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CITY OF CULVER CITY FINANCE ADVISORY COMMITTEE

REGULAR MEETING OF THE
CITY OF CULVER CITY
FINANCE ADVISORY COMMITTEE
CULVER CITY, CALIFORNIA

October 11, 2023
7:00 p.m.

CALL TO ORDER & ROLL CALL

Chair Lachman called the regular meeting of the City of Culver City Finance Advisory Committee to order at 7:02 p.m. in the Dan Patacchia Meeting Room at City Hall.

Members Present: ANDREW LACHMAN, Chair
 MARC BAUER, Member
 ANISSA DI VINCENTE, Member
 KEITH JONES, Member
 KEVIN LACHOFF, Member

Absent: JOHNNIE GRIFFING, Member

Staff Present: Lisa Soghor, Chief Financial Officer
 Michael Towler, Finance Manager
 John Figueroa, Senior Account Clerk
 Jonathan Villasana, Account Clerk

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Pledge of Allegiance

Member Jones led the Pledge of Allegiance.

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Public Comment for Items NOT on the Agenda

Chair Lachman invited public comment.

John Figueroa, Senior Account Clerk, indicated that no public comment had been received.

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Receipt and Filing of Correspondence

John Figueroa, Senior Account Clerk, indicated that no correspondence had been received.

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Consent Calendar Items

Item C-1

Approval of the Minutes for the Finance Advisory Committee Meeting of September 13, 2023

MOVED BY MEMBER DI VINCENTE AND SECONDED BY MEMBER JONES THAT THE FINANCE ADVISORY COMMITTEE APPROVE THE MINUTES FOR THE FINANCE ADVISORY COMMITTEE MEETING OF SEPTEMBER 13, 2023.

THE MOTION CARRIED BY THE FOLLOWING VOTE:

AYES: BAUER, DI VINCENTE, JONES, LACHOFF, LACHMAN

NOES: NONE

ABSENT: GRIFFING

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Order of the Agenda

No changes were made.

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Action Items

Item A-1

(1) Selection of Vice Chair to Serve Remaining Term; and 2) Update Appointments to Ad Hoc Subcommittees

Chair Lachman reported that Vice Chair Diga Jacobsen had to resign due to work conflicts which left certain positions vacant.

MOVED BY MEMBER LACHOFF AND SECONDED BY MEMBER DI VINCENTE THAT THE FINANCE ADVISORY COMMITTEE APPOINT MEMBER BAUER TO SERVE AS VICE CHAIR FOR THE REMAINING PORTION OF FISCAL YEAR 2023/2024.

THE MOTION CARRIED BY THE FOLLOWING VOTE:

AYES: BAUER, DI VINCENTE, JONES, LACHOFF, LACHMAN
NOES: NONE
ABSENT: GRIFFING

Discussion ensued between staff and Committee Members regarding deferring subcommittees appointments to a future meeting when a full Committee might be appointed and present.

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Item A-2

(1) Discuss the Committee's Recent Assignment from the City Council to Consider Reducing the Cannabis Business Tax Rate for Cannabis Distribution from 2% to 0%; 2) Develop a Plan to Examine Cannabis Distribution Tax Rates, Form a Recommendation and Prepare a Report for City Council; 3) If Desired, Establish a Cannabis Distribution Tax Ad Hoc Subcommittee; and 4) Provide Direction to Staff

Lisa Soghor, Chief Financial Officer, provided a summary of the material of record.

Discussion ensued between staff and Committee Members regarding rates in other cities; rate fluctuation; the opportunity for the Committee to ask questions for staff to research; the rush to tax the industry upon its inception; pushback from the industry regarding taxation and its effect on their ability to make a profit; statewide taxation; the long process to set taxes at the inception; delivery vs. distribution; manufacturers with distribution permits; consideration of the distribution tax; businesses with multiple functions that have multiple permits; internal transfer of product; the Cannabis Excise Tax imposed on distributors; private business tax information; authorization by Breez to release their tax information for 2022; cost recovery fees; staff time related to departmental review; voter approved taxes; active cannabis distribution permits; businesses that are not using their permits yet; the Business License Tax increase taking place with the 2024 renewals; the current softening trend in cannabis revenues; gathering information the Committee would like to review in order to formulate a recommendation; decreased revenue

across the state; distribution vs. retail sales; businesses to business transactions; and deliveries.

Chair Lachman invited public comment.

The following members of the public addressed the Committee:

Jeff Cooper provided background on himself and his involvement in the initial process to set the tax rates; discussed the original request to consider a reduction to taxes in February 2023; other cities reducing taxes; prohibitive taxes that dissuade people from doing business; the thought process back in 2017; lack of enforcement of illegal cannabis sales; delivery services; the desire of Breez to move their business back into the City; lost tax dollars from business leaving the City; and the feeling that another subcommittee is not necessary.

Austin Hice, Breez, provided background on the business and his experience in the City; discussed the inability to pass the distribution tax along to the customer or retailer; the narrow margin distribution industry; competitors with a 2% advantage; businesses that are in the process of closing; the family-run business; the long-term investment; commitment to Culver City and the desire to be headquartered here; and he expressed appreciation for consideration of the request.

Discussion ensued between Mr. Hice, staff, and Committee Members regarding reasons for the shrinking market; the illicit market; the percentage of consumer cost that is taxes; distribution; the home delivery permit; direct to consumer retail; decreasing the distribution tax, but increasing the retail revenue; number of employees at Breez; City location; reasonable accountability; reasons for locating in Culver City; other facilities run by the company; total cannabis revenue collected; the small pool collected for distribution tax; the fact that no other industry pays a distribution tax; other states that do not charge a distribution tax because they know it is a disincentive to growth; sales tax vs. transaction taxes; and the growing retail operation at Breez.

Chair Lachman introduced a motion to support the recommendation of the City Council to reduce the tax to 0%.

Chief Financial Officer Soghor clarified that the City Council asked the FAC to evaluate and deliberate the possibility of reducing the tax, but they did not make a recommendation that the tax be reduced to 0%. Additional discussion ensued. The Committee Members also suggested maintaining accountability with periodic review of the commitment of the business to remain in Culver City.

Chair Lachman amended the motion to state that the Finance Advisory Committee recommends that the tax be reduced to from 2% to 0% and include periodic review

of the commitment of the business. Member Jones seconded the motion as amended.

Further discussion ensued between staff and Committee Members regarding support for subcommittee review of the matter; the request from the City Council that the FAC dive deeper and evaluate the issue; the basis for making the decision; clarification that no other industry is charged a distribution tax; economic advantage; the fact that no City within 50 miles charges below 1%; the rationale for going to 0%; whether the goal is to attract distribution businesses; providing an incentive to fill the permits; concern with over taxation of the industry; and other benefits of the industry.

Austin Hice, Breez, discussed serving as the originating distributor; acting as a hub; geographic launchpads that route through Culver City; and choosing who to give tax revenue to.

Additional discussion ensued between staff and Committee Members regarding setting a 1% tax to be equivalent with other cities on the Westside; money spent locally by employees; desert communities that need more jobs and are trying to incentivize companies by setting their tax rate at 0%; and a suggestion to recommend a temporary reduction;

Austin Hice, Breez, discussed difficulty attracting investors and diminished security for the business with a temporary reduction.

Further discussion ensued between staff and Committee Members regarding the ability of the City Council to make changes, and current tax rates.

THE FINANCE ADVISORY COMMITTEE RECOMMENDED THAT THE CITY COUNCIL REDUCE THE TAX RATE FROM 2% TO 0% WITH MONITORING MECHANISMS OF COMPANY COMMITMENT TO STAY IN THE CITY IMPLEMENTED.

THE MOTION CARRIED BY THE FOLLOWING VOTE:

AYES: BAUER, DI VINCENTE, JONES, LACHMAN
NOES: LACHOFF
ABSENT: GRIFFING

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Item A-3

FAC – Receive Reports for Discussion from the (1) Assets Ad Hoc Subcommittee, (2) Structural Revenue Review Ad Hoc Subcommittee, (3) FAC Anniversary Ad Hoc Subcommittee, and (4) City Council Engagement

Ad Hoc Subcommittee; (5) Affordable Housing Ad Hoc Subcommittee; (6) 2024 Government Efficiency Ad Hoc Subcommittee, and (7) Provide Direction to Staff, if Deemed Appropriate

Vice Chair Bauer reported on the recent meeting of the Assets Ad Hoc Subcommittee, and he indicated that a report would be coming forward once sufficient information had been gathered.

Chair Lachman indicated nothing to report from the Structural Revenue Review Ad Hoc Subcommittee, and he noted that the FAC Anniversary Ad Hoc Subcommittee was still trying to get on the City Council agenda but that the time had probably passed for the item to be relevant.

Lisa Soghor, Chief Financial Officer, commented on the number of presentations at City Council meetings and the inability to get a response from the City Clerk on the issue.

Chair Lachman discussed the City Council Engagement Ad Hoc Subcommittee and expressed appreciation for the ability to provide reports as part of each City Council agenda.

Lisa Soghor, Chief Financial Officer, reported direction from the City Clerk that a vote of the Committee was required in order to make a report on a Committee position.

Discussion ensued between staff and Committee Members regarding determining what to share with the City Council.

Chair Lachman discussed the Economics of Affordable Housing event on September 14 organized by the Affordable Housing Ad Hoc Subcommittee; attendance; and the request for a follow up event early in 2024.

Discussion ensued between staff and Committee Members regarding availability of the event on YouTube; video issues; and appreciation to staff for their efforts.

Member Griffing was not available to provide an update on the 2024 Government Efficiency Ad Hoc Subcommittee.

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Item A-4

Receive an Update on the Culver City Economic Vitality Task Force

Member Lachoff indicated that there had not been a meeting of the Economic Vitality Task Force, and he discussed the date of the next meeting.

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Item A-5

Discussion of November 8, 2023 Agenda

Chair Lachman indicated that he would not be available for the November meeting.

Discussion ensued between staff and Committee Members regarding potential agenda items and whether to meet in November.

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Public Comment – Items NOT on the Agenda (Continued)

Chair Lachman invited public comment.

John Figueroa, Senior Account Clerk, indicated that no public comment had been received.

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Items from Committee Members/Staff

Chair Lachman received unanimous Committee consensus that he remind the City Council of the need to appoint additional Committee Members.

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Adjournment

There being no further business, at 8:11 p.m., the City of Culver City Finance Advisory Committee adjourned their meeting to a regular meeting to be held on November 8, 2023.

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John Figueroa
SECRETARY of the Culver City Finance Advisory Committee
Culver City, California

APPROVED

Andrew Lachman
CHAIR of the Finance Advisory Committee, Culver City, California

I declare under penalty of perjury under the laws of the State of California that, on the date below written, these minutes were filed in the Office of the City Clerk, Culver City, California and constitute the Official Minutes of said meeting.

Jeremy Bocchino
CITY CLERK

Date