

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

February 12, 2020
7:00 p.m.

CALL TO ORDER & ROLL CALL

Chair Leonard called the regular meeting of the City of Culver City Finance Advisory Committee to order at 7:00 p.m. in the Dan Patacchia Meeting Room at City Hall.

Members Present: JANE LEONARD, Chair
DARREL MENTHE, Vice Chair
CRYSTAL ALEXANDER, Member
NANCY BARBA, Member
KEITH JONES, Member
SEAN KEARNEY, Member
ALEJANDRO LARA, Member
BRYAN SUA, Member

Absent: ANDREW LACHMAN, Member

Staff Present: Onyx Jones, Chief Finance Officer
Erica McAdoo, Procurement & Financial Services Manager
Punit Chokshi, Senior Management Analyst
John Figueroa, Senior Account Clerk

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Pledge of Allegiance

Member Alexander led the Pledge of Allegiance.

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Public comment for items not on the agenda

Chair Leonard invited public comment.

The following member of the audience addressed the Committee.

Les Greenberg reported distributing a copy of his recent letter to the editor of the Culver City News; he discussed perceived ways Culver City government wastes money; procedures for use of City credit cards; money spent to house a homeless individual at The Rodeway Inn; money spent by the Assistant City Manager; rules and policies strictly forbidding credit cards for certain uses; he questioned what the Finance Advisory Committee (FAC) could do to stop wasteful spending by staff; and he questioned whether voting to increase taxes would provide more fuel for waste and abuse.

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Consent Calendar

Item C-1

Approval of Minutes for the Adjourned Regular Meeting of January 8, 2020.

MOVED BY MEMBER ALEXANDER, SECONDED BY MEMBER KEARNEY AND UNANIMOUSLY CARRIED, THAT THE FINANCE ADVISORY COMMITTEE APPROVE MINUTES FOR THE ADJOURNED REGULAR MEETING OF JANUARY 8, 2020 (ABSENT MEMBER LACHMAN).

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Order of the Agenda

No changes were made.

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Action Item

Item A-1

Approval of Measure Y and Measure C Sales Tax Reports for Transmittal to the City Council

Erica McAdoo, Procurement & Financial Services Manager, discussed work to make the Measure Y and C reports more aesthetically pleasing; she noted that the report covered July through September 2019; and she provided an overview of the reports and the process.

Discussion ensued between staff and Committee Members regarding car dealerships on the report; catching up through the new California BOE; and ensuring that hyperlinks work and are accurate.

MOVED BY MEMBER ALEXANDER, SECONDED BY VICE CHAIR MENTHE AND UNANIMOUSLY CARRIED THAT THE FINANCE ADVISORY COMMITTEE APPROVE THE MEASURE Y AND MEASURE C TAX REPORTS FOR TRANSMITTAL TO THE CITY COUNCIL.

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Item A-2

Discussion Regarding FAC Recommendations to the City Council for the Fiscal Year 2020/2021 Budget

Chair Leonard introduced the item and invited public comment.

The following member of the audience addressed the Committee:

Mark Lipman noted that the Committee on Homelessness would likely be putting in a budget request to directly house people who are currently homeless to end homelessness in Culver City.

Discussion ensued between staff and Committee Members regarding recommendations based on elements of the workplan; budget presentations; the timeline; continued discussion of the item; funding for internal controls; appropriate funding for rent control issues; cost recovery; making budgetary recommendations; and ensuring that the item is on the agenda again next month.

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Item A-3

Receive Reports from Subcommittees

Business Tax Review Subcommittee

Chair Leonard introduced the item and invited public comment.

The following members of the audience addressed the Committee:

Mark Lipman indicated that he supported an adjustment in business taxes; discussed the major corporations coming into Culver City; up-zoning; accommodating developers; bringing in outside workers; the major impact on the

City from the new companies; ensuring financial responsibility for negative impacts to the community; support for the new business tax structure; he recommended a sliding tax scale; ensuring that the financial burden does not come back on the community; and he indicated that he had submitted additional comments to Committee Members.

Discussion ensued between meeting attendees and Chair Leonard regarding public input; access to the report; and the subcommittee process.

Vice Chair Menthe provided background on the process to formulate the recommendations; discussed the final set of recommendations for the City Council; compensation for costs imposed on the City by the business activity; gross revenue; current business tax rates; motivation for the current rate established in the 1960s; major changes since the 1960s; home based businesses; the new tech and creative sector; large increases in commercial rents; total self-reported gross receipts for all businesses operating in Culver City; actual figures; the process to review business rates and taxes of other nearby cities; work of the consultant; categories; Culver City rates as compared to other cities; oil production; reflecting the new business makeup of the City; being competitive with other cities; distinguishing rates between low margin and high margin businesses; forecasted revenue with proposed changes; maintaining or lowering rates for smaller businesses; improving collection; the proposed change from two rates to three rates; the Miscellaneous category; exempting businesses that gross under \$100,000; providing different options; the number of businesses that would receive a tax cut with very little effect on revenue to the City with the \$100,000 exemption; categories with the same rates; concern with driving businesses out of the City; clarification that rates have not been raised since the 1960s; commercial rental; the pass through; calculations for different scenarios; collection; enforcement; amnesty; welcome packets for new businesses; outreach to co-working spaces; the Chamber of Commerce; linkage; and conditioning other City services on the payment of taxes.

John Figueroa, Senior Account Clerk, reported receipt of four pieces of emailed correspondence that would be included with the motion to receive and file.

Gary Silbiger discussed the importance of receiving information in writing before the date of the discussion; public participation and input; ensuring that comparisons are done with comparable cities; and he asked about having businesses who make a higher amount pay a higher rate.

Discussion ensued between staff and Committee Members regarding appreciation to the subcommittee for their work and to everyone involved in the process; different categories and different rates; impacts to City revenue; looking at a range of cities; consideration of higher rates for companies with a very high level of revenue; the need for more information; the change for hospitals; concern with businesses with high sales volume but low margins; negotiating the

base for businesses to be taxed on; making a recommendation to the City Council; working to achieve consensus; providing options; the video and technology bracket; competitors; computer services vs. video; targeting specific companies; consolidation of categories; the ability to change categories; and consultant recommendations.

Jerry Chabola received clarification regarding apartment rental business licenses; the data from Inglewood; he discussed the FAC recommendation to the City Council; and he questioned the impact on business licenses and fees if Measure Y is not extended.

Discussion ensued between staff and Committee Members regarding lead time before any changes can take place; new businesses coming online; benefits and impacts to the community; providing revenue alternatives; costs of implementing a rent control program; extension of Measure Y; and spending trajectory.

Nathan Birnbaum provided background on himself; discussed changes associated with the large businesses coming into the City; compensation and community benefits; business licenses; businesses wanting to move into Culver City; the exemption for artists; and he received clarification regarding negotiation with large corporations on the base tax rate.

Discussion ensued between staff and Committee Members regarding confidentiality; gross revenue; appreciation to subcommittee members for their work on the item; goals and intention of the subcommittee; feedback from the Committee on what needs to be addressed; the consultant recommendation to increase taxes for all categories except for Oil Well Operations; the FAC proposal; the \$100,000 exemption; concern with the Miscellaneous category; the suggested change for the Professionals category; phasing in changes; use of funds; the inability to attach general tax monies to a spending pattern; showing support for small businesses in the City; exempting businesses under \$100,000 vs. exempting the first \$100,000 earned; counsellors vs. lawyers; and providing a recommendation that provides information regarding the division within the Committee.

Vice Chair Menthe moved to transmit the rates, the PowerPoint and the accompanying documents to the City Council, recommend option A and include a note indicating that at least one member of the Committee preferred option B and wanted to revisit the issue of insurance brokers and property management. Member Lara seconded the motion and the discussion continued.

Additional discussion ensued between staff and Committee Members regarding apartment rentals; phased in increases; delays to revenue; separate consideration of phasing; the ballot measure; determining the phasing process; and adding a note to the motion indicating that at least one member of the Committee advocated phasing.

Vice Chair Menthe and Member Lara accepted an amendment to the motion to add a note indicating that at least one member of the Committee wanted to consider phasing in the increases.

MOVED BY VICE CHAIR MENTHE, SECONDED BY MEMBER LARA AND UNANIMOUSLY CARRIED, THAT THE FINANCE ADVISORY COMMITTEE TRANSMIT THE RATES, THE POWERPOINT AND ACCOMPANYING DOCUMENTS TO THE CITY COUNCIL WITH A RECOMMENDATION FOR OPTION A AND A NOTE INDICATING THAT AT LEAST ONE MEMBER OF THE COMMITTEE PREFERRED OPTION B, WANTED TO REVISIT THE ISSUE OF INSURANCE BROKERS AND PROPERTY MANAGEMENT, AND CONSIDER PHASED CHANGES (ABSENT MEMBER LACHMAN).

Further discussion ensued between staff and Committee Members regarding additional meetings on the item by the City Council; assistance and facilitation; Committee Members willing to attend those meetings; public participation in the process; the ability to stream FAC meetings; distinguishing between Commissions and Committees; people who would like to have the meeting streamed; meeting location; public involvement and participation; and discussion at previous meetings.

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Public Comment – Items NOT on the Agenda (Continued)

Chair Leonard invited public comment.

No cards were received and no speakers come forward.

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Receipt of Correspondence

John Figueroa, Senior Account Clerk, reported that six items had been received.

Chair Leonard stated that no motion was necessary to receive correspondence.

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Items from Committee Members/Staff

Item S-1

Internal Control Updates

Punit Chokshi, Senior Management Analyst, reported on work done by Moss Adams to interview staff; he noted that the final report would be taken to the City Council in March; discussed the Enterprise Risk Assessment; and changes to procedures for adjusting wage pay rates.

Discussion ensued between staff and Committee Members regarding purchasing card policies; clarification that Finance does not determine the merits of an event or item; budgeted items; the role of Finance to ensure that the purchase card policy is being followed; and the means of being able to pay for items.

Chair Leonard invited public comment.

The following member of the audience addressed the Committee:

Les Greenberg felt that the FAC should be concerned with what is done with money collected; discussed the Enterprise Risk Assessment; concern expressed by supervisors with risks of fraud waste and abuse in Culver City government; the hotline project; the Lighthouse contract; staff management of the hotline; directing calls to the City Attorney's office; the public records request; he asserted that a false report was being sent to the City Council; discussed staff work with the subcommittee on procedures for the operation of the hotline; he asserted that procedures were not being followed on purchasing cards; and he expressed fear that the hotline would inspire no confidence and that FAC would rubber stamp staff efforts to sabotage implementation of an effective Fraud Waste and Abuse Hotline in Culver City.

Discussion ensued between staff and Committee Members regarding the last update provided; research on policies of other cities; running an effective hotline; the Internal Controls Ad Hoc Subcommittee; shifting what has been established; acknowledgement of concerns expressed; the four personnel who receive hotline calls; procedures; complaint classifications; the Lighthouse contract; third party receipt of calls; addressing issues through the City Manager and City Council; and communication.

March Agenda

Further discussion ensued between staff and Committee Members regarding items for the March agenda; potential FAC budget recommendations; the annual CW report; the Disaster Recovery Plan presentation; the biennial Commissions, Boards and Committee report; the change from quarterly reports to reports every

six months; standardized reports to the City Council; scheduling a joint meeting with the City Council; departmental budget presentations; and rent control.

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Adjournment

There being no further business, at 9:23 p.m., the Finance Advisory Committee adjourned its meeting to Wednesday, March 11, 2020 at 7:00 p.m. in the Dan Patacchia Meeting Room.

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

APPROVED



Jane Leonard
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 Green
CITY CLERK

26 APR 2021
Date