

The City of Atlanta Shares Insights for Increasing Revenue



BY GARY DONALDSON

A significant number of local governments have experienced declines in their property tax base in recent years, caused by the sub-prime housing crisis and the continued overall weakness in the real estate market. Property tax revenues are the largest share of general fund revenues for the City of Atlanta, Georgia, about one-third. The dollar value of one mill (the amount of tax for every \$1,000 of assessed property value) for the City of Atlanta has declined from \$20.4 million in fiscal year 2010 to a projected \$16.8 million in fiscal year 2012. In response to this decline in the property tax base, along with the other effects of the Great Recession, Atlanta has executed several revenue strategies and increased collaborative efforts between the city's finance organization and its service delivery departments and external agencies. These proactive revenue practices have helped the city meet its general fund revenue estimates and, in fact, exceed its anticipated revenue for the fiscal years ended June 30, 2010, and June 30, 2011.

THE REVENUE ROUNDTABLE

The Revenue Roundtable is a series of regularly scheduled review sessions intended to promote innovation and creativity through inter-departmental collaboration and brainstorming discussions. These sessions are attended by a cross-section of employees with varied job classifications. Revenue Roundtable discussions have led to a number of fee increases.

The Revenue Roundtable cycle starts with new fiscal year, when regular meetings begin. Six months into the fiscal year, attendees develop new revenue initiatives. Then they include new revenue initiatives that require legislative action (a revenue package, discussed below) as companion legislation with next year's budget adoption. Finally, they track and monitor execution of new revenue initiatives.

One of the main components of a productive roundtable meeting is to make sure all participants feel that their ideas are valued, however novel or ambitious. Including experienced and knowledgeable employees at different levels across the city organization often results in an original idea being vetted, revised, and shaped into a viable revenue initiative, right there at the meeting.

The proactive revenue practices Atlanta has instituted have helped the city meet its general fund revenue estimates and, in fact, exceed its anticipated revenue for the last two fiscal years.

Attendees typically start out by reviewing each department's legislative code of ordinances and identifying the pertinent rates and charges that are allowable for that specific department. The department and/or function activity coding assigned by the city's financial systems and chart of accounts allows for a comprehensive classification of the fees and revenues generated by each department. Reviewing rates and charges, including benchmark comparisons with other jurisdictions, is also useful because there may be instances when the user departments are not fully cognizant of all the rates and charges on their books. The cost recovery analysis needs to be sufficient to justify increasing rates and charges, but a benchmarking analysis is useful as due diligence, ultimately making it easier to gain the approval of the legislative branch. This kind of review also provides a level of checks and balances, ensuring that fees are being collected and they are commensurate with the cost of providing the service.

To ensure that all governmental departments participate in a Revenue Roundtable effort, the finance organization needs to work with the chief executive office and city or county managers. This high-level sponsorship provides important visibility, which can make all the difference if the group is having problems making progress.

REVENUE PACKAGE

One strategy for maximizing the organization's success in passing new revenue initiatives is carefully timing when legislation is introduced. Departments might suggest legislation throughout the year, but it is best not to pass these proposals on one at a time; lawmakers might not support them because of constituent concerns. The legislative body is more inclined to support a new revenue initiative if the new fee is part of a revenue package — a financial plan presented within the context of closing the ensuing year's budgetary gap. Local legislators recognize that the revenue package is a key component of a balanced budget, so the budget deliberation process provides an opportunity to command the full attention of the legislative body.

The revenue package consists of proposals from different departments that are compiled and then introduced

as companion legislation with the proposed budget each year. Atlanta issues a revenue package by the end of March each year (the city's fiscal year ends July 1). This allows time for the required public hearing and tax and fee advertisement periods. The revenue package should be adopted before the budget, which sometimes contains revenue anticipations for the ensuing year's budget. Over the prior three fiscal years, the city has enacted \$10 million in new recurring sources of income, including solid waste, business tax, and alcohol fees.

REVENUE AUDITS

In the current economic environment, with its inherent financial constraints, it can be challenging to maintain adequate staffing levels for conducting ongoing tax code compliance and audits. Atlanta's approach has been to use in-house revenue auditors as well as contracting out these services on a revenue contingency basis. The contingency-based approach requires no annual appropriation from the city's operating funds; the contract is structured so the vendor receives payment after the city receives the revenue, and compensation is based on revenues collected, not revenues the vendor determines to be under-reported. At first glance, this might not look like an attractive business model for vendors, since they have the burden of ensuring proper staffing, time and effort, but the percentage paid on revenues collected is sufficient to ensure that there will be a quality pool of vendor responses.

Another important revenue strategy is retaining more than one vendor during the procurement selection process. The fiscal environment requires governments to increase revenues wherever possible, so the city needs to have more than one vendor available during the sometimes protracted RFP procurement process.

Using multiple vendors also provides the organization with flexibility to assign accounts based on vendor performance. The contract language should therefore indicate performance metrics and clearly state that the city will adjust assignments based on performance. The project plan should initially include a fair and equitable distribution of accounts to each vendor, however; this approach tends to keep any one ven-

The Revenue Roundtable is a series of regularly scheduled review sessions intended to promote innovation and creativity through inter-departmental collaboration and brainstorming discussions.

dor from being forced to over-staff. The number of businesses and customers on Atlanta's accounts receivable ledger is, of course, also weighed against the number of vendors ultimately selected for the engagement. Experience has shown that a revenue discovery program goes hand in hand with a strong revenue audit program because many of the discovered businesses also need to remit payments over the statute of limitation period, resulting in multi-year audit verification.

The following documentation is needed for a revenue audit:

- Statement of income with year-to-date revenue.
- Federal and state income tax returns.
- Monthly sales reports and daily operating reports.
- Sales by state or zip code reports and state sales and use tax reports.
- Employer's quarterly tax and wage reports for all quarters under review.
- Year-end payroll registers.
- Company subsidiary ledgers and financial statements.

Making sure the customer base knows that the city has a strong audit program, and that the audit function helps ensure an equitable tax and fee base for all customers, helps with compliance. Atlanta's City Codes of Ordinances and billing statements indicate that all businesses may be subject to audit. It is also useful to request that self-reporting entities include a copy of their most recent federal and state tax return statements when completing their annual remittance. Approximately 20 percent of total recovered revenue typically results in recurring revenue. Moreover, the city's rate of return (revenue collected versus auditor salary and fringe benefits) is more than five times the cost, making this revenue audit program financially viable.

REVENUE DISCOVERY PROGRAMS

Ever-evolving improvements in technology, along with the additional information these improvements allow us to access, provide an opportunity for governments to expand their database-sharing programs and identify businesses that are not remitting appropriate taxes and fees to the local



government. An important element of the city's revenue discovery program is ensuring that it has regular and periodic lines of communications and reporting with other state agencies and county departments, since Atlanta's customers and taxpayers frequently interact with these external agencies. Organizations should establish monthly or quarterly due dates for the transmission of information between organizations. This process also helps institutionalize the revenue discovery program, which helps it succeed despite staff turnover.

The City of Atlanta business license is a good example of this database-sharing exercise. Each business is required to get a business license (also referred to as a privilege license) before operating a business in a particular taxing jurisdiction. Because respective businesses must also meet state or county requirements before obtaining a business license, the city has established a program of sharing data with these state agencies and county departments. Eating and drinking establishments, for example, must obtain health permits before opening their businesses to the general public. In the State of Georgia, health permits are regulated and issued by the county government, not by cities. Comparing the City of Atlanta accounts receivable ledger and the county health permit data-

base has provided a number of operating efficiencies, along with coordination of regulatory oversight and opportunities to enforce compliance that can also result in additional recovery of taxes and fees for both governments. A similar database-sharing program, this time within the local government, is the building permit function. Since the building office issues commercial certificates of occupancy for all newly leased spaces, comparing the certificate of occupancy data and the local government's accounts receivables ledger also sometimes turns up businesses that aren't registered and remitting taxes and fees to the local government.

Of course, if the tax billing system and the building permitting system work together, then the database exercise should become much more straightforward through the automated workflow approval processes. The local tax assessor commercial property file offers yet another database comparison tool jurisdictions can use to ensure that all commercial property owners are being identified for property tax assessment and billing purposes.

The important element is that the database efficiencies are both inter- and intra-governmental. The fiscal impact of minimizing government costs through personnel and motor vehicle savings, coupled with the opportunities provided by database sharing, makes Atlanta's revenue discovery program a cost-effective way to help increase the government's top line. Technology has allowed local governments to close the gap between sharing data and developing a strong revenue discovery program that can recover some level of recurring revenues; Atlanta's revenue discovery program has averaged \$2 million annually.

Atlanta's approach to maintaining adequate staffing levels for conducting ongoing tax code compliance and audits has been to use in-house revenue auditors as well as contracting out these services on a revenue contingency basis.

E-BUSINESS CUSTOMER SERVICE DELIVERY

At first glance, it might look like customer service and electronic business applications wouldn't have a direct correlation with a sound revenue strategy. However, since the city has deployed its electronic payment services, the customer base has been receptive. Atlanta's adaption rate has steadily increased, leading to more timely resolution of disputed invoices and expedited remittances. The city's customer contact management sys-

tem, coupled with the e-business payment programs, also provided another level of accountability to customers. Ongoing annual training and comprehensive and mandatory process and training reviews before major billing cycles assist with employee knowledge retention and have helped the city achieve high customer service results.¹

CONCLUSIONS

The success rate in implementing Atlanta's revenue package rates and fees to both its legislative body and citizens is largely attributable to the city's staff members, who are dedicated to delivering quality service. No one revenue strategy is a cure-all, but used together in a broader plan that acknowledges the slower growth trends in key revenue sources, they make a difference. ■

Note

1. See the Alliance for Innovation at www.transformformgov.org/CitizenFeedbackSurveyBusinessLicenseOffice.

GARY DONALDSON is revenue chief for the City of Atlanta, Georgia, and a member of the GFOA's Committee on Economic Development and Capital Planning.



Setting the Standard for Excellence in Government Services

Audit & Accounting Services

Human Resource Consulting

Information Technology Services

Local Government Management & Operations Consulting

Outsourced Management, Finance, HR & Technology Functions

Police & Fire Pension Plan Accounting & Consulting

Strategic Planning & Performance Measurement

Financial Management Software Solutions

Forensic & Fraud Investigation

Graphic Design & Marketing Services

Call 877.279.1900 or visit www.sikich.com

