

PK. #1

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**Date:** May 3, 2005

**Attention:** Mayor Beverly O'Neill, City of Long Beach  
Bonnie Lowenthal Councilmember, District 1  
Dan Baker Councilmember, District 2  
Frank Colonna, Councilmember, District 3  
Patrick O'Donnell Councilmember, District 4  
Jackie Kell, Vice Mayor & Councilmember, District 5  
Laura Richardson Councilmember, District 6  
Tonia Reyes Uranga Councilmember, District 7  
Rae Gabelich Councilmember, District 8 -  
Val Lerch Councilmember, District 9  
Robert E. Shannon City Attorney  
Larry Herrera City Clerk  
Jerry Miller City Manager

**Subject:** Request for Investigation, Corrective Action and Full Public Disclosure

Dear City Leaders,

I am respectfully requesting a full investigation and corrective action surrounding what appears to be an improper use of City funds. At question is the release of "*Preliminary Findings, Long Beach Airport Economic Impact Report*" which was supplied to The Long Beach Chamber of Commerce and distributed at a function on April 7, 2005. Attendees were charged to attend this Chamber function. It is my understanding that the City commissioned this study at taxpayer expense, yet the data was supplied to the Chamber in spite of the following conditions:

- The report is incomplete
- The findings have not been presented to the Long Beach Economic Development Commission
- The findings have not been presented to the Mayor & Long Beach City Council
- The City has not validated the findings in the completed report
- The findings have not been presented to the public
- Preliminary Findings were submitted to the Airport Commission on April 21, 2005 (2 weeks after distribution by the Chamber of Commerce)
- Preliminary findings from the report appeared on Long Beach Alliance website, Wednesday April 27, 2005

I am requesting full accountability from the City of Long Beach to address the following questions:

- How much did the City of Long Beach pay for this study?
- Who, in the City, authorized distribution of the preliminary findings to the Long Beach Chamber of Commerce before the report was final and validated?
- Who, in the City, authorized or provided release for publication of the preliminary findings on the Long Beach Alliance website before the report was final and validated?
- Given that the Long Beach Alliance is using these findings, shouldn't the City be obligated to report this as a non-monetary gift to the Long Beach Alliance Campaign Fund? The research has a dollar value and is not a matter of public record.

- If the City did not authorize the release and use of the *"Preliminary Findings, Long Beach Airport Economic Impact Report"* is the City prepared to hold the individual(s) accountable for its distribution and consequent use by the Long Beach Alliance as a breach of public trust?
- What are the City's standards for employee ethics and integrity when it comes to distribution of preliminary data before a study has been completed by the researcher, presented to the City, reviewed by the City and validated by the City?

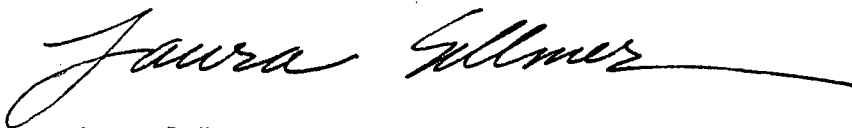
At stake is the serious matter of public trust and the City's possible role in producing and providing misleading information. The City is must be able to obtain professional and reliable data for the large decision making responsibilities it holds. But any study provided to the City must be subject to the City's own validation of data.

In conclusion, critical errors in assumptions contained in the *"Preliminary Findings, Long Beach Airport Economic Impact Report"*, point to a seriously flawed report in at least 6 major areas:

1. The study defines the economic impact area as Ventura, San Bernardino, Riverside, Orange and Los Angeles Counties. The size of the region is irrelevant for Long Beach taxpayer decision making and spending.
2. The study cites an all-inclusive number of jobs and earnings of airport business. The study's definition of these businesses is runway dependent - those who could not do business without access to runways. Yet roughly 30% of the businesses listed in it's appendix are not runway dependent, such as Automobile Club of Southern California, DeVry University, Temple Storage, United Labor Bank, West Coast Dialysis Center, Concepts 4 Inc, and many more. This error creates inflated and inaccurate results.
3. The study fails to address or include economic losses to residential property or compare residential real estate rates of increase to non-impacted areas
4. The study's use of RIMS II, a regional economic model developed in 1987 and fails to address the number of manufacturing jobs that in 2005 are being outsourced to China, Mexico, Indonesia, and other developing countries.
5. The use of the RMIS II model is used for impact of major expansion project. This model should only be used if the City is going to increase the number of flights which is the economic driver in airport expansion. Terminal improvements would not apply to this type of modeling.
6. The study fails to include offsetting values – values that are being taken away from another area and therefore cannot be considered a regional contribution because the spending is only a change in location.

Your attention to this matter of public trust is respectfully requested without delay.

Sincerely,



Laura Sellmer

Enclosures

- 1) *"Preliminary Findings, Long Beach Airport Economic Impact Report"*
- 2) Long Beach Alliance website facts page
- 3) Bureau of Economic Analysis, What are RIMS estimated used for?

# Preliminary Findings Long Beach Airport Economic Impact Report

(report will be released later in April by the EDC)

## I. Introduction

Economic impact reports provide a profile of an enterprise or activity in terms of the number of jobs, earnings, and the value of output captured by the regional or national economy. These reports provide a snapshot of the economic activity at a moment in time, usually a calendar year. The focus of this study is to estimate the economic activity generated by the Long Beach Airport, including not only activities related directly to air transportation, but also including other activities that take place on the properties adjacent to and surrounding the Long Beach Airport. The Long Beach Airport supports commercial and general aviation as well as a variety of aerospace manufacturing and related activities that would not exist without access to the runways and the airport terminal. Given the breadth of activities associated with the airport, the study initially focused on the large geographical area north of Interstate 405, south of Carson Street, and bordered by Clark Avenue and Cherry Avenue. Most but not all of the property is owned by the City of Long Beach. For purposes of the study, the large geographical area includes the Boeing properties and the Skylinks Golf course as well as other business enterprises, such as the Long Beach Marriott and the Kilroy Airport Center has been designated as the Long Beach Airport Area Complex.

The study year of 2003 was chosen as this was the most current year for which complete data was available<sup>1</sup>. During 2003, the Long Beach Airport serviced approximately 3 million passengers, and this level of service provides a more reasonable profile of expected passenger loads than prior years. While 2003 does provide a better profile of commercial air transportation activities, it is important to note that during this period 240 acres of Boeing property was idle. The proposed Boeing development called Douglas Park is a mixed-use development project which includes commercial, light industrial, retail, and residential components. The Boeing Realty plan also includes hotel usage that is directed at business travelers, some of whom would utilize the Long Beach Airport. In addition, Skylinks Municipal Golf course was in the midst of a major renovation during the study period. Inasmuch as the construction and renovation activities associated with the golf course are transitory, we did not include values for these activities. Similarly, the demolition of buildings on the Boeing site, soil mitigation activities, the enhanced improvements along Lakewood Boulevard, and other construction activities are not addressed in this report.

The calculation of an economic impact involves the specification of direct and indirect consequences.. The direct impacts are the number of jobs, the earnings, and the value of output generated by these establishments. This direct economic activity, in turn, encouraged other indirect economic activity. To calculate the indirect effects, the Bureau of Economic Analysis's RIMS II input-output tables for the regional economy were used.

The Long Beach Airport, established in 1923, was the first municipal airport to serve Southern California. At present, the airport covers 1,166 acres and has five runways. The Long Beach Airport is defined as a small hub airport. The airport is also recognized as one of the busiest general aviation airports in the world. The operation of commercial aviation in Long Beach

<sup>1</sup> The study began July 2004 and the most current data was 2003/ The 2004 data would not change the report in a material way, although the magnitudes would change./ Inasmuch as the region's economy performed better in 2004 than 2003, reliance on 2004 data would involve an upward revision in estimates.

operates within a Noise Compatibility Ordinance, which was the outgrowth of extensive litigation resulting in a settlement in June 1995 approved by the Federal District Court. Under the terms of the settlement, 41 commercial and 25 commuter daily flights are permitted, with some limited additional growth if noise is maintained within the 1989 baseline framework, as established by the settlement.

## II. Summary of Findings

- This study measures the economic impact, based on 2003 data. Included in this initial document are the results of the most inclusive area, referred to as the Long Beach Airport Area Complex, which is defined relative to geographical boundaries (see bullet below.) Within the Complex, we also analyze two additional subsets of data, Long Beach Airport Dependent Activities and Long Beach Air Transportation and Related Activities, which will be included in the final submitted report in April 2005.
- The Long Beach Airport Area Complex is defined as the large geographical area north of Interstate 405, south of Carson Street, and bordered by Clark Avenue and Cherry Avenue. Our study found a total of 148 establishments in this area, with direct employment of almost 16,000, generating an estimated payroll of slightly more than \$1 billion and \$4.1 billion in sales of goods and services.
- Direct employment in the Long Beach Airport Area Complex is highly concentrated in manufacturing (10,925 jobs) and transportation (2,065 jobs) and is associated with an annual average payroll of \$65,273, which is 60% above the average payroll for Los Angeles County.
- When indirect or multiplier impacts are added to the direct impacts measured above, the Airport Area Complex is found to support over 48,000 jobs in the region and is associated with total regional earnings surpassing \$2 billion and regional output of more than \$9 billion.

	Employment		Earnings		Output	
	Direct	Total	Direct	Total	Direct	Total
LB Airport Area Complex	16,000	48,000	\$1.0 bn	\$2.3 bn	\$4.1 bn	\$9.2 bn

- Approximately 60% of all airline tickets sold for the Long Beach Airport are purchased by individuals or firms in Los Angeles County. Orange County accounts for 35% of all tickets sold, with other counties accounting for the remaining 5%.
- It is estimated that at least 24,000 overnight visitors used our local airport in 2003. The associated expenditures of these visitors included \$8.8 million on hotel expenditures and \$8.1 million of expenditures in other local businesses, such as restaurants, retail, and entertainment. Additionally, flight crews had \$2.3 million in lodging expenses and \$1.4 million in food and related expenditures during 2003.

everyone  
stays in  
Long Beach?

\$366  
per  
person

- The Airport Enterprise Fund was created by the City of Long Beach to fund Long Beach Airport operations, capital and other costs. The Enterprise Fund operates without City General Fund support, and approximately 30% of the Airport operating funds go to purchase services from the City General Fund and other City operating units, such as Police, Fire, City Attorney, City Council, Community Development, and Engineering/Public Works.
- In 2003, the City Airport Enterprise Fund generated \$23.9 million in fees or revenues. The majority of these fees were related to parking, fixed-base operators, car rentals, and landing fees. Property taxes in the Long Beach Airport Area Complex contributed \$2 million to City revenues while retail sales generated \$1.3 million in revenues for the City of Long Beach. In addition, the Long Beach Airport Area Complex generates a variety of other taxes and fees including the transient occupancy tax, business license taxes, and utility user taxes. The total fiscal impact to the City or the Airport is in excess of \$27.2 million annually.
- The Long Beach Airport is an important source of economic vitality for the city. As indicated in the 2010 Strategic Plan, business opportunities need to be expanded within the constraint of the existing noise ordinances.

### III. Economic Impact - Long Beach Area Airport Complex

#### A. Direct Impacts

Our study of businesses within the Long Beach Area Airport Complex footprint found a total of 148 establishments, which generated direct employment of almost 16,000 jobs. These jobs generated an estimated payroll of slightly more than \$1 billion. These businesses directly generated \$4.1 billion in sales of goods and services. Reference the appendix for a complete listing of the businesses.

Table 1 shows the jobs in the airport area, by sector.

**Table 1. Total Employment by Sector, Long Beach Area Airport Complex, 2003**

Sector	Employment
Manufacturing	10,925
Transportation	2,065
Wholesale Trade & Retail Trade	275
Finance, Insurance & Real Estate	245
Hotel, Personal & Business Services	493
Automotive Services (Rental Car) & Parking	234
Health, Legal & Educational Services	806
Other Services	662
Government	235
<b>Total</b>	<b>15,940</b>

As the table indicates, the majority of jobs in the airport area are in the manufacturing sector. This is primarily due to the presence of Boeing, which is the largest single employer in Long Beach. There are also a significant number of jobs in the transportation and services sectors. In the transportation sector, we have the employment of airlines, freight carriers, small aviation firms, maintenance and fueling operations, and ground transportation such as shuttles and limousine services. The retail and wholesale trade employment largely reflects aviation-related businesses as well as a few eating and drinking establishments. The automotive services and parking employment largely reflects the activities of rental car businesses and parking garages serving the airport. In health, legal and educational services, there are a significant number of businesses engaged in education-related aviation, for example, flight schools and flight training operations. In the category "other services," there are a wide variety of firms providing services including accounting, consulting, membership organizations, and other services.

Boeing has recently announced its intentions to cancel production of the 717. This decision will reduce the number of manufacturing jobs at the Boeing facility. There is not a firm estimate of the loss of these jobs, however, public reports suggest that several hundred workers will be affected.

**Table 2. Average Payroll Comparisons:  
Long Beach Area Airport Complex and Los Angeles County, 2003**

	Average Payroll
Long Beach Airport Area – all industries	\$65,273
Long Beach Airport Area - nonmanufacturing	\$46,585
<b>Los Angeles County</b>	<b>\$40,928</b>

Table 2 compares the average payroll in the Long Beach Airport Area Complex to the average payroll of Los Angeles County. The average payroll in the Airport complex, at \$65,273, is significantly higher than that of Los Angeles County. This may not be surprising, given the amount of high value-added manufacturing jobs in the area. Still, even if manufacturing employment is excluded, the average pay in the Airport complex stands 14% above the average pay for Los Angeles County as a whole.

**B. Indirect Impacts (Multiplier Effects)**

The direct economic impacts identified in the previous section stimulate additional indirect impacts. These occur because the Airport area businesses who sell their goods and services respond with increased hiring and increased purchases of intermediate inputs. These purchases stimulate still further purchases of intermediate inputs which, in turn, stimulate still further purchases, and so on. Each round of indirect purchasing has a smaller impact on the local economy than the last, since with each round, some portion of the dollars flow to outside suppliers.

Initial direct sales, plus all the intermediate purchases which they stimulate, constitute the total economic impact of businesses in the Airport area. In addition, multipliers are also available to measure the indirect impact of Airport activity on regional employment and earnings.

The most accurate approach to estimating the indirect regional impacts associated with an initial direct impact is with the use of a regional input-output table. An input-output table identifies all of the inter-industry flows of goods and services within a specific region and enables one to translate an initial change in final demand into total regional impacts.

The indirect impact estimates for the Airport area are obtained from the Bureau of Economic Analysis's RIMS II input-output table for the five-county, Greater Los Angeles area (including Ventura, Los Angeles, Orange, Riverside, and San Bernardino Counties). To apply multipliers from the RIMS II model, the initial impacts were broken down (sales, employment, and earnings) into 39 detailed Standard Industrial Classification (SIC) industry categories. To the impacts in each of these categories, the corresponding regional multiplier was applied. The impacts by industry were then summed to obtain total regional economic impacts. Table 3 reports the aggregate results.

**Table 3. Total Economic Impacts of the Long Beach Area Airport Complex, 2003**

	Employment		Earnings		Output	
	Direct	Total	Direct	Total	Direct	Total
Impacts	15,940	48,085	\$1.04 bn	\$2.29 bn	\$4.12 bn	\$9.22 bn

The economic activity at the Airport directly supports 15,940 jobs. As area firms purchase inputs from other regional suppliers, they indirectly support another 32,145 jobs in the Southern California region, thus directly or indirectly supporting more than 48,000 jobs in the region. Similarly, Airport area firms create economic activity in the region that generates direct earnings of over \$1 billion and total regional earnings surpassing \$2 billion. Finally, the output of Airport area firms, which totals slightly more than \$4 billion, stimulates an additional \$5 billion of production in the region, thus leading to a total economic impact of over \$9 billion annually.

#### IV. Conclusions

The Long Beach Area Airport Complex, the geographical area bordered by the San Diego Freeway, Carson, Clark and Cherry, is an important and integral part of the City's economy. This area is dominated by the presence of the Long Beach Airport and the Boeing Company. The Airport supports commercial and general aviation as well as related activities. While aerospace aviation employment is dominated by the Boeing Company, many other aircraft and related manufacturers operate their businesses within this footprint. In 2003, approximately 16,000 jobs or 8% of the City's employment base came from this area. These 16,000 jobs, in turn, created an additional 32,000 jobs raising the total employment impact within the region to 48,000 jobs. The direct jobs in Long Beach have an annual payroll of \$1.04 billion and an average payroll of \$65,000.

The Area Airport Complex is clearly an important component of the overall vitality of the City's economy. The proximity of Douglas Park to the Long Beach Airport greatly enhances the ability of the City to capture growth in jobs associated with increases in Airport activity. The close proximity of the Airport also works to the advantage of Douglas Park as the developers seek to attract firms to the site.



In 2003, there were significant and sizable economic impacts on the City and region from the economic activities in the Long Beach Airport Area Complex. More importantly, the prospects for the future growth, within the Area Complex, remain very bright. The belief is that the market will support enhanced uses of the Airport and the adjacent land within the current framework of the Airport Noise Compatibility Ordinance, ensuring a quality of life and economic vitality for the citizens of Long Beach.

**APPENDIX B**

**Long Beach Airport Complex List of Firms**

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<input checked="" type="checkbox"/>	A J's Automotive Tune Up Center	Budget Rent-A-Car Of Long Beach	<input checked="" type="checkbox"/>	Gentelco West Credit Union
	Advanced Airborne Svc Inc	<input checked="" type="checkbox"/> California Detailing		Globe Airport Security Service Inc
	Aerial Promotions Inc	<input checked="" type="checkbox"/> Carlson Marketing Group		Gulfstream Aerospace Corp
	Aero Technology	Carlton Browne And Company		Hagelin Aircraft Motors
	Aeronautical Technology Inc	Catalina Flying Boats Air		Hamilton Sundstrand
	Aeroplex Aviation	Ces-Air Aircraft Maintenance	<input checked="" type="checkbox"/>	Harris Corporation
	Aeroport Deli	Cessna Citation Svc Center		Hart Air
	Aerotec Services	Chevron Stations Inc		Hertz Rent A Car
	Airborne Express (Package Drop-Off)	Civil Air Patrol Group		Insights
	Aircraft Ground Equipment	<input checked="" type="checkbox"/> Coast Storage Co		J Perez Assoc
	AirFlite Inc.	<input checked="" type="checkbox"/> Compuware Corp		JetBlue Airways
	Airport Shuttle Services	<input checked="" type="checkbox"/> Concepts 4 Inc	<input checked="" type="checkbox"/>	Kelly Services Inc
	Airserv	Corbin & Wertz	<input checked="" type="checkbox"/>	Kilroy Airport Center
	Alaska Airlines	Crane Morley Inc		Komar Aviation Group
	America West Airlines	Cuba Travel Svc		Lawrence Taylor Law Office Inc
	American Airlines	D. Davis & Associates	<input checked="" type="checkbox"/>	Limo Services
<input checked="" type="checkbox"/>	American Express Financial Adv	<input checked="" type="checkbox"/> DeVry Institutes Of Tech		Long Beach Aviation Building
	Ampco System Parking, Inc.	<input checked="" type="checkbox"/> Don Temple Storage		Long Beach Avionics
	Analytical Graphics Inc	Eagle Aviation	<input checked="" type="checkbox"/>	Long Beach Christian Fellowship
	Anderson Aircraft Parts	El Dorado Food Service		Long Beach Cmci
	AP Donald Douglas C/O Abbey Co.	Enterprise Rent A Car		Long Beach Flying Club
<input checked="" type="checkbox"/>	Arden Realty Group Inc	<input checked="" type="checkbox"/> Epsilon America Inc		Long Beach Helicopters, Inc.
	Ardizzone Consulting	Exxon Mobil		Long Beach Physical Therapy
	Arnold & Arnold Inc Adjusters	FAA Air Traffic Control Tower		L.B. Terminal II Jet Center (Fuel Controls, Inc.)
<input checked="" type="checkbox"/>	Assistance In Marketing La	FAA Flight Standards District Office		Long Beach, City Of
<input checked="" type="checkbox"/>	Automobile Club Of Southern California	Federal Express		Los Angeles, County Sheriff's Aero Bureau
	Aviation West Flight School	<input checked="" type="checkbox"/> Fidelity National Title	<input checked="" type="checkbox"/>	M M Internet
	Avis Rent A Car System, Inc.	<input checked="" type="checkbox"/> Fireside Thrift Co		Marriott Hotel
	Avitat	<input checked="" type="checkbox"/> Fitness Center		Mercury Air Center
	Bae Systems	Flight Pros, Inc.		Million Air Long Beach
	Bell & Bell	Flight Safety Intl		Million Air Valet
	Biplane Rides	Flying M Associates	<input checked="" type="checkbox"/>	Mutual Of America
	Boeing Co	<input checked="" type="checkbox"/> Foreign Trade Institute		National Car Rental System/Alamo
<input checked="" type="checkbox"/>	Bollington And Roberts, Law Offices	Fuel Controls Inc	<input checked="" type="checkbox"/>	North American Title Co
<input checked="" type="checkbox"/>	Nova Vision Center	Veridian (General Dynamics)		

Nuvision Financial Federal CU	Volpe National Transportation Systems
Parcel J (Westland Partners)	West Coast Charters
Paster Aviation (U.K. Flight Services/L.B. Flight Center)	West Coast Dialysis Center
Petrowings	Westland Construction
Pilot Supply Shop	Windy's World, Inc
Polk Direct	Yellow Cab
Poseidon Resources Corp	
Preferred Assets Management	
R.L. Polk & Co.	
Rainbow Air Academy	
Remc Inc	
Remedy Intelligent Staffing	
Rotor Aviation	
Savvis Communications Corp	
Scan Health Plan	
Senn Delaney Leadership	
Sky Interior, Inc.	
Superior Aircraft Services	
Surface To Air Aviation	
Thielen Investigation Inc	
Thomas Staffing	
Tombo Aviation Inc	
Tom's Aircraft Maintenance	
Trans Pacific Container Services	
Transamerica Leasing Inc.	
Transportation Security Administration	
U.S. Helicopter (L.A. Helicopters)	
Unisource Discovery	
United Labor Bank	
United Parcel Service Inc	
United Technologies Corporation	
UPS Truck Leasing, Inc	
Urban Science Applications Inc	

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**GET THE FACTS**

**WHY THIS ISSUE MATTERS**

**FAQs**

**IN THE NEWS**

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## GET THE FACTS

### Go Figure: Facts and Figures on Long Beach

**1941:** year in which Long Beach airport was constructed.

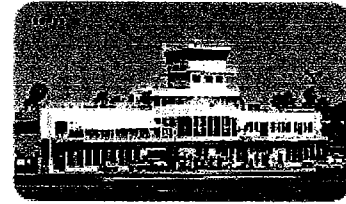
**500,000:** number of passengers the airport was meant to accommodate.

**3 MILLION:** estimated number of passengers who utilized the airport and its facilities last year.

**41:** number of flights per day allowed per day at the current terminal.

**41:** number of flights per day allowed per day if the terminal is upgraded.

**0:** number of flights added if the airport is upgraded.



**\$4 BILLION:** total amount of money generated by the airport and its surrounding businesses to local and regional economies.

**\$2 BILLION:** amount of money the city of Long Beach received in property taxes from the airport and surrounding businesses in 2003.

**\$1 BILLION:** annual payroll for Long Beach airport, supplying important jobs in our community.

**16,000:** number of jobs currently provided by Long Beach Airport, its carriers and service providers, including many high-paying manufacturing jobs.

**48,000:** number of regional jobs sustained by the Airport and surrounding business for the greater Long Beach area.

**24,000:** number of overnight visitors flying through Long Beach each year.

**\$8.8 MILLION:** amount spent by these visitors on lodging in Long Beach.

**\$8.1 MILLION:** total amount expended by these travelers to retail, entertainment, and restaurants in the Long Beach area.

**42%:** Average increase in property value for homes in the City of Long Beach since the number of flights per day increased to 41 in 2001.

Home > [Regional Economic Accounts](#) > Did You Know?

### Did You Know?

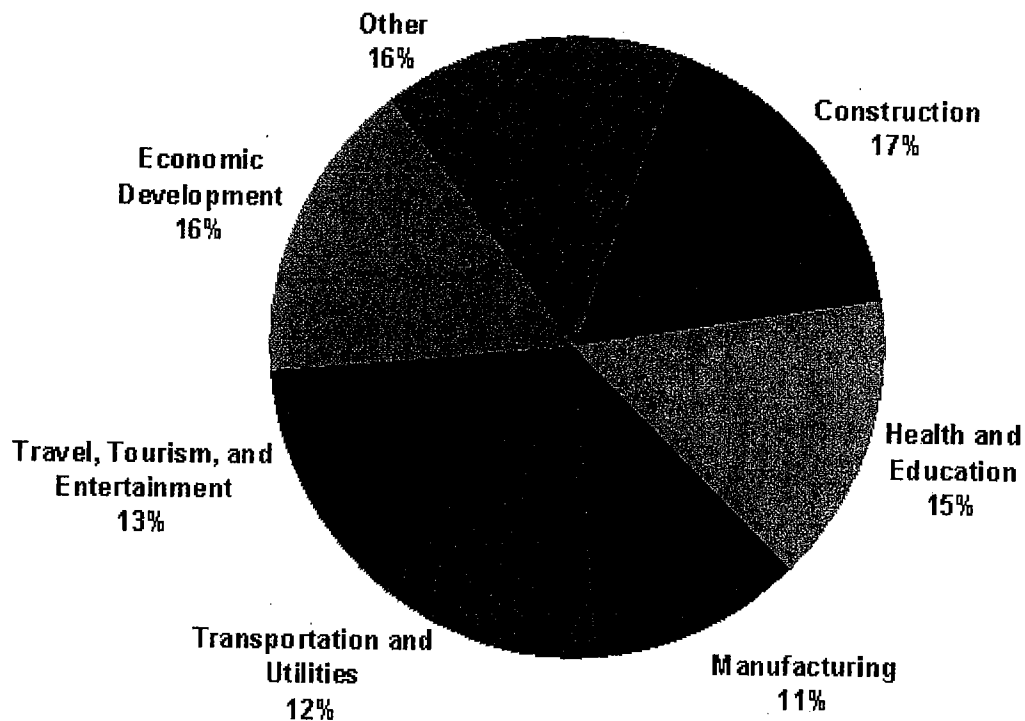
BEA can help to measure economic impacts in your area. BEA's regional input-output modeling system (RIMS) is widely used to analyze the economic impact of projects and events on state and local areas. Public and private analysts purchase RIMS estimates from BEA in order to measure these impacts on jobs and labor-related earnings.

Some examples of projects include:

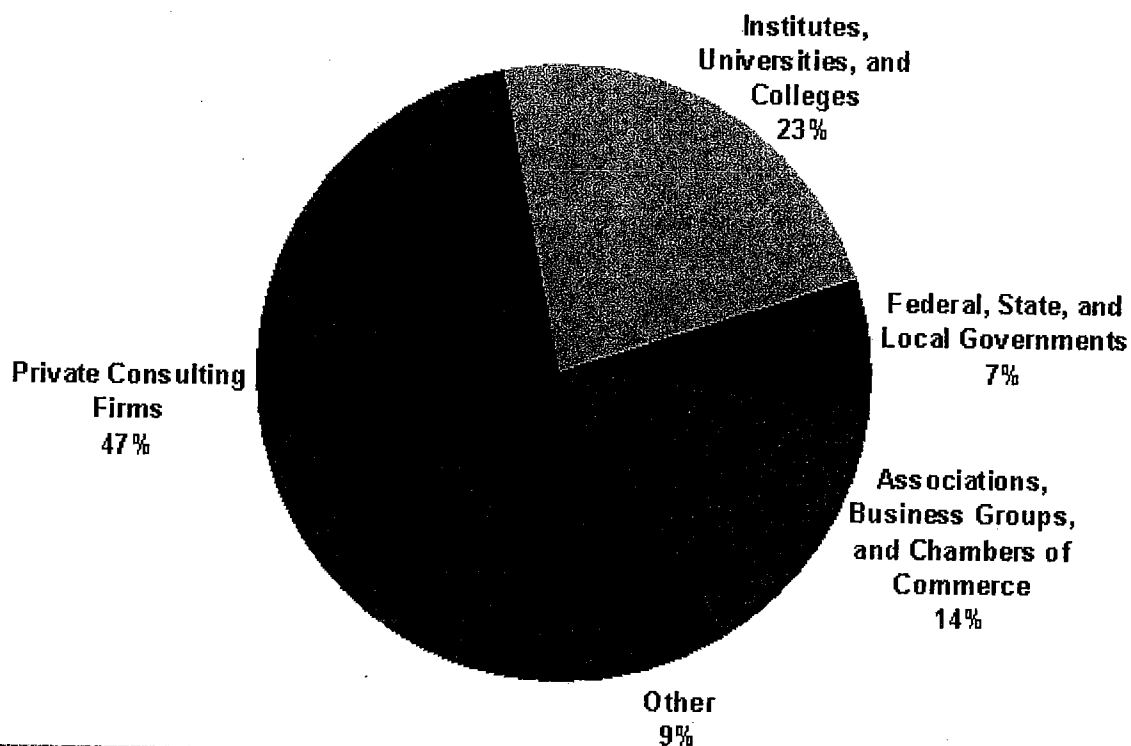
- Military base closings
- Airport or hospital expansions
- Policy changes or regulatory effects
- Shopping mall construction
- Power outages
- Tourism

[Click for more information on BEA's Regional Input-Output Modeling System \(RIMS\)](#)

### What are RIMS estimates used for?



### Who uses RIMS?



U.S. Bureau of Economic Analysis

Last updated: July 27, 2004

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