

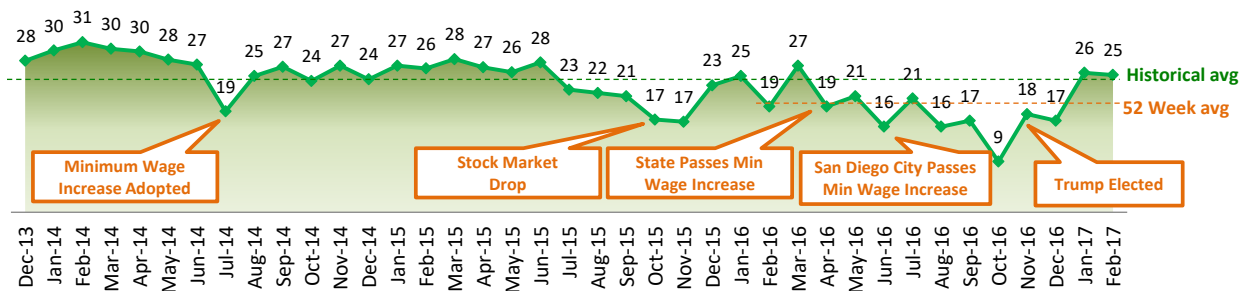
March 2017

Business Confidence Continues Positive Trajectory

County businesses unsure of impact of Affordable Care Act reforms

This month's Silvergate Bank-sponsored Business Forecast brings continued good news with back-to-back months of healthy optimism. The Business Outlook Index (BOI) is firmly in positive territory at 25.5.

Business Outlook Index Over Time



The main driver of this recent surge in enthusiasm is revenue. In the previous quarter, 46 percent of county businesses had predicted their revenues would increase, while 7 percent believed revenues would decrease. This month, 52 percent expect an increase, while only 4 percent say revenues will subside.

Industry-wise, development/construction, manufacturing, hospitality/restaurants, and transportation, have all reported increased optimism since last quarter, placing them atop the county's leaderboard. While hospitality businesses and development firms - like the majority of other industries - are somewhat positive about adding workers, they will be much more likely to extend their current employees' hours. Development and construction firms also see general conditions in their industry improving during the next three months.

Large companies with more than 50 employees show the most significant gains in confidence. Last quarter their BOI was 17, but now that has moved up to 37, fueled by an expanding workforce. Medium, small and micro firms generally trail their larger counterparts.

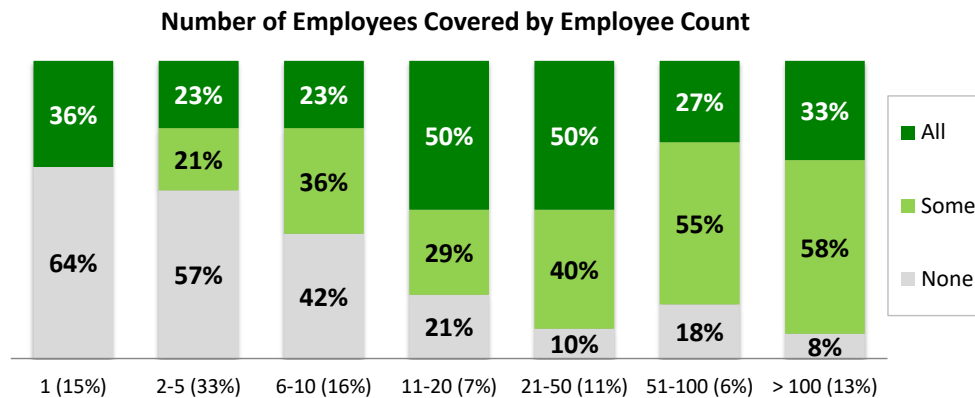
Another recent trend is geographic: firms in the city of San Diego went from a BOI of 22 in the previous quarter to 31 currently. The BOI elsewhere in the county has shown no such advance and is still at 21.

When asked about new challenges companies may be facing, the focus on minimum wage has subsided somewhat, going from 10 percent focusing on it last month to 5 percent now. Government-related challenges, however, are still cited by 24 percent of San Diego County's businesses.

With questions surrounding what a repeal or changes to the Affordable Care Act would look like at the time of this survey, the Chamber sought to explore the business community's understanding of these proposed changes, starting with how many are offering employee health plans.

The survey found that only one-third of companies in San Diego include a health plan that covers all their employees. Twenty-eight percent of companies cover some of their employees and 39 percent don't cover any.

Some of the reason for such a lack of universal coverage is firm size. Small companies tend not to need to cover their employees, and one-person firms usually get their healthcare coverage from another source (spouse, previous job, etc.). As businesses become larger they tend to offer coverage for their employees. But, interestingly, the largest firms are *not* more likely to cover a greater percentage of their employees. In the age of Obamacare, this is surprising because firms with more than 50 full-time employees are required to cover all employees or pay a fine. Perhaps those not covering all employees are counting part-time workers in their numbers, or perhaps others are paying the fines mandated by Obamacare. In any event, it is the companies employing 11 to 50 workers that cover the highest percentage of their employees.



Only 31 percent of local firms report that they have enough information on the changes being proposed for the Affordable Care Act. Just slightly more business people, 33 percent, don't believe they have sufficient information to gauge the impact of reform on their company. Further, the survey found that a quarter of the firms do not believe the ACA applies to their company and even 10 percent of the firms with more than 50 employees believe this to be the case.

About the Business Forecast

The San Diego County Business Forecast, sponsored by [Silvergate Bank](#), is a scientific look at where our region's economy is headed. The survey for this month's installment was fielded February 15-28, 2017 by [Competitive Edge Research & Communication](#) using responses from 201 randomly selected members of the San Diego, East County, Alpine, Escondido, Lakeside, Vista, Santee, Encinitas and National City Chambers of Commerce. One-third of the members were invited to complete the survey online. Those members who initially did not respond were invited to complete the survey over the phone.

The Business Outlook Index™ (BOI) is comprised of four self-reported assessments regarding the next three months: Will a respondent's business increase or decrease its number of employees, experience an increase or a decrease in revenue, increase or decrease the number of hours its employees work, and experience an improvement or a worsening of business conditions. For each assessment, definite and positive responses are scored 100, probable and positive responses are scored 50, neutral responses are scored 0, probable and negative responses are scored -50 and definite and negative responses are scored -100. The scores are summed and divided by 4 to get a range for the BOI of -100 to +100, with zero being a neutral outlook. Visit <http://encinitaschamber.com/business-forecast/> to see past Business Forecasts.

About Silvergate Bank, Business Banking Redefined

For over 25 years, as a San Diego based community bank, Silvergate provides a rewarding banking experience where the client's needs always come first. Our business banking experts listen to needs and work to provide customized solutions to support your company's growth and profit objectives. Our bankers are committed to superior responsiveness, local

decision making, and the agility that allows our clients to choose the way they want to bank with us. To learn more, visit www.silvergatebank.com or contact Dino D'Auria at ddauria@silvergatebank.com.

About *Encinitas* Chamber of Commerce

The Encinitas Chamber has been powering business in Encinitas for over 50 years. We are the gateway to local networking and community events. Send us an email or give us a call at (760) 753-6041 for more information.