



KAREN BASS

MAYOR OF LOS ANGELES

City of Los Angeles
Mayor Karen Bass

Executive Directive No.4

Identifying Barriers to Small Business Creation, Development and Growth

2024 Annual Progress Report

Prepared by the Mayor's Office of Business and Economic Development
August 2024

Executive Directive 4 Annual Progress Report

June 2024

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LETTER FROM MAYOR KAREN BASS



KAREN BASS
MAYOR

Dear Angelenos:

On June 22, 2023, I signed my 4th Executive Directive: *Identifying Barriers to Small Business Creation, Growth, and Development*. A few months later, we released a 90-day Progress Report. I am now pleased to present the Executive Directive's first Annual Progress Report.

This report is a result of the dedication of the Los Angeles Business Steering Committee (LABSC), a group made up of select City Departments working in collaboration with my Office of Business and Economic Development, to support small businesses. They worked tirelessly to assess internal processes, timelines, and services to help identify barriers to economic development and strategies for advancing the goals set forth by my Executive Directive. Through their steadfast commitment to the Directive's mission, they have made immediate improvements, created strategic plans for the future, and built the foundation needed for continuous progress.

Small Businesses are the backbone of our economy and the heart of our communities. They often provide the only path towards upward mobility for many Angelenos. Executive Directive 4 reflects the City's unwavering commitment to small businesses under my administration. Together, we are taking steps each day to build the ecosystem that businesses need to thrive and strengthen our local economy for all. Thank you so much for your support as we work towards ensuring a business-friendly City that Angelenos deserve.

Sincerely,

A handwritten signature in black ink that reads "Karen Bass". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Karen Bass

Mayor of Los Angeles

INTRODUCTION

The City of Los Angeles is home to nearly 470,000 businesses, 98.9 percent of which are classified as “small,” according to the City’s Office of Finance. To help these businesses launch, grow, thrive, and strengthen our local economy as a whole, the City is committed to reducing the barriers to small business development and improving the way in which businesses interface with City departments. To underscore this commitment and ensure City Departments share the same vision, Mayor Karen Bass adopted an economic agenda that is centered around four key pillars:

City of Los Angeles | Economic Pillars



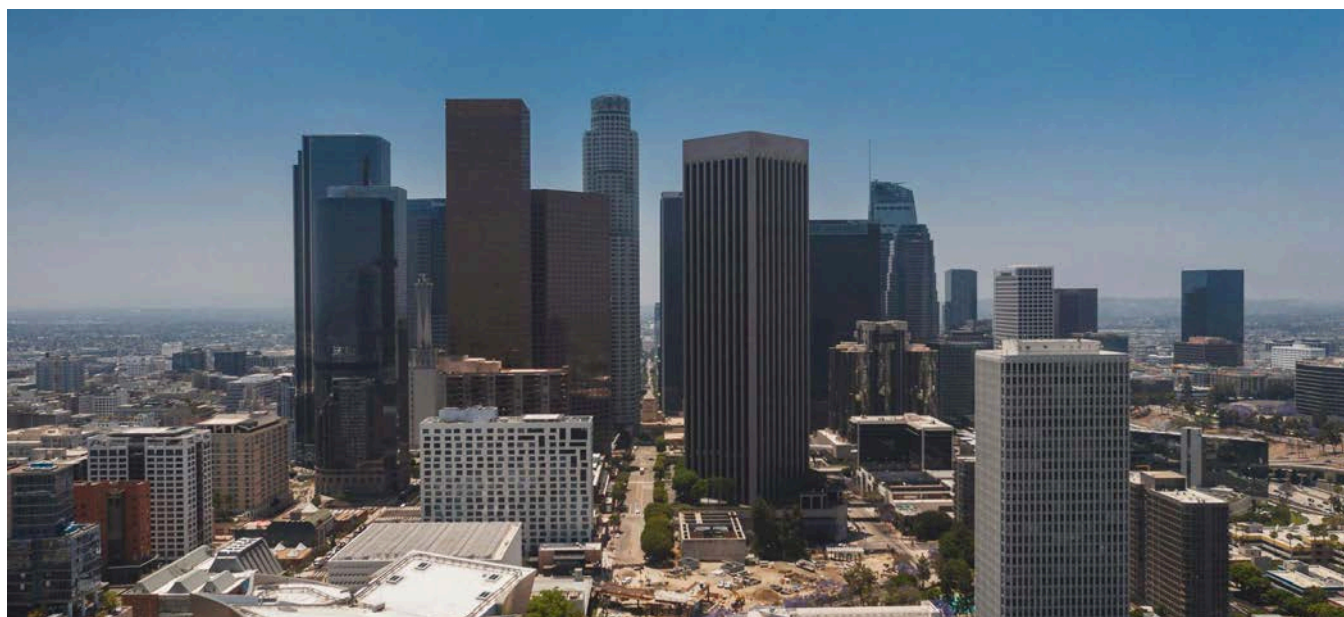
To put her economic agenda into action, Mayor Bass signed Executive Directive 4 (ED4): “*Identifying Barriers to Small Business Creation, Development, and Growth*” on June 22, 2023. This directive called for a review of burdensome processes and fees that impede small business creation, development, and growth in the City of Los Angeles. It established the Los Angeles Business Steering Committee (LABSC), a committee comprised of select City Departments, to oversee and administer ED4’s objectives. Departments include the following:

- Mayor’s Office of Business and Economic Development
- Office of Finance
- Office of the City Administrative Officer

- Office of the City Controller
- Department of City Planning
- Department of Building and Safety
- Department of Water and Power
- Economic and Workforce Development Department
- Department of Cannabis Regulation
- Department of Public Works (Bureau of Contract Administration, Bureau of Engineering, Bureau of Sanitation, and Bureau of Street Services)
- Fire Department

Together, the LABSC worked throughout the past year to identify short-term and long-term strategies aimed at fulfilling the Directive's goals and objectives:

1. Facilitate, expedite, and improve the process for businesses to open or expand in the City of Los Angeles.
2. Make assistance and resources easily accessible to businesses.
3. Improve the way in which the City engages and contracts with businesses.



This report highlights the progress made to date, including actions taken, a year after the signing of this Directive.

ED4 ROADMAP + METHODOLOGY

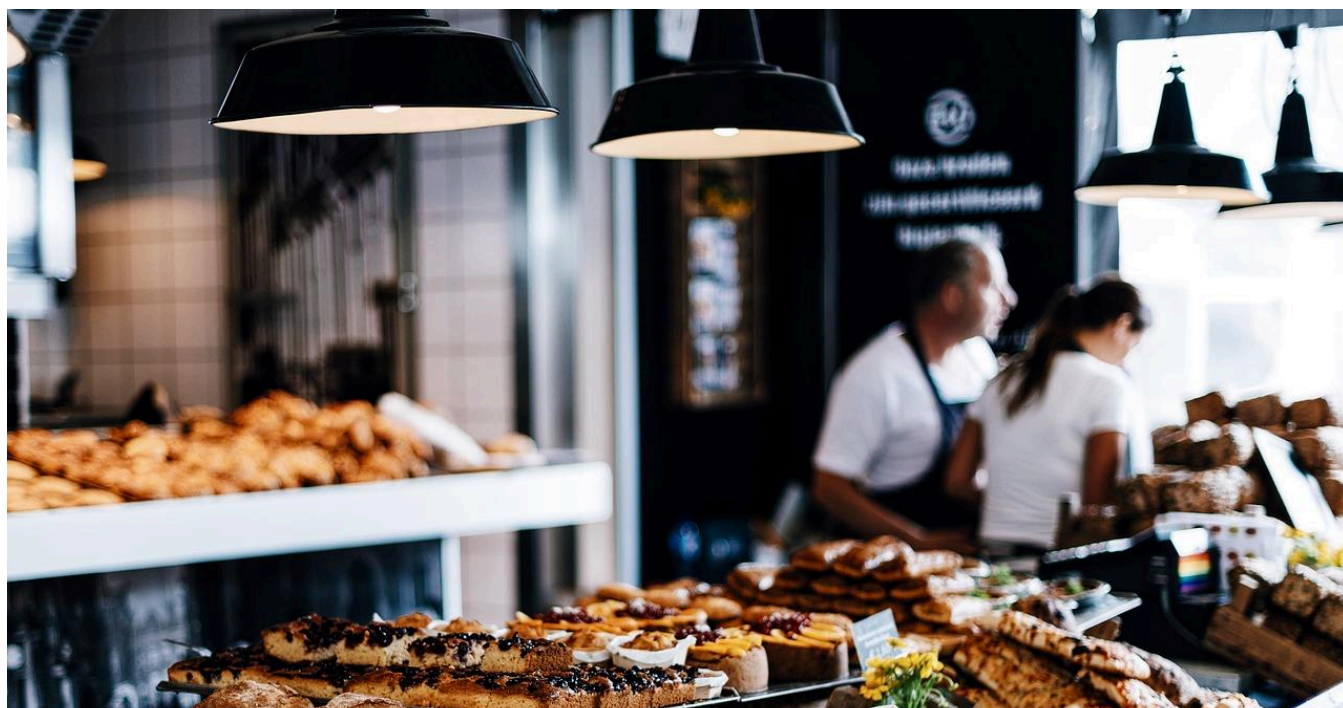
The work under ED4 can be segmented into four parts and summarized as follows:

Data Collection and Internal Assessment

The first three months of the LABSC focused on data collection and the establishment of a baseline for where the City is and what it aims to accomplish. This phase took inventory of existing initiatives, the status of past Council motions and other efforts to achieve ED4 goals, and the strategies already underway to address perceived barriers to business creation and growth.

Metric Collection and Evaluation

The Mayor's Office collected both qualitative and quantitative data on a monthly basis from all departments in the LABSC. This data was evaluated to definitively identify pain points and the root cause of specific problems. Through this process, greater attention was provided to targeted issues and the potential course of actions required to address them.. The monthly evaluation of these metrics also allowed City departments to evaluate the effectiveness of newly implemented strategies and track their progress. The Mayor's office will continue to collect and assess monthly metrics each month.



Collection and Evaluation of Stakeholder Feedback

The Mayor's Office convened an ED4 Community Business Taskforce, a small group of business organizations assembled together to provide direct community and business feedback to the Mayor's Office, ensuring the LABSC received insight into the principal concerns of businesses. The Taskforce also helped to identify overlooked barriers, allowing the LABSC to adjust its strategies according to their feedback. To ensure continuous input from the community and individual businesses, the Taskforce further established a constituent survey that will soon become available at each department that participated in the LABSC. This survey will provide the public with an opportunity to provide feedback from their interactions with select City departments as well as share specific cases in which an in-depth examination may be required.

Formulation and Implementation of Strategic Solutions

As a result of the metrics collected and the assessment conducted, solutions were developed to either implement immediately or through a phased approach. They include both short-term solutions that are achievable despite existing constraints, such as staff shortage and budget limitations, and long-term solutions that will require sufficient investment to implement. This process will be continuous, as feedback from constituents will require constant evaluation and improvements to be made accordingly.

EVALUATION

Assess and review metrics, evaluate outcomes, and identify opportunities for improvement and new solutions.

DATA COLLECTION

Gather data to identify problems and gauge impact of implemented strategies.

ED4
Continuous
and Gradual
Progress

LONG-TERM SOLUTIONS

Develop solutions that can be implemented over time and create the foundation the City needs to be increasingly business-friendly.

SHORT-TERM SOLUTIONS

Develop solutions that can be implemented immediately to support businesses in the near future.

SMALL BUSINESS STEERING COMMITTEE WORKING GROUPS

The LABSC was divided into two working groups that met every two weeks over the course of the past year to focus on specific topics predicated on the historical feedback provided by the business community. These topics set forth the basis for issue-based discussions for each working group: 1) business creation and operations; and 2) payment of contract invoices.

Business Creation and Operation

Starting a business can be challenging, as there are countless hurdles a business owner must overcome to open and operate a business, including compliance with processes, permits, and fees required from all levels of government. This is particularly challenging for small businesses that do not have the capital and resources to acquire the assistance



needed to overcome these hurdles. As a result, these businesses typically encounter costly procedural delays when opening a new location, incur penalties due to late payments, and become overwhelmed by the myriad of permits and fees required. Working Group 1 focused on elements that support business creation and operations, including the resources and services needed to help businesses open, grow, and thrive while remaining compliant.

Payment of Contract Invoices

According to the City's Controller's Office, the City paid over 100,700 vendors in FY 2022–2023, with payments totaling approximately \$7.67 billion, approximately \$4.5 billion of which is estimated to have been strictly for invoices connected to procurement opportunities. Of the payments issued, 9.92% of these were issued late—30 days or more past the date of invoice issuance. This causes a problem for businesses that do not have cash reserves to draw upon to maintain cash flow and sustain their business operations.

As a result, many businesses in the City, 98.9% of which are classified as small, are reluctant to bid for City contracting opportunities. It was therefore the goal of Working Group 2 to identify barriers to participation and strategies for expediting invoice payments.



HIGHLIGHTS

Helping Business Open and Expand in the City

✓ Departmental Strategic Plans

Departments created individual strategic plans to address process delays within their respective departments. These plans include commitments to streamline processes, adopt time-related goals, shorten processing timelines, improve coordination with businesses, increase access to information and education, integrate new technologies, provide early feedback, and much more. Current departmental strategic plans are detailed in this report by each working group from each department in the LABSC. FY 23-24 achievements include the following:

- The Department of Building and Safety (DBS) **hired additional staff for its Small Business and Restaurant Program** and extended it to **studio and soundstage projects**, regardless of permit valuation. The program enables new small businesses to open on time and on budget.
- Since December 1, 2023 LADBS has added a **same-day virtual counter**, providing support to over 11,074 inquiries.
- DBS also created a new **Zoning section** to allow DBS staff to develop Zoning expertise, improve the quality of work, reduce changes made later in the planning process, and **improve efficiency and cost for businesses**.
- The Department of Planning (DCP) **streamlined clearances for business signage** by eliminating redundant intradepartmental referrals in the clearance process.
- In collaboration with other Departments, DCP also made the adoption of the **Al Fresco Ordinance** possible, providing a **cheaper and faster way** for businesses to offer outdoor dining in the private space of their property.
- DCP will also join the South Los Angeles Development Services Center (DSC) later this year. At the DSC, staff will be able to **assist with in-person and virtual application filing and project consultation services**.
- The **Process and Procedures Ordinance** went into effect in January 2024. The ordinance comprehensively reorganizes and amends all of the processes and procedures that were in Chapter 1 of the Los Angeles Municipal Code. The ordinance also establishes a more transparent and predictable set of rules for project review by grouping entitlements with similar procedures in the same approval path, **reducing the number of processes for project review from almost 120 to about 60**.

- The Bureau of Engineering (BOE) has created a **Map Statue Tracking System** that **helps businesses better understand what is needed** to get a parcel or subdivision map cleared.
- BOE has also developed the **Development Services Procedures Manual (DSPM)** that can be found at engpermitmanual.lacity.org. This is an online, both inward and public facing, procedures manual that provides both BOE staff and the public with the ability to **see the requirements and procedures for review and approval** of all of our permit applications and services.
- The Department of Cannabis Regulation (DCR) produced a map of licensed, legal dispensaries in the City of Los Angeles, **serving as a central hub of information** for consumers. It also **expanded e-services** for businesses.
- The Bureau of Contract Administration (BCA) **expanded their staffing and hours** for the **Project Assistance Meetings (PAM) Desk**, a virtual counter that facilitates access to a live inspector who can provide guidance on Public Work permit requirements.
- Los Angeles Sanitation and Environment (LASAN) revised the **Low Impact Development (LID) ordinance**. As a result, the lowest threshold that a project would be subject to LID under the revised LID Ordinance is a project that proposes to add, create, or replace 2,500 SF or more of impervious area instead of 500 SF. This will help reduce plan reviews by more than 50% and **improve review times for small businesses**.
- LASAN also **offers same-day review** for most of their services through their Low Impact Development (LID) Virtual Counter and is in the process of **implementing a new state-of-the-art web-based permitting system** for its Industrial Waste Pretreatment Programs.
- The Bureau of Street Services (BSS) **opened a physical public counter** in Van Nuys.
- The Department of Water and Power (DWP) is in the process of implementing its **Shapefile Integration Project**, a process that will make permitting smoother and more efficient for businesses by allowing for **easier access to current DWP infrastructure online**.
- DWP has also hired 30 design engineers and 10 electrical service inspectors since June 2023 **to work directly with customers** on new or upgraded electric service requests.
- Additionally, DWP also launched the new **Fair Share Powerline Program**, providing a way for customers that require an underground line extension in

the public right-of-way the ability to share costs associated with the design and installation of the underground infrastructure with other businesses.

- In alignment with the objectives of ED4 and to support small businesses in the City, the LAFD has recently **expanded its online Help Desk, Virtual Counter, and Preliminary Review services**.
- Year-to-date, the Economic and Workforce Development Department conducted outreach to 6,398 small businesses and microenterprises, **providing assistance** to over 2,700 services.

✓ **Bolster Early Engagement**

Providing pre-submission plan check support is proven to help expedite permitting processes. The LABSC worked to bolster education and early engagement by 1) increasing accessibility to departments through the use of in-person and virtual counters, 2) promoting and expanding pre-plan submission consultation, and 3) streamlining access to customer support.

As a result of this effort, the Mayor will soon launch the **“LA is Open for Business” initiative** to promote consultation and support services available to businesses looking to open or expand in the City.

✓ **Streamline Access to Information and Education**

Navigating the City should not be difficult. In coordination with the City’s Information Technology Agency (ITA) and Office of Finance, the Mayor’s Office will soon launch a **“Business Navigator”** that will serve as a centralized hub within the City’s Business Portal, business.lacity.org, that will equip businesses with the information and direction needed to navigate the City with ease.

✓ **Technology Integration to Advance Coordination and Transparency**

Consistent with ED4, the Department of Building & Safety is creating the **Los Angeles City Permitting System**, a platform that will house all data relating to development and building projects, including clearances and code enforcement cases. This portal will replace a 30 year-old permit system that has become outdated with a single permitting system that encompasses all development services departments.

This new system will allow applicants to submit permit applications, track their progress, receive updates, and make payments online through one portal. It will provide clear visibility into the status of applications, eliminating the need for frequent inquiries. This permitting system will also make it easy for applicants to navigate through different departments and divisions within the same application. By offering a streamlined, user-centric experience, this new permitting system will seek to improve customer satisfaction and strengthen the City's reputation as an

efficient and business-friendly City.

The City will also expand the capabilities of **BuildLA**, the City's shared platform for development services, to improve consumer engagement, increase interdepartmental coordination, and ensure alignment with the needs of businesses and developers. Through Build LA, a **Customer Service Request (CSR) portal** that was initially developed in response to the COVID-19 pandemic, is being adapted and expanded to facilitate better customer service and transparency while minimizing delays. More information about this portal can be found in the Working Group 1 section of this report.

Improving Taxpayer Engagement and Experience

✓ Office of Finance Strategic Plan

In alignment with ED4, the City's Office of Finance (Finance) adopted a strategic plan. The plan aims to identify opportunities and challenges facing the organization, and possible solutions for improvement and progress. Additionally, this strategic plan will review outdated sections and recurring inconsistencies within the Los Angeles Municipal Code, including the City's Tax Ordinances which covers business taxes in Article 1. Finance is expected to provide recommendations for the modernization of the City's Tax Code to the City Council in FY 2024-2025.

Finance has accomplished the following since the signing of ED4:

- **Improved and streamlined the Business Tax Registration Certificate application** language, including the Renewal Form and its instructions.
- **Hired LATAX Modernization Project Team** to begin planning the LATAX replacement project.
- **Broadened LATAX training to additional Finance Divisions** in order to ensure staff is cross-trained and aligned in the delivery of services.
- Initiated the creation of a new **Debt Portfolio Management System** with the City's Information Technology Agency that integrates with the City's Financial Management System in order to automate analysis and tracking, and strengthen data integrity.
- **Completed a review of all City departments' collection and revenue management protocols.** Finance is currently performing an analysis of this data to inform the City how to best implement a standardized process.
- And more. Please refer to the Office of Finance section of this report for additional details.

Commitment to Work in Partnership with the Business Community

✓ **ED4 Community Business Taskforce**

The LABSC worked with the Los Angeles City Small Business Commission and business policy advocacy organizations to form the **ED4 Community Business Taskforce**. The taskforce provided insight into the concerns of businesses as they relate to ED4 objectives. They will continue to advance the community's priorities by keeping the LABSC apprised of concerns as they arise.

✓ **Small Business Cabinet**

To help direct the Mayor's agenda and ensure that small businesses have influence over the priorities and solutions needed to support their growth, the Mayor established the **Small Business Cabinet** through ED4. This cabinet is made up of small business industry leaders in Los Angeles. As a result of meetings held with the Cabinet, the City has launched **LAprenneur**, a program that equips existing businesses and aspiring entrepreneurs with support, education, and resources. They are also working on initiatives to advance small business inclusion in procurement and local, cultural tourism ahead of the 2028 Olympic and Paralympic Games.

Building Business Inclusion in Procurement

✓ **Address Certification Backlog**

The City's Bureau of Contract Administration (BCA) produced strategies to help eliminate the business certification backlog and expedite its certification processes. In the first 90 days of the directive's signing, BCA focused on **reducing its backlog of Local Business Enterprise (LBE) applications**, and was able to eliminate *all* requests that were over 30 days past their original submission. BCA's aim is to maintain the goal of processing LBE applications within 30 days. The Bureau will also work towards reducing its backlog for other types of certifications.

✓ **Expedite Contract Payments**

Departments adopted preliminary short-term solutions for expediting contract payments, including the following:

- New practices that support **vendor education prior to invoice submission**, including the adoption of tutorials, sample invoices and/or templates, and checklists
- Adoption of a **centralized portal and single point of entry** for invoice submission to ensure visibility of invoices and facilitate tracking
- **Training modules and training bootcamps** for staff
- Segmented **time commitments** by reviewing division to help reach payment within 30 days from the time an invoice is considered complete and free of errors

- Provided a **clear designation of invoice review responsibilities** to staff
- Adopted **standardized and simplified invoice review and approval processes** for each department
- Reported monthly metrics to help track individual cases that become overdue

✓ **Departmental Strategic Plans to expedite payments**

Departments created individual strategic plans to address invoice payment delays within their respective departments. FY 23-24 achievements include the following:

- The Office of Procurement (OOP) created various departmental resources to assist City employees in the procurement process. By **creating an intranet website** that hosts various procurement manuals, forms, templates, and recordings, OOP makes information accessible to the City's contracting staff, further **reducing confusion in the procurement process**.
- OOP also **conducted training and invited subject matter experts** to provide refresher training on various topics of interest to procurement staff.
- Additionally, OOP is currently developing a pilot **Centralized Invoice Management Platform** to help organize and centralize payment related information and documents, providing transparency and accountability in the payment process.
- During August 2023, the proportion of invoices taking over 25 days to submit for payment processing in the Department of Building and Safety was 25%. Since February 2024 to date, that number has **declined to zero**.
- DBS's purchasing administrative staff will be realigned from the Budget to Contracts divisions to **consolidate invoice approval and validation processes** under a single division to increase operational efficiency.
- LAFD will implement a **centralized system for invoice submissions, tracking, and status updates**. LAFD expects the average invoice processing time to **decrease from 25 working days to 15 working days**.
- The Department of Planning (DCP) **reduced the invoice review period for project managers to 10 days** and adopted a series of strategies to meet invoice processing deadlines.
- Bureau of Sanitation (LASAN) Administration Division **developed an invoice tracker** utilizing Smartsheet for all Division Project Managers (PMs) to enter information detailing the progression of invoices.
- LASAN also formed a **Payment Processing Task Force**, a task force that meets monthly to discuss invoice payment issues encountered within the bureau and with the Office of Accounting (OOA). It also discusses the development of training tools.
- In March 2023, the Department of Cannabis Regulation (DCR) implemented a

standardized Invoice Approval Form to clearly document invoice information and departmental approvals and help speed review and approvals by all involved parties.

- The Office of Accounting in the Department of Public Works will develop an **Accounting “Bootcamp”** to provide an overview of accounting processes and requirements to staff citywide.
- The Department of Water and Power (DWP) **reduced the amount of time** it took for an invoice to get into the pre-validation / indexing phase and into the processing phase.
- The Bureau of Contract Administration (BCA) plans to create a **Construction Payments Processing Unit (PPU)** within the Bureau, allowing for centralized, proactive coordination and troubleshooting.
- Through its new website, the Bureau of Street Services plans to **provide information on how an invoice should be submitted** and how the Bureau pays its vendors.

✓ **Technology Utilization to Expedite Payments**

The City’s Office of Procurement is working to **centralize and digitize the City’s invoicing process**. This new system will reduce the likelihood of errors and discrepancies in invoicing, track the status of invoices and payment requests, and ensure accurate record-keeping. Additionally, this will hold the City to a higher standard of service to its stakeholders, allow for more transparency in government processing of payments, and provide the added benefit of assisting City vendors with regulations and audit requirements.

BUSINESS TAXES

COMPARISON ANALYSIS

Every person who engages in business within the City of Los Angeles is required to obtain a *Tax Registration Certificate* and make the required business tax payments. Most business taxes are based on a percentage of gross receipts. Other business tax classifications may be required to pay their business taxes according to a flat rate per tax period or other measures such as number of devices, days operating, or seats.

To understand the cost of operating a business in the City, the Mayor's Office compiled a comprehensive list of taxes required by the City. Through ED4, the data collected was to be compared to the tax, including any corresponding incentives and exemptions, required by various Cities subject to California laws and regulations. Regional cities assessed for this report included San Diego, San Francisco, Culver City, Long Beach, Thousand Oaks, Beverly Hills, Santa Monica, Glendale, Burbank, and Pasadena.

Economic Comparison

Below is a basic economic comparison between the City of Los Angeles and other select Cities in California.

City	Median Household Income (2022)	Population	Poverty Rate	Unemployment Rate
Los Angeles	\$76,244	3.88 M	16.6%	4.5%
San Diego	\$98,657	1.38 M	11.4%	4.1%
San Francisco	\$136,689	851,036	10.5%	3.4%
Long Beach	\$78,995	462,293	15.1%	4.5%
Pasadena	\$97,818	137,554	13.4%	4.1%
Thousand Oaks	\$125,399	126,532	7.87%	3.8%
Glendale	\$81,219	194,512	13.4%	4.3%
Burbank	\$91,455	106,389	10.7%	5.6%
Santa Monica	\$106,797	92,168	11.6%	4.6%
Culver City	\$114,429	40,357	5.92%	4.6%
Beverly Hills	\$116,771	32,406	10.2%	4.4%

Source: US Census Data

As of 2022, the City of Los Angeles's economy employed 1.96 million people. The largest industries are health care & social assistance (238,852 people), retail trade (192,285 people), and professional, scientific, & technical services (191,299 people). The highest paying industries are utilities (\$102,143), information services (\$81,623), and professional, scientific, & technical services (\$80,309).

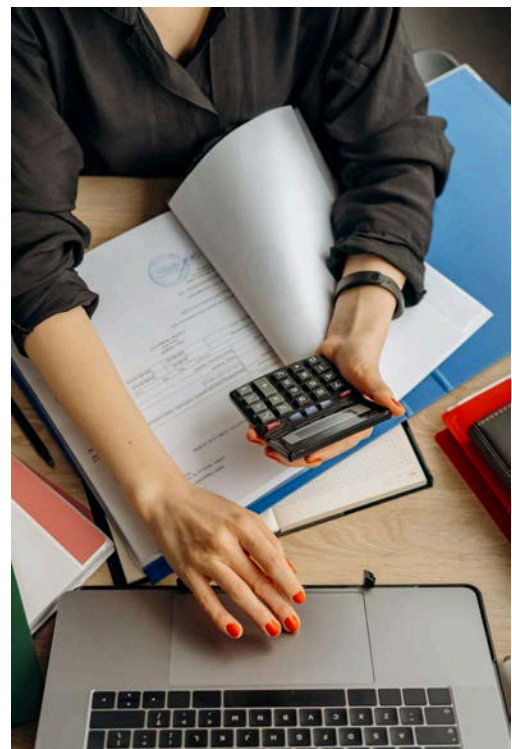


Source: 2022 DataUSA¹

For a business tax comparison for these industries, please refer below to Table A for industries shaded in blue and Table B for industries shaded in beige.

To help understand how business tax rates in the City of Los Angeles compare to those of other cities, a comparison was made between the business tax rates for the City's largest industry sectors, as listed in the graph above. As each city has its own tax structure and methodology for charging its business tax, the comparison presented many challenges:

- A direct comparison is difficult with any jurisdiction that does not utilize a business tax based on a percentage of gross receipts. Many cities base their business tax on the number of employees, flat rates, square footage, or a combination of different calculations and/or rates.
- The City of Los Angeles tax was comparatively lower for some categories while higher for others. For instance, Los Angeles has a lower tax



¹ <https://datausa.io/profile/geo/los-angeles-ca#demographics>

rate for retail and accommodations than Culver City, but a higher rate in the health care and social assistance category.

- It does not take into account exemptions and fee rates. Depending on how much a business grosses, it might be cheaper to do business in the City of Los Angeles even when the other City does not charge a business tax. This is possible because the City of Los Angeles provides an exemption for businesses that gross \$100,000 or less and \$300,000 for creative artists. It also does not charge a flat business certificate fee. Conversely, many cities charge an annual fee regardless of revenue.
- Additionally, as businesses are self-reporting, some businesses which may appear similar on the surface, fall into different tax categories within the City of Los Angeles.



Table A below compares Los Angeles Business Tax for healthcare and social assistance; professional, scientific, and professional services; accommodations and food services; and retail. Table B below compares manufacturing; educational services; construction; information; and arts, entertainment, and recreation.

Annual Business Tax rates across select cities for large employment sectors in Los Angeles | Table A

City	Health Care and Social Assistance	Professional, Scientific, Technical Services	Retail	Accommodations	Food Services
Los Angeles	\$4.25 per \$1,000 gross receipts	\$4.25 per \$1,000 gross receipts	\$1.27 per \$1,000 gross receipts	\$1.27 per \$1,000 gross receipts	(Misc. Services) \$3.56 per \$1,000 gross receipts
San Diego	<13 employes, \$34; 13+ employees \$125	<13 employes, \$34; 13+ employees \$125	<13 employes, \$34; 13+ employees \$125	<u>Residential:</u> 1-10 units- \$50/yr + \$5/unit 11-100 units - \$57/yr + \$9/unit 101+ units - \$150/yr + \$8/unit <u>Hotel, Motel, Bed and Breakfast:</u> 1-250 rooms - \$50/yr + \$5/unit 251+ rooms - \$57/yr + \$9/unit	<13 employes, \$34; 13+ employees \$125
San Francisco	Percentage of Gross Receipts 0.788% on 0-\$1M 0.825% on \$1M-\$2.5M 0.900% on \$2.5M-\$25M 0.975% on \$25M and over	Percentage of Gross Receipts 0.62% on 0-\$1M 0.713% on \$1M - \$2.5M 0.791% on \$2.5M-\$25M 0.868 on \$25M and over	Percentage of Gross Receipts 0.05% on 0-\$1M 0.07% on \$1M - \$2.5M 0.095% on \$2.5 - \$25M 0.224% on \$25M and over	Percentage of Gross Receipts 0.210% on 0-\$1M 0.228% on \$1M - \$2.5M 0.228% on \$2.5M - \$25M 0.560% on \$25M and over	Percentage of Gross Receipts (Miscellaneous) 0.814% on 0-\$1M 0 0.853% on \$1M - \$2.5M 0.930% on \$2.5-\$25M 0 1.008% on \$25M and over
Culver City	Hospitals, medical labs, dentists, etc: \$3.50 per \$1,000 gross receipts	\$3.50 per \$1,000 gross receipts	\$1.50 per \$1,000 gross receipts	(Rentals, personal and commercial): \$1.30 per \$1,000 gross receipts	\$1.50 per \$1,000 gross receipts

	Residential care: \$2.00 per \$1,000 gross receipts				
Long Beach	(Professionals) \$458.35 plus \$35.66 per employee	(Professionals) \$458.35 plus \$35.66 per employee	\$458.35 plus \$11.88 per employee	(Services) \$458.35 plus \$23.80 per employee	(Services) \$458.35 plus \$23.80 per employee
	(Services) \$458.35 plus \$23.80 per employee	(Services) \$458.35 plus \$23 per employee			(Mobile food vendor) \$577.22 per vehicle
Thousand Oaks	Businesses separated solely by revenue, not industry. Business Tax Schedule. \$1M or less - between \$20 and \$350 fee \$1,000,001~\$2M - \$350 fee +.24 per thousand dollars of gross receipts in excess of \$1M \$2,000,001~\$3M - \$590 fee +.20 per thousand dollars of gross receipts in excess of \$2M \$3,000,001~\$4M - \$790 fee +.16 per thousand dollars of gross receipts in excess of \$3M \$4,000,001~\$5M 950 +.12 per thousand dollars of gross receipts in excess of \$4M \$5,000,001~Over - \$1,070 fee +.08 per thousand dollars of gross receipts in excess of \$5M				
Beverly Hills	\$1,735.00 base and first 2,080 hours of professional payroll or billed hours annual. Additionally \$0.83413 for each additional hour of professional/semi professional payroll or billed hours annual and \$0.16762 for each hour of non-professional employee payroll	\$311.00 Base tax + first 2,080 hours of employee payroll annual, and \$0.06539 for each additional hour of employee payroll	\$75.00 base annual and \$0.00125 per \$1 of gross receipts over \$60,000	(Residential) \$0.012 per \$1 gross receipts (Commercial) \$0.0235 per \$1 gross receipts	(Services) \$311.00 Base tax + first 2,080 hours of employee payroll annual, and \$0.06539 for each additional hour of employee payroll
Santa Monica	(Service) \$3.00 per \$1,000 gross receipts <i>(rounded up to nearest thousand, with minimum \$75 below \$60,000)</i>	(Service) \$3.00 per \$1,000 gross receipts <i>(rounded up to nearest thousand, with minimum \$75 below \$60,000)</i>	\$1.25 per \$1,000 gross receipts <i>(rounded up to nearest thousand, with minimum \$75 below \$60,000)</i>	\$1.25 per \$1,000 gross receipts <i>(rounded up to nearest thousand, with minimum \$75 below \$60,000)</i>	(Service) \$3.00 per \$1,000 gross receipts <i>(rounded up to nearest thousand, with minimum \$75 below \$60,000)</i>

	(Profession) \$5 per \$1,000 gross receipts <i>(rounded up to nearest thousand, with minimum \$75 below \$60,000)</i>	(Profession) \$5 per \$1,000 gross receipts <i>(rounded up to nearest thousand, with minimum \$75 below \$60,000)</i>			
Glendale	Business Registration Certificate Fee: \$279.55 (Annual Renewals: \$53.35)				
Burbank	(Professions & Occupations) \$122.45 per location per calendar year, plus \$14.85 per employee per calendar year	(Professions & Occupations) \$122.45 per location per calendar year, plus \$14.85 per employee per calendar year (Business Services) \$122.45 per location per calendar year, plus \$11.45 per employee per calendar year	\$122.45 Manufacturing, wholesale, retail per location per calendar year, plus \$7.30 per employee per calendar year (annual levy)	Rentals and Leasing - Residential Apartments or Bungalows (3 or more units) - \$12.25 per calendar year Hotels and Motels, per unit - \$24.50 per calendar year Rentals and Leasing - Commercial Base Rate (First 5,000 sq.ft.) \$122.45 per calendar year plus \$2.45 Added levy every 100 sqft over 5,000 sqft annual/fraction	(Misc. Service) \$122.45 per location per calendar year, plus \$11.45 per employee per calendar year
Pasadena	(Service) \$186.82 license tax annual, \$37.08 for each employee in excess of one (Profession) \$496.15 first business annual, plus \$247.44 every additional business after the first annual and \$37.08 per every non-professional employee	(Service) \$186.82 license tax annual, \$37.08 for each employee in excess of one (Profession) \$496.15 first business annual, plus \$247.44 every additional business after the first annual and \$37.08 per every non-professional employee	\$250.10 annual	(Hotels, rooming house, etc.) \$183.73 for three rental accommodations, plus \$19.84 for each additional accommodation (Boarding house, rest home. etc) \$175.66 first person accommodated \$19.84 each additional person	(Service) \$186.82 license tax annual, \$37.08 for each employee in excess of one

Annual Business Tax rates across select cities for large employment sectors in Los Angeles | Table B

City	Manufacturing	Construction	Information	Educational Services	Arts, Entertainment, Recreation
Los Angeles	\$1.01 per \$1,000 gross receipts	(Miscellaneous Services) * \$3.56 per \$1,000 gross receipts	(Miscellaneous Services) * per \$1,000 gross receipts	(Miscellaneous Services) * per \$1,000 gross receipts	(Miscellaneous Services) * \$3.56 per \$1,000 gross receipts
San Diego	<13 employees, \$34; 13+ employees \$125	<13 employees, \$34; 13+ employees \$125	<13 employees, \$34; 13+ employees \$125	<13 employees, \$34; 13+ employees \$125	<13 employees, \$34; 13+ employees \$125
San Francisco	Percentage of Gross Receipts 0.088% on \$0-\$1M 0.144% on \$1M-\$2.5M 0.144% on \$2.5M-\$25M 0.665% on \$25M and over	Percentage of Gross Receipts 0.420% on \$0-\$1M 0.490% on \$1M-\$2.5M 0.560% on \$2.5M-\$25M 0.630% on \$25M and over	Percentage of Gross Receipts 0.579% on \$0-\$1M 0.675% on \$1M-\$2.5M 0.770% on \$2.5M-\$25M \$25M and over - 0.855%	Percentage of Gross Receipts (Private Education) 0.788% on \$0-\$1M 0.825% on \$1M-\$2.5M 0.900% on \$2.5M-\$25M 0.975% on \$25M and over	Percentage of Gross Receipts 0.210% on \$0-\$1M 0.228% on \$1M-\$2.5M 0.228% on \$2.5M-\$25 0.560% on \$25M and over
Culver City	\$1.50/\$1,000 + additional tax of 0.01% on gross receipts when they are more than \$100,000,000 annually	(Miscellaneous) \$2.50/\$1,000 + additional tax of 0.01% on gross receipts when they are more than \$100,000,000	(Computer Software Development) \$3/\$1,000 (Computer Software Consulting) \$3.50/\$1,000 + additional tax of 0.01% on gross receipts when they are more than \$100,000,000	(Schools for Profit) \$2/\$1,000 + additional tax of 0.01% on gross receipts when they are more than \$100,000,000	(Recreation and Entertainment) \$3.50/\$1,000 + additional tax of 0.01% on gross receipts when they are more than \$100,000,000

Long Beach	\$458.35 plus \$11.88 per employee	\$458.35 plus \$23.80 per employee	(Services) \$458.35 plus \$23.80 per employee	(Services) \$458.35 plus \$23.80 per employee	(Recreation and Entertainment) \$458.35 plus \$23.80 per employee
Thousand Oaks	Businesses separated solely by revenue, not industry. Business Tax Schedule . \$1M or less - between \$20 and \$350 fee \$1,000,001~\$2M - \$350 fee +.24 per thousand dollars of gross receipts in excess of \$1M \$2,000,001~\$3M - \$590 fee +.20 per thousand dollars of gross receipts in excess of \$2M \$3,000,001~\$4M - \$790 fee +.16 per thousand dollars of gross receipts in excess of \$3M \$4,000,001~\$5M 950 +.12 per thousand dollars of gross receipts in excess of \$4M \$5,000,001~Over - \$1,070 fee +.08 per thousand dollars of gross receipts in excess of \$5M				
Beverly Hills	\$75 + \$0.00125 per \$1 of gross receipts over \$60,000	(Business Service) \$311.00 Base tax and first 2,080 hours of employee payroll + \$0.06539 per each additional hour of employee payroll	(Business Service) \$311.00 Base tax and first 2,080 hours of employee payroll + \$0.06539 per each additional hour of employee payroll	(Business Service) \$311.00 Base tax and first 2,080 hours of employee payroll + \$0.06539 per each additional hour of employee payroll	(Business Service) \$311.00 Base tax and first 2,080 hours of employee payroll + \$0.06539 per each additional hour of employee payroll
Santa Monica	\$1.25/\$1,000 gross receipts (rounded up to nearest thousand, with minimum \$75 below \$60,000)	(Service) \$3/\$1,000 gross receipts (rounded up to nearest thousand, with minimum \$75 below \$60,000)	(Service) \$3/\$1,000 gross receipts (rounded up to nearest thousand, with minimum \$75 below \$60,000)	(Service) \$3/\$1,000 gross receipts (rounded up to nearest thousand, with minimum \$75 below \$60,000)	\$1.25/\$1,000 gross receipts (rounded up to nearest thousand, with minimum \$75 below \$60,000)
Glendale	Business Registration Certificate Fee: \$279.55 (Annual Renewals: \$53.35)				
Burbank	\$122.45 + \$7.30 per employee	(Service) \$122.45 + \$11.45 per employee	(Service) \$122.45 + \$11.45 per employee	(Service) \$122.45 + \$11.45 per employee	\$122.45 + \$11.45 per employee
Pasadena	(Service) \$186.82 + \$37.08 per employee in excess of one	1.92% percentage of value	(Service) \$186.82 + \$37.08 per employee in excess of one	(Service) \$186.82 + \$37.08 per employee in excess of one	(Service) \$186.82 + \$37.08 per employee in excess of one

Different Categories of Taxes

As the above chart highlights, different cities have varying approaches to their tax structure. The City of Los Angeles largely has a gross receipts tax-based fee structure in which taxes are applied to receipts from a business's total sales. Unlike corporate income taxes, these taxes apply to a business's sales without any deductions.

Advocates of gross receipts taxes argue that they are simple to administer and collect, provide a stable source of revenue, fluctuate in accordance with a business's performance, and generally apply a lower tax rate to businesses. However, gross receipts taxes do not account for a business's profit or net income and so may have a disproportionate impact on businesses with lower profit margins. Two businesses in the same industry classification that are bringing in an equivalent volume of gross receipts may face different costs and have different profit margins, yet they would face the same tax liability.

The City of Los Angeles has attempted to address this discrepancy by adopting individual categories for different types of business — more categories than many other neighboring cities. Thousand Oaks, for instance, does not differentiate between industries and charges a flat tax based on gross receipts, with a business opening later in the calendar year paying a smaller fee than a business in the same tax category which opened at the beginning of the year. However, it is important to note that there are cities, such as Glendale, that do not impose business tax. Instead, Glendale charges annual license renewal fees as well as permits and licenses for specific business types.

Los Angeles City Tax Exemptions

The City of Los Angeles provides the following tax exemptions:

- Small Business Tax Exemption exempts businesses with global gross receipts under \$100,000 from paying business taxes.
- Creative Artists Exemption applies to registered, individual "creative artists" who generate up to \$300,000 in global gross receipts attributable to their qualifying "creative activities."

Also exempt from paying City business taxes are the following:

- Airlines-passenger / interstate air freight for businesses that deal in air commerce, which includes the transportation of passengers or property only
- Constitutionally exempt businesses, such as state government institutions
- Court reporting / transcribing services performed under the control of a court of competent jurisdiction
- Non-profit businesses that qualify for 501C3 exemptions with the Federal and State governments
- Exemptions under [LAMC Section 21.194](#), Transporting Persons For Hire
- Exemption under [LAMC Section 21.195](#), Trucking and Hauling for certain categories

- Financial Institutions (Banks, Savings/Loans, etc.) for which “in lieu” taxes are paid to the State of California
- Credit Unions
- Insurance agents receiving a notice of appointment from insurance companies that pay “in lieu” taxes to the State of California (does not include insurance brokers)
- Insurers – activities for which “in lieu” taxes are paid to the State of California
- No nexus businesses – businesses with a physical presence within the City of Los Angeles less than seven days per calendar year
- Notaries public
- Persons who rent three (3) or fewer residential rental units
- Real estate agent (does not include real estate brokers) - exemption under [LAMC Section 21.49](#)
- Religious leaders in their religious capacity
- Residential care facility for the elderly, which serves six or fewer residents
- Residential family day care for children
- Licensed bail bond agents/companies

Tax Exemptions provided by other Cities

The LABSC found the City of Los Angeles to offer competitive tax exemptions in comparison to the other cities analyzed for this assessment. The exception was San Francisco, which charges significantly higher tax rates to offset a high exemption threshold of \$2.19 million. Below is a comprehensive list of the cities that were found to provide exemptions:

San Francisco City/County

Small businesses are exempt from payment of the gross receipts tax if their taxable gross receipts are within the “small business enterprise thresholds” of \$2,190,000 of combined gross receipts within the City. However, businesses are still required to pay an annual license registration renewal fee ranging from \$47 to \$45,000 depending on gross receipts or payroll expenses. First year fee is waived if businesses have gross receipts of less than \$5,000,000 and operate from a commercial space.

Culver City

Businesses with less than \$200,000 in annual gross receipts are exempt once from Culver City's business license tax, which was updated by voters in 2022 with Measure BL. All businesses must file a renewal form each year to receive a business tax certificate.

City of Santa Monica

Exemption is provided to small businesses that earn less than \$40,000 in worldwide gross receipts in a calendar year. Excludes corporate headquarters or administrative offices that do not generate gross receipts; Taxicabs and delivery/pickup services; and businesses not located in Santa Monica.

City of San Diego

Business Tax exemption is provided to bail bond agents, banks and financial institutions, blind persons, board and care/nursing home, charitable institutions and non-profit organizations, for-hire motor carrier of property, family daycare provider, insurance broker-agents, limited duration activities, real estate auctioneer, religious leaders, and veterans.

City of Long Beach

The City of Long Beach offers business license tax exemptions for non-profit organizations and disabled veterans.

Complexity and Accessibility

Small businesses, in particular, benefit from easy-to-understand tax codes and regulations. Tax information for Los Angeles businesses is spread out over various online sheets and pages. In contrast, [San Francisco](#) shows surcharges, miscellaneous fees, and the department responsible for issuing permits on their fee schedule, helping to add transparency and accessibility for businesses.

The City of [Santa Monica's Business License Tax Calculator](#) is another example that the City of Los Angeles should consider. This quick tool asks taxpayers a few questions and explains the taxation rates, exemptions, and other relevant information at the appropriate step in the calculation. The explanation of why certain rates and exemptions apply can help add to the public trust and confidence in local government.



Sample Case: Neighboring City's Efforts to Modernize Tax Code

Similar to the City of Los Angeles which seeks to modernize its tax code, Santa Monica is also undergoing a [License Modernization Project](#) reviewing their 30-year old tax code to be in alignment to modern business practices and help make it easier to administer. The project also directly compares key industries and sectors to neighboring cities. The Santa Monica Modernization Project suggested proposals include:

- Increasing the Small Business Tax Exemption threshold from \$40,000 to \$100,000. [For the City of Los Angeles, this threshold was raised on July 1, 2006 from \\$50,000 to \\$100,000.](#)
- Reducing the penalty schedule maximum from 100% to 50%. [Penalties payable on delinquent taxes in the City of Los Angeles are applied at 5% of the principal amount due on the first day of each of the first four months of delinquency. For those](#)

businesses more than four months delinquent, an additional 20% penalty is imposed for a total penalty of 40% for long-term delinquents.

City Of Los Angeles Penalty Schedule	
Month in Delinquency	Cumulative Penalty Rate (Upon the 1st day of the month)
1st Month	5%
2nd Month	10%
3rd Month	15%
4th Month	20%
5th Month and beyond	40%

- Remove the back calculation related to the application year on the first renewal submission.
- Residential Rental 3 or less units rate reduction from \$3/\$1000 to \$1.25/\$1,000. [Los Angeles currently taxes apartments at \\$1.27/\\$1,000.](#)
- Rate reduction from \$1.25/\$1,000 to \$1.15/\$1,000 for retailers or restaurants generating under \$5 million in gross receipts annually.
- Auto Dealers will pay business license tax on their total gross receipts at a rate of \$1.25/\$1,000 for sales and a rate of \$3/\$1,000 for the auto repair operations with no maximum tax.
- Increase tax rate on corporate/administrative headquarters from \$1.25/\$1,000 to \$2.50/\$1,000. [Los Angeles currently taxes headquarters at \\$4.25/\\$1,000.](#)
- A processing fee initially set at 100% of the Business License Unit's costs to be implemented, approximately \$40. [Currently the City offers Business Tax Certifications at no cost to businesses.](#)

The City's Office of Finance is expected to provide recommendations to City Council for the Modernization of the City's Tax Code by FY 2024-2025. The department will continue to monitor similar progress made by other Cities to ensure Los Angeles City remains competitive.

Looking Ahead

While the City of Los Angeles has competitive tax exemptions, comparatively lower penalty caps, and no initial or annual fees for its BTRC, a more in-depth analysis of industry-specific tax rates is needed. As the economic landscape continues to evolve due to the impacts of the 2020 pandemic, monetary policies, and global trends, it is crucial for the City to

consider competitive tax rates for specific industries that can strengthen the City's economy in the long-term.

During 2023, most of the major industry sectors in Los Angeles experienced job growth, with education & health (54,200 jobs) and leisure & hospitality (36,600 jobs) accounting for over 90 percent of the total growth. By contrast, the information sector saw substantial job declines, losing 18,600 payroll jobs, representing a nearly 8% drop from 2022.



Los Angeles is a high-cost-of-living area that must look ahead to plan for high earning industries such as biotechnology, aerospace, design, entertainment, trade, the green economy, and more. Simultaneously, the majority of businesses in our City are small businesses, and they produce over 50% of new jobs. Brick-and-mortar locations in particular, which shape and support our neighborhoods, should be given additional consideration, as they also often have slimmer profit margins.

Next Steps

With numerous opportunities for adjustment and modernization, the City has the ability to shape an economy that will serve all Angelenos. A healthy economy means a thriving small business economy that creates a cycle of neighborhood improvement, community benefit, and even tourism. Through ED4, the Office of Finance will seek to modernize the City's business tax code to better reflect today's business landscape. LABSC will continue to: 1) assess the tax rates for critical business classifications that benefit the long-term growth of the City; and 2) perform a permit fee comparison study.

IMPROVING SERVICES AND MODERNIZING THE TAX CODE

Office of Finance

The Office of Finance (Finance) serves the City of Los Angeles through efficient tax collection and enforcement, cash management, and the responsible investment of public funds. Its vision is to be the leading and trusted revenue, tax, banking, and investment experts for the City of Los Angeles.

Accomplishments

Finance launched its Strategic Plan in Fall 2023, shortly after Mayor Bass signed Executive Directive 4. Finance is actively focused on pursuing solutions to facilitate the growth and development of business in the City. The Strategic Plan identifies changes that will boost the department's organizational efficiency and strengthen its foundation as one of the first touchstones for businesses in Los Angeles. The Office of Finance's primary goal over the next several years is to streamline services to ensure an effortless user experience, allowing taxpayers to feel independent and supported.

Over the past two decades, the City of Los Angeles' business tax rate has been lowered such that it is now the lowest tax rate out of any tax in the City. And, small businesses grossing \$100,000 or less do not pay any business taxes.

All businesses, unless exempted, must obtain a Business Tax Registration Certification in order to do business in the City of Los Angeles. The Office of Finance administers this process, which, over time, has been streamlined and requires no other departmental documentation. As a result, taxpayers are able to simply fill out one form and be done. As part of Executive Directive 4, **Finance has updated its e-registration portal to make the online process of filling out the form much simpler.**

Additionally, many cities across the country charge businesses for their business tax certificates, whether it is a flat-rate administrative fee or dynamic processing costs. The City of Los Angeles, and by extension, the Office of Finance, issues business tax certificates at no cost to taxpayers, making it one of the only certificates in the City that are issued for free.

Below are the Office of Finance's Year 1 achievements toward its Strategic Plan Goals.
Strategic Focus Areas

Process

Workflows within and across divisions have evolved over time, but not always in sync. Revamping and streamlining processes will help improve efficiency, time management,

and overall customer service.

Objective 1: Improve the Business Tax customer experience and delivery of services

- ✓ Improved and streamlined the Business Tax Registration Certificate application language, including the Renewal Form and instructions
- ✓ Broadened LATAX training to additional Finance Divisions in order to ensure staff is cross-trained and aligned in the delivery of services

Objective 2: Fortify Treasury processes to protect City finances

- ✓ Initiated the creation of a new Debt Portfolio Management System with the City's Information Technology Agency that integrates with the City's Financial Management System in order to automate analysis and tracking, and strengthen data integrity

Technology

Many of the technology systems, applications, and software currently used by Finance require upgrades or replacements to meet the Department's evolving needs.

Objective 1: Plan and deploy new integrated technology systems to improve efficiency and usability

- ✓ Hired LATAX Modernization Project Team to begin planning the LATAX replacement project
- ✓ Began technical requirements gathering and workflow mapping for understanding specifications for the new system
- ✓ Initiated project planning and drafting of the project scope of work
- ✓ Secured \$1.2 million in the 2024–25 Adopted Budget for project management and consulting services for the LATAX Modernization Project

Objective 2: Improve taxpayer online user experience and data security

- ✓ Updated the online e-Registration for Business Tax Registration portal for a better user experience

Policy

The Department has significant tax, finance, revenue management, and investment knowledge that should be leveraged to help guide and inform financial and tax policy for the City of Los Angeles and beyond.

Objective 1: Provide policy expertise to City electeds and departments, and simplify and modernize the municipal tax code

- ✓ Created a new written report to aid in revenue discussions as part of the budget development process and used it for the 2024-25 Adopted Budget
- ✓ Reviewed business tax in the Municipal Code in order to provide policy recommendations and propose improvements

Objective 2: Implement standardized collection and revenue management protocols

- ✓ Completed a review of all City departments collection and revenue management protocols and currently performing analysis for the standardization process

Team

Hiring the best people, developing their talents, and providing them with the necessary training is essential to the long-term success of the Department and its employees.

Objective 1: Develop an informed, versatile, and cross-trained staff to improve efficiency and knowledge transfer

- ✓ Created a new Lunch and Learn program to provide training across a variety of topics, including City policies, interview preparation, and health and wellness
- ✓ Completed the first all-staff survey in order to obtain staff suggestions and benchmark employee engagement
- ✓ Presented the Department's first Core Values Awards, which will be implemented on an annual basis

Objective 1: Seek opportunities to recruit and retain the best staff

- ✓ Reduced department-wide vacancy rate by 8%, from 24% to approximately 16%

Operational Performance

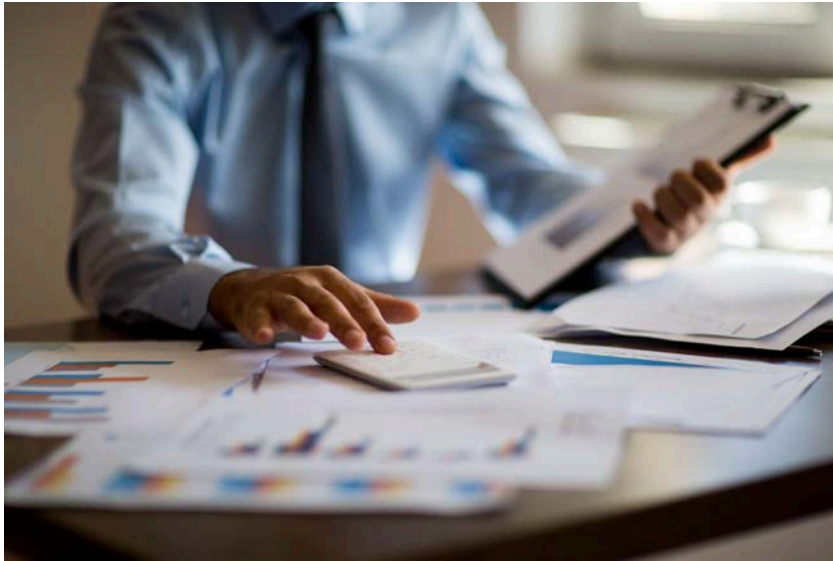
Finance successfully conducted 1,240 audits as of April 2024. This is a 29% productivity boost compared to the previous fiscal year.

- ✓ Created this past fiscal year, Finance's new ULA Tax unit has successfully staffed up and collected over \$8 million in unpaid ULA liability to date.
- ✓ The Department's Customer Support Division responded to over 110,374 emails, 105,000 phone calls, and 27,260 visits to its public counters.
- ✓ The department processes over 100 invoices per month on time, and recently

created a new vendor checklist to aid in the processing of contractual service invoices.

Challenges

Implementing a strategic plan often involves allocating resources such as financial capital, human resources, technology, and infrastructure. Funding is necessary to acquire these resources and ensure they are sufficient to support the execution of the plan.



Finance's Strategic Plan includes objectives to deliver new and expanded programs and services to achieve the City's goals and the goals of Mayor Bass' Executive Directive 4. Funding is essential to cover the costs associated with program development and delivery, including staff salaries, materials, equipment, and tools. The Department's Strategic Plan also includes objectives that build the capacity and quality of its

organization, such as staff training, skill development programs, or organizational infrastructure improvements. Funding is needed to invest in these capacity-building efforts and ensure the organization has the necessary resources to execute its strategy effectively.

In order to remain successful during the current challenging economic times, Finance will prioritize cost-effective strategies and solutions to minimize expenses while maximizing impact. This could include streamlining operations, negotiating discounts with vendors for the department's large projects, or finding creative ways to deliver programs and services with fewer resources.

SUPPORTING BUSINESS CREATION AND OPERATIONS

OVERVIEW

Entrepreneurs are often overwhelmed with processes, permits, and fees when seeking to open and/or expand a brick-and-mortar business. This is particularly challenging for small businesses that do not have the capital and resources to attain the assistance they need to overcome such hurdles. Each day a business must wait for approvals, inspections, utility activation, and other requirements needed to become operational, turns into a cost to the business. As a result, business owners that face procedural delays when opening a new location can be negatively impacted before even launching their business.

Through Working Group 1 of the LASBC, key strategies for improving and expediting the process of opening, expanding, and operating a business were identified:

- Adoption of departmental strategic plans. Departments in the LASBC produced individual strategic plans for their departments. These plans include commitments to streamline processes, adopt time-related goals, expand greater coordination with businesses, increase business education prior to plan check, reassess and expand online applications, shorten processing times, provide early feedback among many others. In addition, every department has adopted an ED4 Dashboard to help track their accomplishments, current efforts, and future plans for reaching ED4 goals and objectives throughout the Mayor's administration. A detailed plan for each department is outlined in an appendix of this report.
- Enhancement of interdepartmental communication and collaboration. Many delays can be attributed to departments historically operating in a silo without consideration of how they interact with each other. Greater collaboration and communication will lead to an improved consumer experience, less confusion, and an efficient system. There are ongoing efforts to address this issue, including **BuildLA**, a new shared platform for development services that is currently underway. The Mayor's Office is working with the LABSC to onboard all departments to the BuildLA's **Customer Service Request (CSR)** portal to facilitate better customer service, increase transparency, and minimize delays caused by the lack of communication between departments. The City will also soon launch an inter-agency performance management liaison network and shared tracking systems, the "**Los Angeles City Permitting System**." This system will allow all departments and constituents to track projects, including clearances and code enforcement cases.

- Provide expanded access to departments throughout the permitting process. In addition to increasing pre-submission consultation for businesses and expanding current programs that provide case management support, departments will also offer virtual counter appointments. As a result of ED4, all departments under the LABSC now offer virtual counter consultation services. Also, consistent with the Department of City Planning and the Department of Building & Safety, the City's Department of Water and Power will also provide in-person over-the-counter services and consultations pending approval from its Commission. To further help businesses have access to the support they need to open in the City, the Mayor is launching "**LA is Open for Business**," a quick guide and online resource hub for all services available to help businesses open in the City.
- Create parallel routes for plan checks. The current plan check and inspection system is linear, in which businesses interact with one department at a time. While it is beneficial for businesses to have a single point of submission, such a system can often be inefficient and create unexpected delays. The LABSC is working with the Departments to explore a parallel plan check processing system that will allow for faster processing times.
- Streamline access to information and education. Businesses have shared the difficulty of navigating the City. With over 40 departments and bureaus, all with their own websites, it has become increasingly laborious for businesses to access the information they are looking for. Despite the City offering pre-submission consultation services for businesses prior to plan check submission, for instance, many are not familiar with these services. As such, in coordination with the City's Information Technology Agency (ITA) and Office of Finance, the Mayor's Office will soon launch a "**Business Navigator**," a centralized hub within the City's Business Portal (business.lacity.org) to equip businesses with the information needed to navigate the City with ease.

WORKING GROUP 1 | PROGRESS SUMMARY

In opening and expanding a business, the City of Los Angeles can sometimes be cited as the cause of opening delays and prolonged timelines. In an effort to support existing and new businesses, the departments in Working Group 1 reviewed permitting processes from beginning to end, including from an inter-departmental lens where appropriate, and worked to identify strategies for streamlining processes, expediting permitting, and increasing accessibility to resources for businesses. Many of these permitting processes were not actively tracked or reviewed prior to ED 4, so the data collected and produced through ED4 created an important foundation for subsequent initiatives outlined throughout this report.

The following departments are part of Working Group 1:

- Department of Building and Safety (DBS)
- Department of City Planning (DCP)
- Department of Water and Power (DWP)
- Bureau of Engineering (BOE)
- Bureau of Street Services (BSS)
- Los Angeles Sanitation (LASAN)
- Bureau of Contract Administration (BCA)
- Los Angeles Fire Department (LAFD)
- Department of Cannabis Regulation (DCR)
- Economic & Workforce Development Department (EWDD)
- Office of Finance (OOF)

Universal Obstacles Identified

In assessing the potential barriers that may negatively impact the permitting process for businesses to open or expand a location in the City, the LABSC identified both challenges specific to departments as well as overarching obstacles applicable to all departments. These universal obstacles were found to impact departments to different degrees. These included the lack of the following:

- **Data Collection:** While many departments tracked permitting processes internally, there was no universal system or method for tracking permitting from beginning to end. This led to a lack of reliable data from which to identify and solve potential issues.
- **Interdepartmental Communication:** No universal system or approach to resolving interdepartmental permitting questions existed. Additionally, with the large size and complexity of many departments, it was unclear which staff to contact regarding permitting issues.
- **Resource Accessibility:** As part of the feedback collected from the business community, many comments focused on the inability to connect with department staff to clarify issues regarding permitting in a timely manner. Many departments did offer opportunities to connect with staff; however, the resources that were made available were often underutilized due to not being promoted or easily accessed. In some cases, resources were insufficient and needed to be created.

Universal Initiatives to Support Businesses

Reviewing the obstacles outlined above, Working Group 1 approached each issue systemically, first aiming to maximize efficiency and existing resources, and then identifying remaining gaps to address.

- **Metrics:** Each department in Working Group 1 identified **key performance indicators and metrics** to help assess departmental performance and progress over time. They will continue to report these metrics to the Mayor's Office on a monthly basis throughout the Mayor's administration. The information collected includes the timeline for processing permits, the average number of daily services provided, applications filed and completed, identified causes for delays, and more.

In addition to continuing the collection of this data, a **Customer Feedback Survey** has been developed in partnership with the ED 4 Small Business Taskforce to help gather qualitative data and feedback from constituents. More details are provided below.

- **Interdepartmental Communication:** Identifying opportunities for improving interdepartmental communication was approached in a two-prong manner: First, an immediate solution, and second, a long-term strategy.

Departments themselves cited frustration with not knowing who to contact from partnering departments to discuss specific cases. Hence, in the initial phase, an **interdepartmental roster** was created for departmental use to help connect departments to each other and the appropriate staff involved in the various phases of business permitting, helping to avoid unnecessary delays and errors where possible.

For the long-term strategy, a **Customer Service Request (CSR)** portal that was initially developed in response to COVID-19, is now being adapted and expanded to facilitate better customer service and transparency, while minimizing delays. More information on the CSR is outlined below.

- **Resource Accessibility:** Many resources for businesses provided by City Departments are underutilized or not well-known to the greater business community. Furthermore, the longer it takes for a business to connect with the appropriate service or support the longer it will take the business to open. To address this lack of connectivity, the following was accomplished:
 - ✓ Mayor Bass is launching the **'LA is Open for Business'** initiative. This initiative aims to aid businesses seeking to open or expand in the City by connecting them to the vast range of services offered by the City to help businesses get the help they need to open quickly and effortlessly. With the launch of this initiative, this information will no longer be available to the few, but to all businesses, including those without an expeditor to assist them.
 - ✓ To help businesses navigate the City and its 40+ departments for all their needs, the full scope of business resources and City services will be made

more easily accessible through the new **Los Angeles Business Navigator**, launching this summer/fall 2024, as discussed in this report.

- ✓ **Departments expanded their services to businesses** by increasing availability and support through virtual counters, pre-submission technical assistance, and case management. Please refer to each department's strategic plan in this report for more information.

Customer Feedback Survey

One of the first actions by the ED 4 Taskforce was to create a mechanism for constituents to share their personal experience and provide feedback — both positive and negative — directly with City Departments. This was accomplished with the creation of the “**ED4 Small Business Customer Feedback**” tool. Each department will place a placard and/or poster with their unique QR Code linking to a short, specific survey at physical counters, websites, and anywhere else where businesses go to seek assistance or permits.

This survey is intended to collect case studies to help identify specific circumstances in which entrepreneurs and small businesses are confronted by barriers, further aiding the LABSC in its aim to address gaps that an internal City review and feedback from select business organizations may have missed. Surveys vary slightly by department and will take approximately 5 minutes to complete. The survey response will be evaluated monthly by the Small Business Concierge Program in the Mayor's Office of Business and Economic Development. Departments will have direct access to responses and be provided the ability to respond immediately and/or address specific issues identified over time.

Customer Service Request (CSR) Portal

During the COVID-19 pandemic, many departments worked to transition their services from only being available in-person to also being accessible online. Traditional methods of case management for business permitting proved limiting in the face of the quantity of inquiries being received. In response, the Bureau of Engineering worked on creating the **Customer Service Request (CSR) Portal**. The CSR is a customer-management software that provides consistency and transparency in communication both 1) between departments and 2) between business owners/customers and City departments. When a business inquires about permitting issues, a case number is created, tied to existing permit numbers or similar identifying numbers related to the business. The answer from the department is visible to both the customer and other departments. If the inquiry was received by the incorrect department, as might be the case if the permit is being reviewed by multiple departments, the departments can assign the inquiry to the correct department without having to email back and forth, potentially delaying the process or losing information. Furthermore, if a business or constituent feels an inquiry was not sufficiently resolved, there is an option to appeal the issue.

The software also produces additional metrics that will help the LABSC in its assessment of permitting processes. Departments can track how many inquiries focused on a particular issue are being received, so resources can be strategically allocated to specific issues. Future initiatives and streamlining of this process can be informed by the information gathered through the CSR. Most departments in Working Group 1 have transitioned to CSR, and more are planning to transition later this year.

‘LA is OPEN for Business’ Initiative

One of the primary goals of ED4 is to make it easier for businesses to open in the City. This initiative aims to aid businesses seeking to open or expand in the City by connecting them to the vast range of services offered by the City to help businesses get the help they need to open expeditiously. With the launch of this initiative, this information will no longer be available to the few, but to all businesses, including those without an expeditor to assist them. The chart below outlines which services are currently available.

Department	Site Plan Pre-submission Consultation	Virtual Counters and/or Appointment	In-person Counters	Call Center or Direct Phone #	Direct Email	General Technical Assistance	Workshops and Webinars
Development Services							
DBS	✓	✓	✓	✓	-	✓	✓
DCR	✓	✓	✓	✓	✓	✓	✓
DCP	✓	✓	✓	-	-	✓	-
LAFD	✓	-	✓	✓	✓	-	-
BCA	✓	✓	-	✓	✓	✓	-
LASAN - IWMD*	✓	✓	✓	-	✓	✓	✓
LASAN - LID**	✓	✓	✓	-	✓	-	✓
BOE	✓	✓	-	-	-	✓	-
BSS	-	✓	-	✓	✓	✓	-
DWP	✓	Coming Soon	✓	✓	✓	-	✓
Business Services (non-development)							
EWDD BRU	N/A	-	-	✓	✓	-	-
EWDD BSC	N/A	✓	✓	✓	✓	✓	✓
OOF	✓	✓	✓	✓	✓	✓	-

- Service not available, ✓ Existing or newly adopted services resulting from ED4

*Low Impact Development, **Industrial Waste Management Division

INDIVIDUAL DEPARTMENTAL PROGRESS OVERVIEW

Accomplishments | Department Initiatives

While the previously described obstacles and initiatives are shared by all departments, there are unique initiatives for each department that aim to achieve the goals and objectives of ED 4 within their specific roles in the permitting process. The following are a few select highlights of these efforts:

- ✓ The Bureau of Contract Administration (BCA) has **expanded its staffing and hours for the Project Assistance Meetings (PAM) Desk**, the Department's virtual counter. PAM facilitates easy access to a live inspector who can answer questions and provide guidance for Public Work permit requirements. It is now available virtually to answer questions [specifically relating to Executive Directive 4](#). They have expanded the desk to three full-time staff, and from two days a week to four days a week, to help more businesses faster.
- ✓ BCA **decreased their response times to 3 days** for an inspector to arrive on site, helping reduce the overall time and cost of opening a business in the City.
- ✓ Los Angeles Sanitation and Environment now **offers same-day review** for most of their services through their [Low Impact Development \(LID\) Virtual Counter](#). Same-day services help deliver quick and efficient services, particularly to small businesses, reducing the cost and hurdles to opening a new business in the City.
- ✓ The Department of Building and Safety's (DBS) popular *Restaurant and Small Business Express Program* helps facilitate the approval process for all restaurants and other small businesses such as retail shops, barber shops, nail salons, as well as studio and soundstage projects by assigning a department case manager to shepherd the business from the start to the end of their permitting. The program enables new small businesses to open on time and on budget. Two new staff members have been added to this program to **increase capacity and serve businesses** more efficiently.
- ✓ In addition to the two new staff members exclusive to the *Restaurant and Small Business Express Program*, DBS has also added nine new staff members for the 2023–2024 fiscal year throughout the department. This means all services offered through DBS, including permitting, inspection, plan checks, code enforcement, and more, are delivered in **shorter time frames and with more responsiveness to cut costs and remove obstacles** for new and expanding businesses in the City.
- ✓ DBS, in collaboration with DCP, has also created a **new Zoning Review Unit**. The City's zoning code and its related ordinances have become very complex. Added to these complexities are overlays such as Specific Plans, Special Districts, Local Historic

Districts (HPOZs), and more. Similarly, the Building Code has grown to three volumes and is supplemented by the Energy Code and various manuals and technical standards. The increased volume and complexities of the regulations present challenges for any single plan check engineer to handle. By separating the zoning review and creating the Zoning Section, composed of architectural associates, the plan check process will be more consistent in the enforcement of the zoning code regulations. This will allow the dedicated DBS staff to develop areas of expertise more quickly, **improve the quality of work, reduce changes made later in the planning process, and improve efficiency and cost for businesses.**

- ✓ The Department of City Planning has **removed cumbersome steps in the clearance process** for their signage permits, so it takes less time and money to get the signage businesses need on their properties.
- ✓ The Department of Water and Power has added eight electrical design associates for our Power New Business and Electrification Division in January 2024, and an additional two engineers will be joining shortly to serve more Angelenos. These staff interact directly with developers to help provide new or upgraded electrical services for customer projects, which include residential, multi-residential, affordable housing, commercial, and industrial projects. Staffing these departments reduces the caseload for individual staff members, and **increases efficiency while reducing error and waiting times.**
- ✓ The Bureau of Street Services (BSS) has **opened a physical public counter** at the Marvin Braude Building (6262 Van Nuys Blvd., Van Nuys, CA 91401) that is currently available for walk-ins for street vendors.
- ✓ Los Angeles Sanitation and Environment revisited their Low Impact Development (LID) ordinance and helped reduce plan reviews by more than 50% and **improve review times for small businesses.**
- ✓ In partnership with the Mayor's Office, the Economic and Workforce Development Department launched **LAprenneur**, a program to help existing and aspiring entrepreneurs **access the help, education, and resources they need to open or grow a business.**
- ✓ The Department of Cannabis Regulation (DCR) has partnered with the L.A. County Bar Association to provide **free and low cost legal assistance** to qualified social equity applicants, helping them to better maneuver the licensing and permitting process.
- ✓ DCR continues to add content to the DCR Learning Management System (LMS) to provide business, licensing, and compliance courses to assist existing licensees, applicants, and prospective applicants with **free tools to assist in the navigation of local regulations.**

Accomplishments | Communication and Access

In addition to the previously discussed initiatives focusing on service enhancements, many City Departments have taken the initiative to add transparency and increase communication with businesses. Understanding where a business is in the permitting process and what is required is paramount to helping businesses open or expand on time and on budget. To this end, departments have taken the following actions:

- ✓ The Department of City Planning has **expanded their online portals** to include applications for the Restaurant Beverage Program (RBP), Conditional Use Beverage (CUB), Conditional Use Entertainment (CUX), Wireless (CUW), Community Plan Implementation Overlays, and Redevelopment Project Areas. Additionally, they have created permanent Virtual Development Service Counters.
- ✓ The Bureau of Engineering created a **Map Statue Tracking System** that launched in January 2024. This helps businesses better understand what is needed to get a parcel or subdivision map cleared, and what conditions need to be met to subdivide land.
- ✓ The Department of Water and Power (DWP) is in the process of implementing its Shapefile Integration Project, a process that will **make permitting smoother and more efficient** for businesses by allowing for easier access to current DWP infrastructure online. This will allow Customers to view DWP infrastructure information graphically, thereby allowing them to better understand the availability of DWP electrical sources near their proposed project sites. This in turn will help the customers better understand the scope of work for their proposed project.
- ✓ The Bureau of Street Services is currently updating the StreetsLA website, highlighting existing resources, counter services, and **enhancing the overall user experience**.
- ✓ The Department of Cannabis Regulation (DCR) produced a map of licensed, legal dispensaries in the City of Los Angeles, **serving as a central hub of information** consumers can use to feel safe about the items they are purchasing and further legitimize each business.
- ✓ DCR has **distributed over \$12 million in financial assistance** to qualified applicants, helping to offset the costs of business ownership.
- ✓ DCR conducts monthly Q&A sessions and webinars to **engage with stakeholders and answer their questions**.
- ✓ Los Angeles Sanitation and Environment revised their Low Impact Development (LID) ordinance. The new LID Ordinance, No. 188125, became effective on April 2nd, 2024. This new ordinance changed the standards for projects to be subject to LID. The previous LID Ordinance required projects to be subject to LID if they proposed to add, create or replace 500 SF or more of impervious area. Under the new ordinance,,

the lowest threshold that a project would be subject to LID under the revised LID Ordinance is a project that proposes to add, create or replace 2,500 SF or more of impervious area. This will help reduce plan reviews by more than 50% and **improve review times for small businesses**.

Upcoming Department Actions

Some programs or improvements are still underway, but will soon become available. Businesses will benefit from:

- Los Angeles Sanitation and Environment is in the process of implementing a new **state-of-the-art web-based permitting system** for its Industrial Waste Pretreatment Programs. Phase 1 of this new system is currently about 30% complete and it is expected to be fully implemented and rolled out in the Fall of 2024. Among the features of the Phase 1 system are mobile inspections and GIS capabilities, which would allow data upload and download in the field and **make conducting inspections of businesses more efficient**. Phase 1 of the system also comes with an online portal that allows businesses to pay their Industrial Waste Billings online. In Phase 2 of the system, the online portal will be expanded to allow the public to apply and pay for their Industrial Waste permit application online. The portal will also allow the submission of Self-Monitoring Reports and Plan Checks electronically instead of the current paper-only form. Phase 2 of the new system is expected to be completed in the Fall of 2025.

LONG-TERM STRATEGY

LA City Permitting System

The Department of Building & Safety is working to launch the **Los Angeles City Permitting System**, a platform that will house all data relating to projects, including clearances and code enforcement cases. This portal will replace a 30 year-old permit system that has become outdated with a single permitting system that encompasses all development services departments.

The LA City Permitting System will allow applicants to submit permit applications, track their progress, receive updates, and make payments online through one system. It will provide clear visibility into the status of applications, eliminating the need for frequent inquiries. The System will also make it easy for applicants to navigate through different departments and divisions within the same application. By offering a streamlined, user-centric experience, the System will improve customer satisfaction and strengthen the City's reputation as an efficient and business-friendly environment.

LADBS is on track to execute a contract this year to create the system. A preferred vendor has been selected through a Request for Proposals (RFP) process, and contract negotiations for the new LA City Permitting System were completed in December 2023. In July 2024 City Council approved the project and development of the new permitting

system has now begun..

BuildLA

BuildLA is the City's initiative to make development services processes more accessible to the public. The BuildLA website focuses on providing customers with a list of services that support core development services processes such as zoning, entitlement, plan check, and permitting. BuildLA is an interdepartmental endeavor helmed by the Los Angeles Department of Building and Safety, in partnership with the Bureau of Engineering, City Planning, and Fire Department. In alignment with ED 4 the City will expand the capabilities of BuildLA, to improve consumer engagement, increase interdepartmental coordination and ensure alignment with the needs of businesses and developers. For example, BuildLA is the platform being used as the hub for all Al Fresco Permanent Program information.

Budget Dependent Strategies

While there are many solutions that departments were able to put into motion in the past year, there are also additional barriers and strategies identified whose implementation will be dependent on future budget allocations. They include the following:

- + The Los Angeles Fire Department is working to identify funding to implement **concierge services** for businesses and hopes to add dedicated staff to help small businesses navigate LAFD permitting requirements.
- + The Department of Water and Power has requested **additional engineers to continue to expand capacity and lower wait times for businesses.**
- + The Department of Building and Safety is planning to request another **case manager** in order to continue building capacity and **lowering wait times for services.**
- + The Department of City Planning is planning to launch a **pre-application entitlement review program** later this year. This online application portal would assist customers with Zoning Administration cases. Helping applicants provide complete applications minimizes processing times and late hits for zoning issues, helping businesses open and expand in less time and at a lower cost.
- + DCP proposed to add a **Language Access Program** to expand the reach of their services.
- + Los Angeles Sanitation and Environment is looking to launch a new database that would allow for **more online services** and would be built with the Bureau of Engineering to **help facilitate inter-departmental communication.**
- + The Department of Cannabis Regulation (DCR) will be able to provide much needed **business, licensing, and compliance assistance** (BLC) to verified social equity applicants if granted funding in this upcoming budget cycle.
- + DCR seeks to **expand compliance monitoring and reduce inspection response time**

EXPEDITING INVOICE PAYMENTS

OVERVIEW

According to the City's Controller's Office, the City — not including the Proprietary Departments — paid over 100,700 vendors in FY 2022–2023 with payments totaling approximately \$7.67 billion. Of the payments issued, at least 9.92% were issued late — 30 days or more past the date of invoice issuance. This causes a problem for businesses that do not have cash reserves to draw upon to maintain cash flow and sustain their business operations while waiting for City payment.

WORKING GROUP 2 | PROGRESS SUMMARY

ED4's Working Group 2 focused on solutions and strategies for expediting payments to businesses contracting with the City. The working group started by first discussing the potential causes of contract payment delays. They included the following:

- Incomplete documentation submissions
- Improperly submitted invoices
- Non-compliance with City, State, or Federal provisions
- Accounting staff shortages
- Invoice submittals prior to project completion
- Lack of staff expertise and training
- Inability to track invoice payment processes
- Overreliance on time-consuming manual data entry
- Lengthy reviews and approvals
- Service commencement prior to the execution of contracts
- Lack of accountability and transparency

Additional causes discussed included instances in which a delay is inevitable due to disputes, change of order, or delays in funding transfer from other agencies..

The LABSC, through the analysis of prior contracts and payment schedules, found delays to be mostly an outcome of vendors submitting invoices improperly and missing required documentation. The resulting back-and-forth communication needed to complete an invoice added weeks to months sometimes to the invoice payment process for businesses. Accordingly, the LABSC departments committed to piloting practices to help mitigate the delay caused by incomplete invoice submissions through several actions:

Enhance vendor support and education

Small businesses with limited capacity, new vendors that are not accustomed to contracting with the City and its invoicing requirements, and staff turnover in companies contracting with the City can all lead to mistakes in invoicing. Moreover, the invoicing requirements are often provided as part of the execution of a contract — before commencing services or delivery of goods under the contract — a problem since most invoicing is submitted *after* the service is completed, often by staff unfamiliar with the contract itself. To eliminate mistakes that require back-and-forth follow-up, the LABSC adopted the following strategies:

- ✓ **Invoice Submission Support:** Provide vendors with invoice submission tutorials that are provided through either pre-recorded videos or virtual meetings lasting at least 15 to 30 minutes.
- ✓ **Invoice Sample and/or Template:** Provide vendors with an invoice sample and/or template that is either optional or mandatory.
- ✓ **Establish a single point of entry.** Adopt a single, digital point of entry for invoice submissions, ensuring visibility and accessibility for the entire reviewing division. Opt for online tools and platforms that automatically prevent invoice submissions until all requested items and/or answers are provided (i.e., Google Survey).
- ✓ **Provide vendors with a checklist.** In cases where a department does not utilize a digital submission platform that automatically prevents vendors from submitting an invoice unless it is complete *and* multiple items are needed to process an invoice, provide vendors with a checklist of documents and information required to complete invoice submission.
 - ◆ For scanned submittals that are e-mailed: Instruct that the checklist be used as a cover sheet for the invoice documents submitted. Also, instruct that the sequence of documents be in alignment with the checklist.

Standardize invoice processing protocols

The LABSC compared the invoice processing steps for each department and found many of them to include multiple steps of review that created an administrative burden on their staff, prolonging payment timelines. A lack of a standardized process flow for processing payments was also found to create barriers to efficiency, including in the hiring of new staff that need to be re-trained, even if they processed invoices previously in a different City department.

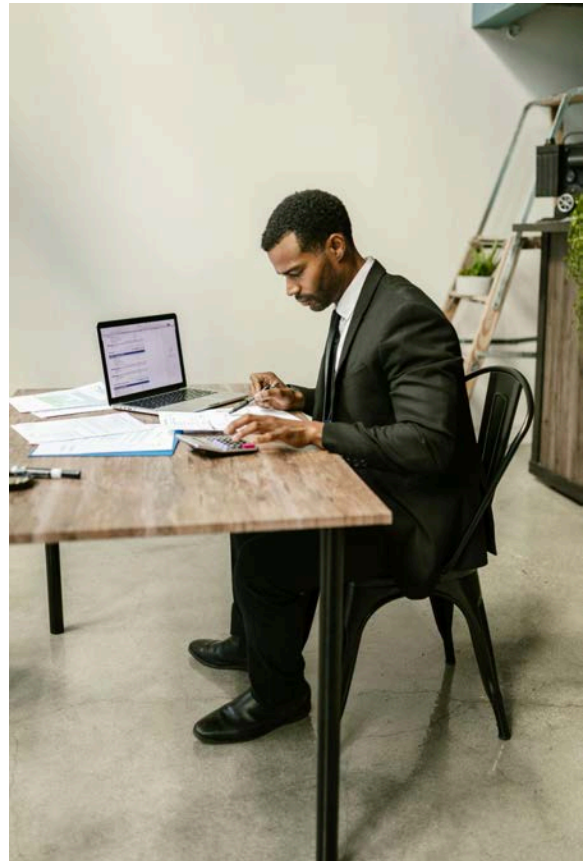
To solve this, the LABSC created three simplified invoice processing flow charts for departments to choose from. Each department chose a flowchart that best matched their existing procedures, making changes to existing procedures feasible.

Enhance staff training

There are multiple levels of review for each department to process a payment. This is particularly needed as different levels of review may not capture all errors associated with each invoice submission. Project managers, whose primary responsibility is to oversee the

execution of the work performed or delivered under a contract, are often the first ones to review a submitted invoice. However, without adequate training and expertise required to review for compliance adherence and accounting details, staff sometimes bypass errors in the early stages of contract review. To eliminate multiple levels of review, ensure mistakes are found at early stages after invoice submission, and build efficiency, staff training is required. As such, the following was agreed upon:

- ✓ The Department of Public Works's Office of Accounting will launch a **Project Manager Training Bootcamp**. They will invite other City departments to participate in the pilot.
- ✓ The Office of City Controller provided staff citywide access to **standardized training modules** to ensure responsible staff are trained on the City's Fiscal Management System (FMS) and its most recent upgrades. FMS tracks the City's spending and ensures payments are made to vendors. As a result of the upgrades, the system has improved features and functionalities that enhance efficiency and make for easier navigation. There are also now new analytical tools and reports to help City departments make better use of their fiscal resources.
- ✓ Each department committed to providing staff a clear designation of each reviewing division's responsibilities.



Adopt a time commitment

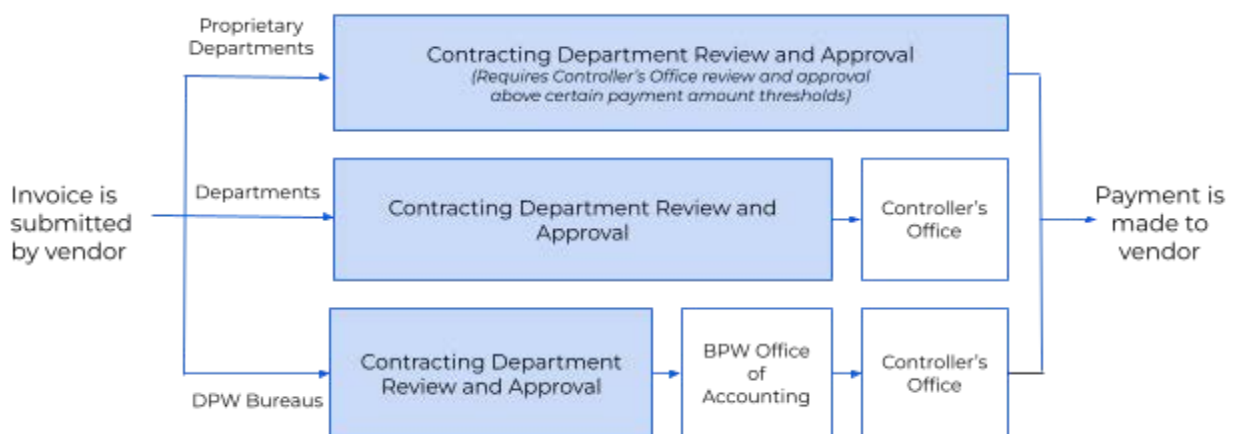
Despite multiple levels of review, the LABSC found that departments do not customarily establish deadlines or time commitments for each reviewing division within their department. As a result, it can be reasonably assumed that without strict timelines, reviewers have an undefined amount of time to review contracts before passing them on to the next reviewer, adding up to long delays in the processing of invoices. To address this challenge, departments agreed to do the following:

- ✓ Establish time commitments for each reviewing division to ensure invoices can be transferred to the Controller's Office within 25 calendar days or less.

INVOICE PAYMENT PERFORMANCE EVALUATION

Through Working Group 2, a *Monthly Performance Report Tracker* was created for departments in the LABSC to submit monthly metrics that are applicable across departments and able to track departmental performance and uncover areas of concern. The data collected is intended to help the LABSC evaluate the impact and effectiveness of efforts taken to address invoice payment delays, the frequency in which invoices are not paid within a set time period, and identify additional problems that need to be addressed in order to expedite payments.

Because of the need for departments to focus on internal processes rather than those of other reviewing departments or offices, the monthly metrics collected solely focused on the period in which contracting departments review and approve invoices submitted. The diagram below highlights the period for which the invoices are being tracked in blue*:



**Please note, in certain instances, multiple departments are involved in the solicitation, oversight, and review of a contract. In such cases, the "Contracting Department Review and Approval" box above includes several departments and the review process is prolonged significantly.*

Accordingly, the following performance metrics are collected on a monthly basis:

- ◆ Total number of invoices received during each month
- ◆ Total number of invoices processed each month
- ◆ Total number of invoices processed in each month that took over 25 days to submit to Controller's Office
- ◆ Total number of current invoices submitted by the vendor and under review by the department
- ◆ Number of current invoices submitted by the vendor and under review for over 25 calendar days since submission
- ◆ Average days for contract review before department completes review of an invoice

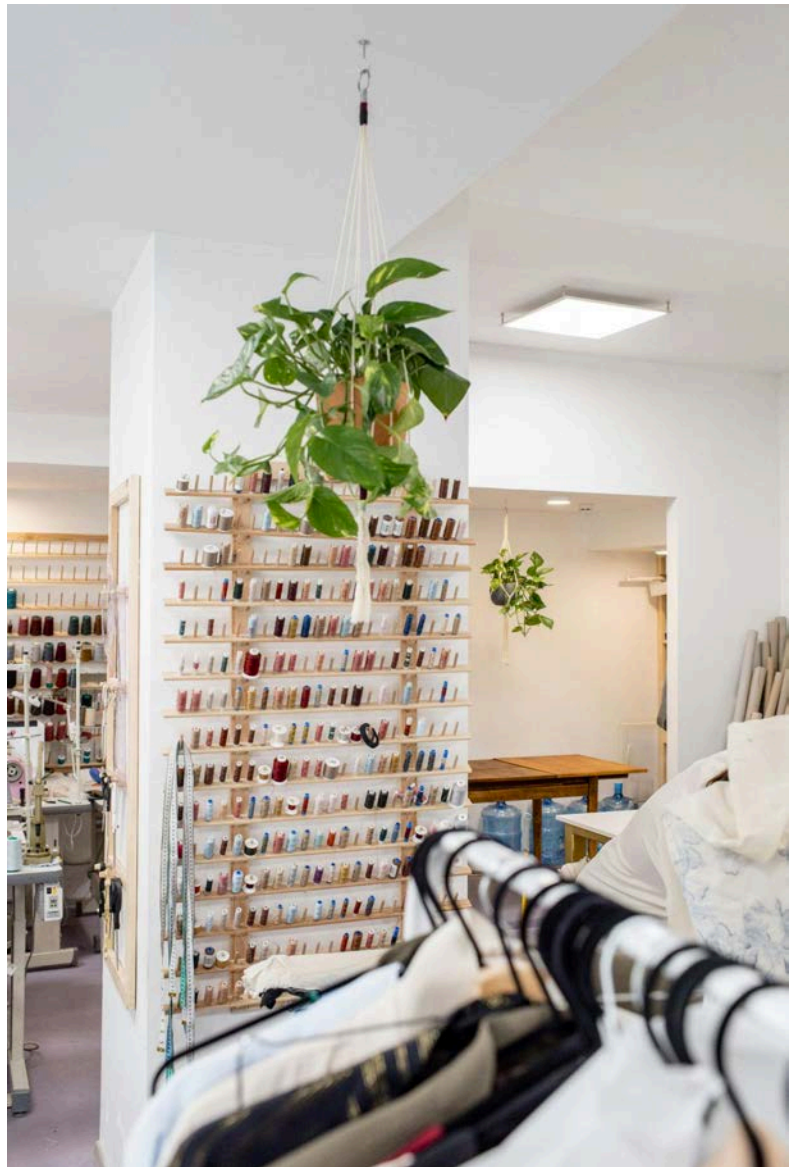
DATA COLLECTION AND EVALUATION

Since the commencement of ED4 BSC meetings, the majority of departments have successfully enhanced their internal review processes. The metrics collected from August 2023 to May 2024 indicate a reduced timeline for processing both current and delayed invoices.

These improvements are evident across departments handling low (fewer than 100 invoices per month) and high (more than 100 invoices per month) volume of invoices.

The data collected highlighted the following achievements:

- ✓ Improved internal review processes across departments.
- ✓ Decreased timeline for processing submitted invoices.
- ✓ Prompt handling of delayed invoices.



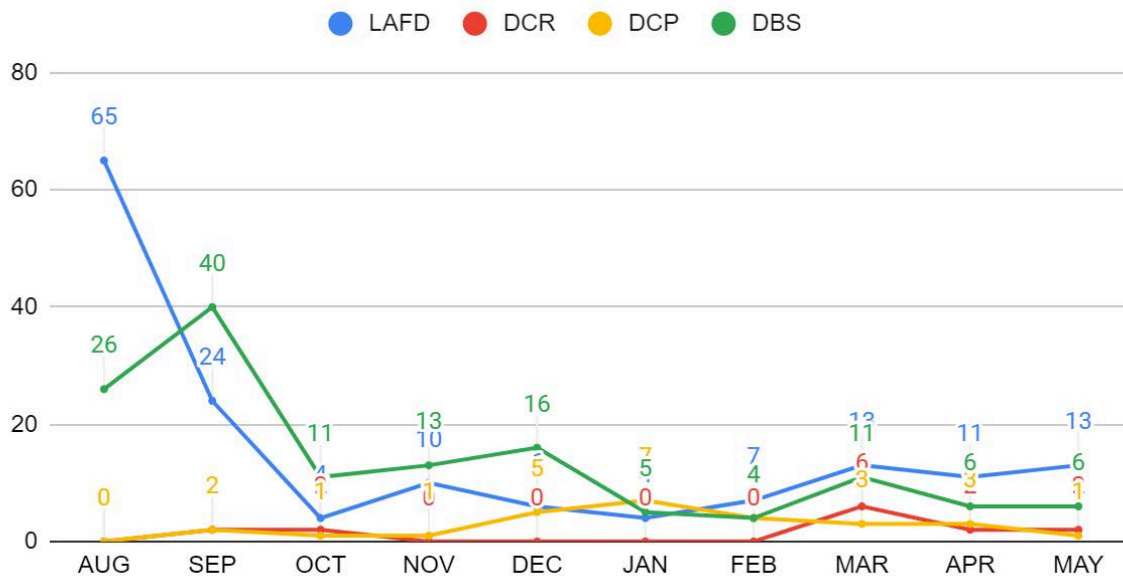
These advancements underscore the commitment of ED4 departments to streamline invoice processing, ensuring efficiency and accountability throughout.

Departments with Low Volume of Invoices

As noted above, departments were asked at the end of each month to provide the number of invoices under review by the department for over 25 calendar days since submission. The number of invoices include receipts that may have carried over from the previous month. The graph below illustrates the data collected between August 2023 and May 2024 for departments with comparatively lower volume of invoices to process each month.

Departments with Low Volume of Invoices

**Number of current invoices submitted by vendor &
not processed/still under review under for over 25 calendar days since the submission**



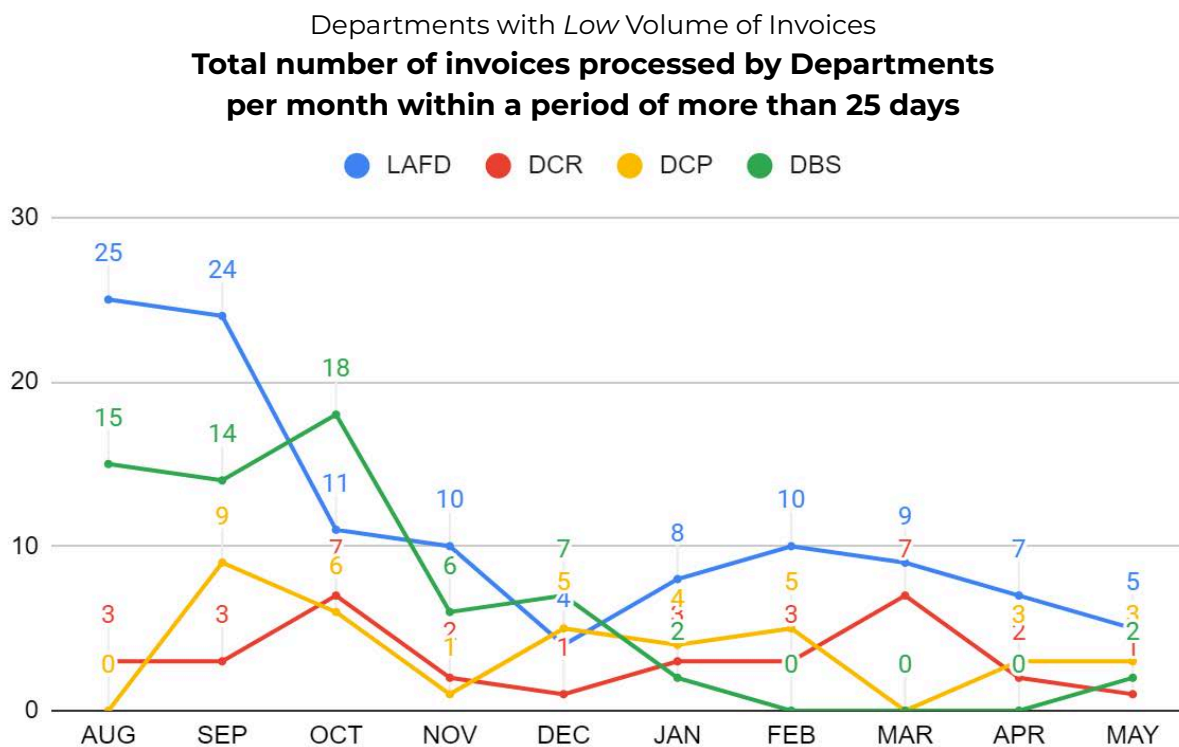
Overall, these departments showcased a high (50+%) success rate for reviewing and approving invoices within the monitored period. Departments were also asked to provide insight into the causes for approval delays of invoices not approved within 25 calendar days. Below is a summary of their comments.

- **Los Angeles Fire Department:**
 - Expired contracts
 - Missing supporting invoice documentation from vendors
- **Department of Cannabis Regulations:**
 - Staffing shortage issues
 - Inconsistent contract processes from vendors
 - BGAA* requirements for payment transfer took extra time to process

*BGAA: a term for a document process in FMS
- **Department of City Planning:**
 - Repetitive discussions with vendors regarding required documentation
 - Staffing shortage issues
- **Department of Building and Safety:**
 - Incomplete invoice documentation from vendors

Departments were also asked to track the number of invoices approved that required more than 25 calendar days to process. Overall, departments were able to decrease the number

of invoices that required additional time to process, generally processing invoices at a faster rate than previous months.



* Missing data from the Office of Finance (OOF)

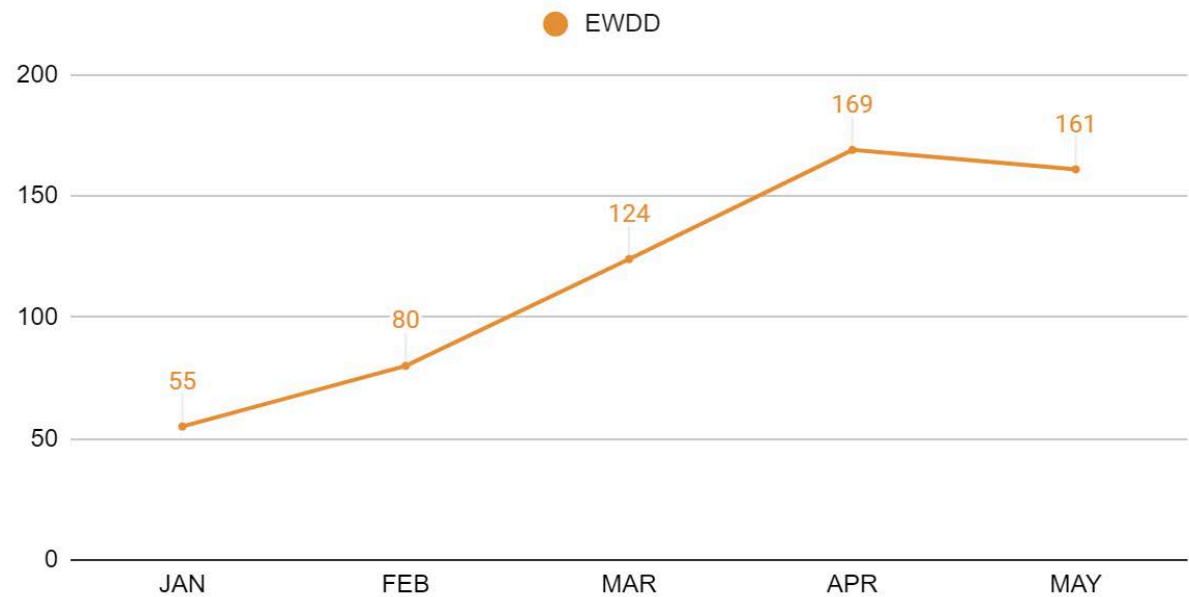
During the same period, departments processed all invoices, including those processed in less than and more than 25 days, at different completion rates. Below are the processing rates for each department with lower volume of invoices.

Departments	FY23-24 (Aug 2023 - Dec 2024)	
	Received	Processed
LAFD	1,497	86.4%
DBS	593	64.6%
DCR	189	92.6%
DCP	300	84.3%

The Economic and Workforce Development Department (EWDD), unlike other departments, had no existing process for tracking invoices or the ability to collect the data requested given the large number of contracts needed to be processed. So in 2024, EWDD

implemented an interim internal tracking log immediately after hiring a new Director of Financial Management in January 2024 to assist in tracking outstanding invoices. Going forward, the department plans to adopt the *LaunchPad* platform, a new grants management system to automate invoice status and submission. This system will track received invoices and their processing timelines.

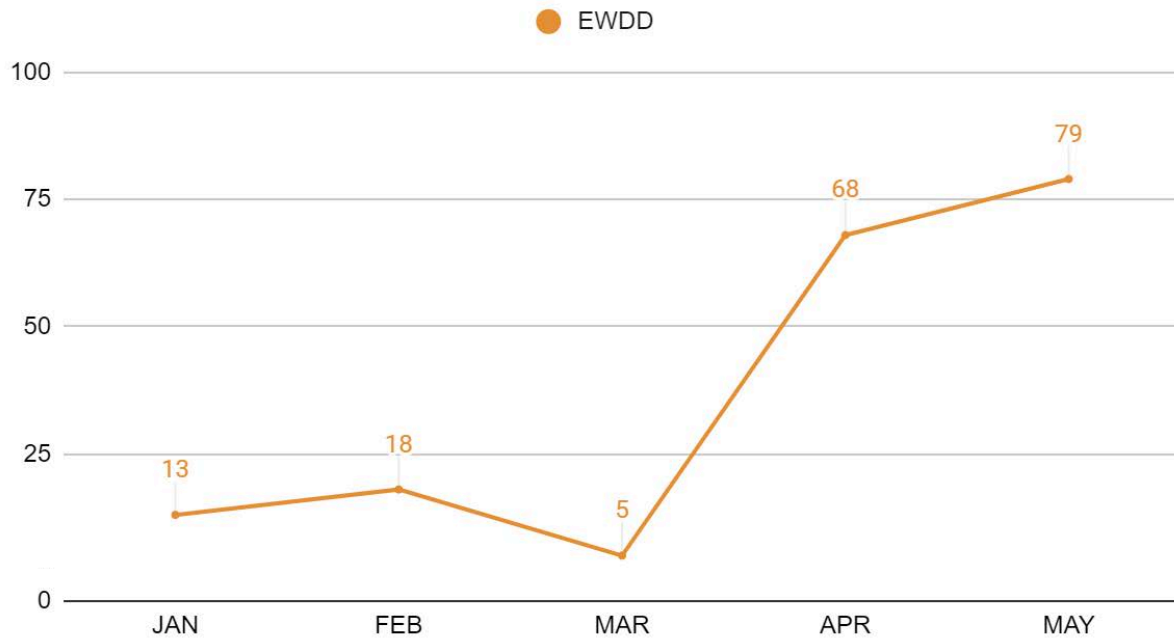
Economic and Workforce Development Department
**Number of current invoices submitted by vendor &
not processed/still under review for over 25 calendar days since the submission**



The number of invoices under review for over 25 days as well as the number of invoices processed within more than 25 calendar days increased significantly during the period assessed since they began to collect this data in January 2024. This increase occurred in correlation with the participation of EWDD Management Analysts in the training of the department’s new, interim tracking log and the need to transfer invoice documents to the new system. While upgrading their systems limited their staff’s capacity to process invoices during the period in focus, it is expected that the upgrade will help the department expedite payments in the long-term.

Economic & Workforce Development Department: EWDD cited staffing shortages and the implementation of the new internal invoice processing system as causes for the increase in invoices being processed in more than 25 days. Further details can be found in the Economic and Workforce Development Department’s *Strategic Plan for Expediting Invoice Payments* in the accompanying appendix.

Economic and Workforce Development Department
**Total number of invoices processed by Departments
per month within a period of more than 25 days**



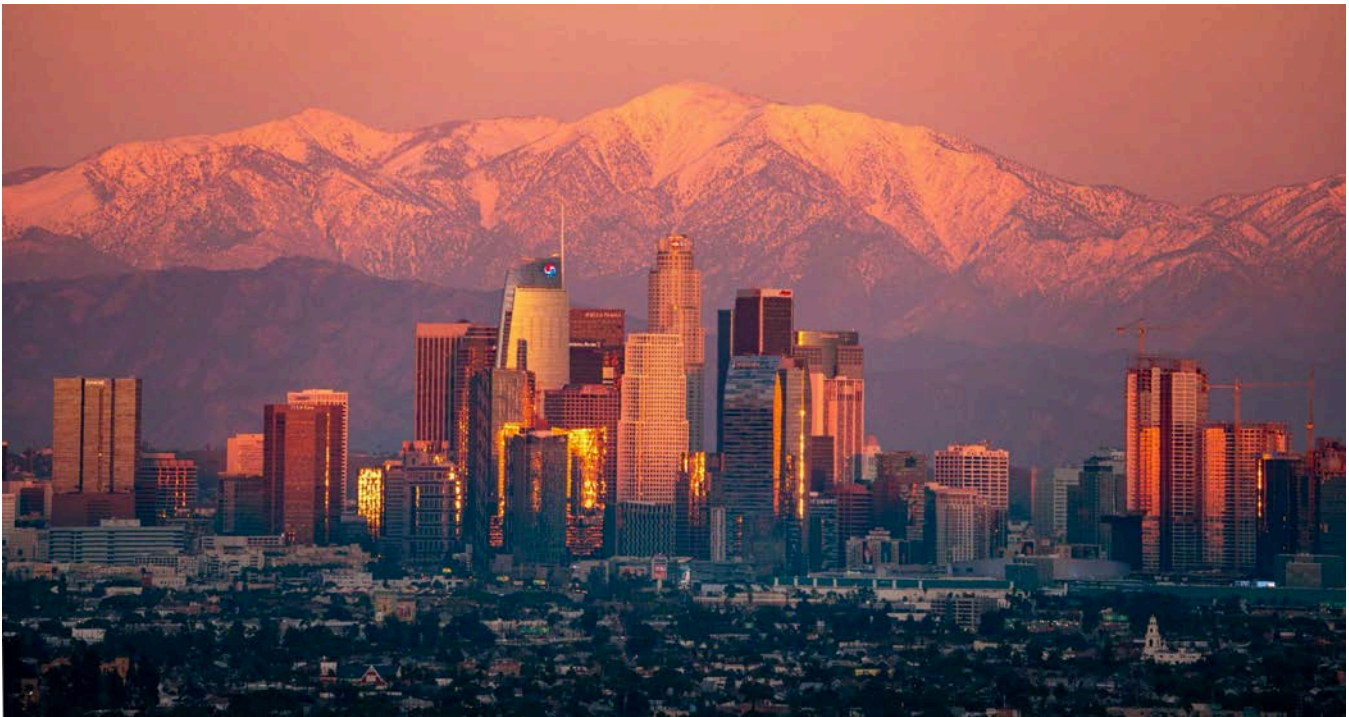
Departments/Year	2024 (Jan-May)	
	Received	Processed
EWDD	1,739	44.4%

Department of Public Works

The Board of Public Works (BPW) reported performance metrics for 7 divisions within the Department of Public Works:

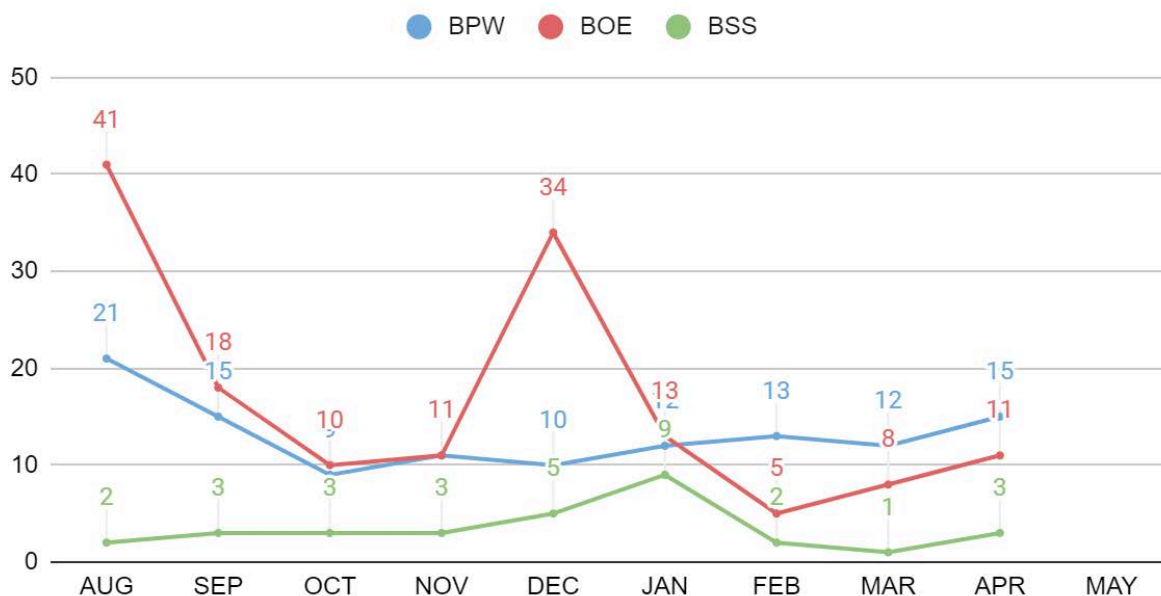
- Board of Public Works (BPW)
- Bureau of Engineering (BOE)
- Bureau of Street Service (BSS)
- Bureau of Contract Administration (BCA)
- LA Sanitation (LASAN) - Low Impact Development (LID) and Industrial Waste Management Division (IWMD)
- Bureau of Street Lighting (BSL)

The data collected highlight the number of delayed invoice submissions for each bureau before they are transferred to the Board of Public Works' Office of Accounting for additional review and approval. The charts below were divided according to the volume of invoices:

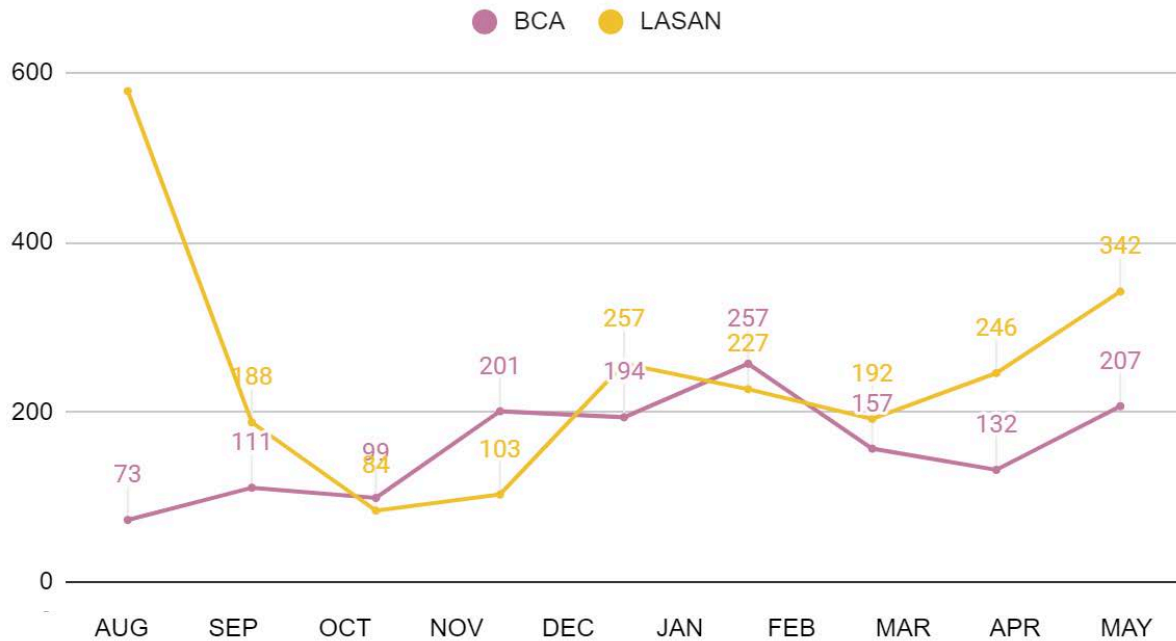


1. Bureaus with a **low volume of invoices processed** (fewer than 50 invoices on average): BPW, BOE, BSS, BSL
2. Bureaus with a **high volume of invoices processed** (more than 50 invoices on average): BCA, LASAN, Non-Dept (Appropriates to Special Purpose Fund)

Bureaus with low volume of invoices
**Number of current invoices submitted by vendor &
not processed/still under review for over 25 calendar days since the submission**



Bureaus with a high volume of invoices
**Number of current invoices submitted by vendor &
not processed/still under review for over 25 calendar days since the submission**



Department of Public Works Bureaus	FY23-24 (Aug 2023 - May 2024)	
	Received	Processed
BPW	112	85.7%
BOE	1,042	59.4%
BSS	1,827	99.7%
BCA	2,751	32.3%
LASAN	9,015	61%

Once invoices are received, Bureaus review them for accuracy and compliance before forwarding invoices to the Board of Public Works for budget approval and final review. While Bureaus with a lower volume of invoices fared well, displaying a consistent or positive movement throughout the months assessed, Bureaus with a high volume of invoices experienced an increase in the number of invoices facing potential payment delays. This can be attributed to issues similar to those faced by other departments, including staff shortages, lack of funding, incomplete information from vendors, and internal approval processes.

The Bureau of Contract Administration (BCA), which primarily handles construction invoices, frequently encounters delays due to issues such as lack of insurance and the need to correct invoice mistakes. Although BCA is committed to completing the invoice review process within 3 days, meeting other prerequisites for issuing payments frequently causes delays in the overall payment timeline.

**Total number of invoices processed this month
that took over 25 days to submit to the Controller's Office**



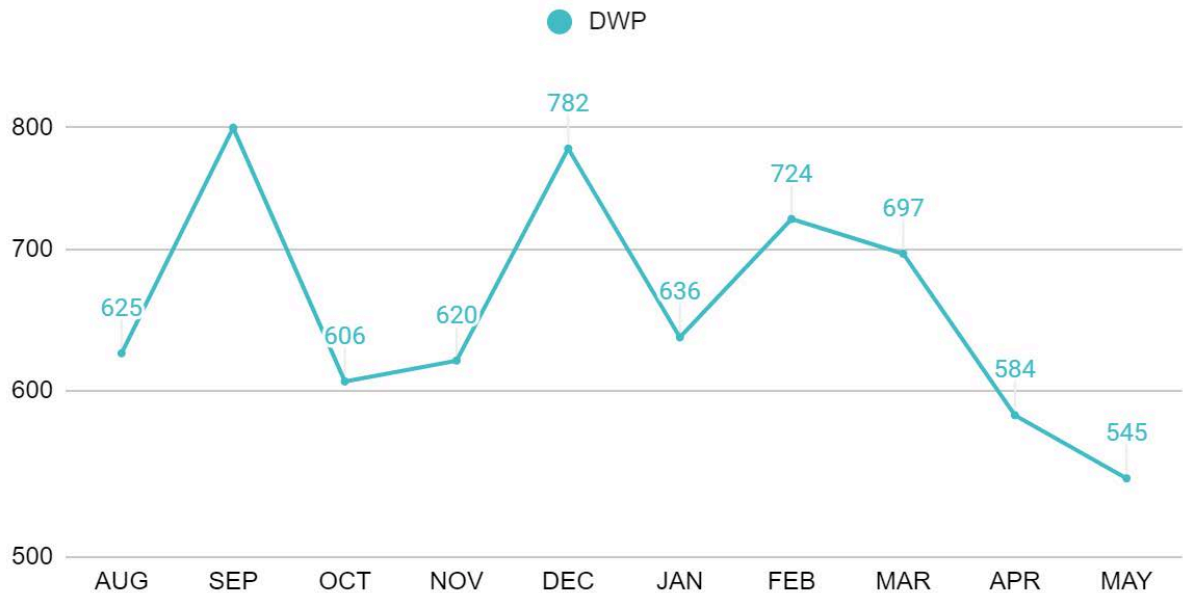
Invoice processing within Public Works relies heavily on effective coordination between the Bureau's different offices. Funding allocation, effective training of administrative and project management staff, and an ever-increasing number of new projects being approved continually tax staff resources and diminish the impact of new initiatives aimed at streamlining processes.

Harmonizing different approaches to measuring effectiveness in invoice processing has become a challenging goal. Due to its complexity in operations and mandate, a centralized accounting function has proven effective over many decades. Once projects are in the construction phase, challenges in cooperation become more pronounced. Program managers, part of BOE, ensure funding is available, projects are technically sound, and all other technical requirements are met. Construction inspectors are the "boots on the ground," providing critical first-hand reviews, and are seen as the "eyes and ears" for these projects. Once a particular construction deliverable or phase is completed, contractors are entitled by law to submit their invoices and expect payment within 30 days of submission.

Planning and proper resource alignment thus become critical. For instance, if a contractor submits an invoice to a construction inspector and the BCA approves it for payment within three days, it is expected that all areas have been completely vetted and are ready for quick

payment processing. Unfortunately, this is not always the case. BCA does not control project funding, technical changes, change orders, or any other administrative requirement. Internally moving an invoice without ensuring all administrative requirements are lined up will only add to the perceived three-day review period within any given Bureau. Accurate metrics and reporting should account for these nuances and challenges.

High Volume Invoice - Water and Power
Number of current invoices submitted by vendor & not processed/still under review for over 25 calendar days since the submission



Departments/Year	FY23-24 (Aug 2023 - May 2024)	
	Received	Processed
DWP	93,955	99.8%

The Department of Water and Power (DWP), as a proprietary department, utilizes a distinct invoice processing system. Nevertheless, the primary causes of invoice processing delays are similar to those encountered by other departments. On average, DWP has successfully processed and paid 84.62% of invoices within 30 days. The main challenges faced by DWP include incomplete invoice documentation from vendors, delays in contract administrative amendments, and approval bottlenecks. Additional details can be found in the Department of Water and Power’s *Strategic Plan for Expediting Invoice Payments* in the following section.

Next Steps

The collected metrics reveal that the primary causes of significant delays in invoice processing are:

- Missing supporting documentation and information from vendors
- Financial Management Division (FMD) delays
- Departmental staffing shortages

The City of Los Angeles is currently facing a funding deficit. Consequently, advocacy for departmental staffing needs, as they relate to ED4 goals, will become a priority once funding becomes available.

To address the issue of incomplete invoice document submissions, Working Group 2 first examined each department's strategies for streamlining invoice processes. These strategies were shared to address existing concerns and to provide recommendations for collectively improving the City's payment processing system.

Through this comparative analysis, WG2 determined that clearly stating the required information and supporting documents would improve review timelines. Departments are now asked to provide the following tangible support for vendors:

✓ **Pre-recorded Invoice Tutorial Video** OR **15-minute Virtual Meeting**

- Pre-Recorded Invoice Tutorial Video

A visual explanation of the Contractual Service Invoice Overview, including invoice data, supporting documents, and the submission process

- 15-minute Virtual Meeting

Virtual assistance to review invoice requirements and clarify any confusion regarding the invoice submission process

✓ **Sample of Invoice** OR **Template of Invoice**

- Sample Invoice

An example of a previously submitted invoice, including all required information and the preferred format

- Template of an Invoice

A template created by the department lists the information that must be included by the vendor

✓ **One-Point of Entry (Google Form Submission)** or **Cover Sheet with a Checklist**

- One-Point of Entry

A single point of entry, such as a Google Form, which prevents vendors from submitting invoices until all required information and documentation is provided

- Cover Sheet with a Checklist

A one-page checklist of required information and supporting documents for invoice submission

Accordingly, departments in the LABSC now provide the following:

Department	Pre-recorded Invoice Tutorial Video	Virtual Meeting (15 min)	Sample of Invoice	Template of Invoice	One Point of Entry	Cover sheet with a Checklist
Departments						
LAFD		✓	✓			✓
EWDD	✓		✓		✓	
DCR		✓		✓		✓
DCP	✓		✓			✓
DBS		✓	✓			✓
OOF						
DWP		✓	✓			✓
Bureaus Department of Public Works						
BCA		✓	✓			✓
BOE	✓	✓		✓		✓
BSS	✓		✓			✓
LASAN	✓		✓			✓

The delays in the Financial Management Division (FMD) process also contribute to payment delays. To address these systemic issues, the Mayor's Office is working on future process improvements and streamlining opportunities in procurement. These future initiatives aim to address needed improvements in the current Financial Management System (FMS), streamline invoice submission, and facilitate businesses' ability to meet contract compliance requirements.

LONG-TERM STRATEGY

Submittal of Invoices through RAMP

Pursuant to the Ordinance that established the Office of Procurement, the City Procurement Officer is working to centralize and digitize the City's invoicing process. This effort plays a pivotal role in modernizing government operations by offering a myriad of benefits that streamline financial processes, increase transparency to allow the City to improve on problematic processes, and eventually enhance overall efficiency. As part of the development, the Office of Procurement is working with the Board of Public Works to pilot a new system that can be implemented City-wide, thereby creating a uniform process across departments for the City's vendors.

This new system will reduce the likelihood of errors and discrepancies in invoicing, track the status of invoices and payment requests, and ensure accurate record-keeping. Additionally, this will hold the City to a higher standard of service to its stakeholders and allow for more transparency in government processing of payments. Centralized and digitized invoicing allows for easy access to historical financial data, which can aid in informed decision-making and strategic planning, which the City has historically not been able to complete due to the lack of City-wide data.

This system will provide the added benefit of assisting City vendors with regulations and audit requirements, as digital invoices are often easier to track and verify. In essence, the Office of Procurement's centralized and digitized invoicing pilot will work to modernize the City's payment operations, fostering financial transparency, efficiency, and sustainability. The Office of Procurement is in the process of releasing the Request for Proposals for a contracted application developer to build this module.

Depending on the results of the CIMS pilot, the OOP will recommend expanding the pilot to other General Funded Departments or finding another solution to creating a centralized invoice management system. The outcome of the pilot will inform the City of pain points and areas for improvement within the invoicing process. OOP will submit a budget request for FY 25-26 to request funding the development of a Citywide rollout of CIMS. After system implementation and departmental adoption of the centralized invoice management system are complete, OOP will be able to provide detailed reports and data-driven recommendations towards amending current invoicing policies to the Mayor, City Council, and the City Controller.

NEXT STEPS

After a year of continuous meetings, the departments within the LABSC will now work individually to focus on their department's Strategic Plans. To ensure implementation and encourage continuous improvements, departments will continue to provide the Mayor's Office the following each month:

- A dashboard for each working group that focuses on either 1) helping businesses open and operate in the City or 2) expediting invoice payments. This dashboard is to list in detail each action the department is taking or is planning to take to meet ED4 objectives, along with their status and timelines. The dashboard will also provide the Mayor's office with an understanding of the potential strategies the City can consider as resources become available.
- Monthly metrics that will allow the Mayor's Office to continuously track progress and further identify areas for improvement.

Smaller working groups may also be established to focus on specific issues that require improvement. One such group is the AI Fresco working group, which will continue to convene and discuss how to best support businesses transitioning to the permanent AI Fresco program.

Numerous Departments highlighted funding and staffing hurdles as part of the complexities in implementing their ED4 Strategic Plans, though nearly all have identified creative solutions in the interim to help small businesses navigate their processes and provide the needed support for these businesses to grow and thrive in Los Angeles. The LABSC and Mayor's Office will continue to work with individual Departments to identify funding solutions, grant opportunities, and advocate during the annual budget process to make strategic investments, when possible, in supporting their important work and dedication in ensuring "Los Angeles is Open for Business."

Future Annual Reports

The LABSC intends to publish an ED4 annual report each year to provide businesses with an insight into the inner workings and challenges of improving how the City engages with businesses. As in this report, future reports will share metrics collected throughout the year, findings resulting from the customer survey and other efforts, and updates on all the City is doing collectively to support business growth and development.

Continuation of Comparative Analysis of Tax, Permits and Fees

A comparative analysis of popular permits and fees issued by the City will be completed by next year's annual report. The findings will be further evaluated as needed. Additionally,

programs that help expedite permits and lower certain fees will be considered for expansion, helping to support more businesses.

The LABSC will also explore taxes and permits that apply to specific industries projected to grow to ensure the City remains competitive. The LABSC will work with the Office of Finance and Chief Administrator's Office to further assess these industry fees and taxes when and if they are found to be of higher cost than those of other Cities. This analysis will be made in conjunction with the Office of Finance's review of outdated sections or recurring issues within the Los Angeles Municipal Code, including the City's Tax Ordinances that cover business taxes in Article 1.

Feedback from Business

To ensure the City remains steadfast in its effort to meet ED4 goals, the Mayor's Office and City Departments in the LABSC will begin to collect feedback from constituents through surveys available where businesses are serviced. Additionally, to help direct the Mayor's agenda and ensure that small businesses continue to have influence over the priorities and solutions needed to support their growth, the Mayor will continue to work with her Small Business Cabinet, a cabinet made up of senior small business industry leaders in the Los Angeles region.



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