City of Long Beach
Working Together to Serve

Memorandum

Date: August 30, 2019

To: Patrick H. West, City Manager

From: John Gross, Director of Financial Management

For: Budget Oversight Committee Members
Mayor and Members of the City Council

Subject: **Response to Questions From the Budget Oversight Committee Meeting on August 20, 2019**

This memorandum provides responses to questions raised during the August 20, 2019 Budget Oversight Committee meeting that were not fully addressed on the floor or needed further clarification.

1. What is the amount by which the Cannabis Program has been subsidized by the General Fund over the prior two years?

The table below provides a summary of Cannabis Program revenues and expenditures over the prior two fiscal years (FY 17-FY 18). The table also includes FY 19 year-end estimates-to-close (ETCs), and FY 20 Proposed Budget.

GENERAL FUND CANNABIS PROGRAM REVENUES/EXPENDITURES (FY17 - FY20)

	FY 17 Actuals	FY 18 Actuals	FY 19 ETC's	FY 20 Proposed
EXPENDITURES				
Cannabis Oversight	$ 1,060,876	$ 2,404,612	$ 2,839,593	$ 2,864,227
Homeless Related Expenses	-	1,383,726	1,487,586	1,095,773
Measure B - Rainy Day Fund	1,534	16,452	34,643	40,000
Total Measure MA Expenditures	**$ 1,062,410**	**$ 3,804,790**	**$ 4,361,822**	**$ 4,000,000**
REVENUES				
Measure MA Bus. Lic. Tax Revenues	-	1,224,540	3,464,350	4,000,000
Total Measure MA Revenues	**$ -**	**$ 1,224,540**	**$ 3,464,350**	**$ 4,000,000**
Cannabis Regulatory Fees	153,395	399,093	1,017,662	160,000
Total Cannabis Program Revenues	**$ 153,395**	**$ 1,623,633**	**$ 4,482,012**	**$ 4,160,000**
Cannabis Program Surplus/(Deficit)	***$ (909,015)***	***$ (2,181,156)***	***$ 120,189***	***$ 160,000***

Cannabis revenues include both Measure MA business license taxes, as well as regulatory fees charged to cannabis businesses. Fee revenues include application fees, police background investigation fees, fire permit fees, annual adult-use regulatory fees, and administrative penalties. Both revenue sources should be counted when determining the amount that the Cannabis Program has been subsidized by the General Fund over the prior two years.

Cannabis Program expenditures include departmental costs related to permitting, regulating, and enforcing the cannabis industry. In addition, Measure MA expenditures include costs for

homeless services and the required Measure B one percent (1%) set aside for the Rainy-Day Fund. Although these costs are not directly related to cannabis oversight, Measure MA specifies that funds may be used for "public safety, 9-1-1 emergency response, police officers, homelessness, and general City services." Thus, these expenditures are appropriate uses of Measure MA funds.

As shown in the table, Measure MA expenditures exceeded revenues by approximately $909,000 in FY 17 and $2.2 million in FY 18. The primary reason for the shortfall was due to the slow pace of business openings over the first two years of program implementation. During the FY 17-FY 18 period, the Cannabis Program was subsidized by other non-cannabis General Fund revenue sources.

Beginning in FY 19, staff estimate Measure MA revenues, when combined with cannabis regulatory fee revenues, will exceed Measure MA expenditures for the first time. However, this surplus is created in part by a one-time spike in fee collections in FY 19 caused by an influx of cannabis applications following passage of the adult-use ordinance. That spike is not expected to continue in FY 20. As a result, staff expect Cannabis Program revenues to drop slightly in FY 20, despite an increase in business license tax collection. Notwithstanding the decrease in one-time revenues, the proposed FY 20 Measure MA revenues are balanced with proposed expenditures.

2. **How has the number of budgeted positions that are part of the Cannabis Program changed since the start of the program? Were the positions that were reduced or eliminated from the budget vacant? What is the recruitment status of positions that are currently vacant?**

The table below provides a summary of budgeted cannabis positions from FY 18 through FY 20. FY 17 did not include budgeted positions for the Cannabis Program given that Measures MA and MM were approved by voters after the start of the fiscal year.

CANNABIS PROGRAM STAFFING (FY 18 - FY 20)		FY 2018	FY 2019	FY 2020	Current
Dept	Description	Adopted	Adopted	Proposed	Vacancies
CM	Assistant to the City Manager	1.0	1.0	1.0	-
CM	Program Specialist	1.0	1.0	1.0	-
CM	Clerk Typist IV	1.0	-	-	-
DV	Principal Building Inspector	1.0	1.0	1.0	1.0
DV	Senior Combination Building Inspector	1.0	1.0	1.0	-
DV	Combination Building Inspector	3.0	1.0	1.0	1.0
DV	Clerk Typist III	1.0	1.0	1.0	1.0
FM	License Inspector	2.0	2.0	1.0	-
FM	Administrative Analyst	1.0	1.0	1.0	-
FM	Customer Service Representative II	1.0	-	-	-
FD	Fire Plan Checker II	1.0	1.0	1.0	-
FD	Firefighter (Investigator)	2.0	2.0	1.0	-
FD	Clerk Typist III	-	-	1.0	-
LW	Deputy City Attorney	1.0	2.0	1.0	-
LW	Legal Assistant I-IV	1.0	1.0	1.0	-
HE	Health Plan Checkers (EHS I - NC's)	3.0	3.0	3.0	3.0
CP	Prosecutor	-	0.5	0.5	-
CP	Legal Assistant	-	0.5	0.5	-
	TOTAL FTE's	**21.0**	**19.0**	**17.0**	**6.0**

As shown in the table, the City eliminated 4.0 full-time-equivalent (FTE) positions from the cannabis regulatory program in FY 19, all of which were vacant at the time of elimination. The total net FTE decrease in FY 19 was 2.0 FTEs as positions in the City Attorney and City Prosecutor's Offices were added. An additional 2.0 FTE positions are proposed to be eliminated in FY 20. These positions are also currently vacant.

As of August 27, 2019, there are 6.0 vacant FTE positions in the Cannabis Program. This includes 3.0 FTE Code Enforcement positions in the Development Services Department and 3.0 FTE non-career Environmental Health Specialist positions in the Health and Human Services Department (Health Department). Both departments are in the process of filling their vacant positions. At this time, staff does not recommend reducing Cannabis Program positions beyond what has been recommended in the Proposed FY 20 Budget. Additional information on current vacancies follows:

- **Code Enforcement Positions (3.0 FTE)** – All three positions had previously been filled, but became vacant due to staff turnover in the Code Enforcement Bureau within the past year. Inspectors assigned to the standard Code Enforcement Program have been assisting as necessary. The Code Enforcement Bureau is in the process of filling the vacant Building Inspector and clerical positions. Building Inspectors play a key role in the enforcement of unlicensed cannabis businesses in Long Beach. By filling these positions, the City will be able to maintain enforcement efforts against the illicit cannabis market.

- **Environmental Health Specialist (3.0 FTE)** – The Health Department is currently in the process of filling the Environmental Health Specialist (EHS) positions. These positions are responsible for plan checking, inspecting, and regulating licensed cannabis facilities in Long Beach. The budgeted EHS positions are necessary to ensure licensed cannabis businesses meet State and local public health requirements, including the proper packaging, labeling, and testing of cannabis products. To date, the Environmental Health Services Bureau has relied upon outside consultants and existing EHS from the Retail Food Facility Inspection Program to develop, implement, and evaluate the cannabis health regulatory program, including training materials, inspection checklist, and internal policies/procedures. The cost for these services has been charged to the Measure MA budget, using salary savings created by the vacant EHS positions. Now that cannabis health inspection and education program materials have been fully developed, the Health Department has begun recruitment efforts to fill the EHS positions. These positions will allow the Health Department to hire dedicated staff to provide ongoing support for the program.

3. Does the City Council have the ability to create or amend a policy to reject cannabis applications that have made no progress by a certain date?

The City Council has the ability to create or amend policies related to licensing adult-use cannabis businesses and has a limited authority to create or amend policies related to licensing medical cannabis businesses due to a voter-driven ballot initiative. Creating a policy related to abandoned cannabis applications may be feasible; however, there are current policies in place that ensure cannabis applicants are proceeding through the application process in a timely manner.

Pursuant to Long Beach Municipal Code (LBMC) Sections 5.92.245 and 5.90.270, if a cannabis applicant submits an incomplete business license application, they are notified of the deficiencies in the application and they are granted 90 days from the date of notification by the City to correct the deficiencies. For each subsequent incomplete application notification by the City, applicants are charged an incomplete application fee, which is meant to deter them from submitting incomplete applications. If the cannabis applicant fails to correct the deficiencies within the timeframe specified, the application is deemed abandoned, void, and of no further force and effect.

Additionally, there is a deadline for dispensary applicants to complete the application process. Under the authority of Section 5.90.270 of the LBMC, the City Manager created a regulation entitled "Medical Marijuana Dispensary Application Expiration Policy." The regulation applies to both medical and adult-use cannabis dispensaries due to the requirement that adult-use cannabis dispensaries must maintain the medical cannabis dispensary license to operate. Under this policy, dispensary applicants proceeding through the application process must complete the process and obtain a business license no later than October 1, 2020. To complete the application process and obtain the business license, the dispensary must finish the construction of the facility, receive their Certificate of Occupancy, and pass all other department inspections. Any dispensary that has not obtained a business license by the October 1, 2020 deadline will have their application be deemed null and void. Should any medical cannabis dispensary applications be deemed null and void, the City will refer to the Public Lottery Pending/Ineligible list to determine which replacement applications will be permitted to proceed through the licensing process.

Currently, there is no policy requiring non-retail cannabis applicants to obtain a business license within a specific timeframe. Non-retail cannabis applications typically take longer to finish the licensing process due to the complexities related to their operations. The permitting and construction for non-retail facilities require more up-front capital and take longer to construct compared to retail establishments. Therefore, it is difficult to predict a reasonable timeframe for these businesses to complete the application process. In addition, there is no limitation to the number of non-retail facilities. Thus, having a license in process does not generally hold up another business and basic business economics may automatically address licenses that aren't moving forward.

Staff believes there are improvements to regulations that could be made regarding abandoned business license applications for all industries of the City. Staff intends to address the overall concern regarding abandoned business license applications, including cannabis applications.

4. **How much does an entity have to pay in permit fees to film in Long Beach? How does Long Beach's filming permit fee amount compare to other cities in the region? Would it be beneficial to raise the permit fee rate to be more competitive with other cities?**

The City currently charges various fees and charges associated with filming in Long Beach. The fees charged will vary based on the type of filming and the related services required to support each filming project. A comprehensive listing of the City's filming fees and charges is attached. The attachment also includes a comparison of the City's fees to other similar jurisdictions. Please note that fee structures across the jurisdictions differ. As a result, City

fees may not be assessed or reported in the same manner in other jurisdictions. Staff continues to monitor the City's filming fees to ensure adequate cost recovery. Based on an estimate of the typical application and permit fees charged by the City and comparable jurisdictions, Long Beach is higher by approximately 35 percent. As a result, increasing permit fees is not recommended and may not make the City competitive among comparable jurisdictions.

5. How does Long Beach's Transient Occupancy Tax (TOT) rate compare with other cities in the region that have an established tourism industry?

Long Beach's TOT rate of 12 percent of room rent is comparable to other cities in the region with an established tourism industry. The TOT rates of nine surrounding cities were reviewed. Long Beach's TOT rate of 12 percent represents the average TOT rate of the cities surveyed and is equal to the TOT rates in Redondo Beach and Pasadena. Anaheim has the highest TOT rate at 15 percent followed by Santa Monica and Los Angeles at 14 percent. The TOT rate in Torrance is 11 percent, and Manhattan Beach, Huntington Beach, and Newport Beach are 10 percent.

The City's 12 percent TOT rate does not include an additional 3 percent assessment levied on hotels with more than 30 rooms within the Long Beach Tourism Business Improvement Area (LBTBIA). Revenues generated from the assessment are passed directly to the Long Beach Convention and Visitors Bureau and dedicated to promoting and marketing the City as a tourism destination. With the LBTIA assessment and the TOT, the total percentage of gross room revenues collected from operators in certain areas of the City can be up to 15 percent.

TOT Rate Comparison	
City	**Rate**
Anaheim	15.00%
Long Beach Downtown (TOT plus assessment)	15.00%
Santa Monica	14.00%
Los Angeles	14.00%
Long Beach	12.00%
Redondo Beach	12.00%
Pasadena	12.11%
Torrance	11.00%
Newport Beach	10.00%
Huntington Beach	10.00%
Manhattan Beach	10.00%

Source:
Computations by CaliforniaCityFinance.com from State Controller data.

6. Can you provide the TOT revenue data by type of travel?

The following below provides a summary of Long Beach hotel demand based on interviews with Long Beach hotel operators and other stakeholders in the local tourism industry conducted in 2016 by BAE Urban Economics as part of a Hotel Market Study and Demand Analysis for the City. The information gathered for the study suggests that "Business" travel

represents the greatest share of Long Beach's hotel room demand, or approximately 45 to 50 percent of all hotel stays. This sector is composed of travelers doing business in or near Long Beach. The next largest source of demand stems from "Group" travel, which includes conventions, conferences, trade shows and exhibitions, as well as corporate/business meetings booked "onsite" at a hotel. Group travel, whether related to convention, onsite meetings, or citywide events, was estimated to comprise 30 to 35 percent of all hotel room demand in Long Beach. Lastly, the category of "Leisure" demand represents tourists.

Hotel Stays by Type of Travel

	Convention	Business	Leisure	Other (inc. Groups)
Market Segment	15%	45%	20%	20%

Sources: CVB and Hotel Interviews, 2016; BAE, 2016

7. Please provide an overview of the Special Advertising and Promotions Fund revenue and expense budget that distinguishes structural vs. one-time expenses.

The table below provides a summary of Special Advertising and Promotions Fund revenues and expenses broken out by structural and one-time expenditures.

Special Advertising and Promotions Fund Revenues and Expenses (FY 18-FY 20)	FY 18 Actuals	FY 19 Adopted	FY 20 Proposed
Sources:			
Revenues	**11,449,136**	**11,232,337**	**11,822,139**
Uses:			
Expenditures (Structural)	9,564,993	10,433,219	11,672,340
Expenditures (One-Time)	**1,990,000**	1,470,000	850,000
Total Uses	**11,754,993**	**11,903,219**	**12,522,340**
Total Sources less Uses (impact to funds available)	(305,857)	(670,882)	(700,201)
Net Operating Surplus (structural, excl. one-times)	**$ 1,884,143**	**$ 799,118**	**$ 149,799**

8. How old are the vehicles being replaced with AB 32 funding?

Fleet's AB 32 allocation is expected to be used for electric vehicle (EV) charging infrastructure to support electric sedans in the City's fleet. The majority of the EVs that will use this infrastructure are regular replacements approved through Fleet's annual vehicle replacement process. The vehicles being replaced are 10-14 years old and are fully gas-powered or conventional gas-electric hybrids (such as a Prius). These vehicles are all overdue for replacement. All new sedans added to the City's fleet follow the established City Manager approval process and will be EVs unless extenuating circumstances necessitate a gas-powered vehicle. The City's EV and charging infrastructure efforts are managed by the Battery Electric Vehicle Task Force.

9. When did the Development Services Department transfer AB 32 Cap and Trade funds to the Water Department?

The Development Services Department received Cap and Trade funds from the Energy Resources Department in FY 18, as approved by the City Council on February 20, 2018. Half of these funds were later transferred from Development Services to the Water Department in FY 19. These funds were allocated for the Direct Installation for Multi-Family Efficiency (DIME) program, a pilot program to install water and energy saving devices in multi-family buildings in disadvantaged communities. These devices include showerheads, faucet aerators, clothes washers, and toilets, which will save water and save energy used to heat water. This was from a previous year's allocation of the Cap and Trade funds. In FY 20 Cap and Trade funds are allocated for different projects.

10. How much money is being budgeted for the DIG program? How many trees have been planted as a result of this program?

The DIG (Direct Install Garden) pilot program will install drought tolerant gardens and plant trees in disadvantaged communities affected by environmental pollution. A total of $470,000 has been budgeted for the DIG program. The number of trees planted is yet to be determined, as the program will launch in the Fall of 2019.

11. What are the City's indirect administrative costs related to City's Advisory Body Members, such as meeting meals, trainings, travel, and parking?

Due to time constraints, staff was able to collect information only on City Charter Commissions. Staff believe that City Council-appointed committees' indirect costs would be negligible. Estimated indirect expenses were broken up in three categories (meals, travel and training, and City parking).

Civil Service Commission	Amount Paid in 2018
Meals (business, meetings)	$1,000
Travel and Training	None
City Parking ($10 per day)	$1,250

CPCC	Amount Paid in 2018
Meals (business, meetings)	$2,500
Travel and Training	None
City Parking ($10 per day)	$1,200

Parks and Recreation	Amount Paid in 2018
Meals (business, meetings)	$150
Travel and Training	$1,515
City Parking	None

POLB Commission	Amount Paid in 2018
Meals (business, meetings)	Not available, requires additional time
Travel and Training	$109,049
City Parking ($10 per day)	$1,500

Water Commission	Amount Paid in 2018 (Actuals)
Meals (business, meetings)	$1,449
Travel and Training	$8,173
City Parking	540

Planning Commission	Amount Paid in 2018
Meals (business, meetings)	$5,500
Travel and Training	$4,200
City Parking	$1,680

12. Are the commissioner stipends established through the City Charter? Would changing the compensation amount require voter approval? Will the newly-created City Council Appointed Redistricting and Ethics Committees be included in potential changes to advisory bodies compensation?

Advisory Body compensation are established by the Long Beach Municipal Code (LBMC). Since the LBMC allows the City Council to specify the compensation provided to a Board, Commission, or Committee, no voter approval is needed (LBMC §2.18.050(D): "The members of advisory bodies shall receive no compensation for the performance of their official duties unless compensation is expressly provided by the City Council."). Additionally, any newly created Committees, such as the Redistricting and Ethics Committees, are recommended to be included if any changes are made to compensation.

13. Is it possible to consolidate Commissions if they have shared constituencies?

This could be done on a case-by-case basis and would require City Council action.

14. Could the advisory bodies members' compensation be capped at $7,000 per year for City Charter Commissions and $1,000 per year for City Council Appointed Committees, instead of a monthly meeting maximum of $1,000 and $250, respectively.

This is an option that could be implemented by the City Council. As described in the August 6, 2019 memorandum on Commission Compensation, no City Charter Commission averaged more than three meetings per month. If costs were calculated using the highest meeting frequency of three meetings a month, this would be just slightly over a $7,000 limit (3 meetings x 12 months x $200 per meeting).

If you have any questions, please contact Budget Manager Grace Yoon at (562) 570-6408.

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ATTACHMENT

CC: CHARLES PARKIN, CITY ATTORNEY
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DEPARTMENT HEADS

LONG BEACH SPECIAL EVENTS AND FILMING

Filming Price Comparison

	Long Beach	Santa Clarita	Burbank	FilmLA (Cty of LA)	Seal Beach	Huntington Beach	Hermosa Beach
Permit Fees							
Application Fee	Commercial Filming- $368 Student Film- $35 Still Photography- $158	No separate application fee			Film $844 ($1,019 expedited) Student $100 Still Photography $419	Film $100 Student $50 Still Photography $276.70	Film $539 Student $113 Still Photography $225
Permit Fee	Commercial Filming- $525 Student Film- $0 Still Photography- $158	Motion Picture Permit- $385 Movie Ranch Permit- $154 Still Photography- $120	$350/week $150/single day film permit	Motion Filming $699/permit (up to 10 locations over 2 weeks) Still Photography $66/permit		Film $600 Stills $400	
Rider Fee	$53 per change	$70	$50	Motion Filming $111/rider	Permit Rider Processing $129 each	$120	
Staffing Fees							
Filming Staff Monitoring- Site Visit	$42/hour			FilmLA Monitor $32.50/hour up to 8 hrs (overtime rates apply) Park Monitor $38/hr	Film Monitor - 6hr min. per officer, per shift $120/hr		
Police	Motor Sgt. $104.07 + equipment/hour Sgt. $103.80 + equipment/hour Motor Off. $80.88 + equipment/hour Officer $79.34 + equipment/hour	L.A. County Sheriff Rates (not including mileage) Deputy, Generalist $88.69/hour Deputy, Bonus I $96.56/hour Deputy, Bonus II $116.45/hour Sergeant $105.36 Lieutenant $126.66	Rental of Police Motor $60/day	Retired/Off-Duty LAPD Officer $56/hr, 8hhr min	Police Officer - $150/ hour	Police Officer - $91/hour	Police Officer - $116/hour
Police- Misc.	Marine Patrol-$53.39 + equipment/hour Park Ranger $50 + equipment/hour						
Police- Equipment	$40.00 per vehicle, per day						
Fire- Spot Check	$105.00/visit			$85			
Fire- Standby Firefighter Servic	$91.00/hour	Still Photography $277 (on site cast&crew 16+) Pyrotechnics&SFX $288 Fuel Dispensing Trucks $223		Uniformed Fire Safety Officer $108/hr (4hr min. + 1hr travel time) Fire Safety Advisor $55.14/hr			
Fire- Lifeguard Services	$88.00/hour Non-Career Lifeguard 25.15/hour Rescue Boat Service (including 2 lifeguards) $176/hour +270/boat per day			Lifeguard $171/hr (4hr min.) Billed through Dept. of Beaches and Harbors			
Administrative and Additional Fees	(see admin fee below)	Fire Department Film Permit Fee $282	Administrative Costs $200 Site Preparation 100% of staff hourly rate	**Park Film Office** Administration Fee $150	$500 deposit (staff time/ property damage)		Business License Fee $223 +processing
Location Fees							
Beaches & Parks (Except for those listed below)	Comm/TV/Features $800/day Still Photography $200/day Student- $0		Skate Park $100/hour (2 hr min.) Other Park Facilities $100/hour (2hr min.)	LA County Beaches Film $400/beach/day Still $100/beach/day	Beaches/ Parks - $350 per day		
Shoreline Park, Marina Green and Rainbow Lagoon Park	Comm/TV/Features $815/day Still Photography $210/day Student- $0						

LONG BEACH SPECIAL EVENTS AND FILMING

Filming Price Comparison

	Long Beach	Santa Clarita	Burbank	FilmLA (Cty of LA)	Seal Beach	Huntington Beach	Hermosa Beach
The Esplanade & The Promena	Comm/TV/Features $500/day Still Photography $200/day Student- $0						
Miscellaneous Locations			DeBell Golf Course $1,000/day Starlight Bowl $5,000/4 hours Pools $100-200/hour (2hr min.) Theatre, Art Gallery $100/hour (2hr min.)	**City Parks** Prep Days $150/day/park Film Days $450/day/park(includes base camp and crew parking) Wrap/Clean-up Days $150/day/park Equipment Base Camp $450/day/park Location Hold $450/day/park Still Photo $75/day/pary up to 14 $150/day/park 15+ persons	General Locations - $450		Still Photography $218- 1st day, $113/additional day Filming- Varies $1258-2823/ day, per location Prep/Strike $113-2823 per day, per location
Road Closures	Shoreline Drive CLOSURE $5,100/day Queensway Bridge CLOSURE $3,500/day Appian Way CLOSURE $1,020/day	Lane Closure $699/occurrence/day Driving Shots w/ or w/o ITC $216/occurrence/day No Parking for Production Vehicles or Clearance $315/occurrence/day					
City Buildings	$1,500/day City Hall/Civic Center $5,000/day		City Property $200/day		City Hall - $215 per day City Jail - $525 per day		
Parking	SOUTH of Ocean Blvd. $10/space per day NORTH of Ocean Blvd. $5/space per day City Place Parking Structure $8/space per day		$3/space up to 8 hour period	**Parks Film Office** Crew Parking $100/day/pay (1-15 vehicles) $300/day/park (16+ vehicles)	$33 per space		$30 per space, per 24 hrs (1.25/hour)
Administrative Fees							
Administrative Fee	15% of total fees						