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Hall and cities reach consensus on LOST deal

Tax distribution plan gives less revenue to Hall, Gainesville

After nearly two years of fighting, mediation and mandated court “baseball” arbitration, it took Hall County and its cities just about four hours Thursday to agree on a new local option sales tax agreement.

The deal was unanimously approved by Hall, Gainesville and five smaller cities gathered at the Hall County Government Center for an emergency public meeting to approve the new agreement two hours before a 4:30 deadline. Officials for Gillsville, Clermont, Lula, Flowery Branch, Oakwood and Gainesville signed the agreement.

Buford and Braselton officials also approved the new agreement, but were unable to physically be on hand to sign the papers, said attorney Gregory Jay, who represents both cities.

The local option sales tax is a 1 percent tax that must initially be approved by voters. Every 10 years, county and city governments where the tax has been approved must agree on a formula for distribution of the revenues it generates. Those revenues are collected by the state and returned to the local governments.

The agreement, also known as a certificate, signed Thursday, will result in a higher percentage of the tax collection for all of the cities except Gainesville, which saw its portion of the collections reduced. Hall County’s percentage also went down slightly.

Gainesville Mayor Pro Tem Bob Hamrick was upset about the city’s decrease, citing the water and sewer infrastructure in which Gainesville has invested in the county. The 2002 certificate gave Gainesville 19.87 percent of the revenue, but it will get 17.38 percent under the revised deal, a loss of about \$600,000 per year, said Melody Marlowe, director of administrative services.

“If it hadn’t been for the citizens of Gainesville going in and providing this infrastructure, we wouldn’t be sitting here today,” Hamrick said. “I think the legislature has let us down and this is a rushed deal. You have to do this and do that, I don’t think anyone knew what they were doing.”

Several of the cities had decided or were in the process of deciding to become “absent” after Hall and Gainesville approved an agreement Tuesday that had the same distribution formula that was adopted in 2002, which didn’t reflect 2010 census numbers.

Absent cities don’t participate in the negotiations and are paid by a state formula based largely based on population.

State law allows a county and a city that has 50 percent or more of the population of all the cities in the county to sign off on LOST distribution without the participation of smaller cities.

Flowery Branch was unhappy with the deal cut by Hall and Gainesville earlier in the week. In the final certificate signed Thursday, Flowery Branch’s LOST percentage rose about 1.5 percentage points from the 2002 figures, adding a projected \$400,000 a year to its coffers.

Mayor Mike Miller, who expressed disappointment with Tuesday’s decision, said he’s happy the final agreement reflects the 2010 census. Miller said he started working the phones early Thursday morning, warning that LOST could lapse if all the local governments didn’t agree. Cooler heads finally prevailed after almost two years of negotiations, he said.

“Hammered out something in four hours, that’s ridiculous,” Miller said. “But it works.”

The 2002 distribution gave Hall County 75.5 percent of the monthly revenue, and the cities split about 24.5 percent. Hall County’s share in the new agreement dropped about 1 percentage point to 74.40 percent.

Richard Mecum, Hall County Board of Commissioners chairman, said the county was “fine” with the deal as long as the cities were happy.

Every city and county had to make the filing deadline with the Department of Revenue or face possibly losing LOST revenue, according to the Georgia Municipal Association and the Association County Commissioners of Georgia.

Earlier this month, a court decision that the arbitration process defined in state law was unconstitutional left the status of LOST negotiations in some counties, including Hall, in a state of turmoil.

GMA and ACCG laid out the strategy of filing a new distribution certificate by 4:30 p.m. Thursday in a joint memo Wednesday after saying the members of both organizations met with Attorney General Sam Olens, his staff and several lawmakers. Thursday marked the last day the parties in the court ruling could ask for a reconsideration, which didn’t happen.

State law previously mandated that if agreements were not filed on time, governments lost the ability to collect LOST. However, the Georgia General Assembly changed the law in 2010 so counties and cities that couldn’t agree on a new distribution formula went into mediation and then court “baseball” arbitration, if they still couldn’t agree.

Panic ensued when the Georgia Supreme Court ruled Oct. 10 that baseball arbitration was unconstitutional. The matter went to the state’s highest court after Turner County appealed when a judge ruled in favor of the cities of Ashburn, Rebecca and Sycamore.

In baseball arbitration, a Superior Court judge would hear the “best and final offer” from the cities and the counties and make a decision based on several criteria. Hall and its cities were in the court arbitration process when the ruling was handed down.