

## MINUTES

### COUNCIL-MANAGER BRIEFING

March 11, 2013

Vice Mayor Terry Senger called the Council-Manager Briefing to order at 6:00 p.m. at the Fairfield Municipal Building, 5350 Pleasant Avenue. The following Councilmembers were present: Adam Jones, Mike Oler, Terry Senger, Jeff Holtegel, Tim Meyers, Tim Abbott and Debbie Pennington. Staff present: Alisha Wilson, Arthur Pizzano, John Clemmons, Mark Wendling, Mary Hopton, Tom Hedge, Dave Butsch, Tim Bachman, Greg Kathman, Lynda McGuire, Mike Stehlin, Dave Crouch and Erin Donovan.

#### **State Income Tax Bill HB5 – Mary Hopton**

City Manager Pizzano introduced the first topic of discussion, State Income Tax Bill HB5. He noted that there will need to be a decision as to what action Council wants to take in relaying the city's position on the bill to the state. He recommended an approach that will explain the issues for the municipalities and recommend changes to those issues, while balancing the needs of the business community, instead of simply refusing to support the bill.

Finance Director Mary Hopton explained the history of Ohio income taxes, the different types of taxes, what is going on right now, the issues in the proposed bill, the potential impacts and what steps the city can take. The financial impact to the city is extremely significant. Council decided to adopt a resolution opposing the bill and for City Manager Pizzano, Ms. Hopton and two members of Council, likely Tim Abbott and Terry Senger, to meet with state representatives to present the resolution and explain the city's concerns with the bill. The resolution will be drafted for adoption during one of the April meetings.

#### **Building Inspection Financing – Tim Bachman**

Development Services Director Tim Bachman presented a short history of building inspection fees and noted that there have been no fee increases since September 1990 and some of the fees no longer cover the costs of the service provided. He commented that many contractors that come in are extremely surprised at how low the fees in Fairfield are compared to other places they have done work. He presented a comparison of Fairfield's fees to other municipalities, as well as Butler County, and recommended that fees be increased to be more in line with the costs of the services. Council discussed and decided that a graduated approach was appropriate, rather than a drastic increase. There will be information displayed in the Building and Zoning Office, to notify customers of the increases and explain the necessity.

#### **Adjournment**

Council/Manager Briefing adjourned at 6:55 p.m.

Respectfully Submitted,

Alisha Wilson  
Clerk of Council

# **Municipal Income Tax**

Discussion on Ohio Proposed HB 5

March 11, 2013

# Agenda

- Types of Taxes
- History of Ohio Income Tax
- Current Situation
- Issues Proposed in HB 5
- Potential Impact of HB 5
- Next Step
- Summary

# What Type of Tax to Enact?

- Municipalities provide services, but services cost.
  - The question is who and how should the services be paid for?
    - **Who** ... depends on the community
    - **How** ... depends on the type of taxes
- 3 main types of taxes
  - Municipal Property Tax
    - Owner pays taxes
    - No impact on non-residents
    - Dependent on type of community

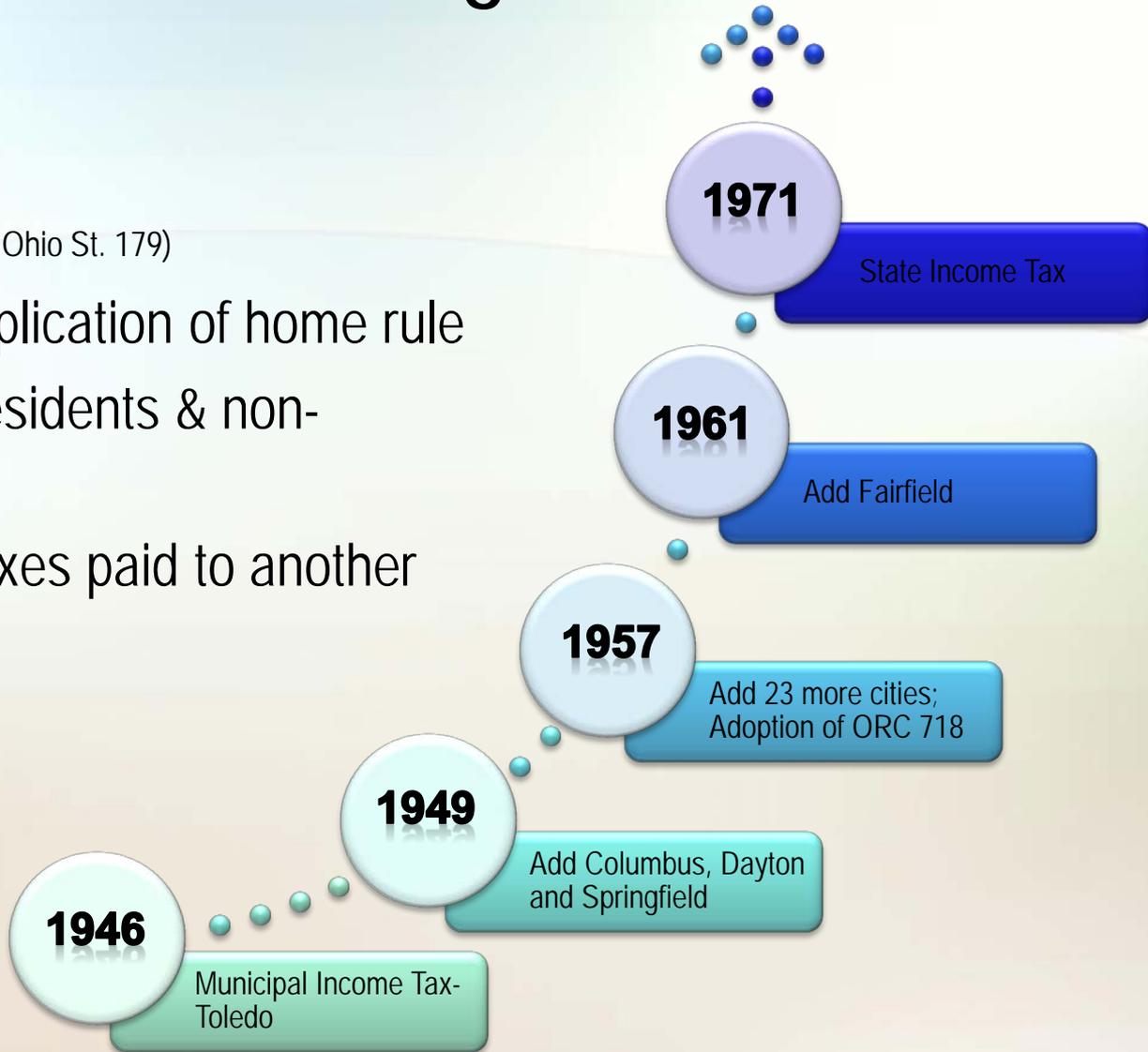
# What Type of Tax to Enact?

- Municipal Sales Tax
  - Residents and non-residents pay taxes on goods and services
  - Residents impacted more than non-residents
  - Not applicable in every state
- Municipal Income Tax
  - Residents and non-residents pay taxes
  - Residents receive some or all credit for local taxes paid
  - Employers located in a city required to withhold taxes
  - Taxation without a vote



# How did Income Tax Begin in Ohio?

- **Angell v. Toledo** (153 Ohio St. 179)
  - Constitutional application of home rule
  - Taxes apply to residents & non-residents
  - Reciprocity for taxes paid to another municipality



# What is the Current Situation?

- Municipal income tax is governed by ORC 718
  - Over 500 municipalities or other taxing districts in Ohio
  - Currently can enact a tax up to 1% income tax without voter approval
  - Specifics are governed by local
    - Ordinance
    - Rules and regulations
    - Board of appeals
  - Flexibility to attract development and work with demographics of community



# What is the Current Situation?

- State legislators getting pressure from interest groups who make up the Municipal Tax Reform Coalition
  - Some uniformity issues addressed in the past 13 years (HB 477 in 2000 and HB 95 in 2003)
- Introduction of HB 601 late fall 2012
- Re-introduction of HB 5 early 2013
  - Sponsors hearing held in House Ways and Means Committee
  - Deferred to Legislative Services Commission on financial impact to municipalities



# Some Issues in Proposed HB 5

- Due Dates
- Forms
- Definition of Taxable Income
- Extension Requests
- Filing Age
- Estimated Payments
- Refund/Due Threshold
- Withholding Thresholds

Uniformity/Simplicity



- 20 Day Occasional Entrant Rule
- Court of Common Pleas
- Business Dollar Thresholds
- Net Operating Loss Carryover
- Municipal Tax Policy Board
- Problem Resolution Officer
- Definition of Residency
- Taxability of Tips

Other/Non-revenue  
Neutral



# What is the Potential Impact of HB 5?

- Revenue
  - Loss of approximately \$400,000 - \$500,000
    - Occasional Entrant Rule, Court of Common Pleas
- Complexity
  - ORC goes from 29 to approximately 141 pages
  - More difficult to administer (limited information)
    - Residency, Occasional Entrant Rule and Loss Carryover
- Future
  - Central collection along with central filing
  - Creates more exceptions – no mandatory filing
  - Creates a larger bureaucracy



# What is the Next Step?

- Resolution
- Outreach
  - State legislators
  - Chamber of Commerce
  - Area groups

# Summary

- HB 5 addresses
  - Some areas of uniformity/simplicity for the taxpayer
  - Restricts ability to adapt to community needs
  - Creates areas of complexity for taxpayers
  - Not revenue neutral

# Business Plan for Building Division Fee/Charges

March 11, 2013

# Building Fee Competitive Analysis

- In 2012 an internal team reviewed the City development fees.
  - External analysis regional competitors
  - Internal – what was working and what needed modifications.

# Findings

- Fees have not been increased/updated since September, 1990.
- Some of the minimum fees charged are not paying for the service. Relieve general fund of unnecessary charge off.
- Mechanical and electrical permits are calculated differently than standard building permits and are very low. Tied to sq. footage vs. cost.

# Goals

- Balance permit fees with cost and maintain regional competitiveness to further economic development advantage.
- Keep cost in line so customers continue to get permits.
- Transition permit fees so users are aware of modifications and can plan accordingly.

# Goals Cont.

- Simplify/provide consistency in the calculation of fees so that mechanical/electrical fees are calculated in the same manner as building permits are currently calculated.
- Transition to digital plan/submittal. Contain plan review cost to city and provide enhanced service/retrieval to the building community/residents.

# Recommendations

# Residential Comparison

	Butler County	Hamilton	Forest Park	Mason	Fairfield (Existing)
Residential					
New House (2,500 sf, \$150,000)	960.00	625.00	1,500.00	1,507.50 *	950.00
HVAC new house (\$8,000)	125.00	200.00	included	included	110.00
Electric new house (\$8,000)	265.00	160.00	140.00 **	included	85.00
<b>Total new house</b>	<b>1,350.00</b>	<b>985.00</b>	<b>1,640.00</b>	<b>1,507.50</b>	<b>1,145.00</b>
Addition (500 sf, \$15,000)	360.00	262.50	340.00	390.00	90.00
Furnace Replacement (\$5,000)	110.00	75.00	85.00	60.00	40.00
Accessory Structures (400 sf, \$3500)	110.00	78.00	206.00	221.00	32.50
Deck (400 sf, \$800)	200.00	78.00	240.00	75.00	25.00
Fence (100')	N/A	60.00	60.00	50.00	25.00

# Commercial Comparison

	Butler County	Hamilton	Forest Park	Mason	Fairfield (Existing)
Commercial					
New Building (12,000 sf, \$800,000)	3,460.00	3,190.00	4,728.00	4,952.00	3,015.00
HVAC new bldg (\$40,000)	485.00	865.00	1,182.00	included	240.00
Electric new bldg (600 amp, \$40,000)	260.00	610.00	420.00 **	included	136.40
<b>Total new commercial</b>	<b>4,205.00</b>	<b>4,665.00</b>	<b>6,330.00</b>	<b>4,952.00</b>	<b>3,391.40</b>
Renovation (8,000 sf, \$50,000)	1,880.00	665.00	1,891.00	585.00	465.00
HVAC (5 ton unit, \$15,000)	150.00	150.00	290.00	165.00	75.00
Electric (5,000 sf, \$8,000)	130.00	135.00	140.00 **	175.00	93.50
Kitchen Hood (\$10,000)	150.00	150.00	420.00	360.00	40.00
New Ground Sign (80sf, \$4000)	100.00	153.60	330.00	100.00	51.00
Sign Face Change	100.00	120.00	90.00	75.00	25.00

# Summary of Business Plan

- Catch up and keep fees in line – Last fee increase in 1990 - customer fee notice/outreach.
- Retain competitiveness regionally to foster economic development.
- Assist in recapturing City general fund subsidies for processing permits.
- Maintain high service levels to construction community & residents.
- Receive annual estimated revenue increase of \$50,000 – \$75,000.