

October 5, 2022

Dear Mayor Lee, Vice Mayor Vera, and Members of the City Council:

The Finance Advisory Committee (FAC) voted unanimously to prepare this letter in hopes of improving communications between FAC and City Council.

The FAC was created after the passage of Measure Y in November 2012, which imposed a half-cent sales tax increase within the City. As with many such proposals, Measure Y required creation of an oversight committee to ensure the funds were spent consistently with what the voters were told.

However, the FAC was conceived from the beginning as being a valuable resource to City Council and the community as a whole.

Creation of the FAC was part of a growing set of committees and commissions designed to increase citizen participation and input in municipal government. Our system of municipal government in Culver City now includes citizen advisory committees and commissions that represent a layer of citizen participation and outreach beyond voting and public comment at council meetings. As individuals and as a collective body the Council spends considerable time interviewing, studying applications, and meeting with potential members. We are here because we want to lend our time and energies to our city and our community.

The FAC was designed to have nine members representing different aspects of the community interested in city budgets: three residents, three business owners, two members from city employees (management and labor employees), and one CCUSD representative. The FAC would hold hearings and give input and advice to the city on financial matters, including transparency, accountability, and efficiency. The appointment of three business members meant that the committee would have a significant business component regardless of the political makeup of the appointing body.

We believe that the FAC has accomplished a number of tasks that show its value to the city and the community. One of those was working to create the cannabis dispensary permit application process. We have reviewed the City's audit processes, examined issues concerning short-term rentals, and explored whether certain public amenities could function as self-sufficient enterprises. The FAC, when utilized properly, is a body that can collect public input and work to improve finance related ordinances and policies the City Council may adopt. Of course, the members of the FAC serve at the pleasure of City Council and serve to provide such advice as City Council may require. City Council is not required to adopt any FAC recommendations.

To fulfill the purpose for which it was created, the FAC should continue to review and provide citizen participation on areas relating to city finances, especially measures concerning revenues and taxation. Crucially, we believe that advisory committees can improve the final legislative product. Although the consideration of Measure RE in 2020 was not ideal, and under a considerable time crunch, the proposal that emerged from the FAC differed in many positive ways from the initial proposal by City Council. For those who do not remember, City Council's original proposal was to raise a surtax on all transfers. The FAC urged that there be an

exemption for ordinary residential properties and that the levels should be revisited from time to time to prevent “bracket creep.” These proposals were ultimately adopted as part of Measure RE before being submitted to the voters.

Unfortunately, the participatory consultative process has broken down. Three revenue measures have been adopted by City Council as ballot measures with little or no input from the FAC. One (Measure CC) bypassed the FAC altogether when it was proposed. A second measure (Measure RE) was referred to the FAC only days before the legislative deadline, as described above. Both times the FAC protested the manner of referral and the inability of the FAC to perform its full role of citizen advice and participation.

The third most recent (Measure BL) was a study in disappointments. Business license tax reform was referred to the FAC in 2019 and the FAC formed a subcommittee that performed diligent work on the topic. After having at least one public hearing, the FAC, in February 2020, adopted a detailed proposal to update the Business License Tax. That proposal adopted three new rates, did not raise the rates for retail and restaurants, and exempted most home-based businesses due to a \$100,000 exemption.

Each council member was briefed on the matter within the bounds of the Brown Act. Formal presentation of the measure was scheduled to take place on March 18, 2020. Because that council hearing was the first WebEx council hearing during the first week of the general pandemic closures (the “Safer at Home” Order), it was decided that it would not be prudent to suggest a tax increase while all businesses were closed and nobody knew what the future held. As was the general belief of most during those early days of the COVID pandemic, however, we anticipated a relatively short delay.

At some point in 2021 the FAC became aware that City Council was again considering a revenue measure relating to the business license tax, but no brief or instruction was given to the FAC to resume work. We tried to do so anyway, hoping to be of service, and knowing that the pandemic had likely changed revenue projections. We did ultimately receive from the new CFO different post-pandemic revenue projections, but we still were being instructed not to forward our earlier proposal nor revise it. In May 2022, the FAC was informed that City Council was going to vote on an unspecified form of Business License Tax increase. Given the options of saying “yes” or “no” to an unknown proposal in short order, the FAC voted to oppose any such unspecified tax increase at this time given the lingering pandemic and inflation. In its motion, the FAC also urged that if a measure was to be submitted to the voters, certain key features of our 2020 recommendations should be reviewed and included.

In fact, the FAC never was able to engage in the proposal that council adopted in July 2022. City Council formed its own subcommittee that met a couple of times, and the subcommittee’s work was made public only a few days before the proposal went to City Council for final approval. At the July 11, 2022, City Council meeting, the Chair of the FAC did make a request during public comment to change one rate due to incompatibility with neighboring cities, but the advisory role of review and comment was otherwise denied to the FAC.

There was no public process in discussing the rates or categories of businesses until the final proposal was presented to City Council. The layer of citizen participation that these advisory committees are designed for was absent. We believe that if the FAC had been allowed to perform its function, the City Council subcommittee and staff would have had a better menu of options to choose from and could have ultimately produced a more thorough update of the business license tax ordinance with more public support. Similarly, the ordinance text of Measure BL also appears to be a markup of the existing 1960s text, whereas the FAC would have worked to modernize the code entirely. We would have been proud to work on that.

When we look at why communication is not functioning the way it should, we note above all, the lack of any institutional form of communication between our body and the City Council beyond certain *pro forma* written reports. Committee members who have wished to give information on our activities to City Council have to submit a comment card on a consent calendar item or for general public comment, sometimes limited to 90 seconds. Under these conditions, there is no possibility of giving a real report on any items or having any dialog with City Council in public. Moreover, when a member of the FAC comes to podium speak, there is no indication to the public that they are part of a city-sanctioned process of citizen advisory committees. So the public is shortchanged in a second way.

We believe there should be a regular space on the City Council calendar where formal presentations from advisory committees/commissions may be made from time to time. Those presentations would also be an occasion for City Council to refer items to advisory committees for review. Having this kind of regular, public communication would enhance the system of citizen participation through advisory committees and help City Council make better use of those committees. Private communications among committee members and council members are always helpful, but do not serve the goal of enhancing citizen participation and public engagement. We ask City Council to put a discussion of advisory committee roles and presentations on the agenda.

Signed,

Members of the Finance Advisory Committee

Chair

Vice Chair