

INCOME TAX BOARD

City of Findlay
November 1, 2023

MINUTES

ATTENDANCE

Members Present: Mayor Christina Muryn, Susan Hite, Jim Staschiak II, Jeff Wobser.

Staff Present: Mary Price and Kathy Launder.

Guests Present: Cathy Schroll, Mayor of Village McComb, and Melissa Patch, fiscal officer of Village of McComb, Holly Frische, Findlay City Council.

APPROVAL OF MINUTES

Motion to approve minutes of the August 29, 2023, meeting as amended, by Mayor Muryn, second by Auditor Staschiak. Motion passed 4-0.

OLD BUSINESS

Compliance Process: Mayor Muryn stated that Price sent a follow up email detailing the process the Income Tax Department follows. Price highlighted compliance measures the Income Tax Department takes. They gather the self employed individuals under contractor work reporting through the State Department. It shows who filed a state tax return in our municipality. They then send a letter stating compliance requirements. In 2022, started requiring federal income tax forms and are actively enforcing that has assisted in finding out other income. For those residents not filing any tax returns, they are harder to track down. Price stated that other municipalities she has talked with have the same issue. If they have worked for a Findlay employer, we will have W2 on file and then can track down with that record. Auditor Staschiak asked if we can cross reference with the water customers. Price stated that they already do this. Auditor Staschiak asked about conversations with companies just outside of City limits. Price stated that employers are not required to withhold for Findlay income tax. Whirlpool has stated that they will withhold Findlay income tax if the employee requests them to. Some employers won't withhold unless required to. Mayor Muryn stated that Price has had conversations with tax representatives of businesses in and around Findlay for income tax filing requirements and the services the Income Tax Department offers. Auditor Staschiak wants as a Board member a communication stating the compliance process the Income Tax Department has in place to explain to the public that the City is making sure that all residents of Findlay are paying the required income taxes, specifically the workers that are being bussed into area businesses from Findlay residences. Mayor Muryn stated that she currently has a column waiting for the newspaper to print that will answer most of the community's questions. She further stated that Price has a good relationship with the staffing agencies working with the immigrant population and we have followed up with them on compliance. First Diversity which is the agency bringing the Haitian population and also Venezuelan and Columbian, they are doing work across Whirlpool and Freudenberg-NOK. The way it is currently working is the individual is employed through the staffing agency for six months then if the company wants to bring them on full time they are transitioned to that company's payroll. There is compliance with the business relationships as well as the staffing agency. These individuals are being handled just like any other staffing agency. The Board can communicate to those who have concerns that our income tax department has followed up and has built a relationship with the staffing agencies and employers and that we know they are filing their taxes. Auditor Staschiak suggested putting our process for compliance together to add to the City's website. Mayor Muryn is fine with having a compliance section on the City's website that reiterates the process the Income Tax Department has for compliance and a way to report compliance concerns. There is a responsibility for all Board members that if someone asks you about the immigrant population that we address that so that the Income Tax Department is not

inundated with calls just because someone looks different than them. Councilman Wobser stated that it sounds like the Income Tax Department is pursuing taxpayers that are not in compliance as well as they can.

HB 33 ORC Changes-Ordinance 2023-114: Mayor Muryn stated this is the income tax update to be compliant with the Ohio Revised Code changes. The full Ordinance 2023-114 takes the changes that were approved at the Board level. This was reviewed by Law Director Rasmussen, Mr. Werth, and Mr. Feighner of the Law Director's Office. Motion to approve Ordinance 2023-114 to City Council, by Councilman Wobser, second by Mayor Muryn. Motion passed 4-0.

NEW BUSINESS

McComb Income Tax Service: Price stated that she was contacted by McComb Council President that they were looking for someone to collect and administer their income tax due to some changes that occurred at their recent Village Council meeting. Cathy Schroll, Mayor of Village McComb, stated that the individual who worked for the Village of McComb for 23 years as the income tax administrator abruptly resigned. Mayor Muryn asked how many accounts McComb has. Mayor Schroll stated that she was not privy to that information prior to their income tax administrator resigning. Their population is around 600. Auditor Staschiak asked if the Village of McComb has explored RITA. RITA is collecting income tax around the state for about 2%. Melissa Patch, fiscal officer of Village of McComb, stated that she has received some information from RITA. Auditor Staschiak stated that RITA collects for half the cities and villages in the state. Mayor Muryn stated that from her perspective there is potential that she would like to move forward with the conversation. Our key factor is the number of accounts that McComb has. Mayor stated that she does not expect it to be significant especially when the City moves to online filing and improved processes that we are establishing. She further stated that it could be beneficial since there are most likely McComb residents working in Findlay and Findlay residents working in McComb and having more of that data in our system and being able to track it could be very beneficial.

Currently, the contracts are put together by looking at our total budget divided by the number of accounts and it is allocated by the percentage of accounts a village has of our overall budget. Mayor Muryn stated that she is not a fan of RITA. When she has talked with Mayors across the state, they all say it is a huge headache and they lose all control and when you bring up compliance issues you have a representative and they may or may not listen to your concerns. Mayor Muryn stated that she feels having in house income tax collection is a huge benefit. Short term we wanted to bring to the Board so that McComb can continue conversations with Price and she can evaluate and bring back to the Board. Most likely with the compliance issue talked about earlier and this discussion of potential of taking over McComb income tax collection, we will try to do another board meeting this year to have that conversation.

Mayor Schroll stated that she has had conversations with other villages that had RITA and now are using Findlay and feels blessed to have Findlay. The advantage of having a local drop off for filing as well as if they have questions being able to talk with a live voice on the phone.

Mayor Muryn asked for a general consensus if the Board is comfortable moving forward to gather more information for income tax collection for McComb.

Councilman Wobser stated that we need the data to be able to give the Village of McComb the information they need to take back to their Council for approval. Councilman Wobser stated that he would like to move forward with it.

Motion to move forward with the process of information gathering for McComb income tax collections so we can have a further conversation at an Income Tax Board meeting in early December, by Councilman Wobser, second by Mayor Muryn.

Auditor Staschiak stated that he is going to vote no, and he is going to continue to not support it until we get our costs of collections in line with where it should be long term. He is not saying we can't do that, but doesn't think it is a fair representation to our taxpayers if we are adding the burden of additional collections, additional court cases and everything else and not collecting fees over and above what it costs us to do that at this point and without further consideration given to a proper business model moving forward. He further stated that we are going the wrong direction right now in terms of where we are at. We have to see what happens once the software is done but until then he doesn't think this Board is doing the community justice and certainly not going to see the type of return on investment that's being inferred without a full analysis and even then the return would be confidential so he thinks we are opening ourselves up to criticism from the public as a Board and is standing up against it openly and publicly until we get our house in order. Councilman Wobser asked if this is two different topics. Our situation internally is something we will have to take a look at, that won't be solved in the short run vs. the situation that the Village of McComb brought to us are two different issues. Being against one for a reason of being against both are two different issues are not related. We are not making an offer to the Village of McComb. All we are asking is for additional information. This vote is to simply go to the next step. At some point in time, we can make an offer to them and they can tell us yes or no. He further stated that it is two different issues. Auditor Staschiak stated that it is not two different issues. And that there is a third issue. Due to the evaluation of the process we went through with regard to some legal advice, the City Law Director could have had a conflict of interest. He signed both sides of the agreement allowing us to collect for Arlington. This issue is much larger than this discussion. Auditor Staschiak stated that our house needs to be in order before we move forward and add more to it from his perspective. Need to get things in order from was it proper for the Law Director to allow us to do what we did when he was representing both communities, what is our business model for how we are moving forward long term in regards to collections, it is wise for us to do it, and are we going to do it at what fee structure will we do it. Councilman Wobser stated that in order for us to take the next step to see if it is the right thing to do this doesn't hold us to anything other than Price needs to spend some time with the Village of McComb representatives to get the details so we can start to come up with a potential plan. Mayor Muryn stated that in the past this Board has always approved contracts with other villages, so it is inaccurate to state that this Board has not had input on the fee structure because the contract set the fee structure and we have kept them consistent. They are annual contracts as well. We want to look at the fee structure to make sure that we are not taking on any additional undue expense. Currently the structure is based off the number of accounts and the fees are split across the board. Costs that we would have been incurring fixed vs. variable, we were offsetting some our fixed costs. She appreciates the concern, but feels we are muddying the waters. Here is one issue and we can address each of the others, and bringing up past concerns with contracts is not pertinent. Auditor Staschiak asked if the fee structure is brought to this Board each year. Mayor Muryn stated that the contracts auto renew each year. She is planning to bring up the fee structure for discussion next year for review. Auditor Staschiak stated that when all that happens then he will be willing to participate in the conversation a little differently, but until then he can't support this. Treasurer Hite stated that she is abstaining from the vote until Law Director Rasmussen is available to explain this. Auditor Staschiak informed Treasurer Hite that if she abstains from the vote then the motion will pass and they will move forward. Treasurer Hite stated that she needs more information before she votes. Mayor Muryn stated that is what we are trying to do is to gather more information and that will allow us. Some of the concerns Auditor Staschiak brought forward are the first time hearing of them. Councilman Wobser stated that Village of McComb has a timeline. Auditor Staschiak stated that the Law Director is not in attendance. Councilman Wobser stated that doesn't have anything to do with this conversation. Auditor Staschiak says it has everything to do with it based on the position we are in. Councilman Wobser stated that we are not even in a position where legal position comes into play. He stated to Treasurer Hite that if she does not feel comfortable voting to just abstain, let us take the next step. He stated Auditor Staschiak made his point well. At least let us take the next step and when it

comes down to actually doing something that commits the City to something then we will have all the details that you need to make you feel comfortable to make a vote. Auditor Staschiak stated to Treasurer Hite that she needs to vote her conscience because he doesn't want to see her bullied or twisted and making a decision without Law Director Rasmussen being here. Mayor Muryn stated that based of Auditor Staschiak's comments it doesn't sound like it would matter what Law Director Rasmussen because he thinks he has a conflict of interest. She asked what attorney would Auditor Staschiak like to have present to have this conversation. Mayor Muryn stated that Board members have stated that we need further information, but to be able to gather further information we need to have a conversation. We need to be able to gather more information to do our due diligence on this process. Councilman Wobser stated that we are not even to a point where we are doing anything besides asking for information. It doesn't show any kind of commitment. Auditor Staschiak stated that we do not have our house in order. Our expenses are currently too high for our cost of collections. Our attorney who made the decision to collect for some of these other villages, may have some issues. Long term we have to understand what approach we want to take and what approach this Board wants to do with this as a whole and not go into one off, we need to have a business plan for this one way or another. Adding to it haphazardly without a plan in place is not the correct way to do it. Councilman Wobser stated that he agrees with Auditor Staschiak's points, but this has nothing to do with any of those points you brought up. Auditor Staschiak stated that Councilman Wobser was wrong.

Motion fails 2-2. Auditor Staschiak and Treasurer Hite cast the dissenting votes.

Mayor Muryn stated that at the end of the meeting she would like to evaluate setting another date for another meeting where we can ensure that all of the issues that have been presented can appropriately be addressed and we will have legal representation. Auditor Staschiak stated that per our rules that we cannot have another meeting, stating we are only supposed to meet four times per year. Mayor Muryn stated that the Income Tax Board legislation also gives us the authority to call special meetings as needed to address the business of the City Income Tax Department.

Appropriation for Income Tax Refunds: Mayor Muryn stated a letter was submitted from Price. Due to some of the State changes and work from home we had increased the refund budget object code 448600 for 2023. Because of some refunds that came in for tax year 2022 that amount needs to be increased to be able to address all the refunds that have come in this year rather than processing them next calendar year. Would like a motion in support of the additional appropriation of \$285,000. Auditor Staschiak asked if the refunds are from the work from home taxpayers or a little bit of everything. Price stated the refunds are for a little over 85% of the business estimate payments. Auditor Staschiak stated that's not good. Mayor Muryn stated that is exactly what we expected to happen when we got rid of the estimated tax process. Price stated that she is comfortable that she has asked for sufficient money to cover refunds.

Motion to support the appropriation of \$285,000 for income tax refunds, by Auditor Staschiak, second by Councilman Wobser. Motion passed 4-0.

2024 Income Tax Department Budget: Price stated that salaries are a lower number projected for 2023 as well as for 2024. The staff reduced from 7 to 6 employees. Small claims court cost increased in June. Estimated cost of Ohio Attorney General fees used for collection. In 2024 will start paying annual fees for support and maintenance for the software as well as a subscription for the online filing portal. Postage rates have increased on certified mail. Income Tax Department is catching up on assessments that will cost \$7.19 each and will be sending around 1800. Mayor Muryn stated that there is a difference of \$154,000 between 2023 and 2024, and \$150,000 of this increase is for refunds. Have been doing a great job of clearing up past due collections and garnishments. Mayor Muryn asked Auditor Staschiak to touch on his concerns mentioned earlier in the meeting about the Income Tax Department expenses outpacing the collections. Auditor Staschiak would like us this year to finish getting the software installed. Previous tax administrator was careful not to exceed cost of collections with RITA. Our costs have grown each year and we haven't set that benchmark and been mindful of

the RITA cost of collections as a benchmark. What he would like to see moving into next year with regard to the budget and expenses is to keep in mind that RITA would collect our taxes for 1.5% of our collections and get as close to that number of the next two years so that we can justify having those collections and have a business modeling done in answer to some of the other questions asked earlier. Councilman Wobser asked Auditor Staschiak how he came up with his numbers. Auditor Staschiak if you compare what RITA does and what we do, we are about 1% above the benchmark of what we can retain their services for. We don't want to get up to 3% or 4% and if we didn't have the windfalls the last two years that's where we would be. We need to continue to restructure and help Price do the job she's doing and help look at ways to stay in that benchmark. Mayor Muryn stated that she will take some time thinking on that as well. She reiterated that they have been talking about the overall contract structure. She asked Auditor Staschiak if he also ran the scenarios with the addition of the revenue from the entities offsetting some of the costs as well. Auditor Staschiak stated that initially he adds that back in but doesn't think it should be because we are going to incur that cost of that operational expense whether we are receipting that in or not, so we should calculate that as a gross expense and not kick in the additional revenue but be aware that it is there which goes to the other point that if we are going to collect revenue for other entities, he doesn't think we should do it at cost. He thinks we need to have a serious discussion of what is a fair mark up on our cost of service for us to handle that inconvenience. This Board should review the entire process and decide what process we should do and what we shouldn't. Mayor Muryn stated that we can look back when we layered in the different communities and see what the cost increase, if any, has been vs. the offset revenue to understand the overall impact. If not having an impact to our fixed cost, then we are just offsetting but if it's adding additional cost then we need to both offset the fixed cost and cover their cost which provides the business case benefit. We can put that together to better understand. Mayor Muryn stated that she and Price have discussed is there a different way to do it based off a percentage of collections vs. number of accounts or what makes sense. Councilman Wobser stated that for a complete comparison with RITA, we need to look at our whole operation so that would include the other small towns we are doing business with. We need to look at that to compare the two numbers and have that discussion. Also thinks we need to look at it over time to get some kind of baseline because the pandemic that has blown our other numbers out of the water. Auditor Staschiak stated that the windfalls have also. Mayor Muryn stated that our City of Findlay residents and taxpayers are our top priority and running an efficient operation is important. She doesn't see profiting off of surrounding villages, we are local government entity and doing things to help support our surround villages is the right thing to do. Making sure our costs are covered, but don't see that a business operation we need to be making money from the other villages. We need to be covering our costs and make a small margin but doesn't think we should be looking at that as a money making operation.

Motion to approve 2024 Income Tax Department budget, by Mayor Muryn, second by Councilman Wobser. Motion passed 4-0.

Year-To-Date Collections: Price reported the year to date collections were up 1.471% over last year. Noted that December 2022 had significant collections and we will not have that in December 2023. The latest projection is down 7-8% from 2022. Auditor Staschiak stated that he took over an amendment to the certificate to the county this morning that will allow him to transfer \$5.2 million over to the general fund so you'll see the appropriation hit the budget when Council approves the legislation. Asking that it be passed in November so that the budget number is accurately reflected in your snapshot.

Collections, Estimates, Delinquencies: Price submitted a report of past due collections as of October 31, 2023. We are up 33.693% over last year.

Legal Actions in Process and Contemplated: Price submitted a report of Court cases for October 2023. We are down 10.8% over last year year-to-date. Price submitted a report of wage garnishments for October 2023. We are down 33.3% over last year year-to-date.

OTHER BUSINESS

Meeting schedule for 2024: February 7, May 1, August 7, and November 6. All meetings will be held at 2:30pm in the third floor conference room of the Municipal Building.

Being no further business, the meeting adjourned.

Respectfully submitted,

Kathy K. Launder
City Clerk

Gross collections

Projected receipts, take out refunds, take out professional services, and then come up with 2 ½%.

Mayor Muryn asked for Auditor Staschiak to send that calculation out to everyone. Auditor Staschiak stated that he just told

Simple calculation for cost of collections

Take total budget for 2024, take out projected operating transfers, take out refunds, then also decide if the professional services we receive should be included, Auditor Staschiak includes