

LOS ANGELES POLICE DEPARTMENT



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ERIC GARCETTI
Mayor

October 4, 2018

The Honorable City Council
c/o Holly Wolcott
Office of the City Clerk
City Hall, Room 395
Los Angeles, California 90012

Honorable Members:

Enclosed for your review is the Los Angeles Police Department's response to Adopted Budget Recommendation R.59 (C.F. 18-0600-S59) regarding the use of cash in cannabis businesses, that was raised during the Fiscal Year (FY) 2018-19 Budget deliberations:

Instruct the Police Department to report to the Public Safety Committee regarding the safety costs related to the use of cash in cannabis businesses and the potential savings that can be achieved by changing to or creating incentives for a cashless cannabis system.

The Department's Cannabis Support Unit conducted an analysis of crimes related to high volume cash businesses and an assessment of potential cost savings and found the following:

CASH SYSTEM

Commercial cannabis is a cash heavy industry. It has been the practice of these businesses to transport and deposit large sums of money to pay their tax and fee obligations to the Department of Finance. The Department has provided uniformed officers from Security Services Division to monitor these scheduled transactions to address safety concerns. The cost of security is provided below:

- FY 2017-18 Renewal Season-Security Request/Estimate was listed at \$143,642.70
- FY 2018-19 Estimates a cost of \$454,169.70
 - Requesting five officers for 261 days at \$93.00 an hour at City Hall and Van Nuys branch locations
 - Requesting three armed security guards for 40 days at \$24.99 an hour at West LA branch

CASHLESS SYSTEM

A cashless system would reduce the need for cash deposits at the Department of Finance and the need for physical security hence reducing the security budget.

On face value, it appears going to a cashless system could present potential savings. A cashless system could reduce the hours spent by law enforcement responding to and investigating crimes such as robberies and burglaries, while making it harder to hide income, evade taxes, and launder money. Conversely, if a cashless system is adopted it could encourage purchases from illicit markets. There has been no precedent for prohibiting cash entirely in any commercial industry.

It is the Department's recommendation that the Department of Cannabis Regulation explore additional payment options. Such options may be Automated Teller Machines that use vouchers or accepting debit and/or credit card transactions. Establishing various payment options could reduce the amount of cash on-hand, which reduces cash deposits at the Department of Finance, reducing the attraction of burglars and robbers, but also providing incentive for patrons who only deal in cash to continue to use licensed businesses.

If you have any questions, please contact Annemarie Sauer, Police Administrator II, Fiscal Operations Division, at (213) 486-8590.

Respectfully,

MICHEL R. MOORE
Chief of Police



JORGE A. VILLEGAS, Assistant Chief
Director, Office of Support Services