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CITY OF CULVER CITY FINANCE ADVISORY COMMITTEE

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

May 15, 2019
7:00 p.m.

CALL TO ORDER & ROLL CALL

Chair Leonard called the special 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
SEAN KEARNEY, Member
ALEJANDRO LARA, Member
BRYAN SUA, Member

*Vice Chair Menthe arrived at 7:17 p.m.

Absent:

JOSE CASAREZ, Member
CHRISTOPHER HARRIS, Member

Staff Present:

Onyx Jones, Chief Financial Officer
Kambiz Borhani, Assistant Chief Financial Officer
Erica McAdoo, Procurement & Financial Services
Manager
Michelle Villongco, Associate Analyst

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Meeting attendees introduced themselves.

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Pledge of Allegiance

Sean Kearney led the Pledge of Allegiance.

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Public Comment for Items NOT On the Agenda

Chair Leonard invited public comment.

No cards were received and no speakers came forward.

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Consent Calendar

Member Leonard received clarification regarding Erica McAdoo's title.

Item C-1

Approval of Minutes for the Adjourned Regular Meeting of February 13, 2019

THE FINANCE ADVISORY COMMITTEE APPROVED MINUTES FOR THE ADJOURNED REGULAR MEETING OF FEBRUARY 13, 2019 AS CORRECTED (ABSENT VICE CHAIR MENTHE, MEMBER CASAREZ AND MEMBER HARRIS).

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Item C-12

Approval of Minutes for the Adjourned Regular Meeting of March 13, 2019

THE FINANCE ADVISORY COMMITTEE APPROVED MINUTES FOR THE ADJOURNED REGULAR MEETING OF MARCH 13, 2019 AS CORRECTED (ABSENT VICE CHAIR MENTHE, MEMBER CASAREZ AND MEMBER HARRIS).

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Order of the Agenda

No changes were made.

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Action Items

Item A-1

(1) Discuss Proposed Measure CW Annual Report and (2) Provide a Recommendation for Transmittal to City Council

Erica McAdoo, Procurement & Financial Services Manager, provided a summary of the material of record.

Discussion ensued between staff and Committee Members regarding the total project cost over multiple years; non-City funding; year to date vs. actuals; agreement to change terminology to indicate project to date; additional projects; growth of the total budget; fiscal year figures vs. project to date figures; figures over the lifetime of the project; illustrating efforts made by the City to secure grants; delineation of funding sources for each project; the five year CIP document; and providing hyperlinks to access additional information.

Vice Chair Menthe joined the meeting.

THE FAC PASSED A MOTION TO APPROVE TRANSMITTAL OF THE MEASURE CW SALES TAX STATUS REPORT TO THE CITY COUNCIL WITH MODIFICATIONS AS DISCUSSED (ABSENT MEMBERS CASAREZ AND HARRIS).

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Item A-2

Approval of Measure Y Sales Tax Status Report for Transmittal to City Council and Discussion of Measure Y and Measure C Sales Tax Status Reports

Erica McAdoo, Procurement & Financial Services Manager, provided a summary of the material of record.

Discussion ensued between staff and Committee Members regarding businesses with multiple locations; taxation of food products; Transaction and Use Taxes (TUT); car dealerships; location of purchase; regular sales taxes vs. TUT; updates to the way that Measure Y is presented; feedback on the changes made; interactive features; printable versions of the report; listings in alphabetical order due to confidentiality issues; the color scheme; delineating between the Measures; revenue fluctuation; implementation; and staff agreement to incorporate comments and return with a revised report.

THE FAC PASSED A MOTION TO APPROVE TRANSMITTAL OF THE MEASURE Y SALES TAX STATUS REPORT TO THE CITY COUNCIL (ABSENT MEMBERS CASAREZ AND HARRIS).

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Item A-3

Receive Reports from Subcommittees

Onyx Jones, Chief Financial Officer, reported meeting with the consultants; noted that staff had done their own analysis of data based on gross receipts for Fiscal Year 2017; discussed hypothetical scenarios based on actual receipts; the determination to survey five area cities; the number of reporting businesses; she reported that Culver City was ranked fourth highest in business revenue out of the five; she discussed potential increases forecast to business tax revenue; the annual financial report; higher amounts of property tax revenue for other cities; the reliance of Culver City on business tax revenue more so than other cities; rate structures; professional services; flat fee rates; gross receipt rates; impacts of the new rates on different classifications; methodology for calculating the proposed rates; clarification that even with the proposed changes, Culver City would remain in fourth place, significantly below Santa Monica; awareness by businesses of how Culver City compares with other cities; the upcoming sunset of the sales tax measure; placing an extension of the sales tax on the 2020 ballot; and different factors involved in the analysis.

Discussion ensued between staff and Committee Members regarding differences between Culver City and other cities in the types of revenue they rely upon; high TOT rates in Culver City; deductibles; exemptions; restructuring of rates in Los Angeles; the number of exempt businesses; variances with the flat fee structure vs. gross receipts structure; using a blended business license rate based on industry; remaining competitive with surrounding cities; subcommittee consideration of proposals; categorization of businesses; the negotiated rate paid by large companies; use of outside consultants and attorneys for rate negotiations; confidential formulas; calculation of license fees; identifying a scenario where the fees benefit the company; earmarking; developer fees; disproportionate increases for certain categories; the importance of stakeholder engagement; the rate for oil production as compared to other cities; limited information available due to privacy issues; concerns with affects to those businesses with small profit margins; and accessing data from other cities.

Additional discussion ensued between meeting attendees, staff and Committee Members regarding identifying competitors; traffic as a deterrent for businesses choosing a location; positioning Culver City properly; service levels; the feeling that other cities will follow suit and increase their business tax levels if Culver City does; the difficulty of pursuing increased taxes in an election year; different

approaches; inflation; decreasing revenues; slowed growth and revenue while expenditures rise; maxed out sales tax amounts in surrounding cities; projected shortfalls; the long-term forecast; the Public Employees Retirement System (PERS); unforeseen circumstances; flawed projections; the Public Employees Pension Reform Act (PEPRA) Plan; the constant prediction that a recession is two years away; length of the recovery period; identification of new revenue sources; maintaining the City; the connection between General Fund revenue and the health of the economy; benefits of flat fees; and additional consideration by the subcommittee.

Member Barba indicated nothing further to report than was included in the information distributed to Committee Members regarding the On Demand Transportation Services Subcommittee.

Discussion ensued between staff and Committee Members regarding the Mobility Subcommittee.

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Public Comment – Items NOT on the Agenda (Continued)

Chair Leonard invited public participation.

The following member of the audience addressed the Committee:

Council Member Eriksson thanked Members for their efforts, in particular those who have served since the inception of the Committee.

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Receipt of Correspondence

None.

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Items from Committee Members/Staff

Onyx Jones, Chief Financial Officer, discussed the Ad Hoc Subcommittee to Consider Internal Controls; the consultant review of internal audits; review of consultant reports; addressing internal control issues; fraud, waste and abuse; implementation of a fraud hotline and whistleblower program; grant management; cash handling; general internal controls; public outreach; Committee purview; and she asked whether the FAC was open to considering reports from Moss Adams and staff feedback at the June meeting.

Discussion ensued between staff and Committee Members regarding support for considering the item at the June meeting; public feedback; the business license item; starting the process; the presentation by Moss Adams; growing pains; the need to revise procedures; clarification that no signs of theft were found; grant tracking; and additional costs involved with implementing best business practices.

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Item S-1

Articles, Issues and Updates

Chair Leonard discussed articles and links provided to Committee Members.

Erica McAdoo, Procurement & Financial Services Manager, indicated that the budget was available on the City website.

Discussion ensued between meeting attendees, staff and Committee Members regarding the schedule of upcoming budget meetings.

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Item S-2

Discussion of June Agenda

Discussion ensued between staff and Committee Members regarding the internal controls audit discussion and subcommittee reports.

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Adjournment

There being no further business, at 8:44 p.m., the Finance Advisory Committee adjourned its meeting to Wednesday, June 12, 2019 at 7:00 p.m. in the Dan Patacchia Meeting Room.

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Michelle Villongco
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

Date