

Mayor's Revenue Review Commission Meeting Minutes

Wednesday, February 23, 2011

Members Present: Carl Brown, Travis Chambers, Chuck Ford, Mike Gaymon, Seth Harp, Morton Harris, Chris Miller, Eddie Pritchett, Will Taylor, Tyler Townsend, Mike Baker (Ex Officio), Mario Davis (Ex Officio), Pam Hodge (Ex Officio), Isaiah Hugley (Ex Officio), Teresa Tomlinson (Ex Officio)

Also Present: Yvonne Ivey (CCG)

Members Absent: Pete Robinson, Skip Henderson (Ex Officio), John Shinkle (Ex Officio)

Chairman Seth Harp called to order the regular meeting of the Mayor's Revenue Review Commission at 3:00 p.m. on Wednesday, February 23, 2011 in the Government Center Ground Floor Conference Room.

It was proposed that the Mayor's Revenue Review Commission meet the fourth Wednesday of every month at 3:00 p.m. through December 2011. Due to a conflict of schedule, the meeting time was changed to the fourth Wednesday of every month at 2:00 p.m. The proposed schedule was approved through October 2011. November and December meeting dates remain yet to be determined.

Pam Hodge presented the materials received by the Commission. Mayor Tomlinson and City Manager Hugley suggested distributing a study or summary on property taxes and ad valorem taxes. They Mayor's office will locate the study, and Pam Hodge will provide the requested summary data.

Discussion:

Mayor Tomlinson mentioned her discussion with Jack Land about Property Taxes. She stated this Commission is not a revenue generating effort. It is about making sure the tax structure we have is optimal and sustainable. Seth Harp asked Pam Hodge for the projections on the cost of government over the next 10 or 15 years, including conservative, moderate, and accelerated estimates.

Councilor Baker said that 60% of the collected property tax revenue goes to the Muscogee County School District (MCSD). There was discussion over whether or not to include someone from the MCSD on the commission. The consensus was that this Commission was concerned about municipal tax structure and that the Commission could invite a MCSD representative for discussion or interview at any time.

Approximately 31% of the city's revenue comes from property taxes. Pam Hodge said that most years, that amount is usually about \$70 million but because of the rollback, we collected less money in FY2011. There was a request to see these numbers in percentages and dollar

amounts. Mike Gaymon mentioned Military, Age, and Veteran exemptions to property taxes. There was a question as to whether these were local or state exemptions for certain kinds of taxes. Someone suggested finding out how accurate and/or current the exemption information on hand actually is. Someone mentioned questions for the Tax Assessor concerning downward movement in property values and the decline in total digest.

The Commission discussed Urban Service Districts (USD), which are created by the Charter and can be added or adjusted by a majority vote of City Council. There were questions of how Council determines levels of service in USDs, especially when slight distinctions in service levels can affect tax adjustments. The question of whether Sales Tax Free or Reduced Zones are possible under state or local law was posed. It was suggested that the Commission pass along to the Charter Review Commission any suggested change to the Charter language or any concern about the standing language regarding USDs.

The following legal questions were referred to the City Attorney:

- 1) Is it possible under state/local law for Council to establish a Sales Tax Free (Reduced) Zone?
- 2) What are the parameters for Property Tax rebate/credit eligibility? Does Council have the authority to decide that?
- 3) If it is against state law administer an additional Income Tax for individuals who work for the CCG and do not live in Muscogee County, what options does the CCG have to incentivize its workers to live in Muscogee County?
- 4) Does a local ordinance or state law prohibit the CCG from collecting Property Taxes from churches and 501(c)(3)s? Could the CCG charge non-profit organizations "user fees"?
- 5) Is there a state law prohibiting the city from entering into contracts in excess of one year? Is Columbus Water Works in an illegal contract?
- 6) If the Medical Center Authority does not report to the government, isn't that "taxation without representation" and, therefore, unconstitutional?

The following were pinpointed as revenue streams the commission would like to address in upcoming meetings:

- Occupational Tax
- Income Tax
- Inventory Tax
- Ad Valorem Tax
- Hotel/Motel Tax
- Fees and Fines
- Urban Service Districts/Incentives
- Exemptions/Credits/Deductions
- Sales Tax

Mr. Harp adjourned the meeting at 4:50 p.m.

Mayor's Revenue Review Commission
Meeting Minutes
Wednesday, March 23, 2011

Members Present: Travis Chambers, Seth Harp, Morton Harris, Eddie Pritchett, Pete Robinson, Will Taylor, Tyler Townsend, Mike Baker (Ex Officio), Pam Hodge (Ex Officio), John Shinkle (Ex Officio), Teresa Tomlinson (Ex Officio)

Also Present: Clifton Fay (City Attorney), Yvonne Ivey (CCG)

Members Absent: Carl Brown, Chuck Ford, Chris Miller, Mario Davis (Ex Officio), Skip Henderson (Ex Officio), Isaiah Hugley (Ex Officio)

Chairman Seth Harp called to order the regular meeting of the Mayor's Revenue Review Commission at 2:05 p.m. on Wednesday, March 23, 2011 in the Government Center Ground Floor Conference Room.

The Meeting Minutes from Wednesday, February 23, 2011 were approved. Morton Harris requested that Pam Hodge provide information requested in last month's meeting as documented in the Minutes.

Mayor Tomlinson briefly addressed her expectations of the Commission, as outlined in the Mayor's Memorandum, which was distributed to all Commission members.

All members received a copy of a Legal Memorandum prepared by Assistant City Attorney Jaimie DeLoach to answer legal questions posed by Commission members in the February meeting of the Mayor's Revenue Review Commission. Mayor Tomlinson said that Mrs. DeLoach is preparing a memo on Urban Service Districts, which will be distributed to the Commission upon its completion.

A Revenue Issue Discussion Schedule was distributed to all Commission members. Local Income Tax was added to the discussion on Military Retirement Income Tax Exemptions and Other Revenue Sources on August 24. The schedule was revised to include a Review of Overall Revenue Structure on September 28.

Pam Hodge and Yvonne Ivey presented a PowerPoint on the local Occupational Tax. The presentation highlighted the components of the Occupational Tax, which include the Occupational Tax, Administrative Fee and Regulatory Fees. City Attorney Clifton Fay confirmed that Administrative and Regulatory Fees can only be enforced up to an amount that covers approximate administrative costs; however, by law, the Occupational Tax can be revenue producing. Pam Hodge stated that the CCG makes \$13-15 million in revenue collected from the Occupational Tax.

Members discussed ideas for more accurate and/or practical ways to determine Occupational Tax classes. Councilor Mike Baker noted that the presently used calculations were designed for a manufacturing based economy, and there may be

reason to reexamine that methodology as we transition into a service based economy. Yvonne Ivey noted that manufacturers fare well under the CCG's Occupational Tax structure.

Commission Co-chair Tyler Townsend presented information regarding the Occupational Tax in other communities. Mr. Townsend highlighted two prominent ways governments determine Occupation Tax rates: 1) Gross Revenue multiplied by another factor; and 2) number of employees.

Mr. Townsend suggested that the Commission do two things: 1) Determine whether or not Georgia state law limits the methods by which we determine Occupational Tax; and 2) Come up with five or six business model profiles and use that information to plug in to other cities' Occupational Tax structure to compare results. Commission members were interested in what other communities considered an optimal Occupational Tax. Mayor Tomlinson agreed that her office would contact the City Manager to get information on the percentage that Occupational Tax raises as compared to overall revenue of five different cities.

Morton Harris proposed the idea of a review board of appeals for businesses that disagree with their assigned Occupational Tax bracket. Eddie Pritchett said that businesses in Opelika, Alabama pay 1% of their gross annual income as Occupational Tax, and they have no appeal system.

Mayor Tomlinson asked Yvonne Ivey what she thought an ideal tax system would look like. Ms. Ivey said that Savannah, Georgia's tax system is ideal, because it is consistent. The Occupational Tax in Savannah is based on gross receipts of revenue, and has graduated brackets with a fixed dollar amount per range.

Eddie Pritchett said that our Occupational Tax is noncompetitive. Mr. Pritchett was concerned that there are many businesses that are located in Phenix City but do most of their business in Columbus. Members discussed determining the size of those businesses and how many public services those businesses are using to determine how much money they are taking out of our economy. Members discussed the problems with enforcing laws against such practices. The CCG cannot send special enforcement officers to areas in another government's jurisdiction. Pete Robinson said that for every dollar spent on enforcing laws, the government will make its money back and increase business. Morton Harris agreed that the enforcement of fair and legitimate laws is well worth the investment.

Yvonne Ivey proposed a means of collecting revenue from such businesses through a Regulatory Fee. Ms. Ivey said that the CCG currently enforces a Regulatory Fee on pawn shops and escort service but is authorized to collect it from thirty-one different types of businesses.

Mayor Tomlinson explained that the Revenue Review Commission is not meant to be a revenue generating committee necessarily. The Commission should consider: Do its

suggestions redistribute costs? Are they revenue neutral? Do they encourage growth? Morton Harris said that the Commission should be interested in the sustainability of our community with a tax system that works. Pete Robinson said that the Commission should ask itself, "What do we want our revenue system to look like?"

John Shinkle distributed a handout that illustrated one citizen's ideas on the income tax.

Pete Robinson said that the Commission should first consider: What is strong about Columbus? Members mentioned good jobs, public services, and an overall high quality of life as some of Columbus' strengths. Mr. Robinson said that the Commission should determine the fairest way for people to pay for services. Morton Harris said that we want Columbus to be a flourishing city.

Conclusions:

- 1) Our Occupational Tax Structure is anti-competitive;
- 2) We have an enforcement issue for catching people doing business out of county and out of state;
- 3) We should reexamine profitability classifications on which our base occupational rates are set:
 - a) Take profitability out of rate computation;
 - b) Consider basing rate on number of employees;
 - c) Consider basing rate on amount of Columbus resources consumed in the business;
 - d) Have a component of the Occupational Tax that is a regulatory fee, which is based on the cost to the city of regulation and inspection.

A meeting on the city's overall Tax Structure was proposed.

Mr. Harp adjourned the meeting at 4:05 p.m.

Mayor's Revenue Review Commission Meeting Minutes

Wednesday, April 27, 2011

Members Present: Carl Brown, Chuck Ford, Seth Harp, Morton Harris, Chris Miller, Eddie Pritchett, Tyler Townsend, Mike Baker (Ex Officio), Mario Davis (Ex Officio), Skip Henderson (Ex Officio), Isaiah Hugley (Ex Officio), Pam Hodge (Ex Officio), John Shinkle (Ex Officio), Audrey Tillman (Ex Officio), Teresa Tomlinson (Ex Officio)

Also Present: Frank Comer, Yvonne Ivey (CCG), Betty Middleton (CCG)

Members Absent: Travis Chambers, Pete Robinson, Will Taylor

Chairman Seth Harp called to order the regular meeting of the Mayor's Revenue Review Commission at 2:00 p.m. on Wednesday, April 27, 2011 in the Government Center Ground Floor Conference Room.

In reviewing last month's Meeting Minutes, Mr. Harp suggested that the recommendations from each meeting be voted on as the Commission comes to a conclusion. The approved conclusion will constitute the Commission's recommendation on that tax subject, which the Commission will include in its final report. Morton Harris made a motion that the proposed Regulatory Fee, as mentioned in last meeting's conclusions, be applied to all entities, including non-profits. The motion passed in a 5-3 vote. The Meeting Minutes from Wednesday, March 23, 2011 were approved unanimously.

Tyler Townsend shared his recent experience with the Charter Review Commission. Mr. Townsend presented information about the Revenue Review Commission to the Charter Review Commission, including a list of members and the proposed objectives of the RRC.

Audrey Tillman, who chairs a subcommittee of the Charter Review Commission, spoke about her subcommittee and some challenges of the CRC. Ms. Tillman's subcommittee has been charged with the review of three articles, including Article VII, which is of particular relevance to the Revenue Review Commission. Ms. Tillman explained that the biggest challenge facing the Charter Review Commission is the time limit. The Charter Review has been commissioned for a fifteen month period and following that period will not reconvene for ten years.

In a recent meeting, members of the Charter Review Commission discussed the possibility of recommending an amendment to the Charter that would include a mandatory \$500 basic services fee, and that idea has received quite a bit of attention. Ms. Tillman stated that the citizens of Columbus, Georgia are very passionate about the issue of equity in relation to the current Property Tax Freeze. Mayor Tomlinson said that the City Attorney says that the City of Columbus has the right to collect a basic services fee, but the real question is – Do we want to constitutionalize policy, when

lawmaking only takes six votes of City Council? Mr. Harp said that he would be reluctant to make constitutional changes, because they are difficult to enact and difficult to get out of. Ms. Tillman said that the Charter Review Commission has been charged with reviewing the Charter on behalf of the citizens of Columbus, Georgia, and the citizens have been consistent in wanting something done about the Property Tax Freeze. And, while these other avenues have been available, nothing has been done. John Shinkle people support a public referendum because it will go “straight to the people”.

Pam Hodge distributed three handouts, which included the following information: the last three years digest, broken down into Urban Services Districts; number of property owners who pay less than \$500 in service fees; and tax exemptions based on millage rates. Ms. Hodge said that the CCG has a 96-97% tax collection rate. Mr. Townsend asked how many people legitimately pay less than \$500. Ms. Hodge said that everyone who pays less than \$500 qualifies for at least one exemption.

Betty Middleton made a presentation on the Inventory Tax. Ms. Middleton distributed a handout, which explained that the CCG operates in accordance with Georgia Codes as to taxation on real and personal property—inventory tax falls within the personal property category, according to OCGA Section 48-5-16. Ms. Middleton said that while the state component has been repealed, the local component of the Inventory Tax is still collected. Mr. Harp said that the Inventory Tax is very complicated for the state to administer and does not generate enough revenue to make the collection worthwhile. Mr. Harp also said that many view the Inventory Tax as anti-business. Ms. Middleton said that if all inventories should become exempt from taxation based on 2010 values and 2010 millage, the tax dollar loss to the City of Columbus, including the Muscogee County School District, would be \$4.6 million.

It was suggested that either Mike Gaymon, through the Chamber of Commerce, or City Manager Isaiah Hugley, through the Georgia Municipal Association, collect information on which Georgia cities collect Inventory Tax.

Frank Comer gave a brief presentation on the effects Inventory Tax has had on his businesses. Mr. Comer explained that the Gross Receipts Tax is an optional component of the Inventory Tax, which the CCG has chosen to enforce. Mr. Comer said that the collection of Gross Receipts Tax combined with the collection of Inventory Tax leads to double taxation. Mr. Comer said that businesses in Columbus, Georgia cannot afford to carry as much inventory as businesses elsewhere because of the Gross Receipts Tax. Mr. Comer said that other counties use our Inventory Tax as an incentive to get businesses to move to their counties. Mr. Comer also said that tax exemptions are unfairly granted to new retailers. These exemptions disadvantage small, local businesses, which do not qualify for an inventory abatement.

Councilor Mike Baker gave a brief presentation on the effects of the Inventory Tax. Councilor Baker said that the CCG is limited by state laws. Councilor Baker explained

that because businesses have no inventory, the burden of the Inventory Tax is largely carried by retailers, manufacturers and distributors.

Betty Middleton said that all real and personal property is taxable on January 1, meaning whatever is in a business on January 1, the owner is liable for. However, only Georgia held, Georgia sold inventory is taxed, so inventory held to sell in other states will not be taxed. Frank Comer said that Wal-Mart depletes its inventory just before January 1.

Morton Harris said that “bigness” puts privately owned businesses out of business.

Conclusions:

1. We should try not to disadvantage small businesses with abatements given to large businesses.
2. Inventory Tax is inappropriate, anti-competitive and should be eliminated.
3. Taxation of inventory and taxation of gross receipts leads to double taxation.
4. Inventory Tax places a disproportionate burden on small businesses.

Suggestions:

- We should look at eliminating Inventory Tax and adjusting Gross Receipts Tax to compensate for any lost income.
- We could replace Inventory Tax with Franchise Tax across all sectors and industries.

In the interest of time, the discussion on Fees & Fines was moved to next month's meeting. Mr. Harp announced that Mr. Townsend will preside over the May meeting.

Mr. Harp adjourned the meeting at 3:24 p.m.

Mayor's Revenue Review Commission
Meeting Minutes
Wednesday, May 25, 2011

Co-Chairman Tyler Townsend called to order the regular meeting of the Mayor's Revenue Review Commission at 2:10 p.m. on Wednesday, May 25, 2011 in the Government Center Ground Floor Conference Room.

The Commission voted to amend last month's Meeting Minutes to say that the Conclusions and Suggestions are subject to a review on what the CCG can legally do with the Inventory Tax. The Meeting Minutes from April 27, 2011 were approved.

Director of Finance Pam Hodge distributed a handout on Fees and Fines. The Commission agreed that we should focus on the fees that generate the most revenue. Criminal history checks, ambulance fees and public service fees were mentioned among the fees generating the most revenue. Mayor Tomlinson asked if anyone was aware of any services for which we charge much less than other communities. Mrs. Hodge and City Manager Hugley both said no.

The CCG does not cover its cost of emergency medical transport in ambulance fees. Eddie Pritchett mentioned that medical transport is contracted out to private companies in some communities, such as Phenix City, Alabama, and the City of Columbus may save money by doing the same. City Manager Hugley said that Columbus does have some private ambulances, but to switch completely to private services would be a policy decision. Mayor Tomlinson suggested we get information from Chief Meyer regarding a cost/benefit analysis on privatization. City Manager Hugley said that professional standards for EMTs and response time of ambulances is very important, and there are issues with both when dealing with private companies who are not held to the same set of standards. Mr. Pritchett said that if a private entity can perform the same service without the city losing money, we should consider the option of contracting out. Mr. Pritchett said that we are surrounded by poor counties for whom we provide indigent care, and people are abusing the system.

Mayor Tomlinson said we need to make sure we are capturing all administrative costs. Pete Robinson said that one way the city loses money is through paying for citizens' private disputes through the Sheriff's Office. Mayor Tomlinson asked what Commission members thought the political will would be to raise costs for administrative services, such as criminal history checks. Many agreed that we should raise statutory fees, which may require changes in state legislation.

Mayor Tomlinson noted that adult entertainment cards only cost \$5 per year and are highly regulated. The adult entertainment industry does not have a very strong lobby in Georgia, and it may be easy and worthwhile to increase the cost attributed to the card.

Mayor Tomlinson said that we must determine if the creation of USDs makes sense and if it encourages direct and indirect revenue. Mayor Tomlinson said that she would meet with Chairman Seth Harp, Co-Chairman Tyler Townsend, and Mike Gaymon and Becca Hardin of the Chamber of Commerce to further discuss Urban Service Districts and Enterprise Zones and would come back with something better articulated after that meeting.

Mr. Townsend adjourned the meeting at 3:35 p.m.

**Mayor's Revenue Review Commission
Meeting Minutes**

Wednesday, June 22, 2011

Members Present: Carl Brown, Travis Chambers, Seth Harp, Morton Harris, Eddie Pritchett, Pete Robinson, Tyler Townsend, Mike Baker (Ex-Officio), Mario Davis (Ex-Officio), Pam Hodge (Ex-Officio), Lucy Sheftall (Ex-Officio)

Also Present: Bob Hydrick, Yvonne Ivey, Linda King, Betty Middleton

Members Absent: Chuck Ford, Mike Gaymon, Will Taylor, Skip Henderson (Ex-Officio), John Shinkle (Ex-Officio), Audrey Tillman (Ex-Officio)

Co-Chairman Tyler Townsend called to order the regular meeting of the Mayor's Revenue Review Commission at 2:05 p.m. on Wednesday, June 22, 2011 in the Government Center Ground Floor Conference Room.

The Meeting Minutes from May 25, 2011 were approved.

Finance Director Pam Hodge will follow up on her email to all Department Heads regarding fees collected for services administered.

Bob Hydrick, representing the Charter Review Commission, spoke about the current status of the Charter Review subcommittee's idea to recommend a mandatory \$500 services fee be included in the City Charter. Mr. Hydrick said that the potential recommendation is strictly an idea at this stage. The subcommittee's next step is to determine feasibility of the recommendation – how might it work? Mr. Hydrick said that Audrey Tillman will be working with City Attorney Clifton Fay on constructing appropriate legal language that could later be proposed as an amendment to the Charter. Mr. Hydrick expects that the recommendation might go before the entire Charter Review Commission in August. Mayor Tomlinson said that some attorneys have mentioned that tying a user fee to the Homestead Valuation Freeze Exemption may be problematic.

Mr. Townsend shared his notes from a meeting on Urban Service Districts with Mayor Tomlinson, Chairman Seth Harp, Deputy City Attorney David Arrington, and Mike Gaymon and Becca Hardin from the Chamber of Commerce. The meeting was to discuss the possibility of Urban Service Districts as a tool of City Council to promote revitalization in underutilized areas of Columbus. Mr. Townsend said that some of the challenges to developing this economic development tool will be: defining districts, how to address concerns with existing businesses, and complications with multiple parcels and/or multiple owners. Mayor Tomlinson said that the burden will largely be placed on the developers to prove their cases to City Council, similar to the application process for Tax Allocation Districts. She said that USDs will provide more flexibility to developers wishing to develop in underutilized areas and should be considered an additional abatement tool. Mr. Townsend said that from the revenue perspective, we should aim for it to be net positive.

Betty Middleton of the Tax Assessor's Office gave an overview on Property Tax. Mayor Tomlinson pointed out that the Homestead Valuation Freeze Exemption works both ways – although properties have been devalued, the Tax Assessor's Office is not able to reassess valuations. Many agreed that this system is not equitable for taxpayers. Morton Harris said that this issue is ripe for being reviewed. Mr. Harris said that Columbus is losing growth opportunities and will be better off in the long run without the property tax freeze. He said that the Commission should do what is best for the city and let Councilors worry about politics. Mayor Tomlinson asked the Commission to consider how to go about correcting this clear disparity caused by the freeze. Mr. Townsend pointed out that in her memorandum to the Revenue Review Commission of March 22, 2011, Mayor Tomlinson charged the Commission to determine what is fair and equitable. Mr. Townsend said that it seems that "fair and equitable" would be to align costs with services received and ability to pay.

Travis Chambers brought up the topic of charging nonprofit organizations for services provided to them by the city. Mayor Tomlinson said that churches often buy very valuable property, and Columbus would greatly benefit from a grid system where, for example, no more than 20 percent of the property in a given area could be occupied by nonprofit entities. Mr. Harp noted that other communities are facing similar problems, citing the City of Savannah as an example, because the Savannah College of Art and Design (SCAD) owns much of the city's prime real estate. Mayor Tomlinson mentioned the problem of Georgia State University occupying much of Atlanta's very valuable downtown property.

Mayor Tomlinson suggested a sunset provision to the Homestead Valuation Freeze Exemption with a grandfather clause. Under the Mayor's proposal, homeowners would maintain frozen values, but all new transfers would not refreeze. Mayor Tomlinson said that she believes sun setting the freeze is the right thing to do. Demographically, the Mayor believes that more people are being harmed by the freeze than ever before. Mayor Tomlinson said that is a common misconception that the first Local Option Sales Tax (LOST) is linked to the property tax freeze. Only millage was frozen with the first one cent LOST. She said that it is important for voters to realize that the city is not capping revenue with the freeze – it's only displacing it. The current structure is currently inhibiting economic development. Mr. Townsend said that the grandfather sunset is very different than a complete repeal of the property tax freeze, which failed previously. Mayor Tomlinson agreed. She said that you cannot take people's entitlements away but can allow people to voluntarily step out of entitlements. Pete Robinson said that we are very dependent on Property Tax to run the city, and we have a very limited tax collection. Mr. Robinson said that we cannot have people receiving services they do not pay for; likewise, we cannot accept people to pay for services they do not receive. Mr. Townsend said that the city is dynamic. What made sense in 1982 does not necessarily make sense in today's economy.

Mr. Harp called a vote to determine whether the Commission should draft a proposal to put to an official vote next week. The vote passed 6 to 2. Mr. Harp adjourned the meeting at 3:15 p.m.

Mayor's Revenue Review Commission Meeting Minutes

Wednesday, July 27, 2011

Members Present: Carl Brown, Travis Chambers, Chuck Ford, Mike Gaymon, Seth Harp, Morton Harris, Chris Miller, Eddie Pritchett, Will Taylor, Tyler Townsend, Mike Baker (Ex-Officio), Mario Davis (Ex-Officio), Isaiah Hugley (Ex-Officio), Lucy Sheftall (Ex-Officio), Audrey Tillman (Ex-Officio), Teresa Tomlinson (Ex-Officio)

Also Present: Tony Floyd, Britt Hayes, Lula Huff, Yvonne Ivey

Members Absent: Pete Robinson, Skip Henderson (Ex-Officio), Pam Hodge (Ex-Officio), John Shinkle (Ex-Officio)

Chairman Seth Harp called to order the regular meeting of the Mayor's Revenue Review Commission at 2:10 p.m. on Wednesday, July 27, 2011 in the Government Center Ground Floor Conference Room.

The Meeting Minutes from June 22, 2011 were approved.

Mayor Teresa Tomlinson spoke about a recent meeting with attorneys from the Association County Commissioners of Georgia (ACCG). Mayor Tomlinson said that representatives of the ACCG had new, creative ideas of ways to replace the current Property Tax Freeze. They believe there are possibilities in replacing the freeze with tax breaks that will be less detrimental in the long run. Mayor Tomlinson said that City Attorney Clifton Fay has already come up with a first draft. She said that people from Georgia State University have offered to complete a financial analysis to show how the changes will affect our revenue stream. Mayor Tomlinson said that the ACCG will provide information on what other municipalities are doing.

Tax Commissioner Lula Huff gave a presentation on car tags. Mrs. Huff said that all fees collected by the Tax Commissioner's office are governed by state law. The Columbus Consolidated Government controls the millage rate only. Mayor Tomlinson asked if Mrs. Huff perceived any inequities in the current system that the Commission should address. Mrs. Huff said only that she would be interested in the findings of the Georgia State University study. Mr. Harp suggested contacting the University of Georgia's Carl Vinson Institute about conducting a study.

Mayor Tomlinson mentioned incentivizing employees who are residents of Muscogee County by allowing them free car tags. Mrs. Huff said that the CCG has control over only the tags themselves, which are inexpensive.

Assistant Finance Director Britt Hayes gave a presentation on Sales Tax. Mr. Hayes said that Sales Tax is predicted to be the 2nd largest revenue source for the CCG in Fiscal Year 2012. Currently, Muscogee County has a Local Option Sales Tax (LOST), Other Local Option Sales Tax (OLOST), and Education Local Option Sales Tax (ELOST).

Mr. Hayes said that over the next couple of years, local Sales Tax will go down to 6% after a 5 year sunset of ELOST. Mr. Hayes pointed highlighted a few ways other communities are bringing in revenue with 1% Sales Tax options. In Muscogee County, a 1% Sales Tax option generates approximately \$32 million annually. Dekalb County, Georgia has implemented a Homestead Option Sales Tax (HOST). In Dekalb County, 80% of the HOST is used to increase Homestead Exemptions on Property Tax bills; 20% is allocated to infrastructure. Both Dekalb and Fulton counties have a 1% Municipal Option Sales Tax (MOST), which assists with renovations to the water and sewer systems. Mayor Tomlinson said that Transportation Districts will vote on a 1% LOST in 2012. Mr. Hayes said that effective January 1, 2011, Grocery Tax in Muscogee County increased from 2% to 3% after the state repealed a food exemption (O.C.G.A. 48-8-96(h)(1)).

Mr. Hayes explained that the state imposes Sales Tax, collects Sales Tax and remits Sales Tax. City Manager Isaiah Hugley said there is no backup, no industry breakdown and no vendor collection information. He said the Georgia Department of Revenue is against releasing the information, which they believe is a privacy issue. The Department of Revenue remits the tax money to the CCG via wire transfer. Mr. Hugley said that through this system, the money is hard to track. Morton Harris said that this issue is not covered in privacy law.

Mike Gaymon suggested that the city might want to focus on point of sale information, which would need to be provided by the state. Mr. Gaymon said that the information is there, because other states are providing it. Councilor Mike Baker said that the state already captures the data. Mr. Harp suggested sending an executive letter from Mayor Tomlinson and City Council asking the state to reconsider. Mayor Tomlinson and Mr. Gaymon agreed to get meet with Pete Robinson about a possible meeting with the Revenue Commissioner and/or a conversation with Governor Deal.

Mr. Gaymon expressed concern about large developers not receiving property tax bills. Mr. Hugley said that the Tax Assessor's Office has a new staff, and Betty Middleton has addressed the issue with Internal Auditor John Redmond. The Tax Assessor's Office is not sending letters to property owners warning of upcoming bills.

Yvonne Ivey gave a presentation on Excise Tax. Ms. Ivey said that the CCG collects exceptionally low fees on alcohol. Ms. Ivey explained that the state caps out at 3% Excise Tax on liquor. Ms. Ivey said that if the same tax were applied to beer and wine, the CCG could increase revenue significantly. Ms. Ivey said that other municipalities charge \$50 for Special Event permits, while the CCG does not charge at all. Ms. Ivey suggested that the CCG increase yearly license fees. Currently, fees for liquor licenses are sold for up to \$5,000. A license to sell beer costs \$500, and a license to sell wine costs \$300. Ms. Ivey said that the CCG only collects 5% on a business's first \$100,000 in alcohol sales. Ms. Ivey mentioned one business in Columbus that sold over \$1 million worth of alcohol, but only paid 5% on the first \$100,000. She suggested that the CCG consider lifting the cap and taxing businesses based on alcohol gross receipts.

Councilor Baker suggested that the Commission look at ways to change the business license rather than the Alcohol Ordinance, because many City Councilors do not want to revisit the issue of amending the Ordinance. Mayor Tomlinson asked Yvonne Ivey to draft a proposal of suggested changes to the license.

Mayor Tomlinson said that the Mayor's Alcohol Ordinance Advisory Board is currently reviewing the city's Alcohol Ordinance and will recommend specific changes (not related to revenue) to Council in the upcoming months. Mayor Tomlinson said that the Advisory Board is suggesting that Council change specific language in the local ordinance to match the state's language.

Morton Harris said that the Revenue Review Commission has been charged with examining the CCG's current revenue structure and suggesting improvements based on what the Commission believes is right, not what is politically viable. Mr. Harris suggested that the Commission leave the politics to elected officials and focus on what the tax structure ought to look like. Will Taylor agreed that legislative matters are of second priority. Mayor Tomlinson said that the Commission's report should list what needs to be done, and she will determine what goes to Council and when.

Co-chair Tyler Townsend adjourned the meeting at 4:00 p.m.

Mayor's Revenue Review Commission Meeting Minutes

Wednesday, August 24, 2011

Members Present: Carl Brown, Travis Chambers, Chuck Ford, Mike Gaymon, Seth Harp, Morton Harris, Eddie Pritchett, Will Taylor, Tyler Townsend, Mike Baker (Ex-Officio), Pam Hodge (Ex-Officio), Isaiah Hugley (Ex-Officio), Lucy Sheftall (Ex-Officio), John Shinkle (Ex-Officio), Teresa Tomlinson (Ex-Officio)

Also Present: Gary Jones, Colin Martin

Members Absent: Chris Miller, Pete Robinson, Mario Davis (Ex-Officio), Audrey Tillman (Ex-Officio)

Chairman Seth Harp called to order the regular meeting of the Mayor's Revenue Review Commission at 2:05 p.m. on Wednesday, August 28, 2011 in the Government Center Ground Floor Conference Room.

The Meeting Minutes from July 27, 2011 were amended to replace "not" to "now" in the second to last paragraph and approved.

Mayor Teresa Tomlinson issued a Memorandum to the Commission regarding proposals for addressing property tax issue and Urban Service Districts. Mayor Tomlinson suggested the Commission make its proposal on the property tax issue straight-forward.

Mayor Tomlinson and City Attorney Clifton Fay met with attorneys of the ACCG to discuss possible solutions to correcting issues with the property tax freeze. Mayor Tomlinson said that the ACCG offered a fresh perspective on ways to approach ending the freeze. ACCG attorneys told Mayor Tomlinson and Mr. Fay that it is possible to sunset the freeze with a city-wide referendum. To make ending the freeze more palatable to voters, ACCG attorneys suggested a grandfather clause, increasing exemptions for property owners and/or placing a 3% yearly cap on assessed home value. Mayor Tomlinson agreed that a grandfather clause would take away the sting of removing an entitlement. Morton Harris said that some other communities, in Florida, for example, have a floating cap on assessed value. City Attorney Clifton Fay said that the Moratorium Law just dropped off the books, but the state legislature is favoring reinstating it.

Will Taylor pointed out that under the current freeze, property value assessments cannot go up or down. With a 3% cap and no additional clarification, valuations could potentially go way down. Chairman Seth Harp said that real values have dropped significantly in the current recession, and the CCG could lose revenue with depreciation. Mayor Tomlinson said that for that to happen, there would have to be another downturn in the real estate market, because the freeze lift would be prospective, not retroactive. The potential problem would only present itself on a transfer by transfer basis. Mr. Harp said that he still had deep concerns about the potential of the city losing millions of dollars in revenue.

Mayor Tomlinson said that tax rates under the current freeze disproportionately disadvantage new homebuyers, specifically middle-income, young professionals.

City Attorney Clifton Fay and Finance Director Pam Hodge gave a presentation at a recent ACCG conference. Mr. Fay said that the property tax freeze was enacted with good intentions, but it no longer works.

In regards to the \$500 services fee proposed by the Charter Review Commission, Morton Harris advised that voters should consider how the fee will affect low income families. John Shinkle said that the fee will not apply to homeowners over age 65, disabled veterans or those currently living under the poverty level. Mr. Shinkle confirmed that revenue received through the \$500 fee would be earmarked for public safety. Mr. Shinkle confirmed.

Mike Gaymon agreed that the Commission should include recommending a grandfather clause with its proposal, but stated that the Commission should make its proposal as simple as possible and let elected officials flesh out the details publicly and with as much transparency as possible. Morton Harris concurred that the Commission should not worry about whether or not to recommend a 3% cap and simply suggest repealing the property tax freeze with a grandfather clause. Mr. Harris said that a 3% cap might be counterproductive, because it includes the possibility of a downside while preventing an upside.

Seth Harp said that anything considered by the state legislature to be a tax increase should be considered dead on arrival. Mr. Gaymon said that if City Council agrees with the recommendation, our local delegation will likely get on board.

Will Taylor said that with all the information on the table, repealing the tax freeze could be beneficial to everyone. Travis Chambers asked how repealing the freeze would benefit an elderly widow who wants to downsize. Mayor Tomlinson said that repealing the tax freeze will neither advantage nor disadvantage anyone immediately. The objective is to fix the system, and the advantages will be felt over time.

Eddie Pritchett said that it is a myth that the property tax freeze deters homebuyers. Mr. Pritchett said that the areas in which homes are not selling are undesirable because of high crime rates and other factors. Will Taylor said that things change – his neighborhood in Atlanta was very undesirable in 2002, and 9 years later, everyone wants to live there.

Mr. Shinkle said that it is his understanding that City Council would appreciate the cover of public support of a \$500 services fee. Mayor Tomlinson said that the Commission should focus on getting the tax structure right and let the CRC handle its own \$500 fee. Mr. Shinkle said that over time, the city will not need a \$500 services fee if the repeal passes. The fee is designed to be a short-term fix to the problem.

Morton Harris made a motion that the Commission propose a citywide referendum to replace the existing property tax freeze with a sunset clause, through if a homeowner has the property tax freeze, he/she keeps it; however, all new transfers of property will not re-vest in the valuation freeze. The measure was approved in a 7 to 2 vote.

By unanimous vote, the Commission decided to recommend that City Council establish guidelines for Urban Service Districts.

Mr. Fay and Mr. Harp agreed that the city most likely cannot implement a local income tax. The Commission decided to revisit the issue should contrary information be received from Pete Robinson.

Gary Jones of the Chamber of Commerce gave a presentation on Military Retirement Income Tax Exemption. Tyler Townsend asked whether exemption Military Retirement Income Tax would incentivize soldiers from BRAC to live in Columbus, as opposed to living in neighboring communities. Mike Gaymon said that it would be an over-inflation to say that the exemption is a make-or-break issue; however the exemption would be beneficial to Columbus, because it is a border city. Mr. Jones said that without exception, military families relocating to Columbus asked about the exemption. Mayor Tomlinson asked Mr. Jones if the Greater Columbus Georgia Chamber of Commerce had taken an official position on whether to recommend the exemption. Mr. Jones said that while our local Chamber has not taken an official position, the Georgia Chamber of Commerce is thinking positively toward the exemption. Councilor Mike Baker said that the state of Georgia has a military exclusion on \$35,000 at the age of 62. He said some military families may fare better in Georgia than Alabama. Mr. Jones said that the current sentiment is “work in Georgia, retire in Alabama”.

Mr. Harp asked how the city would replace revenue lost by an income tax exemption for retired military. Mr. Jones said that if we offer the exemption, BRAC will consider investing additional resources in the area. Mrs. Hodge pointed out that a reduction in state income tax revenue would not affect Columbus. Mayor Tomlinson asked what reasons Columbus might have for not supporting the exemption. Mr. Gaymon said that we have tried working in partnership with the state, but Columbus should support the possibility of an exemption. He suggested adding it to Columbus’ legislative agenda.

Will Taylor asked if it was possible to have a special county exemption for military retirement income tax, similar to county exemptions for physicians and other professionals. Mr. Shinkle said that the state may look favorably on the idea, because it will not lose as much revenue if the exemption is isolated to Muscogee County. Mr. Jones said that the State of Georgia wants to be perceived as an overall pro-military community, so it may not want to recommend an isolated exemption for Muscogee County.

By unanimous vote, the Commission agreed to recommend a Military Retirement Income Tax Exemption.

Co-chair Tyler Townsend agreed to draft the Commission’s final report to distribute to the Commission for review before the next meeting. Mr. Harp asked Mr. Fay to look into the possibility of a local income tax.

Chairman Seth Harp adjourned the meeting.

Revenue Review Commission
Revenue Source Comparison

	Columbus, Muscogee County, GA (Consolidated)	Athens, Clarke County, GA (Consolidated)	Augusta, Richmond County, GA (Consolidated)	Harris County, GA
Fiscal Year End	6/30/2010	6/30/2010	12/31/2009	6/30/2010
Total Revenue (\$ millions)	\$261.2	\$193.5	\$341.3	\$25.2
<i>Revenues as Percentage of Total Revenue</i>				
Program Revenues				
Charges for Services	16%	35%	44%	42%
Operating Grants & Contributions	4%	3%	3%	1%
Capital Grants & Contributions	3%	2%	0%	2%
General Revenues				
Property Taxes	35%	25%	16%	28%
Sales Taxes	26%	22%	21%	17%
Excise Taxes		7%		
Business Taxes		4%		
Other Taxes *	13%		12%	9%
Other Revenue		1%	1%	
Grants & Contributions Not Restricted		0%		
Unrestricted governmental revenues			0%	
Investment Earnings	3%	2%	2%	

*For Augusta/Richmond County, "other taxes" included \$72 million of sales taxes; this amount was separated into the sales tax line item.

**Revenue Review Commission
Occupational Tax**

Municipality	Method	Administrative Fee	Regulatory Fees and Other Licenses	Occupational Tax
Columbus, GA	Gross receipts multiplied by a factor determined by the estimated profitability ratio	\$50, all businesses	Designated businesses only; must approximate reasonable cost of regulatory activity	\$50 administrative fee plus Gross Revenue multiplied by: Tax Class 1: 0.100% Tax Class 2: 0.182% Tax Class 3: 0.252% Tax Class 4: 0.321% Tax Class 5: 0.391% Tax Class 6: 0.461% Tax Class 7: 0.531% Tax Class 8: 0.600%
Athens, GA	Dollar amount based on number of employees	\$25, all businesses	Various licenses for named business types	\$25 administrative fee plus: 1 employee: \$27 2 - 3 employees: \$131 4 employees: \$245 5 - 6 employees: \$327 7 - 10 employees: \$491 11-15 employees: \$709 16 - 20 employees: \$872 21 - 35 employees: \$1,117 36 - 50 employees: \$1,499 51 - 75 employees: \$1,853 76 - 100 employees: \$2,344 101 - 150 employees: \$2,780 151 - 250 employees: \$3,243 251+ employees: \$3,597
Augusta, GA	Dollar amount based on number of employees	Included in fee	Website indicates a Personal Property (Inventory) return is required.	0 - 5 employees: \$100 6 - 10 employees: \$190 11 - 20 employees: \$375 21 - 50 employees: \$940 50+ employees: \$2,250
Harris County, GA				
Macon, GA	Dollar amount based on number of employees plus administrative fee	\$65, all businesses	Various licenses for named business types	\$65 administrative fee plus \$39 per employee
Phenix City, AL	Dollar amount based on gross revenue range and business class	Included in fee	Various licenses for named business types	
Savannah, GA	Dollar amount based on gross revenue range and business class	Included in fee	Various licenses for named business types	