

To: Mayor Treece and City Council members:
Date: July 23, 2018
Regarding: Recommendation of a Revenue Task Force

At the July 23, 2017 the FAAC strongly recommended that City Council appoint a citizen Revenue Task Force to review options and ideas on how to increase city revenue.

Background:

Since the early 2000's the City has pursued a reliance on sales taxes, which we now know is not keeping up with the need to provide adequate services from local government. The City Manager has often reminded us that internet sales have cut deeply into our ability to collect sufficient sales tax. An alternative source of revenue for the city is property tax which the school system has aggressively pursued by increasing real estate tax, while the city has abstained. A third source of revenue for the city is developer fees, which the city has also refrained from increasing.

Rationale:

The FAAC has been discussing ideas for diverse and expanded revenue streams since August 2017. We have concluded that it is long past time to assess the city's entire current revenue stream and to explore other fiscally responsible avenues on which to focus time and energies.

Make up of task force:

This recommendation does not include hiring an outside consultant as part of this initial process. We recommend that the task force should be designed to pull from our own community of businesses, academia, boards and commissions, government staff and appointees, and social service representatives to assure a broad knowledge of fairness, equity and efficiency. Specific task force positions at a minimum should include city staff, citizens, a member of the FAAC, a member of city council, a member of the community development commission, local academia with specific expertise on taxes (i.e., someone from Truman School of Public Affairs), perhaps even a state representative, and the city attorney to help assure compliance with state law.

Further considerations

The Task Force would:

- 1) Review revenue ideas from a wide range of perspectives, including past proposals such as assessing adequacy of funding sources for infrastructure development, and the recent recommendation by the City Manger to remove the voluntary cap limit on property taxes.
- 2) Be updated regularly on the progress of collecting internet sales taxes.
- 3) Understand that this work may necessitate a systematic study of the City's current revenue base, specifically how it has changed and why it has changed.
- 4) Work toward an outcome that has an eye toward broadening the revenue stream, providing a wider diversity of revenue, while targeting sustainability and stability.
- 5) Meet regularly with City Council and/or the FAAC to assure the work and efforts are on track and making progress.
- 6) Be designed to work in an open environment where testimony from the public would be received.
- 7) Understand that education of the public will be a cornerstone of the task force's work. Hearing a wide range of ideas may help identify potential areas to increase revenue.
- 8) Present its work to be reviewed by various boards and commissions including the FAAC before being presented to council.

Respectfully submitted,
Finance and Audit Committee

Kris Bloom Lisa Evans Diane Suhler Tim Tunks Maria Oropallo, chair