

Date: March 28, 2024

To: Thomas B. Modica, City Manager



From: Kevin Riper, Director of Financial Management



For: Mayor and Members of the City Council

Subject: **Resumption of Standard Collection Activities for Businesses**

Many local businesses were heavily impacted by the COVID-19 pandemic. To aid businesses during this difficult time, the City of Long Beach (City) suspended penalties for Business License taxes and permitting and inspection fees for Health, Fire, Police, and Code Enforcement early in the COVID-19 pandemic and put in place business assistance efforts detailed below. In alignment with other City operations, the Department of Financial Management (FM) has developed a strategy to continue to support its customers while moving toward resumption of standard collection efforts, once again including penalties.

Background

As part of proactive efforts to assist businesses, the Long Beach Recovery Act, through the Department of Economic Development (ED), provided various forms of assistance to local businesses. For example, the BizCare program connects business owners to important resources and information, such as grants, loans, technical assistance, information on City policies, and more. From program launch in 2020 through the end of 2023, BizCare provided in-person technical assistance to 1,095 businesses throughout the City and assisted 4,196 businesses via phone and email to access City resources, complete grant applications, and submit required documents. BizCare staff also informed over 1,725 local businesses about available programs and resources through direct outreach. In addition, between 2020 and 2022, eleven grant programs were created and delivered, issuing over 3,800 grants totaling more than \$16.6 million to local businesses and nonprofits.

FM and ED partnered on two of these grant programs providing relief from business license taxes and other City permitting and inspection fees:

- Round 1 (Business License Tax and Fee Grant) awarded \$279,690 in grants to 119 full-service, independently owned restaurants; and,
- Round 2 (Fresh Start Grant) awarded \$930,000 in grants to 1,790 businesses.

FM also offered assistance through payment plans and special notices:

- The COVID-19 Relief Payment Plan Program was offered from July 2021 through October 2022.
 - In June 2021, approximately 12,500 special notices were sent to businesses with overdue account balances. The purpose of this notice was to notify businesses

of this new program designed to allow them to make interest and penalty free payments over time towards their past due balances. As a result, 493 accounts representing \$525,119 were placed on COVID-19 Relief Payment Plans. To date, \$202,656 in payments have been received from businesses.

- In October 2022, special notices were again sent to over 5,100 businesses, which resulted in \$1.72 million in payments. This notice served to advise businesses of their account balances and to provide information on payment plans and additional business assistance offered by FM's Commercial Services Bureau and the ED BizCare Team.
 - Flexible payment plans were offered to businesses as an expansion to previous COVID-19 Relief Payment Plans. Applications were provided in four languages via electronic form, hard copy submission, or telephone. 464 accounts representing \$236,550 were placed on flexible payment plans, \$76,009 of which was received from businesses through December 2023.

FM and ED have also partnered to proactively identify businesses that closed during the pandemic but did not report the closure to the City. Since businesses only owe taxes through the most recent year they operated, retroactively closing accounts to the date of business closure helps minimize businesses' financial obligations. To that end, City staff contacted over 5,000 businesses by mail, tracked any returned unopened mail, and reached out to businesses by phone and email, which resulted in 300 businesses reporting a closure.

Delinquency Update: Current Data

As a result of what, in essence, was an interest-free loan from the City, thousands of Long Beach businesses naturally chose to defer payment of their Business License taxes and permitting and inspection fees for Health, Fire, Police, and Code Enforcement. As of December 26, 2023, there was a total of \$14,578,103 in arrearages: \$10,291,924 in Business License taxes; \$1,874,021 in Health permit fees; \$1,062,037 in Fire permit, inspection, and Board-Up fees; \$702,063 in Police Department False Alarm and Board-Up fees; and \$648,058 in Code Enforcement Proactive Rental Housing Inspection Program (PRHIP) fees. Additionally, there is currently an estimated \$8.5 million in unpaid Cannabis Business License taxes accumulated since 2020. This represents only the amount already reported to the City in required quarterly reports, so the actual amount could be higher, as there are outstanding reports yet to be filed by some cannabis businesses.

Roadmap to Resumption of Standard Collection Activities

Over the next few weeks, FM will mail out additional updated account notices to all businesses, except cannabis businesses, with unpaid balances. Cannabis businesses have already received four separate, individualized communications regarding unpaid account balances, with the last one as recent as February 15, 2024. The purpose of these notices is to inform businesses, once again, of their outstanding balances and provide information and assistance to minimize impact once penalties resume in Spring 2024. Utilizing the information provided on these notices, businesses will be able to:

- Get up-to-date information about the status of their account and outstanding balance.

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- Pay their outstanding balance immediately, if able, using the provided payment information.
- Get information about assistance programs to help manage outstanding balances, including flexible payment plans and small business loans.
- Update their account information to ensure accuracy of billing and contact information.
- Close their account if they are no longer in operation.

Following issuance of these notices, the City will continue to connect with local businesses and provide services while steadily transitioning back to regular business license tax and fee practices. The objective of this outreach is to give businesses the opportunity to return their accounts to good standing before penalties are reinstated.

FM and ED will continue to inform businesses about available assistance, identify permanently closed businesses, and conduct collection efforts prior to the resumption of delinquency penalties. In addition to ensuring information about resumed penalties is readily available through billing notices, online, and at public counters, FM and ED staff will reach out to nonresponsive businesses through other methods: BizCare staff will contact businesses via phone and host pop-up events to publicize services and answer any questions, and Business License staff will visit business locations to determine which businesses have permanently closed or if contact information on file needs to be updated. Business License staff will provide open businesses with on-site payment assistance or service referrals as needed. Finally, Business License, Health, Fire, Police, and Code Enforcement billing notices will return to a regular cycle, and all outgoing notices will include education and assistance about the resumption of delinquency penalties.

Next Steps

FM is currently targeting reinstatement of delinquency penalties and external collections in Spring 2024. This timing is subject to change based on outreach progress. If you have any questions, please contact Dustin Quinones, Billing and Collections Officer, at (562) 570-5254 or Dustin.Quinones@longbeach.gov.

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