

# Business Improvement District (BID) Oversight Audit

*Improved oversight needed to ensure BIDs are helping the City meet economic development goals, as nearly \$17M from 2016 is invested in business corridors.*

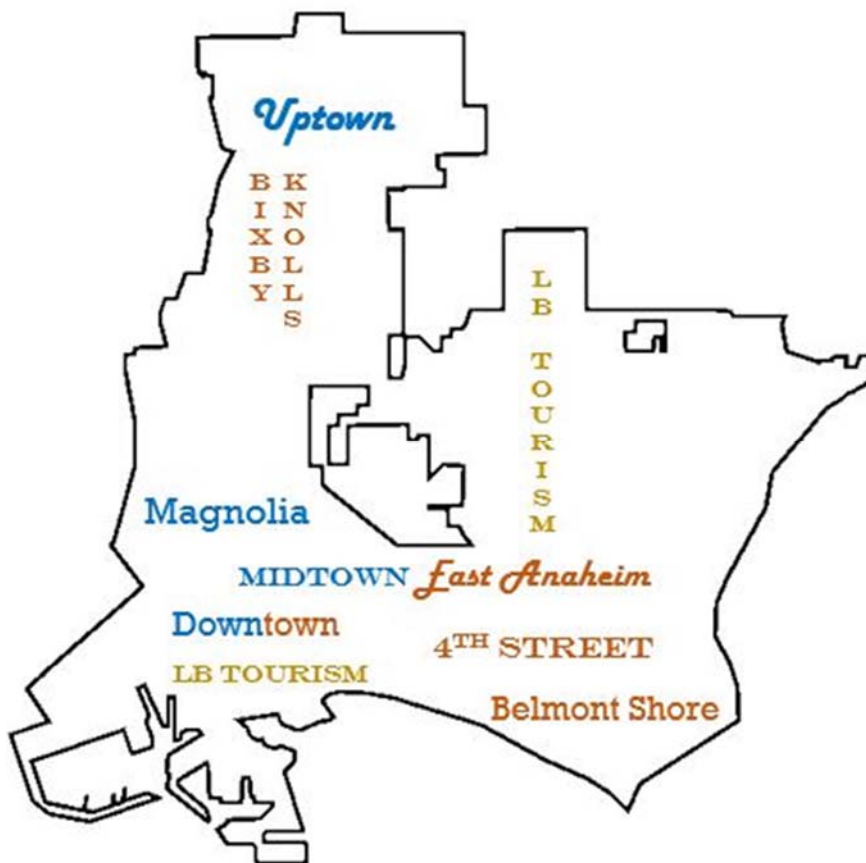


*Independence you can rely on*

December 2017

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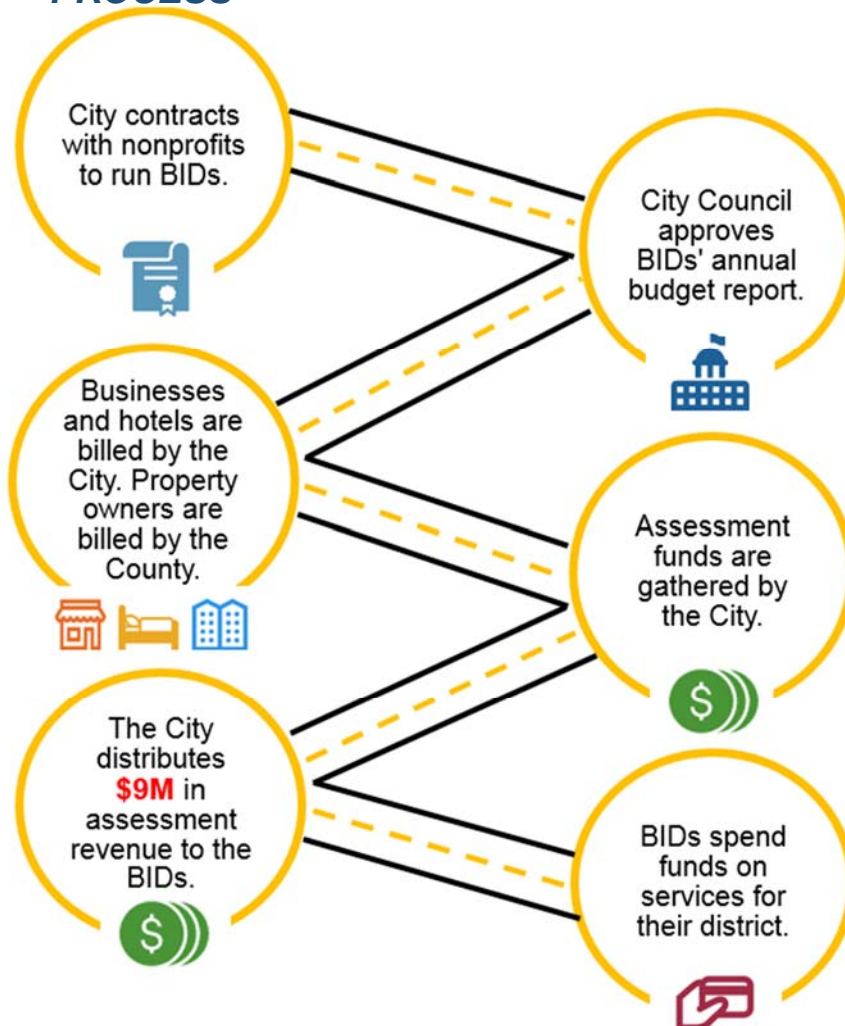


# Report Highlights

## Business Improvement District (BID) Oversight Audit December 2017

BIDs are part of the City's blueprint for economic development. BIDs help improve specific areas of the City through services such as security, cleaning, events, and marketing. The 10 BIDs received nearly **\$17M in 2016** that will be spent across Long Beach, of which **\$9M** was assessment revenue collected and distributed by the City. The City needs to improve oversight of the BID Program to ensure BIDs have all the resources they are entitled to, follow State Law and agreements, and maximize the impact on business corridors.

### PROCESS



### FINDINGS

**Agreements:** BIDs were not aware that agreements existed or were not knowledgeable of their contents because the City does not emphasize or enforce the terms.



**Reporting:** Annual Reports submitted by the BIDs are not consistent with State Law and do not provide a full picture of the BID operations.



**Revenue:** The City owes \$64K in assessment funds to two of the BIDs for FY 2016. Fee mistakes caused BIDs to not receive all revenue.



### CITY AUDITOR'S RECOMMENDATIONS:

*Update agreements to reflect current processes • Create templates for and review all reports • Track and simplify payments • Create handbook and train BIDs on operations*

### City & BID Management Response:

The City and BIDs agreed with all recommendations. The City will develop a handbook and create more formal processes to address agreement terms, reporting requirements, payments to BIDs, and other key aspects of the BID Program.

For the full report, please visit: [CityAuditorLauraDoud.com](http://CityAuditorLauraDoud.com)



# Table of Contents

Executive Summary .....	1
I. Why BIDs Are Important to Long Beach .....	3
II. Background.....	6
III. Issues & Recommendations.....	9
<i>Finding #1 Annual reporting is incomplete and often non-compliant with State Law; and not all reports are being reviewed.....</i>	<i>9</i>
<i>Finding #2 Unclear processes and lack of tracking allowed incorrect BID fee payments to be made and money owed by the City to go unpaid.....</i>	<i>18</i>
<i>Finding #3 The lack of communication of assessment formulas, along with system errors and limitations, caused incorrect charging and reporting on PBIA fees.....</i>	<i>23</i>
<i>Finding #4 The City does not enforce BID agreements and the current agreements include terms that are no longer applicable.....</i>	<i>29</i>
<i>Finding #5 Due to limited staff, the City needs to employ additional communication tools to help provide BIDs with necessary information.....</i>	<i>32</i>
IV. Objective, Scope, and Methodology .....	37
V. Appendices .....	38
Appendix A. History of BIDs in Long Beach .....	39
Appendix B. Legal Responsibilities of the City and BIDs .....	40
VI. City and BID Management Responses .....	41

# Executive Summary

**BIDs receive nearly \$17M per year to be invested in the City.**

Business Improvement District management organizations (BIDs) are an important component of the City of Long Beach's (City) economic development activities. BIDs help improve business corridors (BID areas) by attracting businesses and customers to the City. The ten Long Beach BIDs received close to \$17 million in 2016, which is invested in key regions throughout the City; \$9 million of that total was BID assessment revenue that passed through the City. This money funds services that aim to improve the BID areas physically and economically, such as security and cleaning services, as well as community events and marketing of the BID members' properties and businesses.

**As a property owner, the City pays around \$630,000 in assessment fees per year to support some of the BIDs' activities.**

The City contracts with non-profit organizations to provide services within the BID areas on the City's behalf. Therefore, most of the millions of dollars being received by these organizations are the responsibility of the City. Although this money cannot be spent on the City's own operations, the City approves how it will be spent by each BID. In addition, the City is a property owner in four of the BID areas so the City has a financial interest in the activity of those districts, paying around \$630,000 in assessment fees per year. For these reasons, it is important that the City ensures that its overall economic development interests and the components of the BID Program (Program) are aligned and the Program is running as intended.

This audit was completed because of the important role that BIDs play in Long Beach's economic vitality and the benefits that the BIDs provide to the citizens and visitors of Long Beach. In addition, the Program had not been previously audited by our Office. The focus of our audit was the City's management and oversight of the Program, which included review of agreements, reporting, the flow of information, and BID assessment funds. We also benchmarked against other cities across the country to identify best practices related to BID oversight. In-depth review of the individual BID operations and the services they provide to members were not part of the audit scope.

**BIDs feel well-supported by the City; however, the City needs to focus on agreements, funds, and reporting.**

In general, the BIDs feel well-supported by the City and are pleased by the level of City involvement. This is due to the City's focus on the customer service aspect of oversight, which includes being available at meetings and as needed to answer questions about BID activities and acting as a general liaison to the rest of the City. However, our findings show that the City needs to increase its attention on more technical aspects of the Program, including agreement terms, transfer of funds, and reporting. We found that the City needs to improve oversight of the Program to ensure BIDs have all the resources they are entitled to, follow State Law and agreements, and maximize their impact on business corridors.

**The City needs to improve oversight to sustain the current and potentially expanding Program.**

Currently, the City has one staff member responsible for the oversight of the ten Long Beach BIDs. Our benchmarking showed that other cities had an average of one staff person for every five BIDs, which is twice as much staffing as the City has dedicated. Furthermore, there has been significant interest expressed by business and property owners looking to form new BIDs in Long Beach. Therefore, due to limited resources, the City needs to ensure that the Program is running as efficiently as possible to handle the current workload, while also planning for possible expansion of the Program in the future. Our key findings and corresponding recommendations are shown below in Figure 1, organized by each portion of the oversight process.

**Figure 1.  
Summary of Key Audit Findings and Recommendations**

Key Findings	Recommendations
<b>City Contracts with Non-Profit Organizations to Run BIDs</b>	
BIDs were not aware that agreements existed or were not knowledgeable of their content because the City does not emphasize or enforce the terms.	Update and re-execute agreements to reflect current procedures and ensure new terms are discussed and enforced with the BIDs.
The City has started to provide more data to the BIDs; however, additional payment information is needed. With limited staff time available, the City needs to employ other efforts to distribute information.	Create a Handbook explaining key topics for operating a BID and pursue training for the BIDs on required reporting and non-profit operations.
<b>Revenue To Be Passed From the City to the BIDs</b>	
Not all of the City's and other publicly owned property assessment fees were paid. Some regular BID payments were not made timely.	Simplify payment process and create tracking schedule to ensure all payments are made and on time.
Communication of assessment formulas needs improvement and formalization. Businesses operating without licenses and data errors caused BID fees to not be charged.	Facilitate discussion between BIDs and Business License Division regarding assessment formulas. Investigate system errors and increase inspections where possible to identify all issues.
<b>BIDs Provide Services to the District and Report Back to the City</b>	
Annual BID reports often do not contain all State Law required information or information needed for future planning. Not all reports are reviewed.	Evaluate which type of reports need to be submitted by BIDs and the content they need to contain. Create templates and institute review of all reporting deemed necessary.

We thank the staff at the City and the BIDs for their assistance, patience, and cooperation during this audit. The BID Program was recently moved to a new department and new staff was assigned during the audit, so we are pleased that they are looking at the Program and were welcoming of our recommendations on how to improve it.



# I. Why BIDs Are Important to Long Beach

BIDs are formed as an avenue for directing resources to local needs and priorities. BIDs facilitate the pooling of private resources to collectively pay for activities that business and property owners cannot afford on their own. Funded activities aim to improve the image of the City and promote their specific area in the City.

Currently, there are ten BID areas in Long Beach that are dispersed throughout the City. There are six Parking and Business Improvement Areas (PBIA) funded by business owners, including one specifically funded by hotels, called a Tourism Business Improvement Area (TBIA); and four Property and Business Improvement Districts (PBID) funded by property owners. All the BID areas are shown on the map in Figure 4 at the end of this section.

## A. THE CITY'S BIDS AND ECONOMIC DEVELOPMENT

**The City has incorporated BIDs into its overall economic development strategy.**

The City has included BIDs in some of their key strategic documents for economic development, including the City's Land Use Element and the Blueprint for Economic Development (Blueprint).

The current draft of the Land Use Element of the City's General Plan (February 2017) acknowledges that BIDs have played a role in upgrading the commercial business environment and enhancing business corridors. The draft document also recognizes that similar improvements are needed in other parts of the City and states that the City seeks to work collaboratively with the BIDs on beautification initiatives, programming, branding and promotion campaigns, and development of vacant and underutilized sites.




The Blueprint, adopted by City Council (Council) in April 2017, sets goals and defines priorities for Long Beach to be a "city of opportunity for workers, investors, and entrepreneurs." The Blueprint identifies BIDs as a player in both increasing access to economic opportunities to advance equity and building a system that allows businesses to start and continue to grow. The Blueprint states that developing new BIDs and ensuring sustainable funding streams for existing BIDs will help promote cooperation and pooling of resources.

## B. FUNDS GENERATED TO IMPROVE THE CITY

Revenue is generated for BIDs through assessment fees that are paid by business or property owners, depending on the type of district. Almost all assessment fee revenue is eventually handled by the City; the City passes all of it on to the BIDs. BIDs also have additional sources of revenue to fund their operations, such as event ticket sales, grants, and parking lot revenue. These monies go directly to the BIDs. Figure 2 shows revenue for each BID's 2016 fiscal year (FY).

Close to \$17M to be invested in the City from FY16, \$9M of which was BID assessment revenue that passed through the City.

**Figure 2.**  
**2016 BID Revenue**

BID Type	Assessment Revenue*	Other Revenue	Total Revenue
 PBIAs	\$1,130,788	\$2,520,811	\$3,651,599
 TBIA	\$5,243,490	\$4,768,293	\$10,011,783
 PBIDs	\$2,897,791	\$101,275	\$2,999,066
<b>All</b>	<b>\$9,272,069</b>	<b>\$7,390,379</b>	<b>\$16,662,448</b>

\* Assessment revenue was modified from what was reported by BIDs, when appropriate, to ensure a year's worth of revenue data was represented for 2016.

### **C. SERVICES ARE PROVIDED TO BID MEMBERS AND THE COMMUNITY**

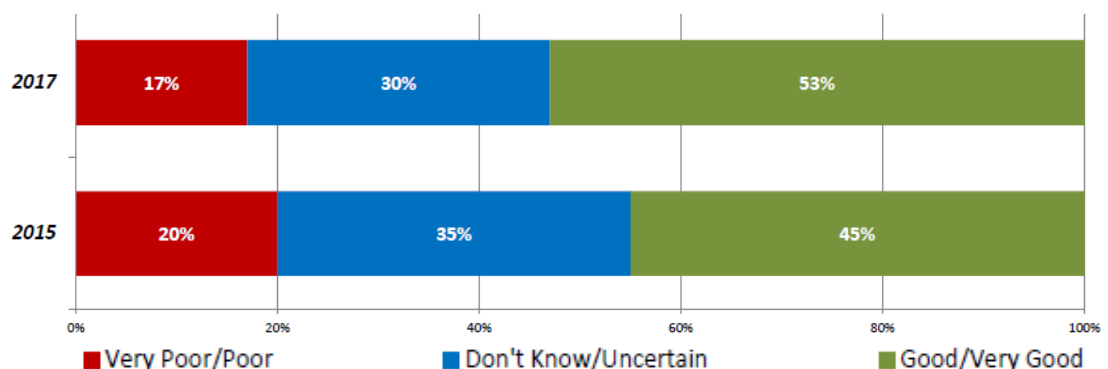
Each BID provides services based on the unique make-up and needs of its area. These services are aimed at physically and economically improving its business corridor. Some of the services that are provided by BIDs include:

- *Beautification* – trash pick-up, sidewalk cleaning, streetscape and landscape maintenance
- *Security* – patrol services, lighting, security cameras
- *Events* – concerts, food tastings, parades, festivals, art shows
- *Marketing* – visitor guides, advertising, social media posts, member directories
- *Member Communication* – newsletters, meetings

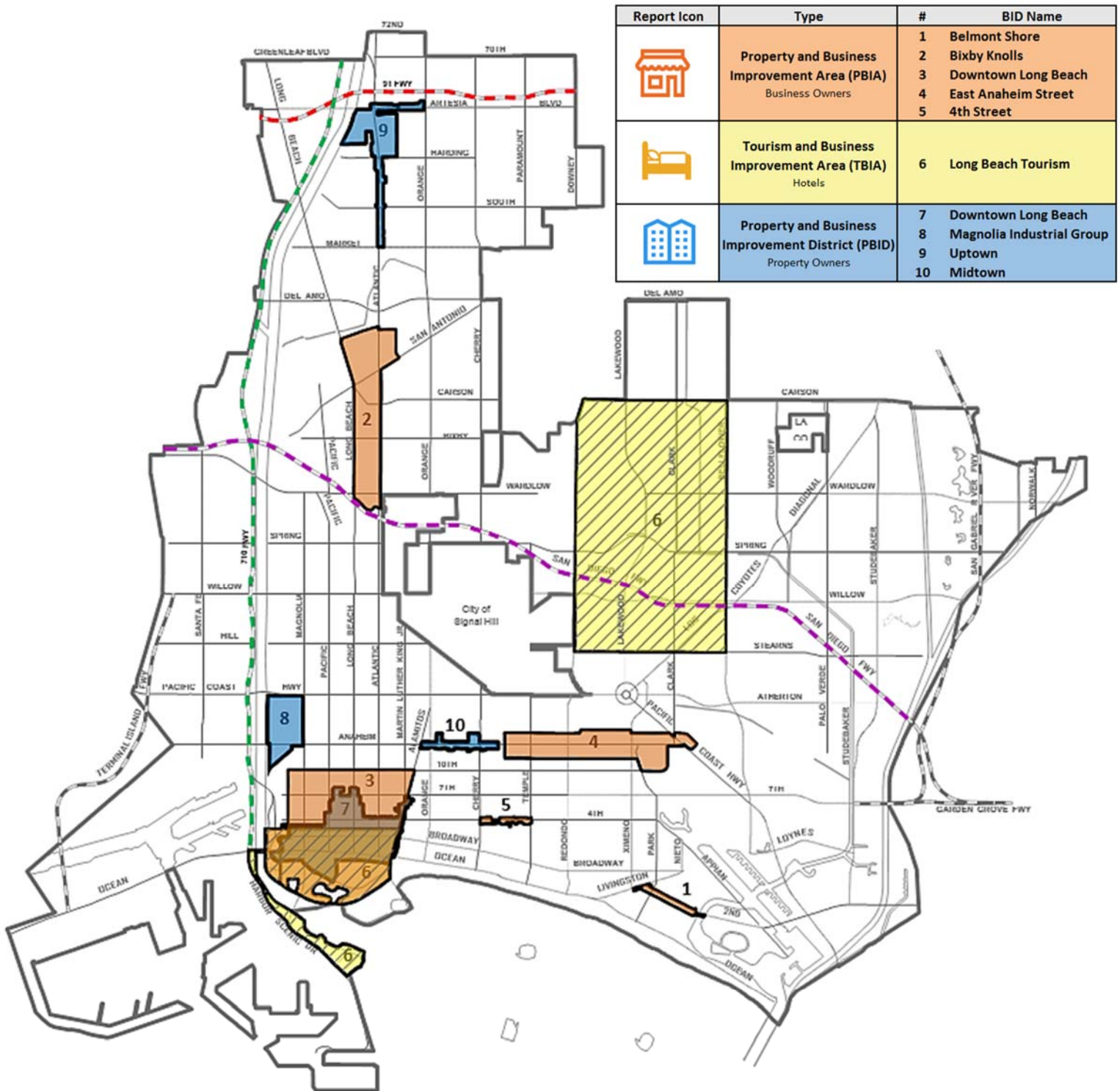
In the Small Business Monitor Survey released in 2017 by the College of Business Administration at California State University Long Beach (CSULB), the majority of small businesses rated their business district as doing a “good” to “very good” job in supporting small businesses. As shown in Figure 3 below, this rating was an improvement from two years earlier when the survey was last performed. However, about one-third of small businesses were uncertain about the support that BIDs provide. It is important that business owners see the benefits of the BIDs and are knowledgeable about their services.

**Figure 3.**  
**Excerpt from CSULB Small Business Monitor Survey, 2017**

**Q: Neighborhood Business Districts: Doing a Poor or Good Job Supporting Long Beach Small Business?**



**Figure 4.  
Map of Long Beach BID Areas**





## II. Background

### A. History of BIDs

The current requirements for BIDs grew out of the California 1943 Vehicle Parking District Law and the California 1965 PBIA Law, which allowed parking assessment districts to be formed to fund parking improvements. In 1979, these laws were expanded to include marketing and certain business area improvements. Today, the California Parking and Business Improvement Law of 1989 and Property and Business Improvement District Law of 1994 govern BIDs, permitting a county or city to establish a BID area and levy annual assessments on businesses and properties within its boundaries.

The City has ten established BID areas. In 1973, the Downtown Long Beach Alliance (Downtown) was the first non-profit organization to form a PBIA in the City, followed by the Belmont Shore Business Association in 1983. Magnolia Industrial Group (Magnolia) established the first PBID in Long Beach, in 1996. Long Beach's only TBIA was formed in 2005, collecting assessments along with the hotel Transient Occupancy Tax (TOT). See Appendix A for a complete list of the history of Long Beach's BIDs and BID areas.

### B. Agreements

The City contracts with non-profit organizations to manage the ten BID areas, which include six PBIAs (one of which is a TBIA) and four PBIDs. These agreements are necessary to establish the non-profit organization as the advisory board to the City on BID area matters.

The agreements set parameters and requirements of the relationship between the BID and the City, as well as address State Law requirements. The contents in the ten agreements vary slightly. Some of the key common conditions include required reports, expenditure adjustments and limits, terms and contract dates, and the City's payment schedule. These agreements perpetuate annually based on Council's approval of their annual budget reports.

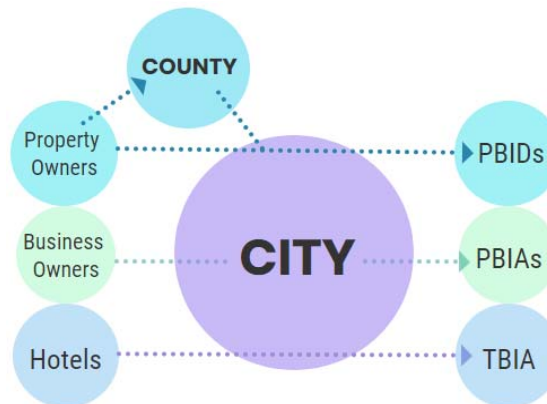
### C. Revenue

BIDs levy assessment fees on businesses and properties within their boundaries to fund their activities. The fee amounts are based on formulas that are established and voted on by the BIDs' Boards of Directors before going to Council annually for approval.

Each of the three types of BID areas has a different process for revenue collection and distribution. In all three processes, most assessment revenue is accumulated at the City and periodically disbursed to the BIDs. Beyond

assessment revenue, BIDs often generate alternative sources of revenue through fundraising, sponsorships, grants, and selling tickets to events. This additional revenue is paid directly to the BIDs. All combined revenue is used to fund the services provided by each BID.

**Figure 5.  
Assessment Fee Revenue Process**



PBIDs receive assessment revenue from property owners in their districts. The assessment fee on private owners is collected annually by the County of Los Angeles (County) along with property taxes. The County passes on the revenue to the City, which deposits the revenue into the fund designated for PBIDs. The assessment fee on public owners is billed directly to them and is collected by the City, except for the Downtown PBID, which bills these owners directly. As a property owner, the City also pays its assessment fee to the PBIDs. From there, the Economic Development Department (EDD) disburses the revenue accumulated in the fund to the PBIDs three times per year.

PBIAs receive assessment revenue from business owners in their district. The Financial Management Department's (FM)'s Business License Division (Business License) collects the assessment fees, along with business license fees, and places the assessment revenue into the fund designated for PBIAs. Throughout the year, Business License disburses the revenue accumulated in the fund to the PBIAs every other month.

The lone TBIA receives assessment revenue from hotels in its district. The assessment fee is collected along with the TOT. The amount is collected by the Business License and then placed into the TBIA's City fund. Throughout the year, Business License disburses the revenue from the fund to the TBIA monthly.

#### **D. BID Operations**

Each BID has a voting Board of Directors, creates its own bylaws, and holds regular meetings in its area. Some of the BIDs have paid staff, such as an Executive Director, to manage the BID while others operate with only

volunteers. Regardless of their size and budget, all the Long Beach BIDs provide services in their districts based on the priorities set forth by either a management plan or other planning documents and discussions.

#### **E. City Oversight**

The oversight of the BID Program is managed by EDD with support from FM's Business License. One EDD Program Manager performs the majority of BID oversight functions, including serving as the City liaison to all BIDs. Two EDD support staff assist with administrative functions such as processing PBID payments and creating Council letters. The primary oversight activities performed by EDD staff are assisting with the BIDs' operational needs, ensuring State Law compliance, and supporting the Annual Report submission process each year. To do this, the Program Manager works with each BID as needed, coordinating communication between BIDs and City departments, managing assessment disbursements, and tracking reporting requirements. Business License also has an oversight role involving charging businesses for PBIA assessment fees, collecting those fees, and processing payments to the PBIAs. None of the employees involved in oversight of the Program are solely dedicated to BIDs as they have other non-BID related job duties.

### III. Issues & Recommendations

**Finding #1** *Annual reporting is incomplete and often non-compliant with State Law; and not all reports are being reviewed.*

**A. ANNUAL REPORTS DO NOT CONTAIN ALL STATE LAW REQUIRED INFORMATION**

BID areas are established under California Streets and Highways Code (State Law), which outlines the formation of a BID area, ongoing requirements, and disestablishment procedures. BID areas formed after 1979<sup>1</sup> are required to prepare an Annual Report that includes the following elements, as shown in Figure 6 below:

**Figure 6.  
State Law Requirements for Annual Reporting  
1989 PBID and 1994 PBIA Laws**

Section 36650 and 36533 Requirements	
1	Any proposed changes to boundaries of the district or to any benefit zones within the district.
2	Improvements, maintenance, and activities to be provided for that fiscal year.
3	Estimate costs of improvements, maintenance, and activities for that fiscal year.
4	Method and basis of levying the assessment in sufficient detail to allow each member to estimate the amount of their levy that fiscal year.
5	Estimated amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
6	Amount of any contributions to be made from sources other than assessment levies.

The BID or its contractor prepares the Annual Report and provides it to EDD, which in turn prepares a letter to Council, which is added to a Council agenda around the time of the beginning of the BID's FY.

The Annual Report represents the recommendations of the BIDs on how they will use the revenue received from the assessments, and the Council's vote signifies their approval on how that program will be run. We reviewed FY17 Annual Reports and FY16 financials from the BIDs subject to the annual reporting requirements to determine if all mandatory elements were included as it is critical that the City review reports to verify that State Law is being followed.

The Annual Report elements required by State Law provide important information about BID operations for stakeholders, including the City,

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<sup>1</sup> 9 of the 10 Long Beach BIDs must follow the annual reporting requirements that are present in the 1989 State Law (for PBIDs) and the 1994 State Law (for PBIA's). The Downtown PBIA is the only Long Beach BID formed under the 1965 law, which does not have annual reporting requirements.

Council, the public, and BID members. Our benchmarking showed that multiple cities use a checklist, template, or online form to ensure all required information is included. For example, Los Angeles has BIDs submit information in an online form to build the Annual Report. The online form incorporates required elements and rules from both State Law and the BIDs' own bylaws and management plans to ensure they are in compliance with external and internal guidelines.

## 1. Surplus Funds

Per State Law, the Annual Report must contain “the amount of any surplus or deficit revenues to be carried over from a previous fiscal year”. Accordingly, City agreements with the BIDs allow for a surplus of funds to accrue and requires that the surplus be identified in the Annual Report, along with a plan for how the surplus will be used. Similarly, cities we benchmarked against require BIDs to include the amount of, and plan for, any financial reserves.

Five BIDs with known surpluses did not disclose it in their report. One additional BID included discussion of its surplus, but did not explain the use of it thoroughly. It is important for Council to understand the financial position of the BID coming off the prior year. Since Annual Reports are drafted by the BID prior to the FY end, the surplus amount should be estimated when not known definitively.

Examples of missing information on surplus funds include:

- The Convention Visitors Bureau (CVB), that runs the Long Beach Tourism TBIA, ended FY16 with a carryover of \$725,641. This was added to the already existing funds from prior years for a total of \$2,009,186 in excess reserves and committed funds. Of this total, \$873,270 is earmarked for future conventions while the remaining \$1,135,916 is in reserve for future operating costs. We identified these amounts from CVB's annual financial statements; however, they were not addressed in the TBIA's Annual Report to Council.
- The Midtown PBID was established in August of 2015. Its FY16 only had partial activity due to time dedicated to the startup of the BID. Therefore, they ended the year with \$96,628 in surplus funds that were carried over to FY17. The Annual Report acknowledged the existence of this carryover but not enough information was provided. The report indicated that \$17,415 would be used as a contingency and \$79,213 would be used for expenditures. However, there were no specifics in the Annual Report on the nature of the expenditures, and the excess funds were not incorporated into the budget figures for that year.

**Council does not get a full picture of BID operations when carryover, reserves, and contributions from other sources are not included in the Annual Report.**



## **2. Contributions from Other Sources**

The BIDs must also report “the amount of any contributions to be made from sources other than assessments” to comply with the State Law reporting requirements. Most BIDs have additional sources of revenue, such as parking lot income, grants, sponsorships, or other funds obtained from the City for events or other taxes. Most of the time, these revenues help support the same activities that assessment revenue does. So, it is important for these other sources to be included in the BID’s budget to show the true amount that will be spent on activities by the BID.

There were three BIDs that did not include other revenues in their FY17 report. Examples of BIDs with additional unreported revenue include:

- CVB receives additional revenue from TOT, memberships, and other sources, which totaled almost \$4.8 million in FY16. However, estimations for these other contributions were not reflected in the budget in the FY17 Annual Report. In the FY18 Annual Report that was released near the end of our audit, CVB changed its approach and added revenue from these other sources.
- The Uptown PBID’s report mentioned some but not all of its other revenue in the FY17 report. The report acknowledges one-time grant money it received from the City; however, there is other revenue from an office space sharing operation (UpLab) that was not reported in the FY17 report.

## **3. Levy**

### **a. Insufficient detail on formula**

Per State Law “the method and basis of levying the assessment” must also be included in the Annual Report and is required to be “in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business for that fiscal year.”

We found that insufficient detail on one of the PBIA’s formulas could hinder the business owner’s ability to calculate the fee.

- The Bixby Knolls PBIA’s Annual Report shows two different rates for assessment fees: a “businesses base rate” and a “non-profit base rate”. However, the Bixby Knolls PBIA excludes non-storefront businesses (i.e. commercial and residential rental businesses and home-based businesses) from being charged. Without enough detail and explanation in the report, a business that the Bixby Knolls PBIA exempts would not be aware it was charged in error if it received a bill.

## **b. Timing of fee changes**

As stated above, the levy formula must be included in the Annual Report to allow business owners to estimate their fee. In addition, State Law for PBIAs also states that the fee cannot be charged until Council has approved it (at the time of the Annual Report). When Council votes on a PBIA Annual Report, it establishes the ability of the City to start charging the fees listed in the report for the upcoming FY. It is important that fees are approved by Council prior to being charged.

Some of the PBIAs use the Consumer Price Index (CPI), an adjustment for consumer goods and services, to modify their fees. The Bixby Knolls and Downtown PBIAs applied the CPI to increase their fees during the period we reviewed. The CPI is calculated by the City and applied to various City fees on July 1<sup>st</sup> each year. The City calculates the CPI around the beginning of the year, notifies the PBIAs of the percentage that is going to be used, and PBIAs that are interested can have their governing boards vote on using that to change fees. If PBIAs vote to change fees, they will need to notify the City around May so that it can be incorporated on July 1<sup>st</sup>, along with all other CPI changes to City fees.

We found that Annual Reports are unclear on how much is going to be charged to the business owners for the entire year and do not specify to Council that they are voting for future changes. For example:

- Bixby Knolls PBIA's FY17 report showed that for the upcoming FY the business base rate would be "\$250 + CPI ADJ + \$20." At the time of the report in October 2016, that was all the information that was available. It was not until 2017 when the City knew what the percentage the CPI adjustment would be and whether the Bixby Knolls PBIA Board had voted to apply it to its fees.

While it appears that Council is approving the potential for a fee change due to CPI, it is not actually approving the amount of the increase to be applied. In addition, the Council letters accompanying the Annual Report do not specifically state this is what they are voting for and that the amount is currently unknown. We are not disputing that CPI increases are allowed, but it is important that the business owners and Council know what is going to be charged. These points should be discussed in the Council letter for better transparency.

## **B. ADDITIONAL INFORMATION SHOULD BE ADDED TO REPORTS TO ASSIST WITH FUTURE PLANNING**

### **1. General Benefit Percentage**

The California Constitution states that the general benefits of a PBID district must be identified and quantified during the formation of the BID area.

**The general benefit percentage must be funded from a source other than assessment fees.**

General benefits are incidental benefits to properties along the perimeter of the boundary or to the public at large based on the services being provided. This portion of the PBID's budget must be funded from a source other than the assessment fees.

We found that not all PBIDs understood that they must be obtaining revenue from at least one other source besides assessment fees to cover this requirement. In addition, even some of the PBIDs that had other revenue sources were unsure about how to sustain funding in the future. Not all of the Annual Reports include specifics on the sources that would be used to cover this portion of the budget.

- For example, the Magnolia PBID has an investment account that is used to supplement its budget and cover its 3.5% general benefit percentage. However, as this account gets drawn down, the Magnolia PBID is not sure how funding for the general benefit percentage will be covered in future years. It is important for the BID to show the total amount remaining in that investment account and indicate that it is being used for this requirement so it is clear how many years of funding it has left to provide. Towards the end of our audit, the City started talks with the Magnolia PBID on how to secure funding for this in the coming years.

The City ought to continue to assist the PBIDs in their planning for the future. It is important for PBIDs to determine when and how to generate this money and the City to ensure the required amount is reached each year.

**The City and BIDs ought to work together on finding alternative funding sources to ensure long-term success.**

Although the general benefit percentage is only a PBID requirement, in our benchmarking we asked about various ways all BIDs receive additional funding. Similar to Long Beach, BIDs in other cities receive funding from grant opportunities, event ticket sales, and funds from managing City parking lots. Other cities also compensate BIDs for operating farmers' markets or managing park maintenance in their district. Additionally, BIDs receive revenue from account interest or from the City directly. Most of these funding opportunities require the City's help or involvement so discussions with the City are critical in this area.

## **2. Performance Metrics**

Currently, City agreements call for performance reports to be filed semi-annually. These reports are to include activities and accomplishments from the current budget year. However, these reports are not all being submitted and do not always include measurable outcomes of the BIDs' work. In addition, these reports are to be filed with City departments and not to the Council or the public. Performance metrics would quantify information to measure the success of the BIDs' various programs.

Some of the City's BIDs do include certain statistics in their Annual Reports or in newsletters they provide to their members. For example, the Uptown PBID showed before and after pictures of sidewalk cleaning in its newsletter, and the Bixby Knolls PBIA included average attendance for some of its events in its Annual Report. It would be beneficial to the BID Program if all BIDs had metrics to showcase their work and distributed this information to the appropriate groups. In the Small Business Monitor Survey mentioned previously, about one-third of small businesses were uncertain about the support that BIDs provide. It is important that the work of the BIDs is known to its members and the public.

**Performance metrics are reported by about 60% of benchmarked cities.**

About sixty percent of the cities we benchmarked include performance metrics in annual reporting. Some of the metrics included number of businesses and properties serviced, trash bags collected, pressure washing hours, new social media followers, interactions with visitors, and marketing materials distributed. New York City requires performance metrics to be included in their annual reports, and the city generates a separate performance report that is used as a promotional tool for all BIDs. Portland BIDs produce a separate performance report annually that is published on their websites for the public.

Figure 7 below includes examples of performance metrics from New York City and Chicago.

**Figure 7.**  
**Excerpts from NYC and Chicago Performance Reports**



Quantifying data from year to year can show growth, progress, and development across the City. Performance data would be especially important for PBIDs to demonstrate their success since they must renew their district every five to ten years. The data can be used to showcase the services they provide to Long Beach to the Council, the public, and the BIDs' members.

## **C. CITY REVIEW OF REPORTING MATERIALS NEEDS IMPROVEMENT**

### **1. Review of Reports**

Through agreements with the BIDs, the City requires that they submit multiple reports throughout the year: 1) Annual Report (also required by State Law), 2) Semi-Annual Performance Reports, and 3) Quarterly Financial Reports. These reports were intended to provide the City with key information about BID operations, such as line-item actuals on how the fees were being spent and information on the current year's activities.

**The City does not review reports, other than the Annual Report, that are submitted.**

However, the City does not review reports, other than the Annual Report, that are submitted. They are only electronically filed. Therefore, the City is not following up on the planned activities and proposed budget submitted in the Annual Report to determine if they were carried out as approved by Council.

Since the City is ultimately responsible for how this money is spent, reviewing financials and activity information throughout the year would allow the City to confirm that BIDs are following State Law and executing their planned activities. Having the BIDs prepare and the City review budget-to-actual figures will help to identify any mistakes that were made by the City or the BIDs. For example:

- The 4<sup>th</sup> Street PBIA received a payment, which included assessment fees, from the City for \$4,795 in February 2016. Due to initial confusion surrounding this payment the 4<sup>th</sup> Street PBIA delayed depositing it. Review of the 4<sup>th</sup> Street PBIA's actuals showed that they did not record this payment on their financial records even though they confirmed it was received and eventually deposited. If the 4<sup>th</sup> Street PBIA had prepared a budget-to-actual report, they would have been able to see if all expected assessment revenue had come in, and the City would be able to determine whether the BID had recorded the amount as the amount the City had paid.

### **2. Council Letters**

Council letters are created by EDD to be submitted along with the Annual Reports. These letters did not always contain the correct information or matched the attached report. We found instances when fiscal years, assessment amounts, rate changes, and amount owed for City properties did not match between the Council letters and the accompanying Annual



Reports. This means the reader could get misleading information if only the Council letter was referenced.

- For example, the Council Letter for the Bixby Knolls PBIA's FY17 Annual Report refers to its fiscal year from October 1<sup>st</sup>, 2016 to September 30<sup>th</sup>, 2017 per its Agreement. The budget included in the report is for the Bixby Knolls PBIA's internal fiscal year of July 1<sup>st</sup>, 2016 to June 30<sup>th</sup>, 2017. Therefore, Council is approving planned activities in October that have already been in progress for 3 months, but Council may not realize this due to the time period listed on the Council letter. The Bixby Knolls PBIA needs to report on the fiscal year in its Agreement and the period that corresponds with the timing of their Annual Report (October 1<sup>st</sup> – September 30<sup>th</sup>).

Council letters should be reviewed for accuracy and confirmed with information submitted by the BID.

### **Recommendations:**

The City needs to ensure that the BIDs are submitting all required reporting as well as key information needed by City staff and the Council.

### **City – EDD**

- 1.1. Create templates for all required reporting, especially the Annual Report.** Incorporate all State Law requirements and BID's own bylaws and management plans to ensure all established rules are followed.
  - a. Update the Downtown PBIA agreement to include Annual Report requirements consistent with all other BIDs covered by subsequent State Law.
- 1.2. Ensure that assessment formulas and any changes in fees are clear and detailed in the Annual Reports.**
  - a. Assessment formulas need to be reviewed for clarity on what businesses will be charged.
  - b. Changes in fees need to be explicitly shown in the report and discussed in the Council letter. It should be clear when Council is approving to allow for a CPI increase, so that when fees are increased, there is support that the change was authorized and legal.
  - c. Business License should be informed of any fee change and effective date by the BID Program Manager with documentation of Council approved amounts. Notification needs to occur at least 30 days in advance of effective date to allow time for testing and verification of system accuracy.

- 1.3. **Continue conversations with PBIDs to help plan for coverage of the general benefit portion of their budgets.** Require PBID Annual Reports to have specific information on how the general benefit percentage will be covered.
- 1.4. **Work with BIDs to develop performance metrics that can be tracked by their organization and included in future reports.** Determine how these metrics can be best distributed, either by the City or the BIDs themselves, to showcase the BIDs' value to the City.
- 1.5 **Institute City review of any reporting the City deems the BIDs are required to submit. Review to determine completeness, accuracy, and compliance of the information.**
  - a. Re-evaluate the reports currently required by the agreements to determine if they are necessary.
  - b. Also include review of the drafted Council letters to ensure consistent information with the Annual Report.
- 1.6 **Institute budget-to-actual reporting to be reviewed by the City for consistency with Annual Report plans.** This should occur at least once during the fiscal year.

#### **BIDs – All Types**

- 1.7 **BIDs must adhere to any reporting requirements set by the City.**
  - a. For budget-to-actual reporting to be useful, BIDs must include the same categories to record their actual revenues and expenditures as are enumerated in their budget. In addition, they must include explanations for variances between budget to actual and show adjustments made to the budget.
- 1.8 **If not already performing, start to complete regular bank reconciliations.** This will help verify whether the amount in the bank account and the amount recorded in the financial system match.

**Finding #2**

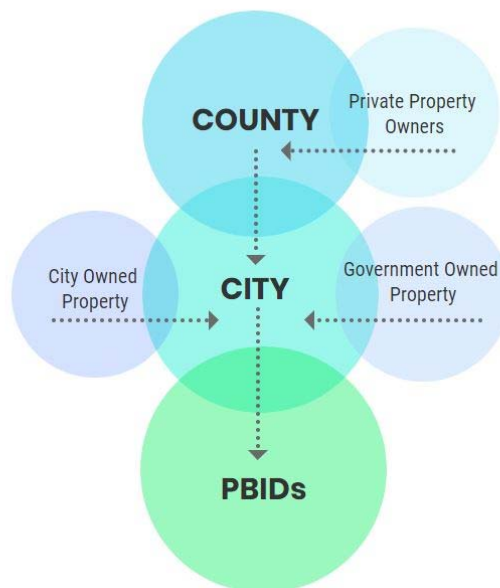
*Unclear processes and lack of tracking allowed incorrect BID fee payments to be made and money owed by the City to go unpaid.*

**PBID Payments**

**A. FEES ASSESSED ON PUBLICLY OWNED PROPERTIES WERE UNPAID, INCLUDING \$64,000 OWED BY THE CITY.**

PBIDs levy assessments on the property owners within their boundaries. Properties within the boundaries can be residential or commercial and either privately or publicly owned. There are various channels for the assessment money to make it to the PBIDs, depending on the type of property owner, as shown in Figure 8.

**Figure 8.  
Assessment Fee Flow Chart  
PBIDs**



**1. Fees Assessed on the City's Properties**

The City is a property owner in all four Long Beach PBID areas and, therefore, contributes to their funding. Various City departments pay the assessment fees depending on the use of the property (i.e. fire station, park, or library). The payment process for the City-owned properties in PBID areas lacks consistency, and the parties involved do not have the same understanding of what should occur and who is responsible. Some departments are sending checks directly to the PBIDs and others are transferring money into the City fund where assessment fees are accumulated prior to passing them on to the PBIDs.

EDD is responsible for ensuring that the City pays its assessment fees to the PBIDs. However, because the process lacks consistent verification and tracking, not all payments were made in recent years.

**The City did not pay Midtown and Uptown PBIDs for all City owned property in their boundaries during 2016.**

- The City owes two PBIDs, Midtown and Uptown, a total of \$63,855 in missed payments in FY16. This included portions from all the responsible departments: Parks, Recreation, and Marine; Library Services; Development Services (Successor Agency); Fire; and EDD.
  - The City owes the Midtown PBID \$5,624 and the Uptown PBID \$58,230 for payments not made in FY16. For the Uptown PBID, this \$58,230 is 32% of its FY17 total expected assessment funds (\$180,772).

## **2. Fees Assessed on Other Publicly Owned Properties**

The City is also responsible for collecting payments directly from other public entities with property within the PBIDs on their behalf<sup>2</sup>. These entities do not pay property tax; therefore, the assessment fees are not collected by the County as part of the tax role. So, the City takes on the responsibility to collect these direct bills. These entities include the Long Beach Unified School District (LBUSD) and Long Beach Transit.

- From FY14 to FY16, LBUSD owed the Uptown PBID \$5,824 in assessment fees per year. The FY14 and FY15 payments were not made, and this oversight was not noticed and corrected until FY16.

## **B. PBIDS RECEIVED INCORRECT AMOUNT IN ASSESSMENT FUNDS**

As discussed above, EDD is responsible for tracking the City's assessment payments as well as the other direct bills for three of the PBIDs. We identified mistakes in the recorded payments that caused PBIDs to receive the incorrect amount.

- The City twice paid the Magnolia PBID its FY15 fee of \$1,488 due to the use of two different methods. A check was written directly to Magnolia by the Public Works Department out of the general fund. Subsequently, a transfer was made for the same amount to a fund that houses the Magnolia PBID's assessment revenue.
- The Library Department owed the Midtown PBID \$4,635 for its FY16 assessment fee. However, this payment was made to the Uptown PBID in error, due to a transfer into the wrong fund.

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<sup>2</sup> The City performs this service on behalf of the Uptown, Midtown, and Magnolia PBIDs. The Downtown PBID handles its own collection from non-City publicly owned property.

**C. PBID REVENUE WAS NOT PASSED ON TIMELY FROM THE CITY TO THE BIDS**

All other PBID assessment revenue is collected by the County as part of the collection of property taxes and then passed on to the City. The City, thereby, distributes these funds to the PBIDs. The City's current process includes: notifying the PBID of the total assessments collected; requesting the PBID to send an invoice for that amount; and paying the PBID based on that invoice. Per agreements, the City should be making payments three times per year: January 15<sup>th</sup>, April or May 15<sup>th</sup>, and August 15<sup>th</sup>. There is no requirement for a separate notification of the amount prior to making the payment in the agreements.

We found that the payments were not made timely per the contract schedules. On average, the payments were 43 days late, with some payments skipped altogether. Late or missed payments can cause cash flow and recording issues for the PBIDs.

- For example, the City wrote a check on October 26, 2016 for the Uptown PBID's assessment revenue that was collected from January to July 2016. The payment was 72 days past the due date of August 15, 2016.

**PBIA Payments**

**D. ERROR CAUSED UNDERPAYMENT TO PBIA**

PBIAs levy assessments on the businesses within their boundaries. These payments are charged and collected by the City with business license fees. Per the agreements, the City must pass on all revenue to the PBIAs that is collected on their behalf.

We compared the assessment revenues collected and the disbursement of these fees during FY16 and part of FY17 to determine if all funds were passed on from the City to the PBIAs. We found one error in the amount distributed to the Belmont Shore PBIA.

- The City did not pass on all assessment fees that were collected during October and November of 2015 for the Belmont Shore PBIA. The Belmont Shore PBIA was underpaid by \$3,947 for this period.



## Consultant Payments

### E. CONSULTANT FEES PAID WITHOUT PROPER VERIFICATION OF SERVICES

PBIDs utilize outside consultants to support them with critical functions and operations. Currently, all four PBIDs contract with the same consultant for data collection, levy calculation and submittal, and annual reporting services.

Three of the four PBIDs pay the consultant directly for its work, but the City pays the consultant on behalf of the Magnolia PBID. For the Magnolia PBID, FM's Treasury Bureau receives the invoices from the consultant and pays the consultant with funds from Magnolia's assessment funds. These payments are made without communication with or approval by the Magnolia PBID to verify that the consultant's work was performed satisfactorily. Therefore, the City may pay the consultant for work not performed.

**The Magnolia PBID is not aware of the amount paid to the contractor on its behalf and payment is made without verification of services.**

In addition, the Magnolia PBID is not aware of the amount that is being paid on its behalf although it is being deducted from its assessment revenue. Without knowledge of the charges, the Magnolia PBID is not able to budget for this contract and cannot determine the reasonableness of the amount.

#### **Recommendations:**

The City needs to implement a structured process for all payment types, that considers timing, tracking, review, and follow-up to guarantee correct amounts are paid at the right time.

#### City – EDD

- 2.1 **Create a tracking schedule that encompasses City and non-City (i.e. LB Transit and LBUSD) direct bills for PBIDs (except for the Downtown PBID). Designate EDD personnel who is responsible to ensure all payments are received and recorded correctly.**
- 2.2 **Simplify the process of submitting payments for City-owned property to one method and centralize the process with EDD.** Use the City's existing MOU/JV process to notify departments of what is owed, to initiate payment, and to follow-up and verify that payments are received. All payments should be made using one method and at the same time each year.
  - a. Pay the Midtown and Uptown PBIDs for the City's underpayment of fees (approximately \$64,000 total) in 2016.
- 2.3 **Correct the double payment made to the Magnolia PBID.**
- 2.4 **Correct the payment made to the Uptown PBID in error that was owed to the Midtown PBID.**

- 2.5 For regularly scheduled payments to the PBIDs, stop sending notifications and requesting invoices.** Payments can be made using the Direct Payment method with back-up documentation showing amount in their sub-fund.
- a. Follow the timeline set in agreements for the three payments per year: January, April, and August. This will allow PBIDs to record payments consistently.

**City – FM**

- 2.6 Hand over the responsibility to pay the consultant to the Magnolia PBID.**
- 2.7 Correct the underpayment of \$3,947 to the Belmont Shore PBIA in 2016.**

### Finding #3

*The lack of communication of assessment formulas, along with system errors and limitations, caused incorrect charging and reporting on PBIA fees.*

Each PBIA charges members a yearly assessment fee based on a unique formula decided upon by the organization. These fees are charged and collected by the City along with business license fees. This process is facilitated by two systems that map BIDs as well as calculate, charge, track, and record payment of these fees: The City's Geographic Information System (GIS) and Business License system (Infor). In addition, BizMap provides the public, including BIDs, with reporting of the status of fee payments. The calculation and charging of the correct fees are crucial to the success of the PBIA's.

#### **A. COMMUNICATION ON ASSESSMENT FORMULAS NEEDS IMPROVEMENT AND FORMALIZATION**

Business License is responsible for setting up the PBIA's assessment fee formulas within Infor. Once formulas are input into the system, fees are automatically calculated by Infor based on key characteristics of the business, such as its BID area, type of business, and number of employees.

Currently, there is no formal process for Business License to be notified of assessment formulas and any changes made to them. There have been instances in which the BID Program Manager has communicated with Business License regarding the formula and other instances in which the BIDs themselves have communicated with Business License regarding changes to their formula. The BID, BID Program Manager, Business License, Council, and BID members need to be on the same page regarding who is charged and how much they are charged. However, the examples below show that this is not occurring for all the PBIA's.

- The Bixby Knolls PBIA's FY17 Annual Report shows the assessment formula below. This formula, along with the one presented on the City's website, indicates that all businesses are charged one rate, except for non-profits which are charged another.

	BUSINESS BASE RATE	NON-PROFIT BASE RATE
October 1, 2015-September 30, 2016	\$250	\$150
October 1, 2016-September 30, 2017	\$250 + CPI ADJ + \$20	\$150 + CPI ADJ + \$20

However, the Bixby Knolls PBIA changed its formula several years ago to exclude businesses that do not have a storefront (i.e. commercial and residential rentals and home-based businesses). This change was completed through a phone call between the Bixby Knolls PBIA and Business License due to the lack of a formal communication process. However, reporting of the formula in the Annual Report has not changed, so it does not reflect how

businesses are actually being charged. A home-based business would not know if a mistake was made and it was charged in error.

- The East Anaheim PBIA's FY17 Annual Report includes the excerpt below, showing a cap on the amount of the employee fee (\$300 maximum).

**Type 1 Businesses:** Retail, recreation and entertainment, and unique businesses shall pay annual assessment fees of:

- Base Fee: \$300 per year except that secondary licensees in these classes are exempt; and,
- Employee Fee: \$15 per employee up to \$300 maximum.

**The lack of communication surrounding assessment formulas has caused over charging.**

During our review of a sample of fees charged in the East Anaheim PBIA, we found four large retailers that were overcharged because they had more than 20 employees. Business License indicated that they were not aware that a cap on the employee portion of the fee existed and, therefore, were charging these companies \$15 per employee, regardless of how many. Because Business License was not aware of the employee cap, large businesses were overcharged.

- For example, a large grocery chain was charged \$1,095 in PBIA employee fees (they have a total of 73 employees) although it should have been capped at \$300, resulting in an overcharge of \$795 per year.

PBIAs have the ability to determine which types of businesses – such as retail, wholesale, manufacturing, or restaurants – within their boundaries will be charged the assessment. The business types to be charged must be listed in PBIAs' assessment formulas, since they are approved by Council and used by Business License to determine fees. The City categorizes businesses into different types during the business licensing process. In general, we found that PBIAs are not aware of all the business types that exist in the City. Furthermore, Business License stated that it had not recently discussed the various business types with the PBIAs. Therefore, there may be additional business types unknown to the PBIAs to assess fees. There could also be other business types that PBIAs decide to exempt from the assessment fees. In either case, the PBIAs need to be aware of all business types within their boundaries to make informed decisions on which business types to charge.

## **B. SOME UNLICENSED BUSINESSES ARE NOT PAYING BID FEES**

Most business types that operate in the City are required to apply for a business license and pay annual fees. The City currently employs four inspectors who enforce business license requirements by identifying and licensing new businesses, and following-up on delinquent accounts. In the FY18 budget, Business License received additional funds to hire another inspector. These inspectors must cover all 51 square miles of the City and are responsible for approximately 30,000 accounts.

**BIDs miss out on assessment revenue when businesses operate without a license.**

Given this large coverage area, the inspectors prioritize their work by that which provides the highest return, following-up on known violations and delinquencies. Patrolling for potentially unlicensed businesses is secondary. Both the City and the BIDs have limited resources to inspect BID boundaries, so this is an area where collaboration could be strengthened. Based on our review of businesses in BID areas, we suspect that businesses operating without licenses occurs regularly.

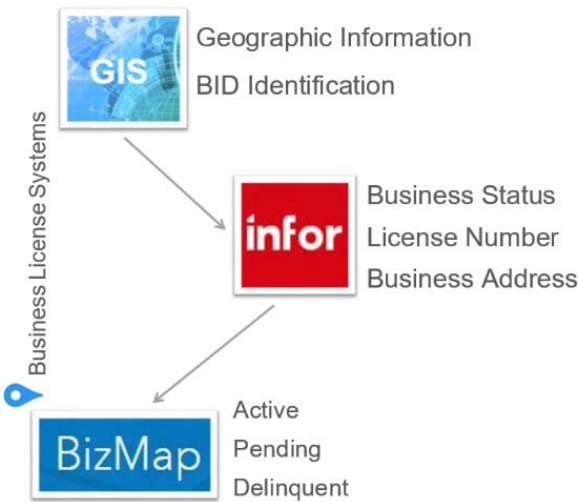
We performed visual scans of portions of all five PBIA areas to identify any unlicensed businesses that were operating. We identified three businesses in the downtown area that were operating without a license and, therefore, were not paying business license or PBIA assessment fees. We informed the City of these businesses and were told they were issued notices of violation. These three businesses represent at least \$1,300 per year in potential assessment revenue for the Downtown PBIA. It is in the best interest of both the City and the BIDs for all businesses to be licensed since business license and assessment fees are charged and collected together.

Some of the BIDs walk their districts regularly and notify the City when they suspect a new business has moved into their boundaries and has not applied for a license. The BIDs have tools, such as BizMap, and reports available to them to compare the businesses they identify against businesses in the City’s system. These tools and reports should be used whenever possible to help identify violations.

**C. SYSTEM FUNCTIONALITY NEEDS TO BE REVIEWED**

As shown in Figure 9, there are three systems involved in the mapping, calculation, charging, tracking, and reporting of PBIA assessment fees, along with all business license related fees.

**Figure 9.**  
**Systems Communication**





## 1. GIS Boundary Recognition

The GIS system maps the boundaries and known addresses within each BID area. The GIS system is linked to Infor so that when an address is entered as the business location, GIS tells Infor the BID area in which the business is located, if applicable. In the sample of accounts that we reviewed, we found that when businesses were categorized into a BID area, it was done correctly. However, we found instances in which they were not categorized at all.

- We found two instances, one in the Belmont Shore PBIA and one in the East Anaheim PBIA, in which the field identifying which PBIA the business is located in was blank. Since businesses were not identified as being in a PBIA, PBIA fees were not charged or paid, which means the two PBIAs did not receive \$525 per year in assessment revenue. It is unclear whether these were isolated instances or represent a widespread issue. For this reason, the Technology and Innovation Department is performing a query to identify if other accounts with a similar problem exist.

## 2. BizMap Reporting

BizMap is a public reporting tool that is updated daily with the status of business licenses from Infor. BizMap shows if a license is active (the business is operating and payment is up to date), delinquent (the business is operating but payment is past due), or pending (the business is new and still being processed).

BizMap has a visual mapping feature where the businesses can be searched and shown on the map. It also has a reporting feature that allows the user to export a list of all licenses with certain characteristics, such as all businesses with active status within a BID.

**Business status report from BizMap does not work as intended. Not all businesses are reported.**

We reviewed a sample of accounts to see if they were transferred from Infor to BizMap. We were able to use the search feature to find businesses on the map, but we were unable to see some of those businesses on the exported reports. After speaking with Business License staff, we found that the BizMap reporting feature has a 1,000-maximum record capacity, which some BIDs exceed.

- For example, if we were to run the report on active licenses within the Downtown PBIA, we would only see 1,000 of the approximately 1,600 businesses in the area.

BIDs with over 1,000 businesses in their boundaries cannot easily obtain data on all of them due to the reporting cap. Business License is exploring options of how to get around the cap that is enforced by the hosting company.

#### **D. BID FEES WERE NOT CHARGED ON ALL ACCOUNTS**

When reviewing a sample of accounts within the PBIAs, we found multiple instances in which PBIA fees were not paid by businesses because of various Business License processes and system errors.

Some instances we identified were determined by Business License to be caused by conversion errors. In 2015, the past business license system was replaced by Infor and thousands of accounts had to be converted to a different format to comply with Infor.

- For example, a business in the Downtown PBIA was not charged fees from 2015 to 2017 due to a conversion error that occurred during the transferring of data from the old system to Infor. This business is no longer operating, but fees for 2016 through 2017, that were previously not charged by Infor, are now showing due. The balance on this account includes \$854 in Downtown PBIA fees.

Other instances in which businesses in operation were not charged were the result of the pending status of their account. Accounts are put in pending status when they are first opened and the business is still in the process of obtaining permits and paying fees. If an account is in pending status, the business should not be operating. However, as mentioned previously, the City's inspectors do not have capacity to follow-up with all pending accounts to verify whether businesses are operating. Therefore, some businesses in pending status are operating without a business license and are not charged any PBIA fees.

- For example, a business on 4<sup>th</sup> Street applied for a license in December 2015, was placed on pending status, and as of September 2017 remained on pending status. The City investigated the business and found that it was in operation during this time. Therefore, the City billed it for the \$200 owed for the 4<sup>th</sup> Street PBIA fee for its time in pending status.

The PBIAs rely on the City to charge and collect payment for all assessment fees owed. The City needs to ensure that accounts have updated information. The City should review characteristics on accounts that may indicate an issue, such as pending status for over 180 days or if an account has not been charged in the past year.

#### **Recommendations:**

There needs to be better communication between EDD, FM, and BIDs regarding assessment formulas and the status of businesses to ensure accuracy in charging and collection of fees.

### CITY – EDD

- 3.1 **Create a formalized process by which assessment fee formulas are communicated from BIDs to Business License.** This includes the initial fee formula and when changes are made. Facilitate this process to ensure everything necessary is communicated and formulas are lawful and adhere to any imposed yearly increase limitations.
- 3.2 **Current formulas should be reviewed with Business License and BIDs to ensure they are set up as intended and are within the capabilities of Infor (i.e. employee cap).**

### CITY - FM

- 3.3 **Continue working with Technology and Innovation on BizMap's reporting limitation. Ensure solution is reached that will allow all records to be exported.**
- 3.4 **Continue working with Technology and Innovation on testing of GIS interface to determine if any other addresses are missing BID distinctions.**
- 3.5 **Continue with the correction of any accounts with PBIA fee issues identified during the audit.**
  - a. Create reports to show accounts with similar characteristics to accounts identified with issues during the audit (i.e. no charges in over a year) to determine if issues are widespread or isolated to a few accounts.
- 3.6 **Start reviewing accounts that are in pending status for over 180 days to determine whether the businesses have begun operating and whether charges need to be applied.**

### BIDs - PBIAs

- 3.7 **Help to survey district boundaries for new unlicensed businesses and notify Business License of any potential violations.**

#### **Finding #4**

***The City does not enforce BID agreements, and the current agreements include terms that are no longer applicable.***

The City and the BIDs enter agreements that set forth the parameters and requirements of the relationship between the BID and the City. These agreements include requirements for reports, deadlines, spending limits, and payment schedules.

Although the nonprofit operators run the BIDs, the City is ultimately responsible for each BID and the assessment revenue collected for each district. Therefore, effective contract management practices are necessary to ensure that the BIDs are performing as expected.

#### **A. AGREEMENTS WITH BIDS ARE NOT EMPHASIZED OR ENFORCED**

**BIDs were either not aware of their agreements with the City or were not knowledgeable about the terms.**

Contract administration best practices call for consistent monitoring and compliance to ensure that the services outlined in contracts are delivered. The BID Program Manager is responsible for contract enforcement to ensure that both the City and the BIDs meet the responsibilities outlined in the City agreements. However, it is difficult to enforce agreement terms if the other party is not aware that the terms exist. We found that either BIDs were not aware that agreements existed or were not familiar with all the terms. Some agreements predate the current management of the BIDs. When BID management changed hands, the agreements were not communicated or passed down.

Since the City does not emphasize the importance of the agreements or reference them to the BIDs, the City also does not enforce their requirements.

- There are no consequences in place for non-compliance. In our benchmarking analysis, we found that multiple cities enact penalties for non-compliance. For example, the City of Los Angeles withholds assessment funds until required documentation is submitted.
- Reporting requirements listed in the agreements are communicated differently to the different BIDs depending on their funding and personnel resources, not based on the requirements in their agreement. For example, the 4<sup>th</sup> Street PBIA was told by the City to complete only the Annual Report although its agreement requires other financial and performance reports to be submitted throughout the year.

Proper implementation of agreement terms is critical to the success of the Program. It ensures that both the City and the BIDs are held accountable for meeting their obligations. With limited BID knowledge of agreement terms and limited City enforcement, the City might not become aware of the areas that need improvement until significant issues arise. This could ultimately jeopardize the success of the BIDs. In addition, if a dispute arises, the City should limit its exposure to liability by having clear terms and enforcing them.

## **B. AGREEMENT TERMS ARE OUTDATED, CONFUSING, AND CUMBERSOME**

Contract management best practices call for an organization's ability to adapt and plan for future changes. When circumstances change, contracts should be updated to reflect them. Many of the BID agreements have not been updated in at least a decade, a period during which a significant number of changes have occurred and contract inefficiencies have been identified. Some of the issues with the current contracts include:

- Many of the agreements are over 15 years old and have not been revised since they were created resulting in outdated terms that are no longer applicable. For example, many of the agreements state that BIDs are required to report to the Community Development Department, which no longer exists.
- The agreements do not always represent processes currently followed. For example, the Tourism contract states that its assessment fees should be paid by the City every two months. Instead, their assessment funds are paid monthly to match the schedule for TOT revenues, since both are collected at the same time. This practice has worked well for the City and for the BID. If this is the preferred practice, the agreement should reflect this process.
- The City and BIDs agree that the number of reports required from the BIDs is too high. BIDs are required to submit quarterly financial reports, semi-annual performance reports, and an annual budget report. BIDs that were providing these reports state that the reports are repetitive and require significant time to produce. Furthermore, the City does not have enough time to review all reports negating the need for these different reports.

The City is aware that the agreements do not reflect current processes and understands that enforcement of outdated terms is difficult. Undertaking the process to update each agreement would provide an opportunity to re-evaluate terms and ensure there is agreement on expectations.

## **C. ADDITIONAL CONTRACTS WITH CONSULTANT NEEDED FOR PBIDS**

Currently, all four PBIDs receive services from a consultant, who is responsible for critical functions of their operations. The two newest PBIDs, Midtown and Uptown, have their own executed contracts with the consultant. The other two PBIDs, Downtown and Magnolia, are receiving work covered under a City agreement from 2002.

While the same primary functions are performed by the consultant for all four of the PBIDs, the level of work and certain processes are different for each organization.

- The Downtown PBID has more properties than other districts and handles direct billing of publicly owned properties in a different manner. The consultant sends out invoices to publicly owned properties for the other PBIDs, while the Downtown PBID does its own invoicing.
- As previously stated, the City pays the consultant on behalf of the Magnolia PBID, but the City is not verifying services and the Magnolia PBID is not aware of how much is paid out of its assessment revenue.

Because each PBID requires a different level of work, some have unique services and all should have control over the payments made, individual contracts ought to be executed by the PBIDs. In addition, the PBIDs should have control over those agreements with consultants, not the City. The PBIDs need to be able to settle any disputes or to change consultants as needed without the City's involvement or interference.

### **Recommendations:**

Update agreements to represent current processes and ensure all BIDs are aware of these requirements.

### **CITY – EDD**

- 4.1 Re-execute City agreements with BIDs to reflect current procedures and other changes deemed necessary.** Periodically revisit agreements as processes and requirements change or as new leadership take over the BIDs to ensure they stay current and relevant.
- 4.2 Provide BIDs with an updated schedule with due dates for reports and other items that need to be submitted to the City. Require all information to be submitted to the BID Program Manager.**
- 4.3 Review agreements with the BIDs to ensure they are knowledgeable of the terms. When BIDs change leadership, bring new personnel up to speed on agreements.**
- 4.4 Enforce agreement terms by setting consequences for non-compliance.**

### **BIDS - PBIDs**

- 4.5 The Downtown and Magnolia PBIDs should execute their own contracts with the consultant, monitor the services performed, and directly pay the consultant.**

**Finding #5**

*Due to limited staff, the City needs to employ additional communication tools to help provide BIDs with necessary information.*

**A. WITH TEN BIDS AND MORE POTENTIALLY FORMING, CITY STAFF HAS LIMITED TIME AND NEEDS TO EMPLOY OTHER TACTICS TO DISTRIBUTE INFORMATION**

**On average, cities allot 1 staff person to every 5 BIDs.**

In our benchmark, we found that cities have an average of one staff person for every five BIDs. In Long Beach, we have one employee within EDD who is responsible for the BID Program. However, this BID Program Manager has other non-BID related responsibilities. There are other employees within EDD and FM who assist with administrative items, but they too are not solely dedicated to the BID Program.

Some of the tasks that staff perform for the BID Program include:

- Attend BID Board and Council of Business Associations (COBA) meetings
- Facilitate the process of annual reporting to Council
- Update, charge, and collect PBIA fees from business owners
- Pass on revenue received by the City to all BIDs
- Answer questions from BIDs on a daily basis

These tasks are necessary for the oversight of the Program and can require a substantial amount of time. Creating more efficient processes could reduce the time spent on most of these tasks, as discussed earlier in this report. There are additional tactics that could be used to proactively provide BIDs with the necessary information and, thereby, reduce the amount of questions and requests they may have for the City.

**1. Handbook**

**City staff and BIDs agree that a handbook is needed.**

EDD, FM, and all BIDs agree that a handbook would improve communication and understanding of the Program amongst all parties. The City currently has a BID manual that includes information about State Laws; specific information on each BID, such as formation date and current assessment formulas; and resources that can be referenced when forming a new BID area. However, this does not provide information on what BIDs need to know about operating the organization once they are formed. Although BIDs create their own bylaws and can operate self-sufficiently, there are certain activities that affect their interaction with the City that are universal amongst them and could be addressed in a handbook.

Other cities that use a handbook expressed the value that the document brings to management oversight. These handbooks provide more information to the BIDs regarding operations than the current Long Beach BID manual. Examples of other cities with handbooks or manuals include the following:



- Oklahoma City has a comprehensive BID Procedures Manual that details hearing and meeting requirements, budget management, and the assessment roll process.
- The City of Seattle's handbook includes statistics about the BIDs, information on how to create a BID, and general steps on how to operate a BID.

Some of the BIDs in Long Beach indicated there was confusion and questions surrounding the following areas and recommended these be included in a handbook:

- Roles and responsibilities of each party: City departments, BIDs and their Boards, BID members, and Council
- Agreements: overview of terms, responsibilities, renewals
- Reporting: guidance on contents and timing
- Timeline of key events
- Operational processes: building an assessment formula (business license information), changing fees, payments, renewal of PBIDs
- Bylaws: topics that should be covered
- FAQ and lessons learned
- City resource directory
- Non-profit regulations
- Outside BID organization information

By providing a handbook and making it accessible to BIDs and City staff, all parties would be better informed about the Program.

## **2. Training**

Long Beach has provided training to BIDs in the past on Brown Act compliance (state law requirements for public meetings and agendas), ethics, and the newly created BizMap application. While these topics are helpful to the BIDs, some of the BIDs expressed a desire for more detailed trainings on operations.

Some of the cities we benchmarked against provide regular training to their BIDs on topics such as reporting, budgeting, and member engagement, which are subjects that every BID can benefit from. These trainings were given to all BIDs and targeted based on need, for example:

- New York City offers targeted training based on a review of each BID's documentation.
- Chicago hosts an annual daylong meeting and training. It mainly focuses on preparation of the annual report.
- Seattle holds an annual training that focuses on its "Only in Seattle" initiative, which aims to bring awareness to the city's diverse neighborhood and business districts.

Training provides an opportunity for the City to provide standardized information to all BIDs, and for BIDs to come together to share ideas and experiences on important topics.

**B. WHILE THE CITY PROVIDES BIDS WITH SOME NECESSARY INFORMATION, OTHER INFORMATION IS TOO GENERAL TO BE USEFUL**

**1. Good Information Provided by the City**

The BIDs look to the City to provide information on their members, since the City houses some of the information in its systems. BIDs can use this information to increase participation in their districts and effectively plan their activities.

The City recently started sending out two reports that inform BIDs about their members.

- Business License sends a weekly business report showing new businesses and changes to existing businesses within BID areas. With this information, BIDs can update their directories and communicate with their members. This business report encourages BIDs to look out for new business owners to educate them about the district and their work. This report should continue to be sent to the BIDs regularly.
- EDD recently gained access to CoStar, a system that provides property owner data. This information helps PBIDs with initiating contact with their members and maintaining updated directories. This is challenging because most property owners rent their properties and, therefore, are not in the district on a day-to-day basis to receive information. This data has been provided to two PBIDs with plans to distribute information to all in the future.

**2. Information That Needs to Be Improved**

Assessment revenue, for all BID types, eventually ends up at the City and is then distributed to the BIDs. This distribution is performed by Business License for PBIAs and by EDD for PBIDs. Some of the BIDs expressed frustration at the lack of useful information provided with their assessment checks.

**Data provided to BIDs should be useful and easy to understand.**

- For PBIAs, Business License collects assessment fees from members directly and records payments in the Infor system. Business License runs a general ledger accounting report from the City's financial system to support the amount paid to the BIDs. While we verified that this report calculates the correct amount to be paid, the report contains internal City document and transaction numbers that are meaningless to the PBIAs. Business License uses this report to

determine the amount to be paid, but does not need to provide this to the PBIAs. There is other reporting available from Infor that would list the members who paid and the amount paid, which would be more understandable and useful to PBIAs.

- For PBIDs, assessment fees are collected by the County and sent to the City. The report the County provides with their payments shows how much was collected on behalf of each PBID, so it clearly supports the amount being disbursed. However, it does not show which members paid during the time period covered. The consultant who calculates assessment fees for PBIDs receives detailed collection information from the County twice per year. This information identifies which members have not paid and the amounts outstanding. During the audit, the City and PBIDs were sent these collection reports for the first time.
- The City can also communicate more clearly on the check itself the type of funds and time period the payment represents. Some BIDs receive multiple funding sources from the City, such as for assessments, parking, grants, or city sponsored events. Several BIDs indicated they were at times confused which funding source the checks represent.

It is important for all BIDs to be knowledgeable about the assessment revenue they receive. The BIDs need to be informed of the members who have paid to track who is in good standing. A member's standing could impact its ability to participate in the district activities or run for a position on the BID's board. Also, if it is unclear what the payments are for, the money could be misreported in the BIDs' financials under an unrelated category.

### **Recommendations:**

Create a handbook and develop training surrounding BID operations and key requirements.

### **CITY – EDD**

- 5.1 Create a handbook that explains key aspects of the BID Program and topics that are frequently asked by BIDs.** Update the handbook periodically to reflect current practices and information.
- 5.2 Train BIDs on key operational topics.** Continue to pursue options for trainings, whether put on by City staff or outside agencies.
- 5.3 Stop sending PBIAs the current report used as payment backup. Develop an Infor report that will support the payment amount as well as show who has and has not paid the assessment fees.**

- 5.4 Include description on checks that indicates the time period of the revenue received and explains that payment is for assessment fees.**

**BIDs – PBIDs**

- 5.5 Update contractor agreements to require contractor to provide County collection data to the PBIDs.**

## IV. Objective, Scope, and Methodology

The objective of this audit was to assess the City's management and oversight of the BID Program and compliance with agreements between the BIDs and the City. Recommendations regarding industry best practices were made where warranted. The audit scope covered City and BID data from October 1, 2015 to March 31, 2017. To achieve this objective, we:

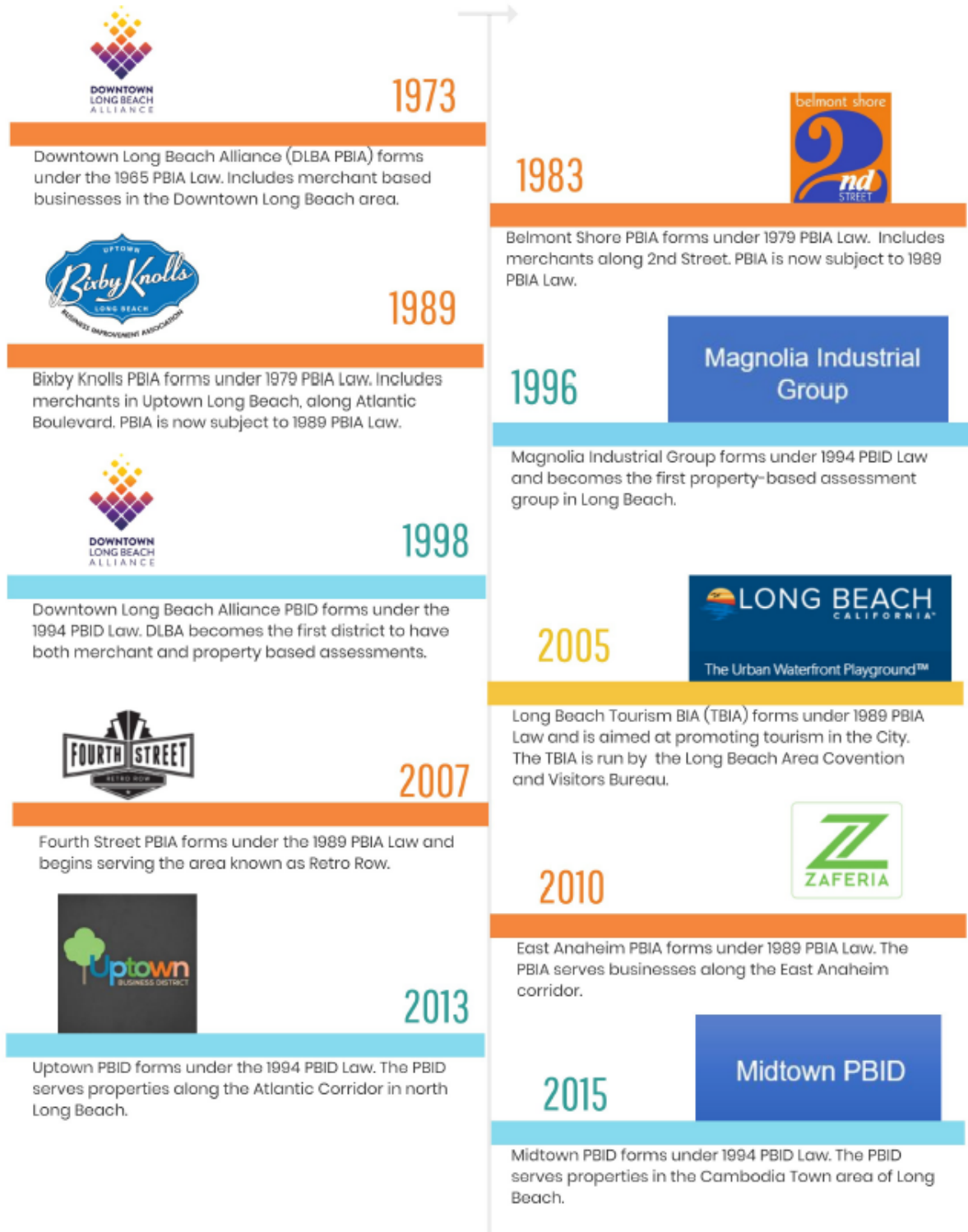
- Interviewed City staff involved in the oversight processes of the BID Program and all ten BID organizations;
- Analyzed state, county, and local laws to determine the guidelines for contract compliance, reporting requirements, and term agreements;
- Reviewed Annual Reports and City agreements for content, terms, and requirements;
- Traced assessment funds from collection to disbursement;
- Reviewed a sample of accounts to confirm assessment fee accuracy;
- Benchmarked twelve cities with BID Programs to identify best practices for overseeing BIDs. These cities were: Chicago, Denver, Los Angeles, New Orleans, New York City, Oklahoma City, Pasadena, Portland, Sacramento, San Diego, San Francisco, and Seattle;
- Examined the City's information systems involved in management of BID fees; and
- Conducted visual scans and walkthroughs of portions of BID areas to verify membership.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## V. Appendices

## Appendix A. History of BIDs in Long Beach

# History of BIDs in Long Beach





## Appendix B. Legal Responsibilities of the City and BIDs



# LEGAL RESPONSIBILITIES

### Of the City & BIDs

1

## Formation



**BIDs:** Express interest to the City in forming a BID.



**BIDs:** Provide a Management Plan and Engineer's Report\* for consideration.



**City:** Holds a public hearing and approves BID formation if a majority of members do not oppose. Adopts an ordinance to establish the BID.

2

## Appointment



**BIDs:** Create a non-profit organization that will manage the BID.



**City:** Appoints the organization who will make recommendations for the use of revenue and administer the programs.



**City:** Executes agreement with that organization to set requirements of each party.

3

## Reporting



**BIDs:** Prepare and submit an Annual Report\*\* to the City that includes information on proposed boundaries, activities, budget, and levy.



**City:** Reviews report, makes modifications it deems necessary, and approves annual report.

3a

## Assessment Fees



**BIDs:** Propose basis and method of levying the assessment.



**City:** Approves the annual assessment fees, including who gets charged and how funds will be collected.

3b

## Activities



**BIDs:** Propose annual activities and area improvements that will benefit the districts they serve.



**City:** Approves the annual plan for how assessment fees will be spent.

4

## Renewal or Disestablishment



**City:** City Council confirms continuation of BIDs year to year. Council holds a public hearing for PBID renewal every 5-10 years.



**BIDs:** For renewal, PBIDs submit the same reports required at formation.



**City:** Council may disestablish a BID if a majority of members opposes the continuation of the BID at the public hearing.



Legal Requirement



City of Long Beach BID Program process



\* Only PBIDs are required to submit an Engineer's Report



\*\* Downtown PBIA was formed under the 1965 law which does not have reporting requirements

## **VI. City and BID Management Responses**



**Date:** December 4, 2017

**To:** Patrick H. West, City Manager *T.H.W.*

**From:** John Keisler, Director of Economic Development *John Keisler*

**For:** Laura L. Doud, City Auditor

**Subject:** Business Improvement District (BID) Oversight Audit

Thank you for the opportunity to comment on the draft Business Improvement District (BID) Oversight Audit. All of management's responses are within the context of promoting the economic development goals of the City Council established in the Blueprint for Economic Development, satisfying State laws, enforcing contractual obligations, and providing appropriate controls balanced within available operational resources.

Staff has reviewed and provided input for each of the City Auditor's recommendations as outlined in the attached action plan. As some of the recommendations involve the effort of other departments, staff have coordinated with the Financial Management Department to address these recommendations.

The City's BID program is an important economic development engine for the attraction, retention, and growth of local businesses. The BIDs provide important services that enhance economic activity within specific areas of the city. As such, a recommendation of the Blueprint for Economic Development is to "Implement plans to develop new business improvement districts and ensure sustainable funding streams for existing business improvement districts," as a strategy to increase the number of active business licenses in the city.

The establishment of oversight of the BIDs requires an ongoing partnership between public, private, and non-profit entities. While the activities and agreements between the City and each of the BIDs is unique, the City Auditor staff has identified 28 recommendations that help to clarify roles and responsibilities, streamline operations, and standardize the oversight of agreements between the City and the private non-profit BID organizations.

City staff agree that the Auditor's recommendations will help to improve the operation and oversight of the BIDs. Of these recommendations, staff have identified 16 recommendations as "High Priority", 8 recommendations as "Medium Priority", 4 recommendations as "Low Priority", as reflected by the attached matrix of recommendations to be addressed in Fiscal Year 2018. Economic Development Department staff will be responsible for implementing recommendations 1.1 to 5.2, while Financial Management Department staff will be responsible for the implementation of recommendations 5.3 and 5.4 because these issues involve the business licensing process. Staff is confident that implementation of recommended

actions will be completed in Fiscal Year 2018.

Finally, over the past year, the Economic Development Department (ED) has changed its management and oversight of the BID program as a result of a recent retirement, the hiring of an Administrative & Financial Services Officer, and the initiation of a process to implement a contract management system. Staff is confident that all of these changes will contribute to the enhanced focus on contract compliance, implementation of recommended changes, and administration of the BID program.

Thank you for the support of your staff in this effort. The Economic Development Department staff are committed to implement identified actions. Please contact John Keisler, Director of Economic Development, by phone (562) 570-5282 or email [john.keisler@longbeach.gov](mailto:john.keisler@longbeach.gov) with any questions.

[C:\USERS\JOKEISL\OD\ECONOMIC DEVELOPMENT\RESOURCES\BID AUDIT]

CC: PATRICK H. WEST, CITY MANAGER  
TOM MODICA, ASSISTANT CITY AUDITOR  
KEVIN JACKSON, DEPUTY CITY MANAGER  
JOHN GROSS, DIRECTOR OF FINANCIAL MANAGEMENT  
GEOFFREY HALL, ASSISTANT TO THE CITY MANAGER

# MANAGEMENT RESPONSE AND ACTION PLAN

## Economic Development

### Business Improvement District Oversight Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.1	Create templates for all required reporting, especially the Annual Report. Incorporate all State Law requirements and BID's own bylaws and management plans to ensure all established rules are followed.	H	16	A	ED	Develop BID Staff & Board Handbook for each BID that includes information for all legally required reporting, including annual report information, State Law requirements, City requirements per agreement, and BID's own bylaws and management plans to ensure all established rules are followed.  Economic Development will not process payments until reporting requirements have been satisfied. Reporting requirements, timelines, and consequences for non-compliance in BID Staff & Board Handbook.	Fiscal Year 2018
1.1a	Update the Downtown PBIA agreement to include Annual Report requirements consistent with all other BIDs covered by subsequent State Law.	H	16	A	ED	Update the Downtown PBIA agreement to include Annual Report requirements consistent with all other BIDs covered by subsequent State Law.	Fiscal Year 2018
1.2	Ensure that assessment formulas and any changes in fees are clear and detailed in the Annual Reports.	H	16	A	ED	Ensure that assessments formulas and any changes in fees are clear and detailed in Annual Reports.	Fiscal Year 2018
1.2a	Assessment formulas need to be reviewed for clarity on what businesses will be charged.	H	16	A	ED	Review assessment formulas annually for clarity on what businesses will be charged.	Fiscal Year 2018
1.2b	Changes in fees need to be explicitly shown in the report and discussed in the Council letter. It should be clear when Council is approving to allow for a CPI increase, so that when fees are increased, there is support that the change was authorized and legal.	H	16	A	ED	Clearly show all changes in fees in the Annual Reports of BIDs and in Council letters. Include information on the appropriate process for changing fees in BID Staff and Board Handbooks.	Fiscal Year 2018
1.2c	Business License should be informed of any fee change and effective date by BID Program Manager with documentation of Council approved amounts. Notification needs to occur at least 30 days in advance of effective date to allow time for testing and verification of system accuracy.	M	16	A	ED	Inform Business License of any fee change and effective date by BID Program Manager with documentation of Council approved amounts. Notify Business Licenses at least 30 days in advance of effective date to allow time for testing and verification of system accuracy.	Fiscal Year 2018
1.3	Continue conversations with PBIDs to help plan for coverage of the general benefit portion of their budgets. Require PBID Annual Reports to have specific information on how the general benefit percentage will be covered.	M	17	A	ED	Work with PBIDs to plan for coverage of the general benefit portion of their budgets; and, require PBID Annual Reports to have specific information on how the general benefit will be covered as condition of the agreement between the PBID and the City.	Fiscal Year 2018



# MANAGEMENT RESPONSE AND ACTION PLAN

## Economic Development

### Business Improvement District Oversight Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.4	Work with BIDs to develop performance metrics that can be tracked by their organization and included in future reports. Determine how these metrics can be best distributed, either by the City or the BIDs themselves, to showcase the BIDs' value to the City.	L	17	A	ED	Economic Development will monitor performance metrics as set forth in the Economic Development Blueprint. Developing and reporting performance metrics will be the responsibility of BIDs. BIDs will be encouraged to include performance metrics in their Annual Report.	Calendar year 2018
1.5	Institute City review of any reporting the City deems the BIDs are required to submit. Review to determine completeness, accuracy, and compliance of the information.	H	17	A	ED	Review any reporting the City deems the BIDs are required to submit per State Law and agreement with City. Include required reporting requirements in BID Staff and Board Handbook. Review to determine completeness, accuracy, and compliance of the information.	Fiscal Year 2018
1.5a	Re-evaluate the reports currently required by the Agreements to determine if they are necessary.	M	17	A	ED	Reevaluate the reports currently required by the Agreements to determine if they are necessary. Include list of legally required reports in BID Staff and Board Handbook.	Fiscal Year 2018
1.5b	Also include review of the drafted Council letters to ensure consistent information with the Annual Report.	H	17	A	ED	Review all future Council letters to ensure consistent information with Annual Report. Require BIDs to address any inconsistencies prior to Council approval.	Fiscal Year 2018
1.6	Institute budget-to-actual reporting to be reviewed by the City for consistency with Annual Report plans. This should occur at least once during the fiscal year.	H	17	A	ED	Prior to the annual levy renewal, a budget-to-actual report must be included as a part of each BIDs Annual Report. Require BIDs to clearly explain any discrepancies between budget-to-actuals in the form of a written memo submitted to the BID Program Manager.	Fiscal Year 2018
2.1	Create a tracking schedule that encompasses City and non-City (i.e. LB Transit and LBUUSD) direct bills for PBIDs (except for the Downtown PBID). Designate EPD personnel who is responsible to ensure all payments are received and recorded correctly.	H	21	A	ED	Create a tracking schedule that encompasses City and non-City (i.e. LB Transit and LBUUSD) direct bills for PBIDs (except for the Downtown PBID). Designate ED personnel who is responsible to ensure all payments are received and recorded correctly. Develop a PBID Payment Process Handbook for key City and non-City personnel that clearly outlines the process for department/agency notification of what is owned, initiating payment, and to follow-up and verify that payments are received. Explore the possibility of using a Contract Management Software to automate sending out notification reminders to all key personnel.	Fiscal Year 2018

# MANAGEMENT RESPONSE AND ACTION PLAN

## Economic Development

### Business Improvement District Oversight Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
2.2	Simplify the process of submitting payments for City-owned property to one method and centralize the process with EPD. Use the City's existing MOU/JV to notify departments of what is owed, to initiate payment, and to follow-up and verify that payments are received. All payments should be made using one method and at the same time each year.	H	21	A	ED	<p>Similar to item 2.5, the Economic Development Department will be responsible for centralizing the payment process for City-owned buildings using the existing MOU/JV to notify departments of what is owed, initiate payment, to follow-up and verify that payments are received.</p> <p>Clearly describe the process in the PBID Payment Process Handbook, which will be circulated to all key personnel responsible for overseeing PBID payments. Explore the possibility of using a Contract Management Software to automate sending out notification reminders to all key personnel.</p>	Fiscal Year 2018
2.2a	Pay the Midtown and Uptown PBIDs for the City's underpayment of fees (approximately \$64,000 total) in 2016.	H	21	A	ED	Pay the Midtown and Uptown PBIDs for the City's underpayment of fees in 2016.	January 2018
2.3	Correct the double payment made to the Magnolia PBID.	H	21	A	ED	Correct the double payment made to the Magnolia PBID.	March 2018
2.4	Correct the payment made to the Uptown PBID in error that was owed to the Midtown PBID.	H	21	A	ED	Correct the payment made to the Uptown PBID in error that was owed to the Midtown PBID.	March 2018
2.5	For regularly scheduled payments to the PBIDs, stop sending notifications and requesting invoices. Payments can be made using the Direct Payment method with back-up documentation showing amount in their sub-fund.	L	21	A	ED	Similar to item 2.2, the Economic Development Department will be responsible for centralizing the payment process to the PBIDs; and cease requesting invoices from the BIDs. Payments will be initiated using the Direct Payment method with back-up documentation showing amount in their sub-fund.	Fiscal Year 2018
2.5a	Follow the timeline set in agreements for the three payments per year: January, April, and August. This will allow PBIDs to record payments consistently.	H	22	A	ED	Follow the timeline set in agreements for the three payments per year: January, April, and August. Include timeline in PBID Payment Process Handbook.	Fiscal Year 2018
3.1	Create a formalized process by which assessment fee formulas are communicated from BIDs to Business License. This includes initial fee formula and when changes are made. Facilitate this process to ensure everything necessary is communicated and formulas are lawful and adhere to any imposed yearly increase limitations.	M	28	A	ED	<p>Create a formalized process by which assessment fee formulas are communicated from BIDs to Business Licensing on an annual basis (when each of the BIDs is renewed by City Council). This includes initial fee formula and when changes are made.</p> <p>Economic Development will facilitate this process to ensure everything is communicated, formulas are lawful, and adhere to any imposed yearly increase limitations. The process will be described clearly in the BID Staff &amp; Board Handbook.</p>	Fiscal Year 2018
3.2	Current formulas should be reviewed with Business License and BIDs to ensure they are set up as intended and are within the capabilities of Infor (i.e. employee cap).	H	28	A	ED	Review current formulas with Business License and BIDs to ensure they are set up as intended and are within the capabilities of Infor.	January 2018



# MANAGEMENT RESPONSE AND ACTION PLAN

## Economic Development

### Business Improvement District Oversight Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
4.1	Re-execute City agreements with BIDs to reflect current procedures and other changes deemed necessary. Periodically revisit agreements as processes and requirements change or as new leadership take over the BIDs to ensure they stay current and relevant.	H	31	A	ED	Re-execute City agreements with BIDs to reflect current procedures and other changes deemed necessary. Periodically revisit agreements as processes and requirements change or as new leadership take over the BIDs to ensure they stay current and relevant.  BIDS will be required to execute their own contracts, monitor services performed, and directly pay consultants and contractors performing services for BIDs or in BID areas.	Fiscal Year 2018
4.2	Provide BIDs with an updated schedule with due dates for reports and other items that need to be submitted to the City. Require all information to be submitted to the BID Program Manager.	M	31	A	ED	Provide BIDs with an updated schedule with due dates for reports and other items that need to be submitted to the City. Require all information to be submitted to the BID Program Manager. Include schedule in BID Staff & Board Handbook.	Fiscal Year 2018
4.3	Review agreements with the BIDs to ensure they are knowledgeable of the terms. When BIDs change leadership, bring new personnel up to speed on agreements.	H	31	A	ED	Review agreements with the BIDs to ensure they are knowledgeable of the terms. When BIDs change leadership, bring new personnel up to speed on agreements. Include agreements in BID Staff & Board Handbook. Provide training for new BID personnel to bring them up to speed on key operational topics.	Fiscal Year 2018
4.4	Enforce agreement terms by setting consequences for non-compliance.	M	31	A	ED	Economic Development will not process payments until terms of agreements have been satisfied. Clearly identify reporting requirements, timelines, and consequences for non-compliance in BID Staff & Board Handbook.	Fiscal Year 2018
5.1	Create a handbook that explains key aspects of the BID Program and topics that are frequently asked by BIDs. Update the handbook periodically to reflect current practices and information.	L	36	A	ED	Create BID Staff & Board Handbook for each BID that explains key aspects of the BID Program and topics that are frequently asked by BIDs, such as individual agreements with the City, reporting requirements, State Law requirements, BID's own bylaws and management plans, process for changing assessment fees. Update the handbook periodically to reflect current practices and information.	Fiscal Year 2018
5.2	Train BIDs on key operational topics. Continue to pursue options for trainings, whether put on by City staff or outside agencies.	L	36	A	ED	Economic Development or a contractor will provide a minimum annual training per BID on key legal requirements and City requirements that they are required to follow. Provide additional trainings as new Executive Directors come on board. Include a list of key legal requirements and City requirements in BID Staff & Board Handbook.	Fiscal Year 2018

# MANAGEMENT RESPONSE AND ACTION PLAN

## Economic Development

### Business Improvement District Oversight Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
5.3	Stop sending PBIAs the current report used as payment backup. Develop an Infor report that will support the payment amount as well as show who has and has not paid the assessment fees.	M	36	A	FM	FM will look into developing an Infor report to better identify who has and has not made BID payments. In the meantime or concurrently, the BID Management can use the Bizmap App to determine in real-time on a map which members have paid and which ones are delinquent.	By 12/31/18
5.4	Include description on checks that indicates the time period of the revenue received and explains that payment is for assessment fees.	L	37	A	FM	Subject to system limitations, FM will look into providing a unique identifier on assessment checks issued to the BID so that the BIDs can use to match the check with the reporting discussed in item 5.3 above or similar reporting. It is possible that Infor will not allow exact matching of a report to a summary assessment check; however, that is likely to be only a minor inconvenience.	By 12/31/18

#### Priority

H – High Priority - The recommendation pertains to a serious or materially significant audit finding or control weakness. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.

M – Medium Priority - The recommendation pertains to a moderately significant or potentially serious audit finding or control weakness. Reasonably prompt corrective action should be taken by management to address the matter. Recommendation should be implemented no later than six months.

L – Low Priority - The recommendation pertains to an audit finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

**Yellow areas - to be completed by the department**

# MANAGEMENT RESPONSE AND ACTION PLAN

## Financial Management

### Business Improvement District Oversight Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
2.6	Hand over the responsibility to pay the consultant to the Magnolia PBID.	M	22	Agree	Treasury	Treasury will move responsibility to pay the consultant to Economic Development/Magnolia PBID.	March 31, 2017
2.7	Correct the underpayment of \$3,947 to the Belmont Shore PBIA in 2016.	H	22	Agree	Business Services	The Business Services Bureau will include the additional \$3,947 in the next BID payment to Belmont Shore in December 2017.	December 31, 2017
3.3	Continue working with Technology and Innovation on BizMap's reporting limitation. Ensure solution is reached that will allow all records to be exported.	M	28	Agree	Business Services	Work with the Technology and Innovation Department to find a solution to the export feature on the BizMap app.	Unknown, depends on other competing priority projects but will implement as soon as possible
3.4	Continue working with Technology and Innovation on testing of GIS interface to determine if any other addresses are missing BID distinctions.	H	28	Agree	Business Services	Work with the Technology and Innovation Department to see if there are any other issues with BID areas not being populated when in a BID area due to GIS issues.	Unknown, depends on other competing priority projects but will implement as soon as possible
3.5	Continue with the correction of any accounts with PBIA fee issues identified during the audit.	H	28	Agree	Business Services	Work with the Technology and Innovation Department to see if there are any other BID area accounts that have not been charged a BID fee in over a year due to outstanding conversion errors.	Unknown, depends on other competing priority projects but will implement as soon as possible
3.5a	Create reports to show accounts with similar characteristics to accounts identified with issues during the audit (i.e. no charges in over a year) to determine if issues are wide spread or isolated to a few accounts.	H	28	Agree	Business Services	Work with the Technology and Innovation Department to see if there are any other accounts that have not been charged in over a year due to outstanding conversion errors.	Unknown, depends on other competing priority projects but will implement as soon as possible
3.6	Start reviewing accounts that are in pending status for over 180 days to determine whether the businesses have begun operating and whether charges need to be applied.	H	28	Agree	Business Services	The Business Services Bureau will create reports to show accounts that have been pending for over 180 days. However, this activity will be prioritized after delinquency collection efforts when staffing resources are available. The Business License Division has limited resources and will determine which activities are the most beneficial to give priority to based on the greatest benefit to the City and use of tax payer dollars.	Effective Immediately

#### Priority

H – High Priority - The recommendation pertains to a serious or materially significant audit finding or control weakness. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.

M – Medium Priority - The recommendation pertains to a moderately significant or potentially serious audit finding or control weakness. Reasonably prompt corrective action should be taken by management to address the matter. Recommendation should be implemented no later than six months.

L – Low Priority - The recommendation pertains to an audit finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

#### Yellow areas - to be completed by the department

# MANAGEMENT RESPONSE AND ACTION PLAN

## Belmont Shore

### Business Improvement District Oversight Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.7	BIDs must adhere to any reporting requirements set by the City.	H	17	Agree	Belmont Shore Bixby Knolls Downtown Long Beach PBIA East Anaheim Street 4th Street Long Beach Tourism Downtown Long Beach PBID Magnolia Industrial Group Uptown Midtown	Will report to the City of LB reporting requirements set by the City.	
1.7a	For budget to actual reporting to be useful, BIDs must include the same categories to record their actual revenues and expenditures as are enumerated in their budget. In addition, they must include explanations for variances between budget to actual and show adjustments made to the budget.	M	17	Agree		Will do budget to actual and show adjustment to our budget.	
1.8	If not already performing, start to complete regular bank reconciliations. This will help verify whether the amount in the bank account and the amount recorded in the financial system match.	H	17	Agree		We will continue to do monthly bank reconciliations.	
3.7	Help to survey district boundaries for new unlicensed businesses and notify Business License of any potential violations.	H	28	Agree	Belmont Shore Bixby Knolls Downtown Long Beach PBIA East Anaheim Street 4th Street Long Beach Tourism	We will continue to survey our district for unlicensed businesses and notify Business License.	
4.5	The Downtown and Magnolia PBIDs should execute their own contracts with the consultant, monitor the services performed, and directly pay the consultant.	M	32	n/a	Downtown Long Beach PBID Magnolia Industrial Group	n/a	n/a
5.5	Update contractor agreements to require contractor to provide County collection data to the PBIDs.	M	37	n/a	Downtown Long Beach PBID Magnolia Industrial Group Uptown Midtown	n/a	n/a

#### Priority

H – High Priority - The recommendation pertains to a serious or materially significant audit finding or control weakness. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.

M – Medium Priority - The recommendation pertains to a moderately significant or potentially serious audit finding or control weakness. Reasonably prompt corrective action should be taken by management to address the matter. Recommendation should be implemented no later than six months.

L – Low Priority - The recommendation pertains to an audit finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

#### Yellow areas - to be completed by the BIDs

# MANAGEMENT RESPONSE AND ACTION PLAN

## Bixby Knolls

### Business Improvement District Oversight Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.7	BIDs must adhere to any reporting requirements set by the City.	H	17	Agree	Belmont Shore Bixby Knolls Downtown Long Beach PBIA East Anaheim Street 4th Street Long Beach Tourism Downtown Long Beach PBID Magnolia Industrial Group Uptown Midtown	We are already used to this. Just need a clear schedule and list of reports but not redundant or cumbersome. The Annual Report gives all operations and programming details.	
1.7a	For budget to actual reporting to be useful, BIDs must include the same categories to record their actual revenues and expenditures as are enumerated in their budget. In addition, they must include explanations for variances between budget to actual and show adjustments made to the budget.	M	17	Agree		Fine with this but again hoping that it's not too complicated or cumbersome. I would have our bookkeeper and treasurer help with this type of reporting.	
1.8	If not already performing, start to complete regular bank reconciliations. This will help verify whether the amount in the bank account and the amount recorded in the financial system match.	H	17	Agree		Bookkeeper does this every month.	
3.7	Help to survey district boundaries for new unlicensed businesses and notify Business License of any potential violations.	H	28	Agree	Belmont Shore Bixby Knolls Downtown Long Beach PBIA East Anaheim Street 4th Street Long Beach Tourism	Doing this now.	
4.5	The Downtown and Magnolia PBIDs should execute their own contracts with the consultant, monitor the services performed, and directly pay the consultant.	M	32	n/a	Downtown Long Beach PBID Magnolia Industrial Group	n/a	n/a
5.5	Update contractor agreements to require contractor to provide County collection data to the PBIDs.	M	37	n/a	Downtown Long Beach PBID Magnolia Industrial Group Uptown Midtown	n/a	n/a

#### Priority

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#### Yellow areas - to be completed by the BIDs

# MANAGEMENT RESPONSE AND ACTION PLAN

## Downtown Long Beach

### Business Improvement District Oversight Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.7	BIDs must adhere to any reporting requirements set by the City.	H	17	Agree	Belmont Shore Bixby Knolls Downtown Long Beach PBIA East Anaheim Street 4th Street Long Beach Tourism Downtown Long Beach PBID Magnolia Industrial Group Uptown Midtown	DLBA strives to comply with every requirement set forth by the City of Long Beach and State of California. DLBA shares the concern of other BIDs that reporting requirements should be standardized, consistent, aligned to existing organizational tasks and avoid becoming too onerous for staffs or volunteer teams of small BIDS.	N/A
1.7a	For budget to actual reporting to be useful, BIDs must include the same categories to record their actual revenues and expenditures as are enumerated in their budget. In addition, they must include explanations for variances between budget to actual and show adjustments made to the budget.	M	17	Agree		DLBA already adheres to this requirement	N/A
1.8	If not already performing, start to complete regular bank reconciliations. This will help verify whether the amount in the bank account and the amount recorded in the financial system match.	H	17	Agree		DLBA conducts bank reconciliations monthly	N/A
3.7	Help to survey district boundaries for new unlicensed businesses and notify Business License of any potential violations.	H	28	Agree	Belmont Shore Bixby Knolls Downtown Long Beach PBIA East Anaheim Street 4th Street Long Beach Tourism	DLBA surveys its boundaries regularly	N/A
4.5	The Downtown and Magnolia PBIDs should execute their own contracts with the consultant, monitor the services performed, and directly pay the consultant.	M	32	Agree	Downtown Long Beach PBID Magnolia Industrial Group	DLBA has already reached out to NBS for an agreement.	January 1, 2018
5.5	Update contractor agreements to require contractor to provide County collection data to the PBIDs.	M	37	Agree	Downtown Long Beach PBID Magnolia Industrial Group Uptown Midtown	DLBA will ensure that this requirement is included in its new agreement with NBS.	January 1, 2018

#### Priority

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#### Yellow areas - to be completed by the BIDs

# MANAGEMENT RESPONSE AND ACTION PLAN

## East Anaheim Street

### Business Improvement District Oversight Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.7	BIDs must adhere to any reporting requirements set by the City.	H	17	Agree	Belmont Shore Bixby Knolls Downtown Long Beach PBIA East Anaheim Street 4th Street Long Beach Tourism Downtown Long Beach PBID Magnolia Industrial Group Uptown Midtown		
1.7a	For budget to actual reporting to be useful, BIDs must include the same categories to record their actual revenues and expenditures as are enumerated in their budget. In addition, they must include explanations for variances between budget to actual and show adjustments made to the budget.	M	17	Agree			
1.8	If not already performing, start to complete regular bank reconciliations. This will help verify whether the amount in the bank account and the amount recorded in the financial system match.	H	17	Agree			
3.7	Help to survey district boundaries for new unlicensed businesses and notify Business License of any potential violations.	H	28	Agree	Belmont Shore Bixby Knolls Downtown Long Beach PBIA East Anaheim Street 4th Street Long Beach Tourism	Should we learn of an unlicensed business, we will apprise Business Licensing. Business Licensing must also provide BID with email addresses of all new members.	
4.5	The Downtown and Magnolia PBIDs should execute their own contracts with the consultant, monitor the services performed, and directly pay the consultant.	M	32	n/a	Downtown Long Beach PBID Magnolia Industrial Group	n/a	n/a
5.5	Update contractor agreements to require contractor to provide County collection data to the PBIDs.	M	37	n/a	Downtown Long Beach PBID Magnolia Industrial Group Uptown Midtown	n/a	n/a

#### Priority

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#### Yellow areas - to be completed by the BIDs



# MANAGEMENT RESPONSE AND ACTION PLAN

## 4th Street

### Business Improvement District Oversight Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.7	BIDs must adhere to any reporting requirements set by the City.	H	17	Agree	Belmont Shore Bixby Knolls Downtown Long Beach PBIA East Anaheim Street 4th Street Long Beach Tourism Downtown Long Beach PBID Magnolia Industrial Group Uptown Midtown	While the 4th Street BID has always been conscientious of providing the required City reports, we realize there may have been some miscommunications in the past that have resulted in our not providing reports in the timelines as presented in the Oversight Audit. We are happy to address any such oversights immediately.	Immediately to ensure compliance with Fiscal year 2017/18 reporting
1.7a	For budget to actual reporting to be useful, BIDs must include the same categories to record their actual revenues and expenditures as are enumerated in their budget. In addition, they must include explanations for variances between budget to actual and show adjustments made to the budget.	M	17	Agree		As above, we believe most parts of our (annual) report are in compliance with this standard, but will review our reports, formatting, and categories to ensure compliance.	Immediately to ensure compliance with Fiscal year 2017/18 reporting
1.8	If not already performing, start to complete regular bank reconciliations. This will help verify whether the amount in the bank account and the amount recorded in the financial system match.	H	17	Agree		While we have been performing "occasional" reconciliations, our Board had already discussed making this a more regular (monthly) duty.	Beginning January 2018
3.7	Help to survey district boundaries for new unlicensed businesses and notify Business License of any potential violations.	H	28	Agree	Belmont Shore Bixby Knolls Downtown Long Beach PBIA East Anaheim Street 4th Street Long Beach Tourism	Our 4th Street BID being relatively small and largely spanning only one street, we have always worked with the City to help identify and review potential non-compliant businesses.	Ongoing
4.5	The Downtown and Magnolia PBIDs should execute their own contracts with the consultant, monitor the services performed, and directly pay the consultant.	M	32	n/a	Downtown Long Beach PBID Magnolia Industrial Group	n/a	n/a
5.5	Update contractor agreements to require contractor to provide County collection data to the PBIDs.	M	37	n/a	Downtown Long Beach PBID Magnolia Industrial Group Uptown Midtown	n/a	n/a

#### Priority

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**Yellow areas - to be completed by the BIDs**

# MANAGEMENT RESPONSE AND ACTION PLAN

## Long Beach Tourism

### Business Improvement District Oversight Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.7	BIDs must adhere to any reporting requirements set by the City.	H	17	Agree	Belmont Shore Bixby Knolls Downtown Long Beach PBIA East Anaheim Street 4th Street Long Beach Tourism Downtown Long Beach PBID Magnolia Industrial Group Uptown Midtown	Will modify annual statement going forward to include other revenue and surplus.	Next annual report in August 2018
1.7a	For budget to actual reporting to be useful, BIDs must include the same categories to record their actual revenues and expenditures as are enumerated in their budget. In addition, they must include explanations for variances between budget to actual and show adjustments made to the budget.	M	17	Agree		Currently showing budget to actual monthly; will include variance and explanation going forward.	12/1/17
1.8	If not already performing, start to complete regular bank reconciliations. This will help verify whether the amount in the bank account and the amount recorded in the financial system match.	H	17	Agree		Already being done.	now
3.7	Help to survey district boundaries for new unlicensed businesses and notify Business License of any potential violations.	H	28	Agree	Belmont Shore Bixby Knolls Downtown Long Beach PBIA East Anaheim Street 4th Street Long Beach Tourism	Not really an Issue for CVB.	
4.5	The Downtown and Magnolia PBIDs should execute their own contracts with the consultant, monitor the services performed, and directly pay the consultant.	M	32	n/a	Downtown Long Beach PBID Magnolia Industrial Group	n/a	n/a
5.5	Update contractor agreements to require contractor to provide County collection data to the PBIDs.	M	37	n/a	Downtown Long Beach PBID Magnolia Industrial Group Uptown Midtown	n/a	n/a

#### Priority

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M – Medium Priority - The recommendation pertains to a moderately significant or potentially serious audit finding or control weakness. Reasonably prompt corrective action should be taken by management to address the matter. Recommendation should be implemented no later than six months.

L – Low Priority - The recommendation pertains to an audit finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

#### Yellow areas - to be completed by the BIDs

# MANAGEMENT RESPONSE AND ACTION PLAN

## Magnolia Industrial Group

### Business Improvement District Oversight Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.7	BIDs must adhere to any reporting requirements set by the City.	H	17	Agree	Belmont Shore Bixby Knolls Downtown Long Beach PBIA East Anaheim Street 4th Street Long Beach Tourism Downtown Long Beach PBID Magnolia Industrial Group Uptown Midtown	On behalf of Magnolia Industrial Group, please be advised that the reporting requirements should be updated. I am the only one who works for MIG and the reporting that was originally set up is cumbersome.	
1.7a	For budget to actual reporting to be useful, BIDs must include the same categories to record their actual revenues and expenditures as are enumerated in their budget. In addition, they must include explanations for variances between budget to actual and show adjustments made to the budget.	M	17	Agree		Training would have been helpful.	
1.8	If not already performing, start to complete regular bank reconciliations. This will help verify whether the amount in the bank account and the amount recorded in the financial system match.	H	17	Agree			
3.7	Help to survey district boundaries for new unlicensed businesses and notify Business License of any potential violations.	H	28	n/a	Belmont Shore Bixby Knolls Downtown Long Beach PBIA East Anaheim Street 4th Street Long Beach Tourism	n/a	n/a
4.5	The Downtown and Magnolia PBIDs should execute their own contracts with the consultant, monitor the services performed, and directly pay the consultant.	M	32	Agree	Downtown Long Beach PBID Magnolia Industrial Group		
5.5	Update contractor agreements to require contractor to provide County collection data to the PBIDs.	M	37	Agree	Downtown Long Beach PBID Magnolia Industrial Group Uptown Midtown	The information provided by the consultant is insufficient and does not include the property address of the property assessed, only the APN number and the owner. Some of the owner information does not match that supplied by the City.	

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L – Low Priority - The recommendation pertains to an audit finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

**Yellow areas - to be completed by the BIDs**

# MANAGEMENT RESPONSE AND ACTION PLAN

## Uptown

### Business Improvement District Oversight Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.7	BIDs must adhere to any reporting requirements set by the City.	H	17	Agree	Belmont Shore Bixby Knolls Downtown Long Beach PBIA East Anaheim Street 4th Street Long Beach Tourism Downtown Long Beach PBID Magnolia Industrial Group Uptown Midtown	As one of the Business Improvement Districts, we will continue to comply with the regulations of our City of Long Beach as well as all other pertinent regulatory agencies. We will provide required reports as requested in a timely fashion.	January 1, 2018
1.7a	For budget to actual reporting to be useful, BIDs must include the same categories to record their actual revenues and expenditures as are enumerated in their budget. In addition, they must include explanations for variances between budget to actual and show adjustments made to the budget.	M	17	Agree			
1.8	If not already performing, start to complete regular bank reconciliations. This will help verify whether the amount in the bank account and the amount recorded in the financial system match.	H	17	Agree		Bank accounts are reconciled on a monthly basis, and financial reports, including all financial activity, are provided to the Board of Directors (as well as to the City via its representative) at our monthly Board meetings.	
3.7	Help to survey district boundaries for new unlicensed businesses and notify Business License of any potential violations.	H	28	n/a	Belmont Shore Bixby Knolls Downtown Long Beach PBIA East Anaheim Street 4th Street Long Beach Tourism	n/a	n/a
4.5	The Downtown and Magnolia PBIDs should execute their own contracts with the consultant, monitor the services performed, and directly pay the consultant.	M	32	n/a	Downtown Long Beach PBID Magnolia Industrial Group	n/a	n/a
5.5	Update contractor agreements to require contractor to provide County collection data to the PBIDs.	M	37	Agree	Downtown Long Beach PBID Magnolia Industrial Group Uptown Midtown	The Uptown Business Improvement District will request that our current contractor, NBS, continues to provide County collection data.	Immediately

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#### Yellow areas - to be completed by the BIDs

# MANAGEMENT RESPONSE AND ACTION PLAN

## Midtown

### Business Improvement District Oversight Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.7	BIDs must adhere to any reporting requirements set by the City.	H	17	Agree	Belmont Shore Bixby Knolls Downtown Long Beach PBIA East Anaheim Street 4th Street Long Beach Tourism Downtown Long Beach PBID Magnolia Industrial Group Uptown Midtown	The Midtown BID Executive Director will prepare all reports to adhere to the City reporting requirements. Training provided through the nonprofit Leadership Institute on board leadership would be very helpful to the BIDs.	01/31/18
1.7a	For budget to actual reporting to be useful, BIDs must include the same categories to record their actual revenues and expenditures as are enumerated in their budget. In addition, they must include explanations for variances between budget to actual and show adjustments made to the budget.	M	17	Agree		Already performing. The Midtown BID Executive Director will include in future reports to City.	01/31/18
1.8	If not already performing, start to complete regular bank reconciliations. This will help verify whether the amount in the bank account and the amount recorded in the financial system match.	H	17	Agree		Already performing.	
3.7	Help to survey district boundaries for new unlicensed businesses and notify Business License of any potential violations.	H	28	Agree	Belmont Shore Bixby Knolls Downtown Long Beach PBIA East Anaheim Street 4th Street Long Beach Tourism	The Midtown BID Executive Director will continue to walk the district regularly and will notify the City when a new business has moved in and it is suspected that the business has not applied for a license.	
4.5	The Downtown and Magnolia PBIDs should execute their own contracts with the consultant, monitor the services performed, and directly pay the consultant.	M	32	N/A	Downtown Long Beach PBID Magnolia Industrial Group	N/A	N/A
5.5	Update contractor agreements to require contractor to provide County collection data to the PBIDs.	M	37	Agree	Downtown Long Beach PBID Magnolia Industrial Group Uptown Midtown	The Midtown BID Executive Director will work with the consultant to update the agreement to include the provision of County collection data.	01/31/18

#### Priority

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#### Yellow areas - to be completed by the BIDs



**Long Beach City Auditor's Office**

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