



ERIC GARCETTI
MAYOR

September 20, 2017

Honorable Members of the Budget and Finance Committee
Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee
City Clerk
City Hall, Room 395

**OFFICE OF FINANCE – SECURE CASH ACCEPTANCE OPERATIONS
(C.F. 16-0600-S31)**

Dear Honorable Members:

During consideration of the Office of Finance's (Finance) Fiscal Year 2017-18 Proposed Budget, the Budget and Finance Committee requested Finance, with the assistance of the Los Angeles Police Department and the City Attorney, to report back on security updates and enhancements needed to secure cash operations (C.F. 17-0600-S31). This report also updates the recommendations for Fiscal Year 2017-18 provided in Finance's Report (C.F. 16-0600-S170) dated March 6, 2017 entitled "Office of Finance's Plan on Collection of Cannabis Business Activity."

Finance proposed recommendations in the March 6, 2017 Report to Council detailing the various issues and needs of Finance for successful business tax administration of the cannabis industry. Those recommendations from the Report are restated and updated below with a focus on the immediate needs of the department entering the 2018 Tax Year with an emphasis on cash acceptance and audit requirements. The recommendations herein are based on the premise that Finance will resume basic tax registration and collection functions (pre-Proposition D) relative to the cannabis industry and does not assume any role in permitting or licensing. Note that while the resource requirements identified herein are believed to be adequate to meet current workload, the recommendations do not take into account continuing growth or other necessary future improvements. Finance will continue to evaluate resources versus workload and changes in the environment that may further impact future needs. The recommendations herein are necessary for the current fiscal year and Finance will submit a request for additional resources in the 2018-19 Budget.

RECOMMENDATIONS

The following recommendations completely replace those in the Office of Finance's March 6, 2017 Report (C.F. 16-0600-S170). The Office of Finance respectfully requests that the Council, subject to the approval of the Mayor:

Cash Acceptance

1. Provide nine months funding in the amount of \$388,500 to Office of Finance (\$357,000 to Fund No. 100, Department 39, Account 001010 Salaries General, \$1,500 to Account 003310 Transportation and \$30,000 to Account 006010 Office and Administrative, and authorize the following six regular authority positions in Fiscal Year 2017-18 for the Office of Finance to carry out its responsibilities in cash acceptance from cannabis businesses, subject to position allocation by the Personnel Department and pay grade determination by the City Administrative Officer:

<u>No.</u>	<u>Class Code</u>	<u>Title</u>
1	1179-3	Tax Compliance Officer III
1	1201	Principal Clerk
4	1229	Customer Service Specialist

2. Provide \$58,000 to Office of Finance Fund No. 100, Department 39, Account 006010 to build out cubicle space at City Hall for additional positions.
3. Provide \$171,000 to Office of Finance Fund No. 100, Department 39, Account 003040 for armed security at Office of Finance's cash acceptance sites for the 2018 Tax Renewal period.

Audit

4. Provide nine months funding in the amount of \$313,400 to Office of Finance (\$287,000 to Fund No. 100, Department 39, Account 001010 Salaries General, \$5,400 to Account 003310 Transportation, and \$21,000 to Account 006010 Office and Administrative) and authorize the following four regular authority positions in Fiscal Year 2017-18 for the Office of Finance to carry out its responsibilities in auditing of cannabis businesses, subject to position allocation by the Personnel Department and pay grade determination by the City Administrative Officer:

<u>No.</u>	<u>Class Code</u>	<u>Title</u>
4	1514-2	Tax Auditor II

General Instructions

5. Instruct the Office of Finance, with the assistance of the Department of General Services, Office of the City Administrative Officer, City Attorney, and Los Angeles Police Department, to report back by December 2017 with options to address space issues, cash acceptance facility requirements, and security needs related to both auditing and cash acceptance from the cannabis industry for both the short and long term.

6. Instruct the Office of Finance to report back by January 2018 with Fiscal Year 2018-19 budgetary requirements for accepting cannabis industry business tax payments on a quarterly basis.

If you have further questions, please contact Todd Bouey, Assistant Director of Finance, at (213) 978-1776 or by e-mail at todd.bouey@lacity.org.

Sincerely,



for

Claire Bartels
Director of Finance / City Treasurer

cc: Miguel Sangalang, Office of the Mayor
Todd Bouey, Office of Finance