driving their own vehicles on company business. Rates are determined by the type and usage of the vehicle, as well as the driving record of the person driving the vehicle.

## **Additional Comments**

Depending on the type of business and situation, other insurance coverage's, such as surety insurance, employee health and life insurance, key person insurance, and credit insurance can add great value and security to the business. Employee health and life insurance protects employees at times when they are most vulnerable. Employee insurance packages can include dental, vision and hearing coverage. You should consult your insurance agent regarding these special circumstances.

Consult your local Chamber of Commerce Membership Directory and Yellow pages for listings of insurance agents and companies.



## ATTRACTING, HIRING AND KEEPING GOOD PEOPLE

There are basically two kinds of people — those who can justify failure and those who can only know success. On which kind of person would you stake the future of your business?

Your business can only be as good as the people that you attract and keep. Therefore, it is important that you take the time necessary to find the right people because this will save you frustration and valuable time in the long run.

Think of the people you will hire as an **investment**. When you choose people to work for you, keep in mind that they will be with you for a long time and that these people are going to be an essential ingredient in your success. Look for people who balance your strengths and weaknesses and who have a track record of success. Be familiar with track records of potential employees because people tend to repeat their bad habits. Good people are found, not changed!

Furthermore, you have to pay employees what they are worth or else they will choose to work for someone else. However, note that money is **not the only way** to attract the best people.

If what you offer to your employees is not superior, then you are going to be faced with the same situation as not offering your customers superior service.

The best way to attract and keep good people is to offer them:

- Responsibility.
- A good working environment.
- A sense of accomplishment.
- A belief in the business and a chance for advancement.
- A fair salary.

Don't be afraid to give your employees responsibility. This is a good way for you to evaluate a person's effectiveness and contribution to the success of the business. It will also make them see and feel that they are a vital part of the business.

## Regular Employees

There are two types of permanent employees: Common law employees and statutory employees.

## Common Law Employees

How do you know when a person is an employee? According to common law terminology, an employee is a person hired to render services, and an employer is the person who retains control or the right to control how the service is to be rendered. The right to control is the most important consideration in determining if there is an employee/employer relationship.

If you employ one or more people, then you must obtain workers' compensation insurance. You are also required to withhold Social Security, income taxes, and pay the employer's share of various taxes and benefits. For details, refer to the section on "Understanding Taxes."

The Industrial Welfare Commission of the State of California ([www.dir.ca.gov](http://www.dir.ca.gov)) has issued orders regulating wages, hours, and working conditions in fifteen different industries. At this point, it is best for you to consult your attorney or contact:

### **State of California Labor Commissioner**

411 East Canon Perdido Room 3  
Santa Barbara CA 93101  
(805) 568-1222  
Fax (805) 568-1569

### **Department of Fair Employment and Housing**

The Ventura office has been closed. For assistance please call (800) 233-3212

[www.dfeh.ca.gov](http://www.dfeh.ca.gov)

### **Employment Tax District Office**

4820 McGrath Street, Suite 250  
Ventura  
CA 93003  
(800) 745-3886

[www.edd.ca.gov](http://www.edd.ca.gov)

Santa Barbara County North may also use this office: 3196 South Higuera Street, Suite C San Luis Obispo, CA 93401
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## Statutory Employees

Statutory law deals with actual written state and federal laws, unlike common law which relies mostly on previous court decisions. Certain people, such as family members, though not qualified as common law employees, may be considered statutory employees by federal and state law. Special rules apply to different occupations. When in doubt, consult your attorney or contact one of the offices mentioned above.

## Aliens

Many immigrants come to California to look for a chance to make their lives better. In the past, the laws dealing with hiring aliens were vague, and it was up to the immigration authority to catch illegal aliens at work. Businesses could hire pretty much anyone they wanted. Now the situation has changed.

The Immigration Reform and Control Act of 1986 not only makes hiring, recruiting, or referring "unauthorized aliens" illegal, but it also places the task of enforcement on the employer.

This law applies to all employers and employees. Under the new law, the employer is responsible for checking the status of every employee. The law also requires every employer and employee to fill out an Employment Eligibility Verification Form, the I-9 Form. This form is to be kept with the employee's personnel file. If you knowingly hire an illegal alien, you will be fined between \$250 and \$10,000 per worker. The law also prohibits a business from using independent contractors who hire unauthorized aliens.

Be sure to complete and file an I-9 form before hiring an employee. A separate fine of \$100 to \$1000 will be imposed for failure to comply with the I-9 paperwork requirement. You can get the I-9 form from any Immigration and Naturalization office. NOTE: Fines are subject to change.

On November 29, 1990, the President signed into law the Immigration Act of 1990. This new law will result in major changes in immigration regulations. NOTE: Changes are pending at time of compilation. For further information concerning these implementations, contact:

**Immigration and Naturalization Service**

US. Federal Building  
300 North Los Angeles Street, Room 1001  
Los Angeles CA 90012  
(213) 894-2119

[www.uscis.gov](http://www.uscis.gov)

For recorded information concerning immigration and naturalization laws, call toll free:

**National Customer Service Center**  
(800) 375-5283

## **Alternatives to Regular Employees**

There are many alternatives to hiring permanent employees. Due to financial limitations, you may want to consider hiring independent contractors or outside professionals on an "as needed" basis; and/or utilize partners, mentors, informal boards or friends to help out with the business.

### **Staff Leasing**

Employment agencies frequently provide employees who can be leased on a short- or long-term basis. This service provides employee benefits to the employees, and relieves the employer of the need to purchase those benefits. All payroll taxes and reports are included in the service.

### **Independent Contractors**

Think about hiring independent contractors if you require a broad range of specialized services. When you first start your business, you may not be making enough money to hire enough full-time employees to provide all the services you require.

Employers hire independent contractors to perform specific tasks that require specific skills. The employer usually pays the independent contractor by the job rather than by the hour. When using an independent contractor, you are not required to provide workers compensation insurance, to withhold income taxes, or

pay employment taxes.

Because of special legal considerations regarding independent contractors, you should consult your attorney or certified public accountant who specializes in this area.

## **Outside Professionals**

Enlist the services of a good bookkeeper, a good accountant, and a good lawyer.

You are going to need outside professionals whom you can trust as part of your team. An accountant or lawyer can help you avoid making some serious financial or legal mistakes. Find professionals that understand your strengths and weaknesses and have first-hand experience in your market.

Good professional help costs money. You may be able to negotiate by assuring them that if they stay with the business and help make it grow they will be rewarded accordingly.

## **Mentor's, Informal Boards, Etc.**

Find a mentor, someone in the business whom you respect and who has been successful, someone you can talk to from time to time about your business and how it is progressing. You need to get feedback from someone whom you trust and respect with prior experience in the business. You may want to put together an informal board of advisors who can offer you experience and expertise you can not afford to hire permanently. You should consider seeking the advice of successful local business executives or successful retired business executives. For information, contact:

### **Service Corps of Retired Executives (SCORE)**

402 E. Gutierrez Street

Santa Barbara

CA 93101

(805) 563-0084

[www.scoresantabarbara.org](http://www.scoresantabarbara.org) - and SCORE National [www.score.org](http://www.score.org)

or : your local **Chamber of Commerce** office

or: **Small Business Development Center.** [www.sba.gov/ca/la/sbdcla.html](http://www.sba.gov/ca/la/sbdcla.html)

### **Santa Barbara SBDC**

1029 Castillo

Santa Barbara

CA 93101

(805) 879-1729

At time of compilation this office is closed, but is occupied by SB Entrepreneurial Center.

### **North LA SBDC**

5121 Van Nuys Blvd, 3<sup>rd</sup> Floor

Van Nuys

CA 91403.

(818) 907-9922

## Sources of Information

When you have decided that you do need hired help, there are several ways to obtain the workers you need. You can try to find employees on your own, use an employment agency, contact a job training program, or use a government Employment Development Department Office.

If you are interested in using an employment agency, you can find them listed in the Yellow Pages under Employment Agencies, but you should be aware that many such agencies require that the employer pay a fee for the services.

The Workforce Resource Center is your one-stop employment connection where numerous partner agencies have joined forces to assist you in reaching your employment goals. For the first time in Santa Barbara County, job seekers and employers can access the no-fee services they need in just one stop. If you are looking to access employment services, brush up your job skills, or need job applicants — this is the place for you.

<b>Workforce Resource Center</b> Santa Barbara Location 130 East Ortega Street Santa Barbara CA 93101 (805)568-1296 – <a href="http://www.workforceresource.com">www.workforceresource.com</a>	Santa Maria Location 1410 South Broadway CA 93454 (805) 614-1550  <a href="http://www.workforceresource.com">www.workforceresource.com</a>
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If you prefer to use a government office for locating workers, you can contact an Employment Development Department Office in your area:

<b>Employment Development Office</b> 130 East Ortega Street Santa Barbara CA 93101 (805) 568-1280 <a href="http://www.edd.ca.gov">www.edd.ca.gov</a>	1410 South Broadway Santa Maria CA 93454-7060 (805)348-3230
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## UTILIZING OUTSIDE ASSISTANCE

Some organizations which specialize in providing assistance to small businesses are discussed here:

### Service Corps of Retired Executives (SCORE®)

The Service Corps of Retired Executives (SCORE) is a voluntary non-profit national organization of retired business owners and executives, sponsored by the SBA. SCORE offers a wide range of knowledge and experience through counseling and workshops. Counseling, confidential and without fee, is available to small business owners and potential business owners, and deals with all aspects of business. For more information on SCORE in Santa Barbara contact:

#### Service Corps of Retired Executives (SCORE) Chapter 0166

402 east Gutierrez Street

Santa Barbara

CA 93101

(805) 563-0084

[www.score-santabarbara.org](http://www.score-santabarbara.org)

[www.score.org](http://www.score.org)

For Santa Maria SCORE refer to Business Resource Directory Index - Page 4

## Economic Development Resources

Santa Barbara County, its cities and many separate areas of the county, provide a variety of resources for business firms which are starting up, relocating into the county or seeking to expand locally. Services offered fall under the headings of:

Advisory	Public Relations
Business Attraction	Recreation
Business Incubator	Regulatory
Business Retention/Economic Development	Research
Community Improvement	Revolving Loan Funding
Education	Tourism
Job Placement	Training
Land Use	Transportation
Networking	

Information is available at your local **Chamber of Commerce** office, or the listed SBDC offices .

<p><b>Santa Barbara SBDC.</b>          1029 Castillo          Santa Barbara          CA 93101          (805) 879-1729 by appointment only</p>	<p>At time of compilation this and the Oxnard office is closed due to lack of federal funding, but is occupied by SB Entrepreneurial Center with same telephone number. SCORE may have an update if you call 805-563-0084.</p>
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## Other Sources:

There are many more resources available to prospective business owners. Financial planners and marketing researchers can provide extensive market analysis tailored to the needs of the business. Selection of a consultant or advisor can be a critical step. Most of the assistance groups mentioned and even some others can be reached through industry groups, telephone directories, etc.

### University of California at Santa Barbara (UCSB)

Santa Barbara  
 CA 93106  
 (805) 893-8000  
 (805) 893-4200  
 (No street address necessary)

[www.ucsb.edu](http://www.ucsb.edu)

### Santa Barbara City College

721 Cliff Drive

NOTES

Santa Barbara  
CA 93109  
(805) 965-0581

[www.sbcc.cc.ca.us](http://www.sbcc.cc.ca.us)

### Continuing Education Classes (SBCC)

<b>Selmer O. Wake Center</b> 300 N. Turnpike Road Santa Barbara CA 93111 (805) 964-6853	<b>Alice F. Schott Center</b> 310 W. Padre Street Santa Barbara CA 93105 (805) 687-0812
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University and college libraries contain reference books, current periodicals, current demographic data, and other items of interest to those starting a business or those already in business seeking to expand. The librarians, and particularly those in the reference sections are a ready source of information, or can direct you to the proper source

Various professional level courses are available in many areas that are relative to business. These courses are given as part of the regular curriculum, or of the Extended Education Program offered throughout the year.



The county and city libraries provide a variety of interesting materials to those starting or expanding a small business. The collections of the Library contain many circulating books on starting specific kinds of businesses as well as books on specific topics, e.g., financing, personnel management, etc. There are current reference materials that are updated covering such matter as labor law and taxation. The Reference Librarians are very knowledgeable and can direct the inquirer to specific reference materials.

The single most dynamic and comprehensive source of business information — and leads to other sources of business information is the Small Business Administration at their website **[www.sba.gov](http://www.sba.gov)**.

### **UCSB Library.**

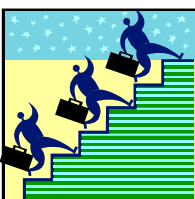
Go to: [www.library.ucsb.edu/subj/business.html](http://www.library.ucsb.edu/subj/business.html) - for BUSINESS Selected Internet Resources.

## CONTENTS:

<b>1. Starting Points</b>	
<b>2. Business Planning</b>	includes <a href="#">[Planning/Legal/Financing]</a> <a href="#">[Market Research and Demographics]</a>
<b>3. Companies</b>	includes <a href="#">[Annual Reports]</a> <a href="#">[Company Directories and Rankings]</a>
<b>4. Investment</b>	includes <a href="#">[News, Research]</a> <a href="#">[Stock Market pages]</a> <a href="#">[Bonds]</a> <a href="#">[Mutual Funds]</a>
<b>5. Int'l Trade and Business</b>	includes <a href="#">[Global Stock Markets]</a> <a href="#">[Resources]</a>
<b>6. Business Literature</b>	includes <a href="#">[To Find Articles]</a> <a href="#">[To Find Books]</a> <a href="#">[E-Journals]</a>
<b>7. Special Topics</b>	includes <a href="#">[Internet Demographics and Marketing]</a>

**\*\*NOTE:** See also the [Business Planning Reference Guide](#), [Company and Industry Reference Guide](#), [Investment Reference Guide](#), and the [International Trade and Business Reference Guide](#), all of which list resources and are available at Davidson Library, whether print, CD-ROM, or internet.

## TAKING THE NECESSARY STEPS TO GET STARTED



Now that you have read this guide, do you still feel that having your own business is what you really want to do? If the answer is yes, here are some steps you should take to help you get started after you have finished your business plan. (See the earlier section "Writing a Business Plan.")

Talk to your family, relatives and friends about your idea. Listen to their reactions with an open mind. Modify your plan, if necessary. Talk to them again. Practice the presentation you will make to the bank and other agencies. Remember, they are on your side; they want you to succeed. If you can't sell your idea to your friends and relatives, how can you sell it to others?

Do some market research either by yourself or with professional help. It is crucial that you know your competition and that the public will accept your business idea.

Once you have found that there is a need in the market place for your business, sit down and prepare a written preliminary business plan. Focus on your strengths and weaknesses of your competition.

Begin assembling personal assets and other private financial resources. Determine how much money you have and how much you will need to borrow.

Talk to an attorney if you feel uneasy about any issue. Have the attorney agree to look over any legal documents, including all contracts and leases, before you sign them.

Get busy looking for the best location for your business. Location is of primary importance. Take your time and insist on the best possible spot.

Contact other professionals, such as an accountant, for help in setting up your books, etc.; an insurance company to negotiate insurance coverage; and employment offices if you need employees. Contact potential suppliers and distributors. This is also a good time to contact your trade association if you not done so.

Do you have all the answers yet? If not, stop! Go back and find the missing pieces. You may wish to contact a financial consulting firm at this point. They generally charge for their services. One of the best ways of proceeding is to find a banker with whom you would like to do business and whom you can trust.

Consult with SCORE. These last two are services without charge.

Revise your business plan, if necessary. Approach the bank or a government agency for a small business loan only if you have enough information to answer all their questions. If you have looked into all the areas discussed in this guide, then you will be prepared to make a good impression and increase your chance of getting a business loan.

When all these things are done, and when your loan is approved, engage an advertising or marketing service and begin to plan for the opening promotional program. It need not be elaborate at this time, but the word should be out about when and where you are opening your business and what and how you are going to serve the customers. These advertising and marketing services can be costly; try SCORE for marketing ideas. Remember, their services are free.

Throughout this entire preparation time, you must remain flexible. Change your plan as often as the situation warrants. Listen to the experts' advice, but be critical and skeptical when necessary. Be on guard against overly optimistic or pessimistic attitudes. Don't hesitate to ask for help.

It cannot be stressed enough that the time that goes into the Business Plan — preliminary and final — is time well spent. Your lender wants to see one. You need one for the intelligent starting and running of your business. With a well thought out Business Plan you are in a position to be flexible and know what the financial consequences may be.

- For a thorough review of this subject, and sample plans, go to [www.sba.gov](http://www.sba.gov) and select *Business Plans*.
- [www.score.org](http://www.score.org) and [www.score-santabarbara.org](http://www.score-santabarbara.org). Take a look at the national web site for unlimited information - and our local web site which is quicker to navigate and specific to SB County.
- BizPlan PRO. \$99.95\* (subject to change). PaloAlto Software – [www.paloalto.com](http://www.paloalto.com). This company also has a list of consultants who charge a fee for plan *coaching* and plan *review*. This web site contain hundreds of sample plans.
- Local, for a fee, services are available.
- Office supply stores will carry software too. Staples carries a product called Winning Business Plans by Made E-Z Products for \$20.00\*. [www.madee-z.com](http://www.madee-z.com)
- Use Google search engine and type in *Business Plans* or something similar and you will find many more avenues to pursue.

NOTE: \*Current at time of publication

## **INSURING YOUR BUSINESS**

Before starting the business you should thoroughly investigate business insurance needs. Often, small businesses ignore the importance and necessity of insurance until after a major loss has occurred. A sound insurance plan protects you and your business by shifting the risks and reducing the uncertainties of your business.

In selecting an insurance plan, it is important that the business have all the right coverage for its specific needs at the best rates. There are many insurance companies to choose from, all having different plans and rates. Package deals which combine several coverage's in one policy are available to business owners by most insurance companies. The insurance plan for your business should be company specific to the business needs. A good insurance broker can be essential in helping select an insurance plan that is right for the business. It is preferable that you keep the same insurance broker who is familiar with the business for all the insurance needs, and any future insurance needs when updating the plan.

Critical factors of selecting an insurance plan:

- Identifying risks that need to be covered.
- Determining the amount of loss from each risk.
- Obtaining coverage for largest potential loss first.
- Avoiding duplicate coverage.

### **Types of Insurance**

There are a variety of coverage's available from different companies, with different premiums and deductions. There are, however, five major types of coverage that are considered to be essential for most businesses: key man life, liability, property, workers compensation, and automobile.

### **Key Man Life Insurance**

A sole proprietor or a partnership should consider obtaining a key man life insurance policy at least in the amount of financing to be obtained to start the business. The insurance will protect the business in the event of illness or death of the principal.

### **Liability Insurance**

Liability insurance is considered one of the most important types of insurance for a business. It protects the business from financial loss due to bodily injury or property damage caused by negligence or business operations (which may include acts of the owner, acts of the employees on the job, business conditions, or products of the business). In some cases, businesses may be subject to damage claims even when "reasonable care" was used. Several examples of liability policies available include the following coverage's: owner, product, contractor accidents, or personal injury (which includes libel and slander).

Package deals can include "umbrella" coverage which allows for raises in liability as well as items not specifically mentioned originally.

### **Property Insurance**

Property insurance provides protection to the owner from damage to, or loss of, property. Property losses which can be covered (some for an additional premium), include the following:

- Equipment and inventory
- Fire, windstorm, flood
- Theft, vandalism
- Explosion, riot
- Employee dishonesty
- Business interruption

In determining property insurance rates, insurance companies take into consideration several factors concerning the property and building, such as: location of the property and building; construction of the building; and smoke, sprinkler, and burglar alarm systems. If, for example, an automatic sprinkler system is installed, risk will be reduced, and fire insurance rates lowered.

A renter should determine, and include in the lease documents, such coverage as the landlord furnishes, and then provide such additional insurance as desired.

## **Workers Compensation Insurance**

Workers compensation insurance provides compensation benefits to employees injured on the job. Employers failing to provide safe working conditions are liable for damage suits brought by the employee suffering injury. Employers are required by law to carry workers compensation for all employees. Premiums are determined by the state, and will vary according to the occupation of the employees and the injury history of the business. Workers compensation insurance is available from the state as well as private insurance companies.

For further information and specific requirements on workers compensation insurance, contact:

<b>California Department of Industrial Relations</b> Information & Assistance 455 Golden Gate Avenue San Francisco CA 94102 (415) 703-5070  <a href="http://www.dir.ca.gov">www.dir.ca.gov</a>	6755 Hollister Avenue, Suite 100 Goleta 93117-3018 (805) 968-0258 Robert Ebenstein, presiding judge Disability Evaluation Unit, (Ventura) (805) 654-4708 Information & Assistance Unit, (805) 968-4158 Rehabilitation Unit, (805) 968-7678 SIF (Sacramento, suite 355) (916) 263-2774 UEF claims, (Los Angeles, ) (213) 576-7300
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### **State Compensation Insurance Fund**

2901 North Ventura Road  
Oxnard  
CA 93036  
(805) 988-5300  
Mail: P.O. Box 9045, Oxnard, CA 93031-9045

[www.scif.com](http://www.scif.com)

State Disability Insurance, which covers non-occupational disabilities, should not be confused with workers compensation insurance, which relates to work-related injury or illness. However, if the weekly

benefit rate for a workers compensation claim is less than that which would be payable under disability insurance coverage, disability benefits may be used to pay the difference.

## **Automobile Insurance**

Automobile insurance provides both property and liability coverage for vehicles owned by the business or vehicles used for business purposes. Several types of property insurance covering the automobile are: collision, theft, and glass breakage. Automobile liability insurance protects the employer from losses resulting from an employee's injuring people or damaging other people's property. Non-owned automobile liability insurance is available to the employer for employees driving their own vehicles on company business. Rates are determined by the type and usage of the vehicle, as well as the driving record of the person driving the vehicle.

## **Additional Comments**

Depending on the type of business and situation, other insurance coverage's, such as surety insurance, employee health and life insurance, key person insurance, and credit insurance can add great value and security to the business. Employee health and life insurance protects employees at times when they are most vulnerable. Employee insurance packages can include dental, vision and hearing coverage. You should consult your insurance agent regarding these special circumstances.

Consult your local Chamber of Commerce Membership Directory and Yellow pages for listings of insurance agents and companies.



## ATTRACTING, HIRING AND KEEPING GOOD PEOPLE

There are basically two kinds of people — those who can justify failure and those who can only know success. On which kind of person would you stake the future of your business?

Your business can only be as good as the people that you attract and keep. Therefore, it is important that you take the time necessary to find the right people because this will save you frustration and valuable time in the long run.

Think of the people you will hire as an **investment**. When you choose people to work for you, keep in mind that they will be with you for a long time and that these people are going to be an essential ingredient in your success. Look for people who balance your strengths and weaknesses and who have a track record of success. Be familiar with track records of potential employees because people tend to repeat their bad habits. Good people are found, not changed!

Furthermore, you have to pay employees what they are worth or else they will choose to work for someone else. However, note that money is **not the only way** to attract the best people.

If what you offer to your employees is not superior, then you are going to be faced with the same situation as not offering your customers superior service.

The best way to attract and keep good people is to offer them:

- Responsibility.
- A good working environment.
- A sense of accomplishment.
- A belief in the business and a chance for advancement.
- A fair salary.

Don't be afraid to give your employees responsibility. This is a good way for you to evaluate a person's effectiveness and contribution to the success of the business. It will also make them see and feel that they are a vital part of the business.

## Regular Employees

There are two types of permanent employees: Common law employees and statutory employees.

## Common Law Employees

How do you know when a person is an employee? According to common law terminology, an employee is a person hired to render services, and an employer is the person who retains control or the right to control how the service is to be rendered. The right to control is the most important consideration in determining if there is an employee/employer relationship.

If you employ one or more people, then you must obtain workers' compensation insurance. You are also required to withhold Social Security, income taxes, and pay the employer's share of various taxes and benefits. For details, refer to the section on "Understanding Taxes."

The Industrial Welfare Commission of the State of California ([www.dir.ca.gov](http://www.dir.ca.gov)) has issued orders regulating wages, hours, and working conditions in fifteen different industries. At this point, it is best for you to consult your attorney or contact:

### **State of California Labor Commissioner**

411 East Canon Perdido Room 3  
Santa Barbara CA 93101  
(805) 568-1222  
Fax (805) 568-1569

### **Department of Fair Employment and Housing**

The Ventura office has been closed. For assistance please call (800) 233-3212

[www.dfeh.ca.gov](http://www.dfeh.ca.gov)

### **Employment Tax District Office**

4820 McGrath Street, Suite 250  
Ventura  
CA 93003  
(800) 745-3886

[www.edd.ca.gov](http://www.edd.ca.gov)

Santa Barbara County North may also use this office: 3196 South Higuera Street, Suite C San Luis Obispo, CA 93401
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## Statutory Employees

Statutory law deals with actual written state and federal laws, unlike common law which relies mostly on previous court decisions. Certain people, such as family members, though not qualified as common law employees, may be considered statutory employees by federal and state law. Special rules apply to different occupations. When in doubt, consult your attorney or contact one of the offices mentioned above.

## Aliens

Many immigrants come to California to look for a chance to make their lives better. In the past, the laws dealing with hiring aliens were vague, and it was up to the immigration authority to catch illegal aliens at work. Businesses could hire pretty much anyone they wanted. Now the situation has changed.

The Immigration Reform and Control Act of 1986 not only makes hiring, recruiting, or referring "unauthorized aliens" illegal, but it also places the task of enforcement on the employer.

This law applies to all employers and employees. Under the new law, the employer is responsible for checking the status of every employee. The law also requires every employer and employee to fill out an Employment Eligibility Verification Form, the I-9 Form. This form is to be kept with the employee's personnel file. If you knowingly hire an illegal alien, you will be fined between \$250 and \$10,000 per worker. The law also prohibits a business from using independent contractors who hire unauthorized aliens.

Be sure to complete and file an I-9 form before hiring an employee. A separate fine of \$100 to \$1000 will be imposed for failure to comply with the I-9 paperwork requirement. You can get the I-9 form from any Immigration and Naturalization office. NOTE: Fines are subject to change.

On November 29, 1990, the President signed into law the Immigration Act of 1990. This new law will result in major changes in immigration regulations. NOTE: Changes are pending at time of compilation. For further information concerning these implementations, contact:

**Immigration and Naturalization Service**

US. Federal Building  
300 North Los Angeles Street, Room 1001  
Los Angeles CA 90012  
(213) 894-2119

[www.uscis.gov](http://www.uscis.gov)

For recorded information concerning immigration and naturalization laws, call toll free:

**National Customer Service Center**  
(800) 375-5283

## **Alternatives to Regular Employees**

There are many alternatives to hiring permanent employees. Due to financial limitations, you may want to consider hiring independent contractors or outside professionals on an "as needed" basis; and/or utilize partners, mentors, informal boards or friends to help out with the business.

### **Staff Leasing**

Employment agencies frequently provide employees who can be leased on a short- or long-term basis. This service provides employee benefits to the employees, and relieves the employer of the need to purchase those benefits. All payroll taxes and reports are included in the service.

### **Independent Contractors**

Think about hiring independent contractors if you require a broad range of specialized services. When you first start your business, you may not be making enough money to hire enough full-time employees to provide all the services you require.

Employers hire independent contractors to perform specific tasks that require specific skills. The employer usually pays the independent contractor by the job rather than by the hour. When using an independent contractor, you are not required to provide workers compensation insurance, to withhold income taxes, or

pay employment taxes.

Because of special legal considerations regarding independent contractors, you should consult your attorney or certified public accountant who specializes in this area.

## **Outside Professionals**

Enlist the services of a good bookkeeper, a good accountant, and a good lawyer.

You are going to need outside professionals whom you can trust as part of your team. An accountant or lawyer can help you avoid making some serious financial or legal mistakes. Find professionals that understand your strengths and weaknesses and have first-hand experience in your market.

Good professional help costs money. You may be able to negotiate by assuring them that if they stay with the business and help make it grow they will be rewarded accordingly.

## **Mentor's, Informal Boards, Etc.**

Find a mentor, someone in the business whom you respect and who has been successful, someone you can talk to from time to time about your business and how it is progressing. You need to get feedback from someone whom you trust and respect with prior experience in the business. You may want to put together an informal board of advisors who can offer you experience and expertise you can not afford to hire permanently. You should consider seeking the advice of successful local business executives or successful retired business executives. For information, contact:

### **Service Corps of Retired Executives (SCORE)**

402 E. Gutierrez Street

Santa Barbara

CA 93101

(805) 563-0084

[www.scoresantabarbara.org](http://www.scoresantabarbara.org) - and SCORE National [www.score.org](http://www.score.org)

or : your local **Chamber of Commerce** office

or: **Small Business Development Center.** [www.sba.gov/ca/la/sbdcla.html](http://www.sba.gov/ca/la/sbdcla.html)

### **Santa Barbara SBDC**

1029 Castillo

Santa Barbara

CA 93101

(805) 879-1729

At time of compilation this office is closed, but is occupied by SB Entrepreneurial Center.

### **North LA SBDC**

5121 Van Nuys Blvd, 3<sup>rd</sup> Floor

Van Nuys

CA 91403.

(818) 907-9922

## Sources of Information

When you have decided that you do need hired help, there are several ways to obtain the workers you need. You can try to find employees on your own, use an employment agency, contact a job training program, or use a government Employment Development Department Office.

If you are interested in using an employment agency, you can find them listed in the Yellow Pages under Employment Agencies, but you should be aware that many such agencies require that the employer pay a fee for the services.

The Workforce Resource Center is your one-stop employment connection where numerous partner agencies have joined forces to assist you in reaching your employment goals. For the first time in Santa Barbara County, job seekers and employers can access the no-fee services they need in just one stop. If you are looking to access employment services, brush up your job skills, or need job applicants — this is the place for you.

<b>Workforce Resource Center</b> Santa Barbara Location 130 East Ortega Street Santa Barbara CA 93101 (805)568-1296 – <a href="http://www.workforceresource.com">www.workforceresource.com</a>	Santa Maria Location 1410 South Broadway CA 93454 (805) 614-1550  <a href="http://www.workforceresource.com">www.workforceresource.com</a>
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If you prefer to use a government office for locating workers, you can contact an Employment Development Department Office in your area:

<b>Employment Development Office</b> 130 East Ortega Street Santa Barbara CA 93101 (805) 568-1280 <a href="http://www.edd.ca.gov">www.edd.ca.gov</a>	1410 South Broadway Santa Maria CA 93454-7060 (805)348-3230
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## UTILIZING OUTSIDE ASSISTANCE

Some organizations which specialize in providing assistance to small businesses are discussed here:

### Service Corps of Retired Executives (SCORE®)

The Service Corps of Retired Executives (SCORE) is a voluntary non-profit national organization of retired business owners and executives, sponsored by the SBA. SCORE offers a wide range of knowledge and experience through counseling and workshops. Counseling, confidential and without fee, is available to small business owners and potential business owners, and deals with all aspects of business. For more information on SCORE in Santa Barbara contact:

#### Service Corps of Retired Executives (SCORE) Chapter 0166

402 east Gutierrez Street  
 Santa Barbara  
 CA 93101  
 (805) 563-0084

[www.score-santabarbara.org](http://www.score-santabarbara.org)

[www.score.org](http://www.score.org)

For Santa Maria SCORE refer to Business Resource Directory Index - Page 4

## Economic Development Resources

Santa Barbara County, its cities and many separate areas of the county, provide a variety of resources for business firms which are starting up, relocating into the county or seeking to expand locally. Services offered fall under the headings of:

Advisory	Public Relations
Business Attraction	Recreation
Business Incubator	Regulatory
Business Retention/Economic Development	Research
Community Improvement	Revolving Loan Funding
Education	Tourism
Job Placement	Training
Land Use	Transportation
Networking	

Information is available at your local **Chamber of Commerce** office, or the listed SBDC offices .

<p><b>Santa Barbara SBDC.</b>          1029 Castillo          Santa Barbara          CA 93101          (805) 879-1729 by appointment only</p>	<p>At time of compilation this and the Oxnard office is closed due to lack of federal funding, but is occupied by SB Entrepreneurial Center with same telephone number. SCORE may have an update if you call 805-563-0084.</p>
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## Other Sources:

There are many more resources available to prospective business owners. Financial planners and marketing researchers can provide extensive market analysis tailored to the needs of the business. Selection of a consultant or advisor can be a critical step. Most of the assistance groups mentioned and even some others can be reached through industry groups, telephone directories, etc.

### University of California at Santa Barbara (UCSB)

Santa Barbara  
 CA 93106  
 (805) 893-8000  
 (805) 893-4200  
 (No street address necessary)

[www.ucsb.edu](http://www.ucsb.edu)

### Santa Barbara City College

721 Cliff Drive

NOTES

Santa Barbara  
CA 93109  
(805) 965-0581

[www.sbcc.cc.ca.us](http://www.sbcc.cc.ca.us)

### Continuing Education Classes (SBCC)

<b>Selmer O. Wake Center</b> 300 N. Turnpike Road Santa Barbara CA 93111 (805) 964-6853	<b>Alice F. Schott Center</b> 310 W. Padre Street Santa Barbara CA 93105 (805) 687-0812
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University and college libraries contain reference books, current periodicals, current demographic data, and other items of interest to those starting a business or those already in business seeking to expand. The librarians, and particularly those in the reference sections are a ready source of information, or can direct you to the proper source

Various professional level courses are available in many areas that are relative to business. These courses are given as part of the regular curriculum, or of the Extended Education Program offered throughout the year.



The county and city libraries provide a variety of interesting materials to those starting or expanding a small business. The collections of the Library contain many circulating books on starting specific kinds of businesses as well as books on specific topics, e.g., financing, personnel management, etc. There are current reference materials that are updated covering such matter as labor law and taxation. The Reference Librarians are very knowledgeable and can direct the inquirer to specific reference materials.

The single most dynamic and comprehensive source of business information — and leads to other sources of business information is the Small Business Administration at their website **[www.sba.gov](http://www.sba.gov)**.

### **UCSB Library.**

Go to: [www.library.ucsb.edu/subj/business.html](http://www.library.ucsb.edu/subj/business.html) - for BUSINESS Selected Internet Resources.

## CONTENTS:

<b>1. Starting Points</b>	
<b>2. Business Planning</b>	includes <a href="#">[Planning/Legal/Financing]</a> <a href="#">[Market Research and Demographics]</a>
<b>3. Companies</b>	includes <a href="#">[Annual Reports]</a> <a href="#">[Company Directories and Rankings]</a>
<b>4. Investment</b>	includes <a href="#">[News, Research]</a> <a href="#">[Stock Market pages]</a> <a href="#">[Bonds]</a> <a href="#">[Mutual Funds]</a>
<b>5. Int'l Trade and Business</b>	includes <a href="#">[Global Stock Markets]</a> <a href="#">[Resources]</a>
<b>6. Business Literature</b>	includes <a href="#">[To Find Articles]</a> <a href="#">[To Find Books]</a> <a href="#">[E-Journals]</a>
<b>7. Special Topics</b>	includes <a href="#">[Internet Demographics and Marketing]</a>

**\*\*NOTE:** See also the [Business Planning Reference Guide](#), [Company and Industry Reference Guide](#), [Investment Reference Guide](#), and the [International Trade and Business Reference Guide](#), all of which list resources and are available at Davidson Library, whether print, CD-ROM, or internet.

## TAKING THE NECESSARY STEPS TO GET STARTED



Now that you have read this guide, do you still feel that having your own business is what you really want to do? If the answer is yes, here are some steps you should take to help you get started after you have finished your business plan. (See the earlier section "Writing a Business Plan.")

Talk to your family, relatives and friends about your idea. Listen to their reactions with an open mind. Modify your plan, if necessary. Talk to them again. Practice the presentation you will make to the bank and other agencies. Remember, they are on your side; they want you to succeed. If you can't sell your idea to your friends and relatives, how can you sell it to others?

Do some market research either by yourself or with professional help. It is crucial that you know your competition and that the public will accept your business idea.

Once you have found that there is a need in the market place for your business, sit down and prepare a written preliminary business plan. Focus on your strengths and weaknesses of your competition.

Begin assembling personal assets and other private financial resources. Determine how much money you have and how much you will need to borrow.

Talk to an attorney if you feel uneasy about any issue. Have the attorney agree to look over any legal documents, including all contracts and leases, before you sign them.

Get busy looking for the best location for your business. Location is of primary importance. Take your time and insist on the best possible spot.

Contact other professionals, such as an accountant, for help in setting up your books, etc.; an insurance company to negotiate insurance coverage; and employment offices if you need employees. Contact potential suppliers and distributors. This is also a good time to contact your trade association if you not done so.

Do you have all the answers yet? If not, stop! Go back and find the missing pieces. You may wish to contact a financial consulting firm at this point. They generally charge for their services. One of the best ways of proceeding is to find a banker with whom you would like to do business and whom you can trust.

Consult with SCORE. These last two are services without charge.

Revise your business plan, if necessary. Approach the bank or a government agency for a small business loan only if you have enough information to answer all their questions. If you have looked into all the areas discussed in this guide, then you will be prepared to make a good impression and increase your chance of getting a business loan.

When all these things are done, and when your loan is approved, engage an advertising or marketing service and begin to plan for the opening promotional program. It need not be elaborate at this time, but the word should be out about when and where you are opening your business and what and how you are going to serve the customers. These advertising and marketing services can be costly; try SCORE for marketing ideas. Remember, their services are free.

Throughout this entire preparation time, you must remain flexible. Change your plan as often as the situation warrants. Listen to the experts' advice, but be critical and skeptical when necessary. Be on guard against overly optimistic or pessimistic attitudes. Don't hesitate to ask for help.

It cannot be stressed enough that the time that goes into the Business Plan — preliminary and final — is time well spent. Your lender wants to see one. You need one for the intelligent starting and running of your business. With a well thought out Business Plan you are in a position to be flexible and know what the financial consequences may be.

- For a thorough review of this subject, and sample plans, go to [www.sba.gov](http://www.sba.gov) and select *Business Plans*.
- [www.score.org](http://www.score.org) and [www.score-santabarbara.org](http://www.score-santabarbara.org). Take a look at the national web site for unlimited information - and our local web site which is quicker to navigate and specific to SB County.
- BizPlan PRO. \$99.95\* (subject to change). PaloAlto Software – [www.paloalto.com](http://www.paloalto.com). This company also has a list of consultants who charge a fee for plan *coaching* and plan *review*. This web site contain hundreds of sample plans.
- Local, for a fee, services are available.
- Office supply stores will carry software too. Staples carries a product called Winning Business Plans by Made E-Z Products for \$20.00\*. [www.madee-z.com](http://www.madee-z.com)
- Use Google search engine and type in *Business Plans* or something similar and you will find many more avenues to pursue.

NOTE: \*Current at time of publication