



PRESS RELEASE

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Long Beach Audit Shows Need for Better Management of Business Improvement Districts to Help Meet City Economic Development Goals

City Auditor Doud Makes Recommendations to Improve Oversight of \$17 Million Invested in Business Corridors

Long Beach, CA – Long Beach City Auditor Laura Doud today released a [Business Improvement District \(BID\) Oversight Audit](#). Created by local businesses and property owners, BIDs are an important component of the City's economic development as they help improve business corridors by facilitating the pooling of private resources (through assessment fees) to collectively pay for activities that are beyond the services provided by the City and that business and property owners cannot afford on their own. Once the BIDs are established, the City contracts with non-profit entities to run BID operations and provide services such as security, cleaning, community events, and marketing. The audit found the City needs to improve oversight of the BID Program, in which ten BIDs received \$17 million in 2016, to ensure that BIDs follow agreements, comply with State Law, and receive the resources to which they are entitled. With better oversight, the City can help BIDs maximize the impact on business corridors.

BIDs reported that they were well supported by City staff who act as a general liaison, attend meetings, and field questions. However, the audit found the City needs to increase its attention on the more technical aspects of the BID Program. The audit's three primary findings are related to the following areas:

1. **Agreements** - The agreements between the City and BID operators contain requirements such as reporting content and deadlines, and the City's payment schedule. These agreements perpetuate annually based on Council's approval of their annual reports. BIDs were not aware that agreements existed or were not knowledgeable of their contents because the City does not emphasize or enforce the terms.
2. **Reporting** – State law requires BIDs to submit to Council an Annual Report that describes BID operations, including the BIDs' plans on how they will use the assessment revenue received. The Council's vote signifies their approval of the BID budget and activities. However, Annual Reports submitted by the BIDs are not all consistent with State Law, do not provide a full picture of the BID operations, and do not include performance metrics. For example, one BID report did not include an excess of \$2 million in reserves. In addition, not all reports were reviewed by City staff.
3. **Management and Transfer of Fees** – Approximately \$9 million was generated in 2016 for BIDs through assessment fees paid by businesses or property owners. Almost all assessment fee revenue is eventually handled by the City; the City passes all of it on to the BIDs. However, as a property owner within several BIDs, the City did not pay all its \$630,000 property assessment fees in 2016. The City owes \$64,000 in assessment funds to two of the BIDs. In addition, mistakes made in the charging of business assessment fees caused BIDs to not receive the correct amount of revenue.

The City and BIDs agreed with all detailed recommendations in the audit report, which includes:

- Updating agreements to reflect processes surrounding required reports and payments;
- Creating templates for all required reporting and instituting a City review process for BID reports; and
- Tracking payments, including those made on behalf of the City, and simplifying payment processes.

We also recommend the City create handbooks and conduct trainings to improve communication and understanding of the BID Program amongst all parties. These efforts will clarify roles and responsibilities, outline agreement terms and reporting requirements, and other key topics such as changing of fee formulas and payment processes. Ultimately, these audit recommendations can help the City better evaluate BID operations and potentially find ways for BIDs to maximize their impact on economic development.

"We are pleased that the City and BIDs have been receptive to all our recommendations which have the potential to improve the impact of the BID Program and the multiple areas of Long Beach where people shop, eat and work," said City Auditor Laura Doud. "BIDs play an important role in the economic vitality of the City, and we want the City

to support their work so they can continue to provide key services to the businesses, citizens and visitors of Long Beach.”

The complete Business Improvement District (BID) Oversight Audit can be viewed [here](#) and the Report Highlights Sheet can be viewed [here](#).

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