

**City of Culver City, California
Agenda Item Report**

Meeting Date: 01/09/12		Item Number: <u>A-2</u>	
CITY COUNCIL AGENDA ITEM: Consideration of Claim by Touchstone Television Productions, LLC, dba ABC Studios and FTP Productions, LLC for Refund of 2010 Business Taxes.			
Contact Person/Dept.: Jeff S. Muir/Finance		Phone Number: 310/253-5865	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☐		Action Item: ☒ Attachments: ☒	
Commission Action Required: Yes ☐ No ☒ Date: _____			
Public Notification: (E-Mail) Meetings and Agendas – City Council (01/06/12), (E-Mail) Touchstone Television Productions, LLC, dba ABC Studios – Corporate Tax, (E-Mail) FTP Productions, LLC – Corporate Tax, (E-Mail) Bob Burke, (01/05/12)			
Department Approval: Jeff Muir (01/04/12)		City Attorney Approval: Carol Schwab (by H. Baker) (01/06/12)	
Chief Financial Officer Approval: Jeff Muir (01/04/12)		City Manager Approval: John M. Nachbar (01/06/12)	
<u>RECOMMENDATION:</u> Staff recommends that the City Council consider the request by Touchstone Television Productions, LLC, dba ABC Studios for a refund of \$21,566 in 2010 business taxes, as well as the request from FTP Productions, LLC for a refund of \$23,862 in 2010 business taxes <u>BACKGROUND:</u> In late February 2010, a representative of both Touchstone Television Productions, LLC, dba ABC Studios (Touchstone) and FTP Productions, LLC (FTP) came to the business tax desk of the Finance Department to apply for a business tax certificate. After discussion with staff, they were informed that they were to pay their business taxes based on the higher of gross receipts or the cost of operations for their productions. Touchstone and FTP were producing the television shows “Scrubs” and “Cougar Town” at the Culver Studios. Under dispute, Touchstone and FTP made business tax payments of \$21,566 and \$23,862, respectively. Their letters of dispute are included as attachments to this staff report. The letters provided to staff seemed more of a criticism of the City’s business tax than a claim for refund based on evidence, including recommendations for alternate ways the tax could be calculated and reference to the \$12,495 cap on business tax for production companies in the City of Los Angeles.			

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These companies continued to contact staff and City Council members, which led to a series of agenda discussion items on October 11, 2010 and January 24, 2011. As a result of these discussions, on February 7, 2011, the City Council adopted a Resolution establishing a five-year moratorium on business taxes for production companies based outside of Culver City that filmed productions on any of the studio locations within the City. This moratorium was effective with the 2011 calendar year and forward.

DISCUSSION:

A representative of Touchstone and FTP (different than the individual that filed the letters of dispute) has been in contact with staff subsequent to the adoption of the Resolution to request specific consideration of their request for a refund of the business taxes they paid. At the meeting of November 8, 2011, the City Council agreed to place this discussion on tonight's agenda.

Staff believes that the business tax payments made by Touchstone and FTP were consistent with the applicable provisions of the Culver City Municipal Code and with how other such companies that registered for a business license were treated. A representative of these companies has suggested that they were the only two production companies that were required to pay such business taxes prior to the moratorium approved by City Council. A review of business tax payments made in 2011 showed that there were about 32 production companies using studio addresses as their place of business that paid a total of \$103,000 in business tax, and in 2010 there were 28 such companies that paid \$113,000 (including Touchstone and FTP). .

FISCAL ANALYSIS:

The total for both refund claims is \$45,428. These funds have already been accounted for as Business Tax Revenue in the General Fund and are part of the General Fund Reserve. The refund claims, if approved, would be paid out of the General Fund Reserve. If claims from additional companies were received and were also determined to be paid, they would need to come from the General Fund Reserve. The adopted General Fund budget for Fiscal Year 2011/2012 anticipates a deficit in revenues to expenditures of \$2.8 million.

ATTACHMENTS:

1. Letters from Touchstone Television Productions, LLC, dba ABC Studios and FTP Productions, LLC.

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MOTION:

That the City Council:

1. Consider the request by Touchstone Television Productions, LLC, dba ABC Studios for a refund of \$21,566 in 2010 business taxes, as well as the request from FTP Productions, LLC for a refund of \$23,862 in 2010 business taxes; and

2A. Provide direction to staff to 1) deny the claim; or 2) approve the claim;

OR

2B. Provide alternate direction to staff.