

REVENUE FOUND! CONSTRUCTION AND DEMOLITION RECYCLING PROGRAM AUDIT

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A large, dark blue, stylized wave graphic that curves from the bottom left towards the bottom right of the slide.



Key Points to Cover

- **Finding Revenue Opportunities:** How Our Audit Uncovered \$9.2M
- **Overview:** Construction & Demolition Recycling (C&D) Program
- **Reconciling Data:** Challenges and Techniques for Large-Scale Analysis
- **Audit Impact:** Reflections from Our Audit Experience

Finding Revenue Opportunities

How Our Audit Uncovered \$9.2M



Budget Challenges Across U.S. Cities

Over the years the City of Long Beach has been challenged with growing budget deficits and is also transitioning away from its reliance on oil revenue.



54 of the 75 largest U.S. cities
had budget deficits in FY 2023.

Source: Truth In Accounting

Reviewing Our Resources

How do you “increase” revenue without raising fees or taxes?

Find money that already belongs to the City.



City of Long Beach
California

***Annual Comprehensive
Financial Report***

Fiscal Year Ended September 30, 2023

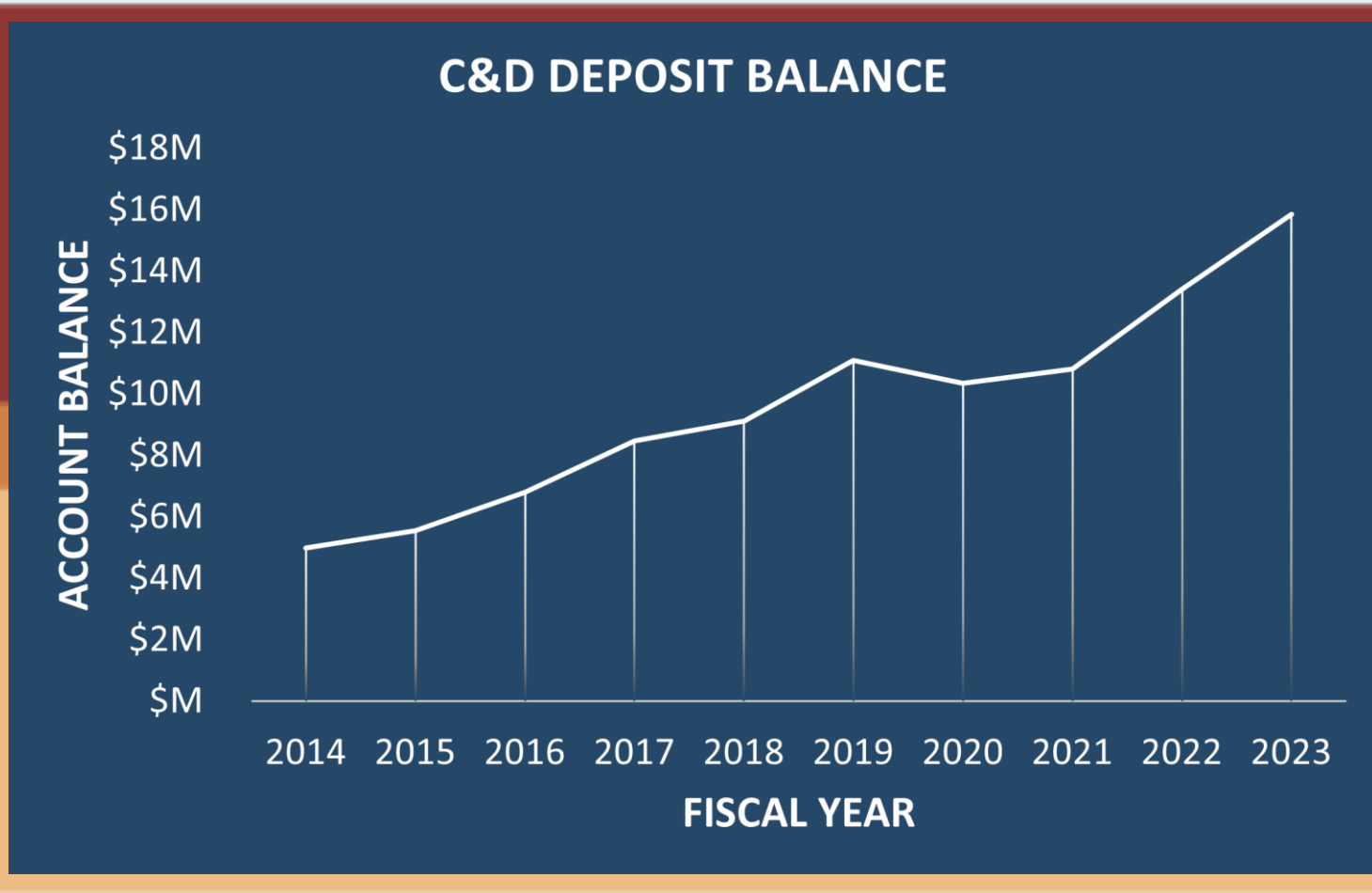
City of Long Beach
Nonmajor Enterprise Funds
Combining Statement of Net Position
September 30, 2023
(In Thousands)

	Sewer	Airport	Solid Waste Management	Towing	Subsidence	Development Services	Total Nonmajor Proprietary Funds
ASSETS							
Current Assets:							
Total Current Assets	13,853	83,008	40,616	1,448	191,209	45,991	376,125
Noncurrent Assets:							
Total Noncurrent Assets	92,904	362,824	11,466	-	-	3	467,197
Total Assets	106,757	445,832	52,082	1,448	191,209	45,994	843,322
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Outflows of Resources	2,113	5,046	4,823	1,231	-	6,448	19,661
LIABILITIES							
Current Liabilities Payable from Current Assets							
Accounts Payable	1,756	8,271	4,867	68	-	2,229	17,191
Accrued Wages	32	67	95	17	-	-	294
Accrued Interest Payable	128	1,830	-	-	-	-	1,958
Due to Other Funds	103	188	362	103	-	326	2,082
Unearned Revenues	-	396	933	-	-	1,394	2,723
Collections Held in Trust	-	-	-	-	-	1	1
Customers Deposits	-	378	749	-	-	1,764	2,891
Advances from Developers	286	-	-	-	-	15,844	16,130
Compensated Absences and Accrued Employee Benefits	381	1,119	1,091	250	-	1,045	3,886
Bonds Payable Due within One Year	420	3,165	-	-	-	-	3,585
Lease Liability - Current	-	289	-	-	-	-	289
Total Current Liabilities	3,106	15,703	8,097	438	-	22,686	48,030
Noncurrent Liabilities:							
Total Noncurrent Liabilities	16,233	142,540	19,423	4,970	-	25,254	208,420
Total Liabilities	19,339	158,243	27,520	5,408	-	47,940	258,450
DEFERRED INFLOWS OF RESOURCES							
Deferred Inflows of Resources	1,056	3,380	1,911	1,231	-	601	7,149
NET POSITION							
Unrestricted	4,882	3,083	16,008	(2,930)	-	3,898	24,941
Total Net Position	\$88,475	\$ 289,255	\$ 27,474	\$ (2,930)	\$ 191,209	\$ 3,901	\$ 597,384

FY 2023
\$15.8M



We discovered a deposit liability account with a balance of \$15.8M.



The deposit account balance exhibited significant growth, tripling over a ten-year period from **\$5M in 2014 to \$15.8M in 2023.**

Overview

The City of Long Beach's
C&D Program





Background

To promote sustainability and comply with state mandates, the City of Long Beach established the C&D program in 2007.

The program incentivizes applicants to divert 65% of building materials through a refundable deposit.

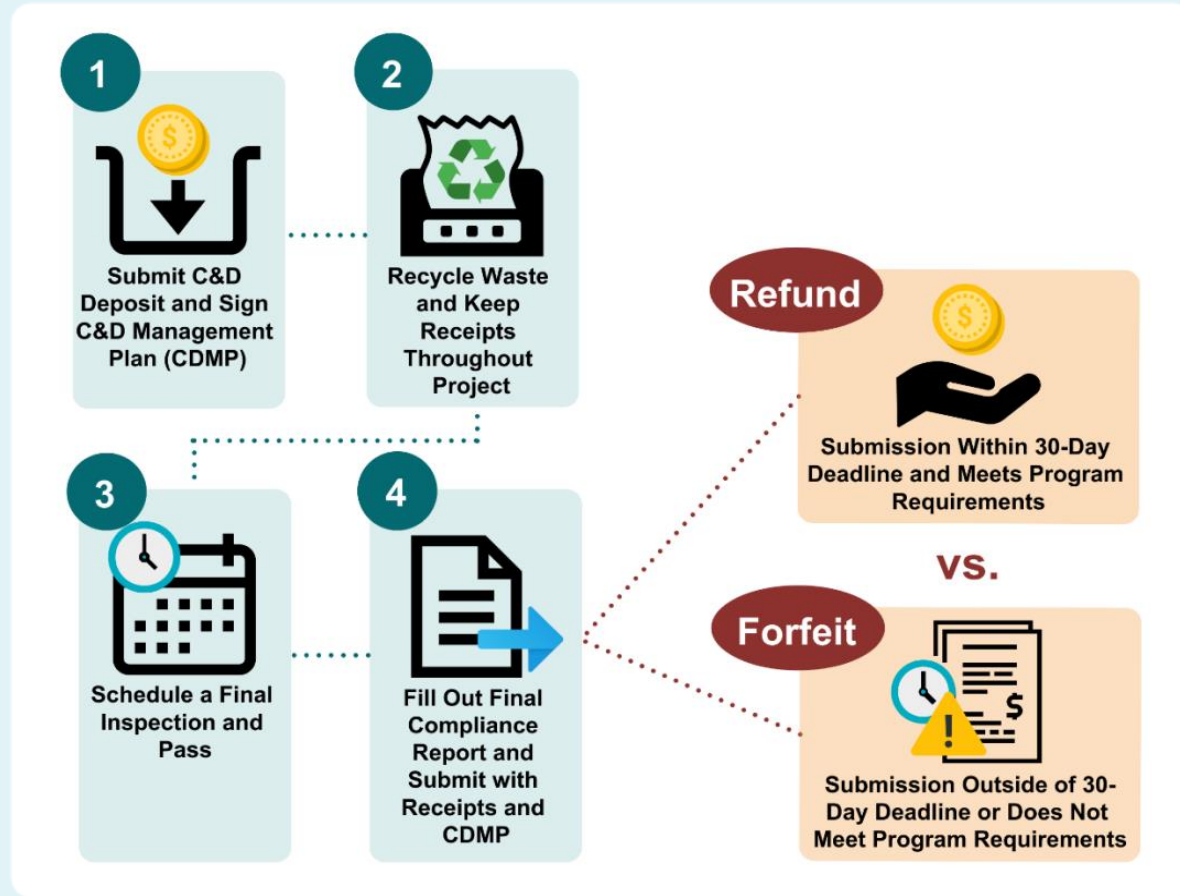
Refundable Deposit

The deposit amount is based on 3% of the project valuation, with a minimum deposit amount of \$1,605 and a maximum of \$53,425.



Program Objective

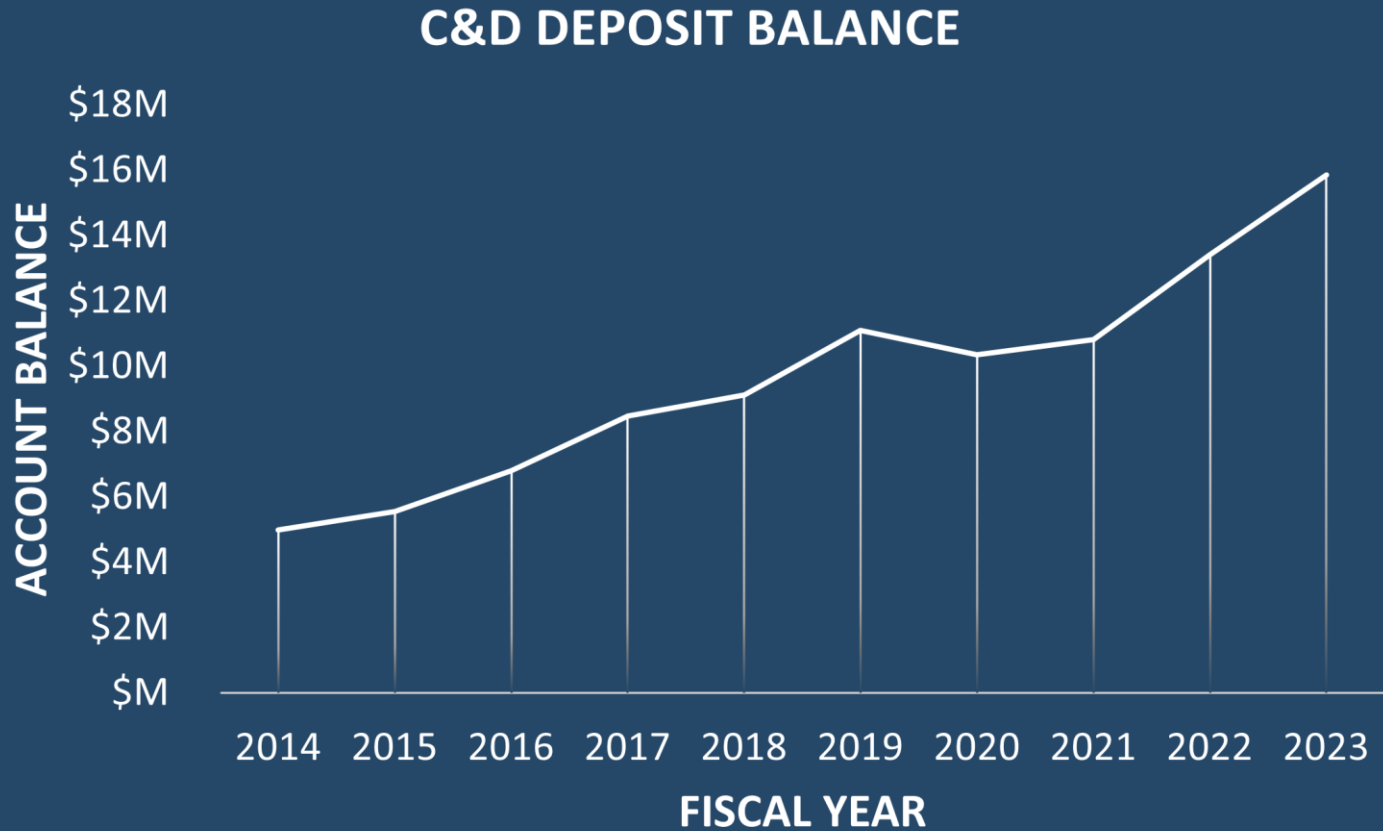
The C&D Program's primary objective is to incentivize applicants to recycle building materials.



Refunds

Over the last ten years, 76% of deposits were refunded, while 24% were forfeited.

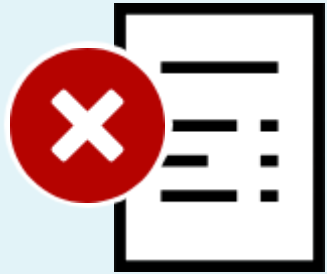




Why was the ending account balance unusually high?
Why did it continue to grow year after year?

\$9.2M Identified as Revenue

The one-time funds consisted of \$1.2M in deposits recorded incorrectly and \$8M in deposits that were no longer eligible for refund.



\$1.2M

+



\$8M

=



\$9.2M

Forfeited Deposits

In accordance with the City's Ordinance, forfeited deposits are to be allocated towards sustainability projects that advance environmental stewardship.



Our Objective and Scope

Our audit evaluated the City's C&D Program operations and reviewed the status of deposits in the C&D account.

The scope of the audit included all deposits, refunds, and forfeits recorded in the C&D account from November 1, 2007 to March 31, 2024.



\$9.2 Million in Revenue Found

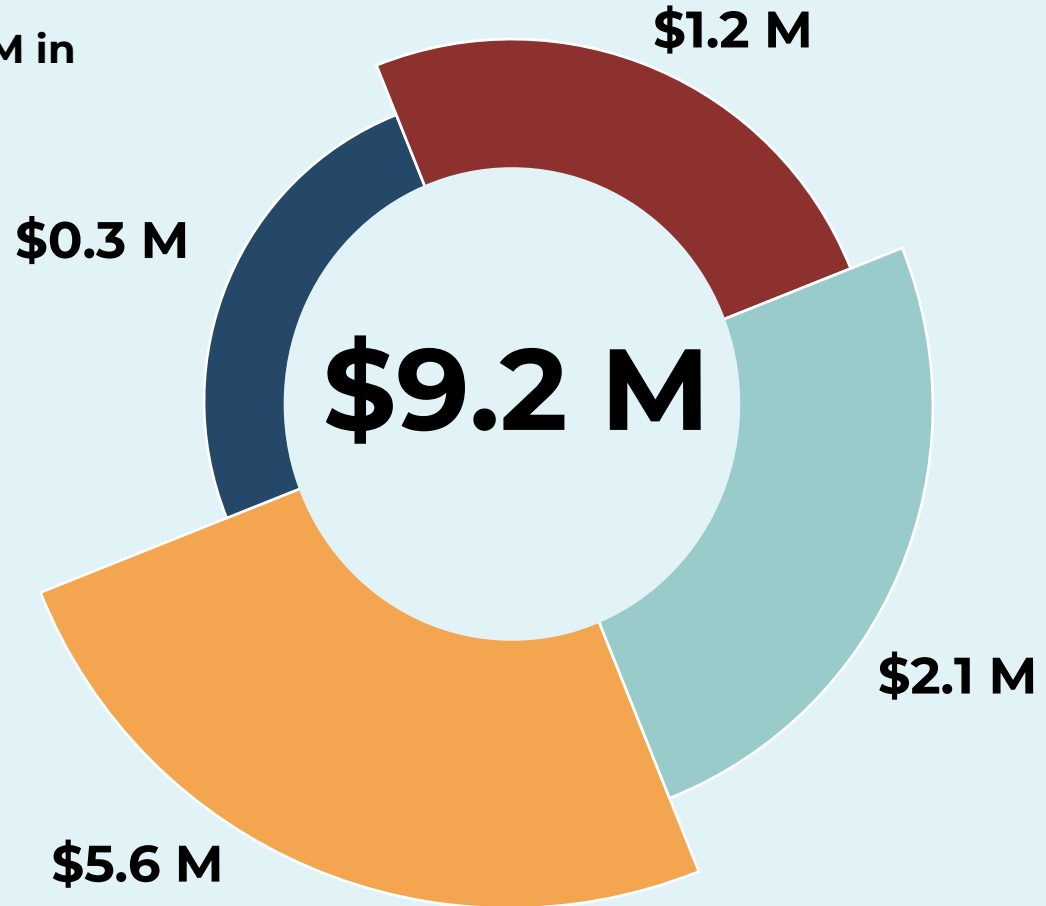
The analysis conducted during our reconciliation led to the identification of **\$8M in deposits to forfeit** and **\$1.2M in revenue incorrectly recorded**.

 **Recording Error**

 **Adjustments**

 **Forfeits
(2019 – 2024)**

 **Forfeits
(2007 – 2018)**



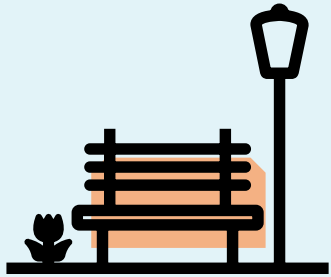
Audit Impact

Reflections from Our
Audit Experience

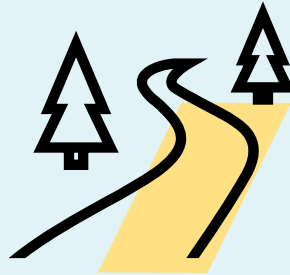


\$9.2M for Sustainability Projects

The identified revenue has been allocated to environmental sustainability projects for FY 2025.



City Parks



**Green Open
Spaces and
Walking Trails**



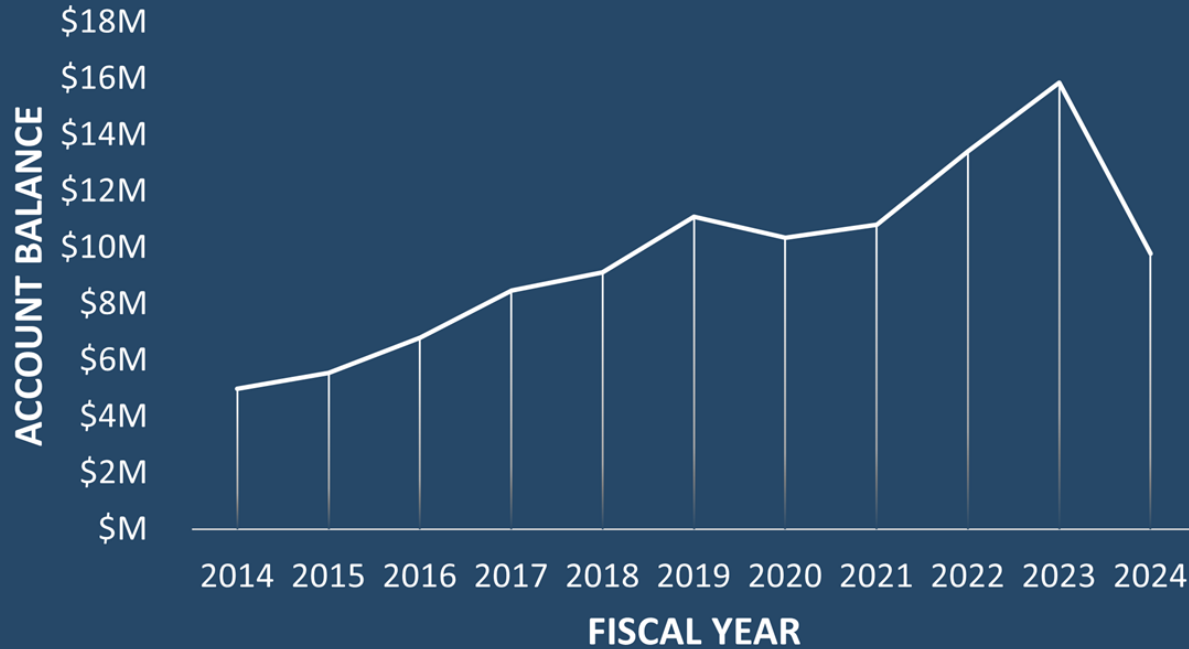
**Sustainability
Initiatives**



Beyond Our Recommendations

- The City recognized an additional \$1.3M in forfeited deposits.
- More outreach and program resources have been implemented.
- The Department has taken proactive measures to provide us with regular updates on their progress.

C&D DEPOSIT BALANCE



\$15.8M

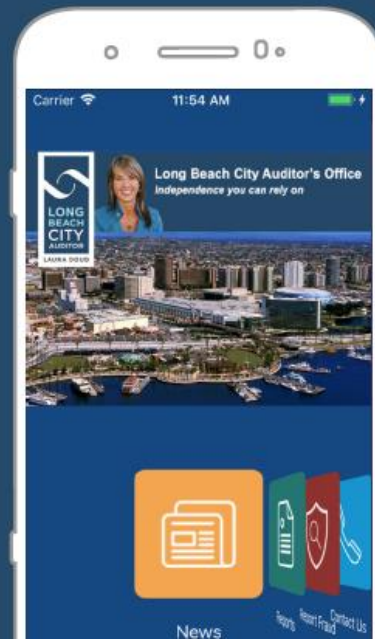
**Account Balance
As of September 30, 2023**

\$9.8M

**Account Balance
As of September 30, 2024**

Thank you!

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