

I have received the independent investigative report dated December 5, 2023, from Troutman Pepper Hamilton Sanders LLP & Acuitas, Inc., outlining some of the findings relative to the investigation of the Revenue Division in the Finance Department of CCG. While no evidence of malfeasance was discovered in the investigative report, I offer the following responses to the investigative findings and recommendations. Each section below addresses the areas outlined in your report.

RESPONSE TO FINDINGS

A. What is the cause of the backlog ?

Finding -

Compounding factors that caused the backlog

- *Staffing shortages and insufficient training*
- *Inefficient processes and procedures and system limitations*
- *Extensions of the business license renewal deadline*
- *Failure to send courtesy delinquency notices to businesses or enforce delinquencies*
- *Increase in number of businesses requiring licenses*
- *Failure by all levels of management to timely recognize, report, or address the backlog*

Response -

- As referenced in the Business License Processing Executive Summary Report presented to Council on October 31, 2023, extension of renewal deadlines, staffing challenges, software issues, and delayed courtesy delinquent notices were all contributing factors to the license processing backlog as specified in detail within the Executive Summary Report. The report addresses many of the issues denoted as findings. Therefore, a copy of the Executive Summary Report is included herein as “Exhibit A”.
- It is misleading to assert that there is no formalized training as most job training within the Revenue Division, and likely many departments throughout the city, occurs on the job. On-the-job or hands-on training is an effective method of training as it provides an active learning approach where employees gain job knowledge and experience through practice. It also boosts expected learning outcomes for employees.
- While all processes are not documented in written form, there are written procedures/processes/training documents to assist employees in their active learning experience while also serving as reference guides to accompany notes from the employee and collaboration with co-workers when trying to understand important processing concepts or perform everyday job functions.
- There are some established processes that have been in place for a very long time. With that, it is recognized that there may be a need to update some established processes and/or written materials to, i.e., update internal processes relative to the change in the bank’s lockbox system or conform to the new software system for the benefit of new team members (existing employees were trained on the new software system during system implementation in 2021).

- It is also inaccurately stated that Finance did not make the City's I.T. department aware of software issues until August 2023. There were multiple emails, instant messages and conversations that took place with different members of the City's I.T. Department over the last few years concerning system issues and/or enhancements needed to move forward with automation to improve efficiency regarding license processing.
- As previously referenced in the Executive Summary Report presented to Council on October 31, 2023, business license processing is a function of the Revenue Division of the Finance Department. The division had reported to management they were delayed in processing business license renewals beginning during the pandemic. The division did not report to management the extent of the delay or the negligence of not following established enforcement protocol for businesses who did not renew their license.

B. How many licenses are backlogged?

Finding –

- *Total renewals: 56,920 business licenses / 3,480 alcoholic beverage licenses*
- *Late renewals: 4,056 business licenses / 1,691 alcoholic beverage licenses*
 - *Increase in late renewals:*
 - *Late business licenses increased from 4% in 2016 through 2019 to 8% in 2020, 22% in 2021, and 10% in 2022*
 - *Late alcoholic beverage licenses increased from 25% in 2017 to 79% in 2023*
- *Delinquent licenses: 24,896 business licenses / 532 alcoholic beverage licenses*
 - *Calculation method:* *Acuitas identified the last license year in which each business had a valid license renewal and assumed a delinquency for each subsequent year through 2023 or the year in which Occupational Tax Division (OTD) designated the business as closed, whichever was earlier*
 - *Increase in delinquencies:*
 - *Delinquent business licenses increased from 13% in 2017 to 44% in 2022*
 - *Delinquent alcoholic beverage licenses increased from 2% in 2017 to 20% in 2022*

Response –

Total/Late Renewals:

- Over the specified period, 60,400 licenses were processed (56,920 occupation tax + 3,480 alcohol) which represent 15,193 business accounts with 823 of those accounts having alcohol license privileges.
- The 4,056 license renewals categorized as late represent 2,846 business license accounts. Of the 2,846 businesses, 373 (or 13%) of those business accounts are closed.

- Current operating procedure is to close a business license account in the licensing system when the business has submitted final tax return information to include, if applicable, any final payments due.
- While some businesses do not renew each year by the required due date, it is inaccurate to assume that a license issuance date after the license year is indicative of a “financial loss”.
- The assessment of penalties and interest for delinquent businesses likely outweighs estimated time value of money calculations.
- Per city code, the late renewal filing penalty is 10% for business and alcohol licenses.
- Also in any given year, the minimum rate of penalties and interest for business license renewals received after the required due date is at least 11.5%.
- Interest continues to accrue at a rate of 1.5% per month for each subsequent month the occupation tax remains unpaid.
- If a business remits their occupation taxes before the required due date, there is no additional anticipated revenue regardless of when the license is issued.
- Per city code, penalties and interest are assessed only if the business fails to **pay** on time, not based upon when the license is issued.
- If it is determined that additional monies are due because of incorrect tax calculations, then penalties and interest may apply to the additional amount due.
- In addition to the main contributing factors of the backlog, processing delays may also be the result of a “problem letter” being sent to a business for corrective action. The mailed correspondence outlines what is required to complete business license processing.
- Therefore, the late processing of renewals is likely the result of the most recent backlog and the failure of some businesses to submit timely renewals.

Delinquent Renewals:

- The 24,896 license renewals categorized as delinquent represent 8,771 business license accounts. Of those 8,771 business accounts, 2,550 (29%) are closed, 838 (10%) were renewed, 809 (9%) are located outside of Muscogee county, and 731 (8%) are either pending processing and/or designated as a “problem” case.
- It is misleading to assert that license renewals are delinquent in each subsequent year simply because a license was issued in a prior year. Often, businesses do not close out their business license account if they go out of business, move the business outside of Muscogee County, the owner passes away, or the business is sold.
- Often, there may be a time lag between account closure notification and the cessation of business operations.
- Nevertheless, current procedure is to close a business license account in the licensing system when the business has submitted final tax return information to include, if applicable, any final payments due.
- Therefore, it is inaccurate to assume that any additional monies are due to the city or that a “financial loss” has occurred once a business license account has been processed as closed in the licensing system.

- O.C.G.A 48-2-49 (c) advises that in the case of fraud or if the taxpayer **fails to file a return**, there is no time limit to collect taxes. Therefore, any perceived revenue losses would not be from any statute of limitations.
- However, the ability to collect taxes does not negate the fact that the city is always at risk of not receiving tax revenue from defunct businesses.
- Nevertheless, the city will continue to pursue occupation tax revenue by continuing enforcement efforts to include issuance of court citations to compel licensing compliance.
- While difficult to quantify, it is inaccurate to assume that the number of businesses within Muscogee County increases simply because a license is issued. There are scenarios that would result in a new/duplicate license being issued for the same business and/or business location over a period of time. For example, if a business changes its business type i.e. sole proprietorship to LLC , a new business license and/or new account number would be issued/established. A new alcohol license would be issued if the location licensee changes as well.
- Utilization of prior licensing systems may impact the status of licenses and/or accounts in the current system prior to April 2021. For example, in older versions of the current software it was not necessary to expire a license when closing a business license account. One could perform either function, expire the license or close the account, to achieve the same result. However, in the new system, both the license and the account status need to be updated to properly close an account.
- Further research needs to be conducted to clean up records that may be improperly classified as active accounts.

C. What is the cost of the backlog?

Finding -

The estimated financial loss is the difference in the time value of money between the years the renewals were due and the years they were issued

Late renewals –estimated financial loss

Business licenses: \$165,000 / Alcoholic beverage licenses: \$67,500

Calculation for business licenses

\$5,705,000 (time value of estimated revenue if issued timely) –\$5,540,000 (time value of estimated revenue from late renewals) = \$165,000

Calculation for alcoholic beverage licenses

\$2,895,000 (time value of estimated revenue if issued timely) –\$2,827,500 (time value of estimated revenue from late renewals)= \$67,500

Delinquent renewals – estimated financial loss

• Business licenses: \$3,532,000 (Average Actual Gross Receipts) / \$6,496,000 (Average Estimated Cost)

This represents the time value loss for active businesses and permanent revenue loss for closed businesses

The current estimated value of the total revenue the City should have collected from active business delinquent renewals is approximately \$20,101,000 (Average Actual Gross Receipts) / \$26,978,000 (Average Estimated Cost)

- Alcoholic beverage licenses: \$183,000 (Average Estimated Cost)

This represents the time value loss for active businesses and permanent revenue loss for closed businesses

The current estimated value of the total revenue the City should have collected from active businesses with delinquent alcoholic beverage license renewals is approximately \$736,000

Response -

- The assessment of penalties and interest for delinquent businesses likely outweighs estimated time value of money calculations.
- Per city code, the late renewal filing penalty is 10% for business and alcohol licenses.
- Also in any given year, the minimum rate of penalties and interest for business license renewals received after the required due date is at least 11.5%.
- Interest continues to accrue at a rate of 1.5% per month for each subsequent month the occupation tax remains unpaid.
- O.C.G.A 48-2-49 (c) states that in the case of fraud or if the taxpayer **fails to file a return**, there is no time limit to assess taxes. With that, any perceived revenue losses would not be from any statute of limitations.
- However, the ability to collect does not negate the fact that the city is always at risk of not receiving final tax revenue from defunct businesses.
- In addition, since occupation taxes are a derived income tax based on the economic activity and earnings of a business, the city cannot accurately determine what the gross receipts would be for a particular business in the preceding or ensuing year. It would be both inaccurate and misleading to make such assumptions.
- It is also an inaccurate and overly broad approach to assume that all businesses will pay an equal amount of taxes.
- Based on reported gross receipts for 2016 and 2022, 61% and 69% of businesses reported gross receipts of less than \$100,000 respectively as denoted in Exhibit B.
- Based on reported gross receipts for 2016 and 2022, approximately 75% of all businesses reported receipts based on a tax rate of \$3.21 or less per thousand as listed in Exhibit C.
- Of the 61% of businesses who reported up to \$100,000 in gross receipt in 2016, approximately 77% of those businesses will have a computed tax of less than \$321 as referenced in Exhibit D.
- Of the 69% of businesses who reported up to \$100,000 in gross receipt in 2022, approximately 80% of those businesses will have a computed tax of \$321 or less as referenced in Exhibit D.

D. Additional Investigation

Finding -

Alleged retaliation against whistleblowers

- Allegations determined to be unfounded

Inspections and Code enforcement of business and alcoholic beverage licenses

- OTD failed to submit delinquent business license list to Inspections and Code in 2020, 2021, and 2022 OTD sent delinquency list to Inspections and Code in September 2023
- Allegations that Revenue Management was inappropriately calling off enforcement action requests sent to Inspections and Code Findings: Inspections and Code defers to Revenue Management statements about whether enforcement is required
- Emails between OTD staff, Inspections and Code, and Revenue Management raise questions about whether Revenue Management provides accurate information to Inspections and Code

Inconsistent waiver of penalties and interest

- Allegations that the Revenue Manager and Occupational Tax Supervisor waive penalties and interest for business owners who contest such fees in person, are persistent and vocal by phone, or who involve senior management within the Columbus Consolidated Government on their behalf
- Investigation revealed No clear written policy governing criteria for waiver, approvals required, or substantiation or documentation required
- Widespread confusion about who within the City actually has authority to waive penalties and interest
- Likely that penalties and interest are being waived inconsistently

Accounting Issues –recommend disclosure to the City’s external auditor for evaluation

- Uncollectable ambulance charges remaining on the Collections’ system
- Practice of reclassifying as revenue payments received for licenses not yet issued at end of fiscal year

Response –

- To help alleviate confusion, one person from occupation tax has been designated to send enforcement requests after the designee has verified with all team members that enforcement action is required.
- City code dictates the application of penalties and interest. Therefore, application should not be inconsistent. However, management will follow up with staff to ensure consistency with the application of penalties and interest when a taxpayer has failed to remit timely payment.
- It is also a policy decision to physically close out ambulance receivables in the financial system because once a receivable is closed, it cannot be re-opened, and payment cannot be posted if received after closure. The process of recording ambulance revenue and bad debt was discussed extensively with external auditors several years ago. Changes were made at that time to ensure that there are no material misstatements relative to ambulance revenue, receivables, and bad debt. As reported previously, the lockbox process has also been discussed with our external auditors, Mauldin & Jenkins, and they have reaffirmed that revenue is being properly recorded as part of the city’s fiscal year end close out process.

RESPONSE TO RECOMMENDATIONS

Recommendation #1:

- *Comprehensively review and overhaul policies and procedures related to the issuance of licenses and the collection and treatment of license revenue.*

Response #1:

- It is recognized that there is a need to update some established processes and/or written materials to, i.e., update internal processes relative to the change in the bank's lockbox system or conform to the new software system for the benefit of new team members. Updating and/or revising established procedures will be an ongoing process as part of operational process improvement efforts. Also, revenue reporting requirements have been and will continue to be discussed with the City's external auditors. Revenues are being properly recorded in all material aspects in accordance with generally accepted accounting principles and accounting standards mandated by the Governmental Accounting Standards Board (GASB). However, we will continue to evaluate internal reporting needs that may assist with future informational requests and compliance efforts.

Recommendation #2:

- *Increase automation and synchronization of systems used to process licenses.*

Response #2:

- Information Technology (I.T.) and Finance staff have been moving toward automation of the licensing and permitting process since April 2021. Several discussions have occurred with different members of the City's I.T. Department over the years concerning system issues and/or enhancements needed to move forward with automation. Because of those continued discussions, another software system upgrade was recently implemented in January 2024. This upgrade puts this city one step closer toward gaining automation efficiencies with processing taxes, licenses, and permits. The collective plan is to move forward with online processing for some taxes and permits by the end of the second quarter in 2024 with the goal of online license renewals before the next occupation tax renewal season.

Recommendation #3:

- *Increase monitoring and enforcement of late and delinquent licenses, including revising the system for detecting, monitoring, and following up on delinquent excise taxes.*

Response #3:

- The need for streamlined and consistent communication between Finance and Code Enforcement is recognized. Additional processes and procedures are being developed that will hopefully increase enforcement efforts. In addition, restructuring of the Revenue Division is being considered. Again with the recent software system upgrade, the plan is to move forward

with online processing for some excise taxes by the end of second quarter in 2024 with the ultimate goal of online license renewals before the next renewal season.

Recommendation #4:

- *Increase attention to employee retention and training.*

Response #4:

- Attracting and retaining individuals with the key competencies and skills necessary for business continuity is sometimes challenging when coupled with other limitations such as budget constraints. Although the city implemented a new pay plan in 2023, pay is still a determining factor when it comes to talent pool selections. Also, on-the-job or hands-on training is the preferred training method as it provides an active learning approach where employees gain job knowledge and experience through practice. It also boosts expected learning outcomes for employees. While all processes are not documented in written form, there are written procedures/processes/training documents to assist employees in their active learning experience while also serving as reference guides to accompany notes from the employee and collaboration with co-workers when trying to understand important processing concepts or perform everyday job functions. However, management will work to develop a written training plan to help ensure that important concepts are being discussed with new employees.

Recommendation #5:

- *Comprehensively review and overhaul the handling of mail.*

Response #5:

- There are standard practices for handling and processing mail to include cataloging returned mail in the licensing software. However, inconsistent staffing levels and inexperienced staff have reduced efficiency with some day-to-day functions. With sufficient staffing, more attention can be devoted to handling and cataloging mail daily. Reinforcement of the existing policies will also be monitored on a continuous basis to ensure compliance. Forms have been modified to encourage the use of the bank's lockbox for renewal payments.

Recommendation #6:

- *Increase payment tracking, controls, separation of duties, and security.*

Response #6:

- We will continue to evaluate internal reporting needs that may assist with future informational requests and compliance efforts. Unfortunately, it is not feasible to fully segregate all the cash-related duties since employees who process licenses and accept payments is unavoidable. However, there are safeguards and compensating controls in place to help mitigate the risk of misappropriating cash. These controls have built in redundancies for daily balancing protocols to minimize the risk of mishandling funds. The vault is locked throughout the day with a few designated employees having entry access to it.

Exhibit A

Executive Summary – Business Licensing Processing

Executive Summary Report - Business License Processing



OCTOBER 30, 2023

Columbus Consolidated Government



Executive Summary

I. Introduction

Council has requested executive management to provide a summary report to advise what is happening in the Finance Department/Occupational Taxes and Business License Department to include: the status, the management failures, and the systematic problems that have occurred and are reoccurring. The practices and authorizations of citations and/or the delinquency notices that have been directed at the businesses. Who issued and authorized those notices? Why the businesses that were delinquent were not contacted, and why there were delays in those collections.

II. Overview

Business license processing is a function of the Revenue Division of the Finance Department. The division had reported to management they were delayed in processing business license renewals beginning during the pandemic. The division did not report to management the extent of the delay or the negligence of not following established enforcement protocol for businesses who did not renew. This was discovered by management after a referral from Council at the request of Deputy City Manager Pam Hodge to the Finance Director and Revenue Division Manager for reports and information. Since that time, immediate action has been taken to address the known issues. An overview of licensing processes, issues, timelines, and actions taken corresponding to delays with processing licenses are outlined in this report.

III. Processes

All businesses operating in Muscogee County are required to have a business license and renew annually by April 1st. Businesses can renew in 1 of 3 ways: In person at 3111 Citizens Way, by mail to the office or by mail to the lockbox. There are standard documents that are required for all businesses while some specific trades require additional documentation for licensure. These documents are required by either local, state, or federal law. Standard documents include an Occupation Tax return, E-Verify

affidavit, S.A.V.E. affidavit, and Request/Renewal Application. If any of the forms are not included, the request/renewal submission is deemed to be incomplete and is unable to be processed.

In-person renewals are handled as a priority. When a customer is not in-person, generally, mailed license renewals are processed in the order in which they are received. If a license renewal cannot be processed, a “problem letter” is sent to the business outlining the missing or corrected documents required.

Around August/September, a courtesy delinquent notice is sent to all businesses who have not renewed their license. This includes those businesses that did not respond to a “problem letter”. If a business does not come into compliance, a delinquent list is generated for Code Enforcement. Code Enforcement should visit each business location and either issue a warning to comply or a citation for operating without a business license OR determine the business is no longer in operation. Code Enforcement does not have any jurisdiction outside of Muscogee County and are unable to issue any warnings/citations for non-compliance outside of the county. Out of county businesses would only receive the courtesy delinquent notice. Preparation for the next business license renewal cycle begins in January with license renewal packets being mailed out around January/February. While January/February is the typical window for mailing renewal packets, it should be noted that 2023 license renewal packets were mailed on March 8, 2023, not only because of the issues listed in this report but there was also some uncertainty if a mandatory address change for the business license lockbox would be imposed by the bank at that time.

IV. Issues

To date, staff has reported that the issues surrounding the delay in processing business licenses are due to the extension of the renewal deadline for 4 years (2020, 2021, and 2022 from April 1st to June 1st and 2023 from April 1st to May 1st), staffing shortages and turnover, increased processing time from a software system upgrade as well as failure to timely issue courtesy delinquent notices to businesses who did not renew their business license by the deadline and turn over delinquent accounts to Inspections & Codes Department, Code Enforcement Division for enforcement.

1) Extension of Renewal Deadlines

Extensions in the renewal due date for the past 4 years (2020, 2021, 2022 & 2023) have negatively impacted business license processing. Historically, businesses tend to wait until or close to the deadline, which is normally April 1st, to submit their license renewals. Processing thousands of licenses may typically take 4-5 months to complete. Thus extending the deadline creates a shorter window for staff to finish current renewals before preparation for the next renewal cycle begins. It should also be noted that alcohol license renewals operate on a different renewal schedule than business license renewals. Preparation for alcohol license renewals begins in the August - September timeframe. Staff must secure appropriate documentation to initiate the coordination of the alcohol license renewal process among several departments before a license can be issued. Due to time constraints and the level of effort associated with processing alcohol renewals, staff that may have been previously assisting with processing business license renewals must now shift focus to processing alcohol license renewals.

2) Staffing Shortages/Turnover

Finance, like most departments, has always been tasked with providing more services with fewer resources. In addition to license processing, other responsibilities of the Revenue Division in the Finance Department include the following:

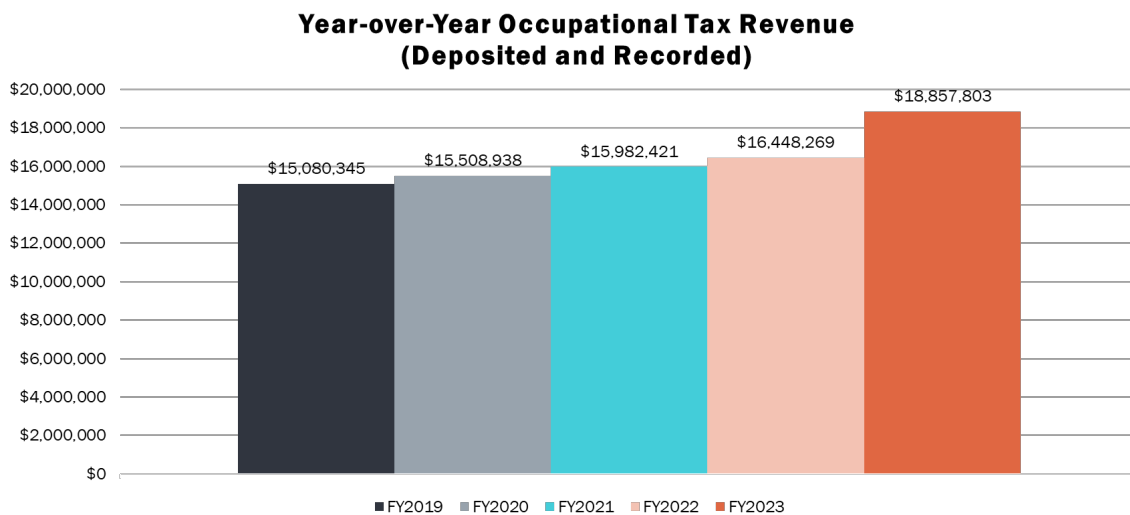
Occupational Tax Section - Insurance, Business, and Alcohol License Processing, Hotel/Motel and STVR Tax Collections, Vehicle Excise Tax Collections, Mixed Drink Tax, Wine Tax, and Beer Tax Collections, Franchise Fees, Special Event Alcohol Permits

Billing and Collection Section - Ambulance Billing and Collections, Lease Revenue, Landfill Billing and Collections, Demolition and Lot Clearing Liens & Collections, Hazardous Materials Permits

There are 6 approved/budgeted positions in the Occupational Tax Section (excluding the Revenue Division Manager). From January 2020 to October 2023, the vacancy rate by position is as follows:

- Licensing & Tax Supervisor – 30%
- Revenue Auditor – 28%
- Revenue Auditor – 26%
- Licensing & Tax Clerk – 48%
- Licensing & Tax Clerk – 0%
- Licensing & Tax Clerk – 0%

As shown above, multiple positions were vacant between 26% to 48% of the referenced time frame. With that, inconsistent staffing levels and inexperienced staff has reduced efficiency in all facets of the license renewal process. In addition to retention issues, COVID-19 exposure/quarantine guidelines have had some impact to the normal annual processes as well. Staffing shortages also created some challenges with performing simple routine tasks such as answering/returning calls, filing, and processing mail. The bulk of license renewals are received via mail so processing the mail timely is critical because checks may be enclosed. Because of retention issues, staff were unable to timely process all checks received in the office which caused some checks to become stale dated. However, many of the stale dated checks were replaced and processed. It should be noted that no fraud or theft has been discovered regarding these checks. In addition, year after year, occupation tax revenue deposits have increased from \$15 million in FY2019 to over \$18 million in FY2023.



However, non-compliance with the city's cash handling policies regarding timely deposits has been addressed and reinforced. Temporary staffing has also been authorized in the Revenue Division to help perform the above referenced routine tasks to meet policy requirements and to allow more experienced staff to focus on processing renewals.

3) Software Issues

To gain efficiency with online license and tax remittance processing, the need to undergo a software system upgrade was necessary. The new business licensing software was implemented in April 2021. Although the migration to the new cloud-based system was successful, it has not been without its share of challenges. Productivity has decreased post-migration due to system performance issues such as extensive buffering and requiring more steps to complete processing of a license. It now takes approximately 20 - 25 minutes to process a standard license renewal whereas with the old system, it could be completed in roughly half the time. Information Technology and Finance staff are engaged in discussions with the software vendor to address system performance issues and determine next steps to realize expected automation efficiencies.

4) Courtesy Non-Compliance Notices

As part of annual processes, the Revenue Division of the Finance Department typically sends a courtesy delinquent notice to businesses who have failed to submit license renewals for the current year. It was discovered by management in August 2023 that Revenue Division staff failed to timely issue courtesy delinquent notices and subsequently turn over delinquent accounts to Inspections & Codes Department, Code Enforcement Division for enforcement. Since discovery, courtesy delinquent notices for license years 2020, 2021, 2022, and 2023 were mailed in August 2023. Unfortunately due to miscommunication, some businesses inadvertently received delinquent notices. These businesses were those who were pending processing and/or were processed between the time the notices were generated and mailed. The delinquent business license list was turned over to Code Enforcement on September 13, 2023. The enforcement of delinquent business licenses is currently the responsibility of the

Inspection & Codes Department. The Special Enforcement Division of the Public Works Department was moved to the Inspections & Codes Department in September 2017. Prior to this move, the business license enforcement was handled by the Special Enforcement Division in the Public Works Department with 6 Special Enforcement Officers. After consolidation, the former Inspections & Codes Director assigned delinquent business license enforcement to 1 Sign Inspector. In July 2020, the current director of the Inspections & Codes Department was appointed who acknowledges that he did not receive a full delinquent business license report for enforcement until September 13, 2023. The current director has assigned all 9 Code Enforcement Officers to handle the delinquent business license enforcement in their assigned area of Muscogee County. With enforcement, past due occupation tax revenue will be collected with penalty and interest. While enforcement of the validating licensure lies with the city, it is also the responsibility of the business to comply. Businesses are required to close out their business license account if they are no longer in business or notify the city when they have changed locations. Often, businesses do not close out their business license account if they go out of business, move the business outside of Muscogee County, the owner passes away, or the business is sold. Thus causing the city to receive hundreds of pieces of returned mail annually and forcing the city to spend unnecessary resources to validate if the business is still operational in its specified location.

V. Timeline of Events

- 7/25/2023 – Councilor Thomas requested a report on Business Licenses.
- 7/27/2023 – DCM Hodge sent an email request to Finance Director Angelica Alexander and Revenue Manager Yvonne Ivey requesting an update on the status of business licenses for 2022 and 2023. How many were renewed for each year? How many businesses with licenses in 2020 and 2021 have not renewed? How many licenses are pending for 2022 and 2023? We are getting a lot of questions about the status/delay for issuing of business licenses which was mentioned during the City Council meeting this past Tuesday. We need to be prepared to

document the status. The City Manager will be requesting a meeting soon.

- 8/7/2023 – Initial delinquent lists for 2020, 2021, 2022 and 2023 provided.
- City Manager Updates – 8/7/2023, 8/10/2023, 8/14/2023, 8/22/2023, 9/5/2023, 9/11/20123, 9/19/2023, 9/25/2023, 10/4/2023, 10/11/2023, 10/17/2023, 10/24/2023, 10/30/2023. These updates provide status of the processed and delinquent accounts.
- 8/22/2023 – Response to referral provided.
 - *We are working on completing 2023 renewals as it typically takes about 4-5 months to complete license renewals after the annual renewal date of 4/1. This year the renewal date was extended to 5/1 which pushes back the processing period because many businesses wait until the deadline and renew by mail. We have approximately 700+ renewals pending based on what has been received. Thus far, we have processed 4,677 renewals YTD.*
- 8/22/2023 – City Manager was denied the opportunity to provide an update to Council on Business License Issues. On 8/14/23, the City Manager provided a written Interim Report from the Finance Director to the Mayor. The City Manager wanted to brief members of the Council at the next Council meeting. The Mayor advised the City Manager that one member of Council indicated he did not want to hear from the City Manager because there is an investigation going on. That Council member indicated he had six votes to not hear from the City Manager. The City Manager did not go forward with the update based on this information.

VI. Action Items

In Summary, staff are continuing to work through the license renewal and delinquent license processes. Temporary staffing has been authorized by the City Manager to assist with the backlog of license processing. Per the established protocol, courtesy delinquent notices for 2020, 2021, 2022 and 2023 were mailed. The delinquent business license list was turned over to Code Enforcement on September 13, 2023, and

they are actively visiting each business location in Muscogee County to confirm if a business is still in operation and if so, issuing a warning and/or citation for operating without a business license in Muscogee County. Finance will continue to work overtime to complete pending license renewals. Code Enforcement has been authorized to work overtime to work through the delinquent list as well.

Active processed licenses to date are as follows:

2020 = 7,892

2021 = 7,933

2022 = 7,387

2023 = 6,791

The delinquent business license report received on September 13, 2023, included delinquent business licenses for the following license years 2020, 2021, 2022, 2023:

2020 = 874

2021 = 836

2022 = 1,084

2023 = 763

Total = 3,557

A summary of the action taken on the report to date is below:

- Out of county delinquent licenses = 459
- Pending processing in Revenue Division = 448
- Closed or Renewed Business received from the Revenue Division (removed from the list) = 113
- Code Enforcement Officer verified Out of Business = 224
- Code Enforcement Officer issued Warning and/or Citation = 117
- Balance of Delinquent Business Licenses = 2,196

Actions Items Completed:

- 1) Delinquent notices were mailed for license years 2020, 2021, 2022, and 2023 in August 2023.
- 2) Delinquent business list was turned over to Code Enforcement on September 13, 2023.

Actions Items in Process:

- 3) Completion of the license processing for those businesses that submitted their renewal application.
- 4) Follow up with business that submitted an incomplete renewal application thus receiving a “problem letter”.
- 5) Continue enforcement for businesses that have not renewed and are illegally operating without a business license.
- 6) Establish/update operational procedures and reporting requirements for all processes, if needed.
- 7) Continue to research to determine any revenue impact.

Other Actions To Be Determined (TBD)

- 8) Restructuring of the Revenue Division of the Finance Department will be considered, if appropriate.
- 9) Continue discussions with current software vendor regarding upgrade for permitting and licensing system.
- 10) Review Revenue Division failure to follow established protocols.

Exhibit B

Reported Gross Receipts - 2016

Reported Gross Receipts (2016)	# of Businesses	% of Businesses	\$ Value of Gross Receipts	% of \$ Value
\$0 to \$100,000	4,351	61.3%	\$71,150,913.46	1.3%
\$100,001 to \$350,000	929	13.1%	\$187,735,578.32	3.4%
\$350,001 to \$700,000	567	8.7%	\$317,177,810.54	5.7%
\$700,001 to \$1,500,000	552	7.1%	\$543,620,755.87	9.8%
\$1,500,001 to \$3,000,000	355	5.0%	\$745,945,970.64	13.4%
\$3,000,001 to \$6,000,000	180	2.5%	\$769,559,561.88	13.8%
\$6,000,001 to \$12,000,000	104	1.5%	\$858,301,521.54	15.4%
\$12,000,001 to \$24,000,000	33	0.5%	\$569,716,487.64	10.2%
\$24,000,001 to \$35,999,999	10	0.1%	\$292,121,530.08	5.2%
Greater than \$36,000,000	17	0.2%	\$1,213,830,909.77	21.8%
	7,098	100.0%	\$5,569,161,039.74	100.0%

Reported Gross Receipts - 2022

Reported Gross Receipts (2022)	# of Businesses	% of Businesses	\$ Value of Gross Receipts	% of \$ Value
\$0 to \$100,000	4,555	69.2%	\$51,381,588.31	1.0%
\$100,001 to \$350,000	649	9.9%	\$132,985,413.24	2.6%
\$350,001 to \$700,000	402	6.1%	\$204,543,893.01	4.0%
\$700,001 to \$1,500,000	398	6.0%	\$410,346,804.29	8.1%
\$1,500,001 to \$3,000,000	302	4.6%	\$633,078,932.91	12.4%
\$3,000,001 to \$6,000,000	132	2.0%	\$540,763,266.66	10.6%
\$6,000,001 to \$12,000,000	90	1.4%	\$764,931,028.57	15.0%
\$12,000,001 to \$24,000,000	23	0.3%	\$365,255,890.72	7.2%
\$24,000,001 to \$35,999,999	7	0.1%	\$215,352,844.91	4.2%
Greater than \$36,000,000	23	0.3%	\$1,776,028,147.70	34.9%
	6,581	100.0%	\$5,094,667,810.32	100.0%

Exhibit C

Occupation Tax Rate Classification Per Reported Receipts - 2016

<u>Occupation Tax Rate Class</u>	<u>2016</u>	<u>% of</u>	<u>Cumulative</u>
Tax Class I - \$1.00 per thousand of taxable gross receipt	186	2.62%	2.62%
Tax Class II - \$1.82 per thousand of taxable gross receipt	549	7.73%	10.35%
Tax Class III - \$2.52 per thousand of taxable gross receipt	3,019	42.53%	52.88%
Tax Class IV - \$3.21 per thousand of taxable gross receipt	1,618	22.80%	75.68%
Tax Class V - \$3.91 per thousand of taxable gross receipt	952	13.41%	89.09%
Tax Class VI - \$4.61 per thousand of taxable gross receipt	126	1.78%	90.87%
Tax Class VII - \$5.31 per thousand of taxable gross receipt	83	1.17%	92.04%
Tax Class VIII - \$6.00 per thousand of taxable gross receipt	59	0.83%	92.87%
Professional Option	506	7.13%	100.00%
	7,098	100.00%	

Occupation Tax Rate Classification Per Reported Receipts - 2022

<u>Occupation Tax Rate Class</u>	<u>2022</u>	<u>% of</u>	<u>Cumulative</u>
Tax Class I - \$1.00 per thousand of taxable gross receipt	181	2.75%	2.75%
Tax Class II - \$1.82 per thousand of taxable gross receipt	490	7.45%	10.20%
Tax Class III - \$2.52 per thousand of taxable gross receipt	2,678	40.70%	50.90%
Tax Class IV - \$3.21 per thousand of taxable gross receipt	1,552	23.58%	74.48%
Tax Class V - \$3.91 per thousand of taxable gross receipt	791	12.02%	86.50%
Tax Class VI - \$4.61 per thousand of taxable gross receipt	93	1.41%	87.91%
Tax Class VII - \$5.31 per thousand of taxable gross receipt	75	1.14%	89.05%
Tax Class VIII - \$6.00 per thousand of taxable gross receipt	68	1.03%	90.08%
Professional Option	653	9.92%	100.00%
	6,581	100.00%	

Exhibit D

Reported Taxable Gross Receipts Based on Tax Rate - 2016

Reported Gross Receipts (2016)	# of Businesses	% of Businesses	% of Businesses in Tax Rate I – IV (\$1.00 - \$3.21 per thousand)	% of Businesses in Tax Class V – VIII (\$3.91 - \$6.00 per thousand)
\$0 to \$100,000	4,351	61.3%	77.2%	22.8%
\$100,001 to \$350,000	929	13.1%	84.4%	15.6%
\$350,001 to \$700,000	567	8.7%	89.1%	10.9%
\$700,001 to \$1,500,000	552	7.1%	87.9%	12.1%
\$1,500,001 to \$3,000,000	355	5.0%	94.1%	5.9%
\$3,000,001 to \$6,000,000	180	2.5%	86.1%	13.9%
\$6,000,001 to \$12,000,000	104	1.5%	86.5%	13.5%
\$12,000,001 to \$24,000,000	33	0.5%	81.8%	18.2%
\$24,000,001 to \$35,999,999	10	0.1%	90.0%	10.0%
Greater than \$36,000,000	17	0.2%	94.1%	5.9%
	7,098	100.0%		

Reported Taxable Gross Receipts Based on Tax Rate - 2022

Reported Gross Receipts (2022)	# of Businesses	% of Businesses	% of Businesses in Tax Rate I – IV (\$1.00 - \$3.21 per thousand)	% of Businesses in Tax Class V – VIII (\$3.91 - \$6.00 per thousand)
\$0 to \$100,000	4,555	69.2%	79.8%	20.2%
\$100,001 to \$350,000	649	9.9%	83.8%	16.2%
\$350,001 to \$700,000	402	6.1%	88.6%	11.4%
\$700,001 to \$1,500,000	398	6.0%	91.2%	8.8%
\$1,500,001 to \$3,000,000	302	4.6%	91.1%	8.9%
\$3,000,001 to \$6,000,000	132	2.0%	90.2%	9.8%
\$6,000,001 to \$12,000,000	90	1.4%	91.1%	8.9%
\$12,000,001 to \$24,000,000	23	0.3%	91.3%	8.7%
\$24,000,001 to \$35,999,999	7	0.1%	71.4%	28.6%
Greater than \$36,000,000	23	0.3%	95.7%	4.3%
	6,581	100.0%		