



# City of Culver City

Mike Balkman  
Council Chambers  
9770 Culver Blvd.  
Culver City, CA 90232  
(310) 253-5851

## Staff Report Details (With Text)

**File #:** 24-792      **Version:** 1      **Name:** CC - CONSENT ITEM: Receipt and Filing of Measure CC and Measure C Sales Tax Status Reports (FY 2023-2024, First Quarter) and Real Property Transfer Tax Status Report (FY 2023-2024, Second Quarter)

**Type:** Minute Order      **Status:** Consent Agenda

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**On agenda:** 3/18/2024      **Final action:**

**Title:** CC - CONSENT ITEM: Receipt and Filing of Measure CC and Measure C Sales Tax Status Reports (FY 2023-2024, First Quarter) and Real Property Transfer Tax Status Report (FY 2023-2024, Second Quarter), as Approved by the Finance Advisory Committee.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. 2024\_03\_18 ATT 1 - Measure CC & C Status Report FY 24 Q1.pdf, 2. 2024\_3\_18\_ATT 2 - Real Property Transfer Tax Q2 FY 23-24.pdf

| Date | Ver. | Action By | Action | Result |
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**CC - CONSENT ITEM: Receipt and Filing of Measure CC and Measure C Sales Tax Status Reports (FY 2023-2024, First Quarter) and Real Property Transfer Tax Status Report (FY 2023-2024, Second Quarter), as Approved by the Finance Advisory Committee.**

**Meeting Date:** March 18, 2024

**Contact Person/Dept.:** Lisa Soghor/Finance Department

**Phone Number:** (310) 253-5865

**Fiscal Impact:** Yes ☐ No ☒      **General Fund:** Yes ☐ No ☒

**Attachments:** Yes ☒ No ☐

**Public Notification:** (E-Mail) Meetings and Agendas - City Council (03/13/2024); (Email) Meetings and Agendas - Fiscal and Budget Issues (03/13/2024)

**Departmental Approval:** Lisa Soghor, Chief Financial Officer (03/11/2024)

## RECOMMENDATION

Staff recommends the City Council receive and file the attached Measure CC and Measure C Sales Tax Status Reports (FY 2023-2024, First Quarter) and Real Property Transfer Tax Status Report (FY

2023-2024, Second Quarter), as approved by the Finance Advisory Committee (FAC) on February 14, 2024.

## **BACKGROUND/DISCUSSION**

In November 2012, Culver City residents voted to adopt Measure Y, a half cent transaction and use tax to maintain critical City services for the next 10 years. In March 2020, Culver City residents voted to adopt **Measure CC** to continue the half cent tax through 2033. The FAC Work Plan states that the FAC will “continue to provide quarterly reports to the City Council on Measure CC proceeds.”

In November 2018, Culver City voters passed **Measure C**, a quarter cent local transaction and use tax to maintain the current level of public safety services, community programs, infrastructure maintenance, and other City services funded through the City’s General Fund. Measure C collections began in April 2019 and will remain in effect until ended by voters. The ballot measure included the stipulation that, if passed, the FAC would provide quarterly reports of fund proceeds and expenditures to the City Council.

The FAC Work Plan includes the review of Measure C and CC proceeds.

The California Department Tax and Fee Administration (CDFTA) is responsible for administering sales and other taxes for the entire state. Due to the time that it takes the CDFTA to collect sales tax, reconcile amounts received, remit payment and report quarterly sales tax data, the Measure CC and Measure C reports for review this period cover the **First Quarter of Fiscal Year 2023-2024 (July 1 - September 30, 2023)** or the third quarter of the calendar year. FAC and staff worked with the City’s sales tax consultant, HdL Industries, to prepare the report and continue to refine them. The report is provided as Attachment 1.

The City’s Measure CC and Measure C actual tax receipts were down 5.6% from the same period in 2022 after adjustments for reporting aberrations were made. The largest decrease was in the City’s business-industrial returns which is consistent with national manufacturing trends. Culver City’s transaction tax receipts were down more than the County overall which experienced a 2.5% decline.

On February 14, 2024, the FAC reviewed and approved the report.

Additionally, the FAC has requested to review and transmit a **Real Property Transfer Tax Status Report** to the City Council. The Real Property Transfer Tax (RPPT) is a one-time tax imposed by the City when property is sold in Culver City. As a result, this revenue source is highly elastic and unpredictable.

RPPT are issued directly to the City from Los Angeles County. As a result, the reporting for RPPT data does not have the same delay as the sales tax collected and administered by the state. Therefore, the RPPT report for review this period covers the **Second Quarter of Fiscal Year 2023-2024 (October 1 - December 31, 2023)**.

The results from the second quarter of Fiscal Year 2023-2024 continue to demonstrate the unpredictability of this revenue source. The City received \$1.2 million in RPPT during this period as compared to \$665,702 in 2022 and \$3.2 million in 2021. Economic factors including high interest rates, shifting lending policies and low inventory continue to have a cooling effect on the real estate market, but there were several commercial property sales that contributed to higher revenue than the

same quarter in the prior year. Based on the receipts to date, City staff did not adjust estimates of \$8 million for this revenue at midyear. The report is provided as Attachment 2.

### **FISCAL ANALYSIS**

The receipt and filing of these reports do not create a fiscal impact.

### **ATTACHMENTS**

1. Measure CC & Measure C Status Report (FY 2023-2024 Q1)
2. Real Property Transfer Tax Status Report (FY 2023-2024 Q2)

### **MOTIONS**

That the City Council:

Receive and file the Measure CC, C, and Real Property Transfer Tax Status Reports.