

Report To

The Mississippi Legislature



AN ANALYSIS OF LOCAL GOVERNMENT FUNDING AND SERVICES: LAUDERDALE COUNTY/CITY OF MERIDIAN/TOWN OF MARION

November 7, 1991

Lauderdale County and the City of Meridian have engaged in a lengthy debate over the terms "tax equity" and "double taxation." At the request of Lauderdale County, PEER sought to clarify certain issues around which the debate centers:

- No accepted definitions exist for the terms "tax equity" and "double taxation."
- \$4.5 million of the county's \$7.5 million in ad valorem taxes for fiscal year 1990 (60.2%) was collected on property in the City of Meridian.
- Lauderdale County residents, outside of Meridian's city limits, provided \$1.4 million (19.76%) of Meridian's \$7.3 million in sales tax revenue for fiscal year 1990.
- 57.07% of Lauderdale County's road and bridge tax revenues for fiscal year 1990 originated within the City of Meridian, while 7.09% of Lauderdale County's disbursements from road and bridge tax revenue was used inside the City of Meridian.
- Local tax revenue originating in the City of Meridian provided 71.17% of the local government funding for Meridian Public Library and 55.50% of the local government funding for the Multi-County Community Service Agency during fiscal year 1990.

The PEER Committee

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The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

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**AN ANALYSIS OF LOCAL GOVERNMENT FUNDING AND SERVICES:
LAUDERDALE COUNTY/CITY OF MERIDIAN/
TOWN OF MARION**

November 7, 1991

**The PEER Committee
Mississippi Legislature**

The Mississippi Legislature
Joint Committee on Performance Evaluation and Expenditure Review

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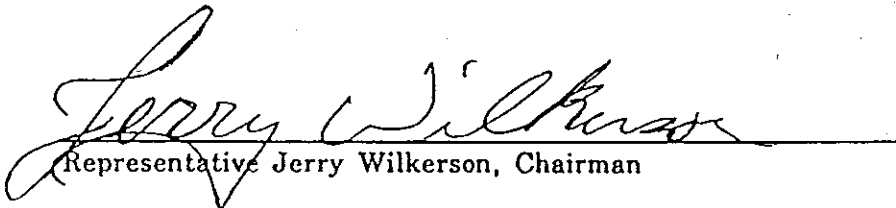
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November 7, 1991

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At its meeting of November 7, 1991, the PEER Committee authorized release of the report entitled **An Analysis of Local Government Funding and Services: Lauderdale County/City of Meridian/Town of Marion.**


Representative Jerry Wilkerson, Chairman

**This report does not recommend increased
funding or additional staff.**

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AN ANALYSIS OF LOCAL GOVERNMENT FUNDING AND SERVICES: LAUDERDALE COUNTY/CITY OF MERIDIAN/ TOWN OF MARION

EXECUTIVE SUMMARY

INTRODUCTION

The Board of Supervisors of Lauderdale County requested that the PEER Committee review *"methods, both city and county, of financing local government and providing services."* In addition, the Lauderdale County Council of Governments, a group of state and local government officials and members of the private sector in Lauderdale County, requested that the Committee review the potential for *"government consolidation"* within Lauderdale County.

Background

Lauderdale County is located in east central Mississippi and shares its eastern boundary with the state of Alabama. The City of Meridian functions mostly independent of the county, while the Town of Marion relies on the county for street maintenance and sanitation services. Over the past thirty years the population of Meridian has decreased by 16.8%, while the county's unincorporated areas have grown by 86.9%. These shifts reflect population trends from the city to the unincorporated areas.

Lauderdale County operates under a county-wide system of road administration, commonly known as a "unit system." A road manager oversees the day-to-day operations of the road department at the direction of the board of supervisors as a whole, and a county administrator oversees the board's administrative responsibilities such as budgeting and purchasing. The City of Meridian operates under the mayor-council form of government. Five council members represent separate wards within the city. The mayor oversees the operations of the city's six departments with the assistance of a chief administrative officer. The Town of Marion operates under the council form of government (mayor-board of aldermen). The town's mayor serves part-time, as do its five aldermen, who are elected at-large.

REVENUE AND EXPENDITURE ANALYSIS

PEER analyzed the revenues and expenditures of Lauderdale County, the City of Meridian, and the Town of Marion in an effort to identify each entity's sources of funding, types of expenditures and types of services provided. PEER carried the analysis a step further by focusing on each entity's local tax revenues (ad valorem, sales, road and bridge privilege, fuel, and franchise taxes) and related expenditures made from local tax revenues (referred to as net expenditures in this report). At the time of PEER's review, the most recently completed fiscal year was September 30, 1990.

Of the three governmental entities, the City of Meridian received the largest amount of local tax revenue (\$14.71 million) for fiscal year 1990 (see Exhibit A, page viii), with the primary difference between the City of Meridian and Lauderdale County being sales tax revenue received by the city. The Town of Marion received substantially less local tax revenue than Lauderdale County and the City of Meridian due to its much smaller population and area. The county received more ad valorem tax revenue than the City of Meridian as well as more fuel tax revenue. The county also received all road and bridge privilege tax revenue collected on county vehicle tag purchases. The City of Meridian and the Town of Marion received franchise tax revenue from local utilities, while the county did not receive any such revenue.

PEER compared net expenditures from local tax dollars for Lauderdale County, the City of Meridian, and the Town of Marion in an effort to identify similarities and differences in the local government entities' spending priorities. All three entities' net expenditures reflect a priority of spending in three primary areas: general government, public safety, and public works (see Exhibit B, page ix). However, the similarity ends at this broad expenditure level. Lauderdale County officials' spending priority is in the area of public works, primarily road and bridge maintenance and construction (43.59% of the county's net expendi-

EXHIBIT A

**COMPARISON OF LOCAL TAX REVENUE SOURCES
LAUDERDALE COUNTY/CITY OF MERIDIAN/TOWN OF MARION
FISCAL YEAR 1990**

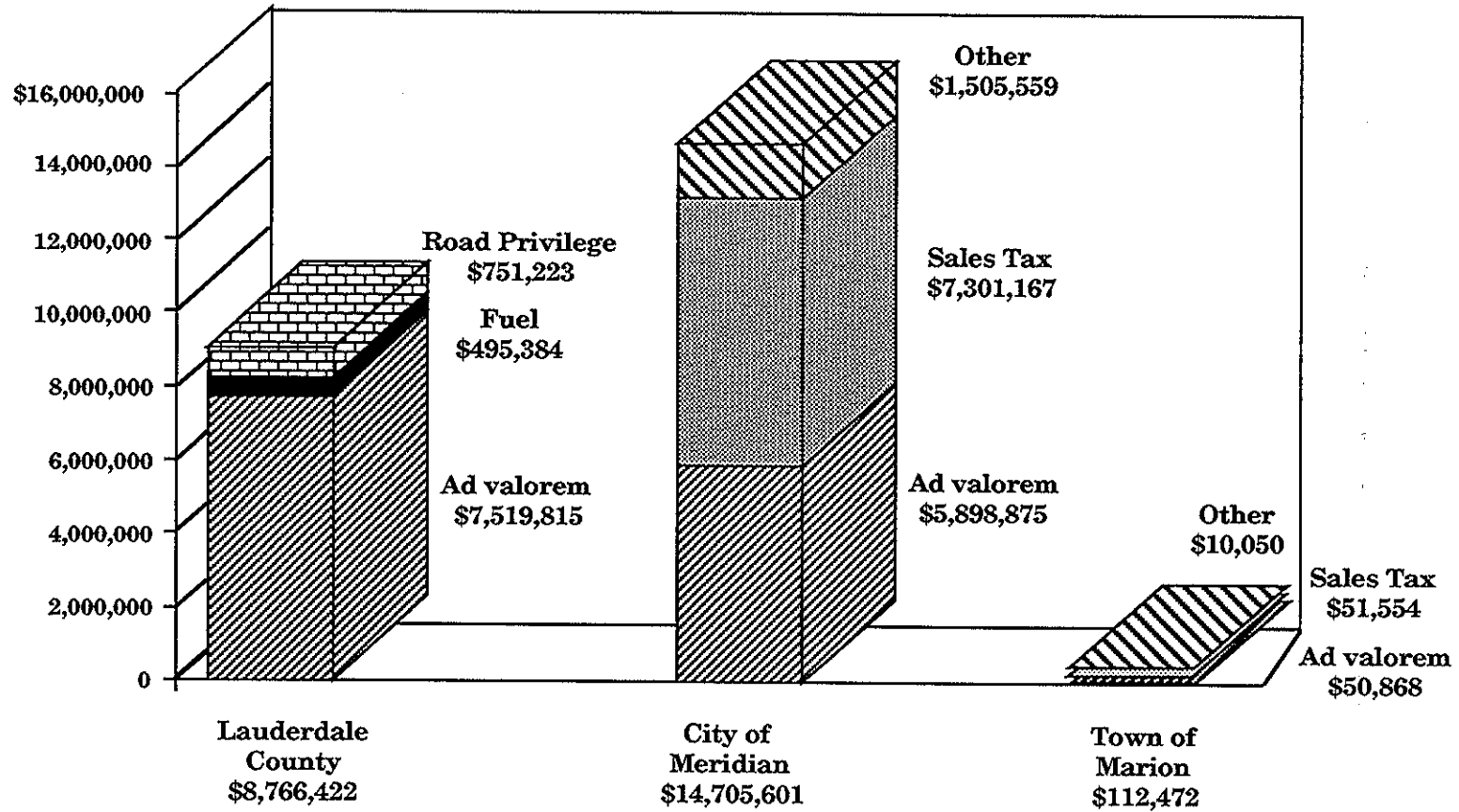
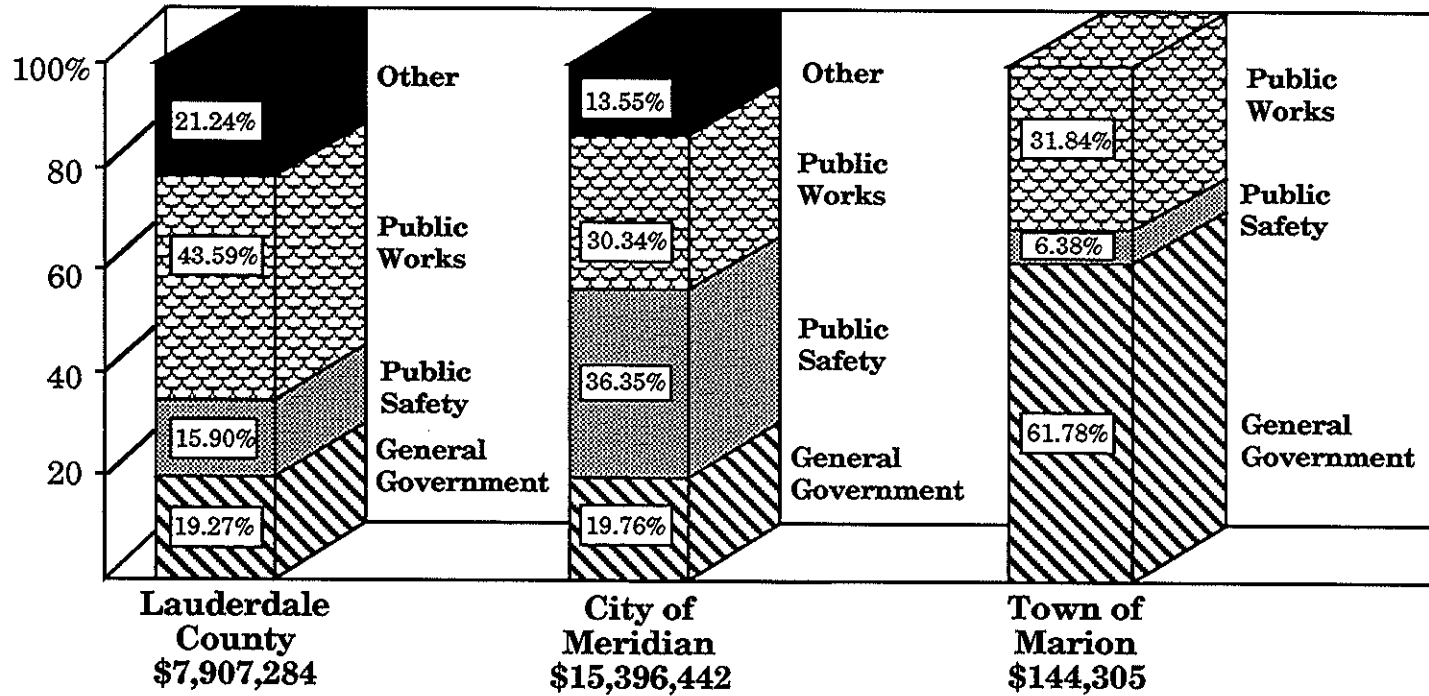


EXHIBIT B

**COMPARISON OF LOCAL TAX REVENUE
NET EXPENDITURE PATTERNS
LAUDERDALE COUNTY/CITY OF MERIDIAN/TOWN OF MARION
FISCAL YEAR 1990**



tures). City of Meridian officials' top expenditure category is public safety (primarily fire and police protection), with 36.35% of the city's total net expenditures made for public safety purposes during fiscal year 1990. The Town of Marion's largest expenditure category is administration (61.78%) due to its small size and primary reliance on county services.

LAUDERDALE COUNTY AND THE CITY OF MERIDIAN: THE TAX EQUITY QUESTION

While the terms "tax equity" and "double taxation" have become very popular terms for political rhetoric everywhere, no single definition or formula describes tax equity or clarifies the meaning of double taxation. The conflict over these taxing issues generally arises as the result of geographic overlapping of local government entities, generally cities and counties. This type of city-county conflict is not unique to the City of Meridian and Lauderdale County; it is found in other Mississippi counties and municipalities and even in other states.

PEER did not attempt to establish a formula for collection and distribution of local tax dollars by Lauderdale County and the City of Meridian, as this is the responsibility of the local governing bodies. However, in reviewing the local tax structure and the expenditure of local tax dollars by Lauderdale County and the City of Meridian, PEER sought to clarify certain issues that have been debated by county and city officials, including: the percentage of the county's ad valorem taxes attributable to city and non-city property, the percentage of city sales tax collections attributable to the county's non-city residents, the origin of county road and bridge revenues versus the geographic concentration of expenditures, and the proportion of funding provided by city taxpayers for jointly funded local agencies.

Origin of Lauderdale County Ad Valorem Tax Collections

PEER sought to identify the sources of Lauderdale County's ad valorem tax revenue using 1990 tax assessment data provided by county officials. Based on tax assessment data, 60.2% of Lauderdale County's assessed valuation is within the City of Meridian. As such, \$4.5 million of the county's \$7.5 million in ad valorem taxes for fiscal year 1990 was collected on city property. While this analysis reflects that city property owners pay 60.2% of the county's ad valorem taxes, it does not infer that city administration has any

special rights to these funds. The board of supervisors must make a policy decision regarding the expenditure of tax dollars; however, the board should be aware of this information in making its decisions.

Origin of City of Meridian Sales Tax Collections

PEER sought to identify the sources of the City of Meridian's sales tax revenue for fiscal year 1990 using data from a 1989 study by the Lauderdale Economic Development Authority entitled *Meridian Retail Trade Analysis*. Using population, income, and distance data presented in the report, PEER estimates that Lauderdale County residents, outside of Meridian's city limits, provided \$1.4 million (19.76%) of Meridian's \$7.3 million in sales tax revenue for fiscal year 1990. While the amount is not measurable, individuals shopping in the City of Meridian, or any other city for that matter, receive the benefit of certain city services while in the city. Such benefits include the use of city streets, fire protection and police protection, which are the city's largest budget items.

Lauderdale County Road and Bridge Taxes: Origin of Revenue Versus Geographic Concentration of Expenditures

PEER reviewed the road and bridge issue by focusing on the county's net expenditures from local tax revenues (ad valorem, privilege, and fuel taxes) that are earmarked for road and bridge purposes. PEER sought to determine the amount of Lauderdale County's road and bridge tax revenues for fiscal year 1990 spent inside the City of Meridian as compared to expenditures outside the city limits. PEER determined that 57.07% of Lauderdale County's road and bridge tax revenues for fiscal year 1990 originated within the City of Meridian, while 7.09% of Lauderdale County's disbursements from road and bridge tax revenue were used inside the City of Meridian. The 7.09% represented \$231,610 of road fund taxes that were transferred to the city as required under state law. Lauderdale County did not make any discretionary expenditures of road and bridge tax funds in the City of Meridian during the year.

MISS. CODE ANN. Section 65-15-21 requires counties to transfer one-half of ad valorem taxes collected, for road purposes, on property within a municipality to the municipal treasury if the municipality maintains its streets. This mandatory transfer of ad valorem tax collections does not apply to the levy for bridge and culvert maintenance or road and bridge debt. Because municipalities are not entitled to share

in counties' bridge levy collections, there have been cases in Mississippi where municipalities accused counties of using bridge funds for road work to avoid having to share such tax collections with the municipalities.

PEER determined that bridge/culvert fund expenditures represented 31.0% of Lauderdale County's total road and bridge expenditures for fiscal year 1990. In contrast, bridge/culvert fund salaries and wages represented 55.3% of total road and bridge salaries and wages. PEER also noted that the bridge and culvert fund pays one-half of the county supervisors' salaries each year (\$66,300 for fiscal year 1990), and the general fund pays the other half. The county administrator acknowledged that salaries and wages paid by the bridge/culvert fund might be too high and should be reviewed for possible adjustment. If Lauderdale County's bridge/culvert fund expenditures and tax levy have been overstated and the road fund expenditures and tax levy have been understated over the years, the City of Meridian has not been receiving an equitable share of road fund taxes under statutory requirements.

City and County Proportions of Funding for Jointly Funded Local Agencies

Both Lauderdale County and the City of Meridian provided funding to Meridian Public Library and the Multi-County Community Service Agency during fiscal year 1990 through appropriation of local tax dollars. Local tax revenue originating in the City of Meridian provided 71.17% of the local government funding for Meridian Public Library and 55.50% of the local government funding for the Multi-County Community Service Agency during fiscal year 1990.

Conclusion: The Tax Equity Question

Both Lauderdale County and City of Meridian officials have maintained positions regarding the use of Lauderdale County ad valorem tax revenues that are contrary to a policy of distribution based on need. Lauderdale County officials have over the years consciously chosen not to spend county tax dollars for road and bridge expenditures in the City of Meridian, despite the fact that city residents are also county taxpayers residing in the county. On the other hand, City of Meridian officials have demanded that county officials provide funding for city street projects because of the large proportion of ad valorem tax dollars collected on property in the City of Meridian. Ultimately, the decision of where to spend county tax dollars rests with

the board of supervisors. However, the board of supervisors must be cognizant of the fact that its constitutional and statutory responsibilities extend to the entire county and not just the unincorporated areas.

It is the local governing body's responsibility to spend tax dollars based on need rather than assuring that all political districts receive their "equitable" share. However, just as tax dollars should not be spent based on political boundaries, they should not be withheld based on political boundaries.

Recommendations

1. The Lauderdale County Board of Supervisors should develop road and bridge plans for the entire county, including the City of Meridian.

City of Meridian officials should submit an annual list of road and bridge needs to the board of supervisors.
2. The Lauderdale County Board of Supervisors should review closely the budget of its bridge/culvert fund to insure that it funds only bridge and culvert expenditures.

LOCAL GOVERNMENT CONSOLIDATION

The concept of government consolidation is very broad. To some, consolidation simply means merging services, while to others it can mean complete dissolution (including positions of elected officials) of prior local government entities and the formation of a new local government entity. While the term *government consolidation* provides for lively political rhetoric in the same manner as the term *tax equity*, local policymakers considering such consolidation should begin by concurring on its definition.

Mississippi's state laws do not currently provide for complete governmental consolidation of municipalities and counties. As such there is no legal definition of a consolidated municipality/county in the state of Mississippi. PEER reviewed information related to some highly publicized consolidations from around the country. While each method reviewed could be implemented in the State of Mississippi, substantial statutory and even constitutional revision would be necessary in most cases.

Other States' Consolidations

Local governments have formed eighteen consolidated communities in the United States since World War II, none of which have represented complete local government consolidation (see Exhibit 25, page 51, for comparative information on these consolidations). PEER sought to provide general information regarding several of the more publicized local government consolidations from around the country, including Baton Rouge, Louisiana; Jacksonville, Florida; Columbus, Georgia; Nashville, Tennessee; and Indianapolis, Indiana.

Government Consolidation in Mississippi

Complete governmental consolidation is uncommon due to the constitutional and political restraints against such a system. Many county positions are provided for in state constitutions and their abolishment or alteration would require constitutional amendment. Also, total consolidation could be hampered by local officials' "urban vs. rural" turf battles.

Any attempt at providing for complete government consolidation of municipalities and counties in Mississippi would face similar political and constitutional obstacles. Voters in forty-five of the eighty-two Mississippi counties chose not to consolidate road and bridge operations within their counties in 1988, preferring instead to operate under a beat system with five separate road departments in each county. As such, the concept of a consolidated city-county government would undoubtedly receive substantial resistance in Mississippi. At least eleven sections of the state's constitution and hundreds of statutory sections of the law relate to counties, county officials, municipalities and municipal officials. These sections might be affected, depending upon the type of consolidation sought.

Service Consolidation

Although state law does not contain provisions for complete city-county consolidation, Mississippi municipalities and counties may combine service functions under the Interlocal Cooperation Act of 1974, codified under Title 17, Chapter 13, of the MISSISSIPPI CODE. This act permits Mississippi's local government entities (counties, municipalities, and school districts, among others) to implement jointly any responsibility that such local governing entities have legal authority to carry out independently, except the authority to levy taxes and incur debt. Such

interlocal agreements must be in writing and approved by each entity's governing body.

PEER surveyed Mississippi municipalities and counties to determine the extent to which joint service agreements are used in this state. Forty-four percent (36 of 82) of Mississippi's counties responded to the survey and cited 255 joint service arrangements to which they were a party. Forty-one percent (122 of 297) municipalities responded to the survey and cited 299 joint service arrangements to which they were a party.

Lauderdale County, the City of Meridian, and the Town of Marion are currently parties to several joint service arrangements, including: mutual fire protection agreements, tax collection by the county, and a beautification program. In addition, these entities participate in unwritten agreements, such as Lauderdale County's provision of sanitation services for the Town of Marion residents, with Marion residents paying an additional ad valorem tax.

Conclusion: Government Consolidation in Mississippi

The concept of local government consolidation should not be limited to city-county mergers. While Meridian and Marion represent the only incorporated municipalities in Lauderdale County and are located close to the geographic center of the county, this is not the case in most other counties. For example, a city which represents the center of a large multi-county metropolitan area might do little to maximize the area's potential by merging only with the county in which it resides. The demographics, resources and needs of local government entities are major factors in decisions concerning consolidation.

Since complete governmental consolidation is not currently provided for by state laws and would take a substantial period for development and implementation, Mississippi's local government entities should consider the potential benefits of service consolidation. While numerous interlocal arrangements exist statewide, the majority do not represent substantial service consolidation arrangements (e.g., merger of law enforcement functions or road and bridge functions).

Recommendation

Lauderdale County, City of Meridian, and Town of Marion officials should establish a joint forum to review and consider establishing additional joint service agreements.

AN ANALYSIS OF LOCAL GOVERNMENT FUNDING AND SERVICES: LAUDERDALE COUNTY/CITY OF MERIDIAN/TOWN OF MARION

INTRODUCTION

The Board of Supervisors of Lauderdale County requested that the PEER Committee review "*methods, both city and county, of financing local government and providing services.*" In addition, the Lauderdale County Council of Governments, a group of state and local government officials and members of the private sector in Lauderdale County, requested that the Committee review the potential for "*government consolidation*" within Lauderdale County.

Authority

The PEER Committee initiated this analysis at its October 17, 1990, meeting. The Committee performed this analysis pursuant to MISS. CODE ANN. Section 5-3-57 (1972).

Scope and Purpose

In responding to the requests of the Lauderdale County Board of Supervisors and the Lauderdale County Council of Governments, PEER sought to:

- analyze the revenues and expenditures of Lauderdale County, the City of Meridian, and the Town of Marion;
- identify services provided by these governmental entities;
- analyze local taxation in the three governmental entities and address tax equity issues;
- review other cities' and states' efforts to consolidate services and/or governments; and,
- review options available to Mississippi counties and municipalities related to merging of services or governments.

Methodology

While conducting this analysis, PEER performed the following tasks:

- reviewed applicable Mississippi statutes and constitutional provisions;

- reviewed financial audit reports, budget data, and tax assessment and levy data for Lauderdale County, the City of Meridian, and the Town of Marion;
- interviewed elected and appointed officials of Lauderdale County, the City of Meridian, and the Town of Marion;
- reviewed articles, studies and other published information related to local government finances, taxation, and services; and,
- surveyed Mississippi counties and municipalities.

Overview

PEER sought to identify the origin of local tax funding (ad valorem, sales, and other locally generated taxes) for Lauderdale County, the City of Meridian, and the Town of Marion, and to determine how each local government entity spends its local tax revenues. PEER also reviewed certain tax equity issues raised by county and city officials and the potential for government or service consolidation in Mississippi.

Lauderdale County received \$8.8 million in local tax revenues during fiscal year 1990, which represented over 71% of the county's total revenues for the year. Ad valorem taxes represented the county's largest local tax revenue source (85% of total local tax revenue). The county spent \$3.8 million for public works, which represented 34% of the county's total expenditure of local tax dollars for the year.

The City of Meridian received \$14.7 million in local tax revenues during fiscal year 1990, which represented 59% of the city's total revenues for the year. Sales tax (49.65%) and ad valorem taxes (40.11%) represented the city's primary local tax revenue sources. The city spent \$5.6 million for public safety (primarily police and fire protection), which represented 36% of the city's total expenditure of local tax dollars for the year.

The Town of Marion received \$112,472 in local tax revenues during the year, with the primary sources being sales tax (45.84%) and ad valorem taxes (45.23%). The town's largest expenditure category for local tax dollars was general government (\$89,153). Marion relies on Lauderdale County for road and bridge maintenance.

In reviewing the tax structures and expenditures of Lauderdale County and the City of Meridian, PEER sought to clarify certain issues that have been debated by county and city officials, including: percentage of the county's ad valorem taxes attributable to city and non-city property, the percentage of city sales tax collections attributable to the county's non-city residents, the origin of county road and bridge revenues versus the

geographic concentration of expenditures, and the proportion of funding provided by city taxpayers for the Meridian Public Library and the Multi-County Community Service Agency.

Property located in the City of Meridian provided \$4.5 million of the county's \$7.5 million in ad valorem taxes for fiscal year 1990. PEER estimates that county residents outside the city limits provided \$1.4 million (19.76%) of the City of Meridian's sales tax revenue during the fiscal year. Analysis of road and bridge revenues and expenditures shows that 57.07% of the county's local tax revenues for road and bridge purposes originated in the City of Meridian for fiscal year 1990, and 7.09% of the county's road and bridge disbursements were made in the city. Of the Meridian Public Library's joint local government funding, 71.17% originated in the City of Meridian, while 55.53% of the Multi-County Community Service Agency's joint funding originated in the city for fiscal year 1990.

PEER takes neither a "city" nor "county" position on the issue of tax equity in Lauderdale County. Local policymakers should spend tax dollars based on need rather than assuring that all political districts receive their "equitable" share. However, just as tax dollars should not be spent based on political boundaries, they should not be withheld based on political boundaries.

After reviewing consolidated communities in other states, PEER determined that the concept of consolidation does not usually represent complete governmental consolidation. Any attempt at complete local government consolidation would encounter substantial legal (constitutional and statutory revision) and political (resistance by local governments) obstacles. Mississippi laws currently permit service consolidation between counties and municipalities and local policymakers should pursue such agreements.

BACKGROUND

While many aspects of the analysis presented in this report are applicable to most Mississippi counties and municipalities, the specific analytical data relates to Lauderdale County, the City of Meridian, and the Town of Marion. As such, the background information in this section is presented as it relates to those local government entities.

Demographics

Lauderdale County is located in east central Mississippi and shares its eastern boundary with the state of Alabama. The county has a total area of 705 square miles. The City of Meridian (which is the county seat) and the Town of Marion represent the only incorporated municipalities within Lauderdale County. Meridian's total area is 35 square miles while the area of Marion is 4 square miles. (See Exhibit 1, page 5.) The City of Meridian functions mostly independent of the county, while the Town of Marion relies on the county for street maintenance and sanitation services.

According to 1990 census data, the population of Lauderdale County is 75,555, Meridian's population is 41,036, and Marion's is 1,359. The population of the City of Meridian has decreased 11.8% during the last ten years, while the population of the county's unincorporated areas has increased 10.8%. Over the past thirty years the population of Meridian has decreased by 16.8%, while the county's unincorporated areas have grown by 86.9%. (See Exhibit 1, page 5.) These shifts reflect population trends from the city to the unincorporated areas.

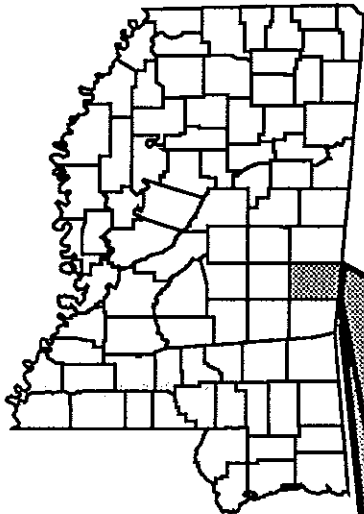
The difference between the demographics of municipalities and counties creates unique challenges to the governing bodies of each. Municipalities generally represent a dense population located in a relatively small area. Counties encompass municipalities but also provide the only form of local government for unincorporated areas which in most cases are spread out and more sparsely populated than municipalities. Municipal leaders face the challenge of providing services to a densely populated area that usually includes most of the area's business entities which serve not only municipal residents, but residents of unincorporated areas around the municipality. County leaders are charged with providing services to sparsely populated areas of the county, yet by law must serve all county residents.

County Government

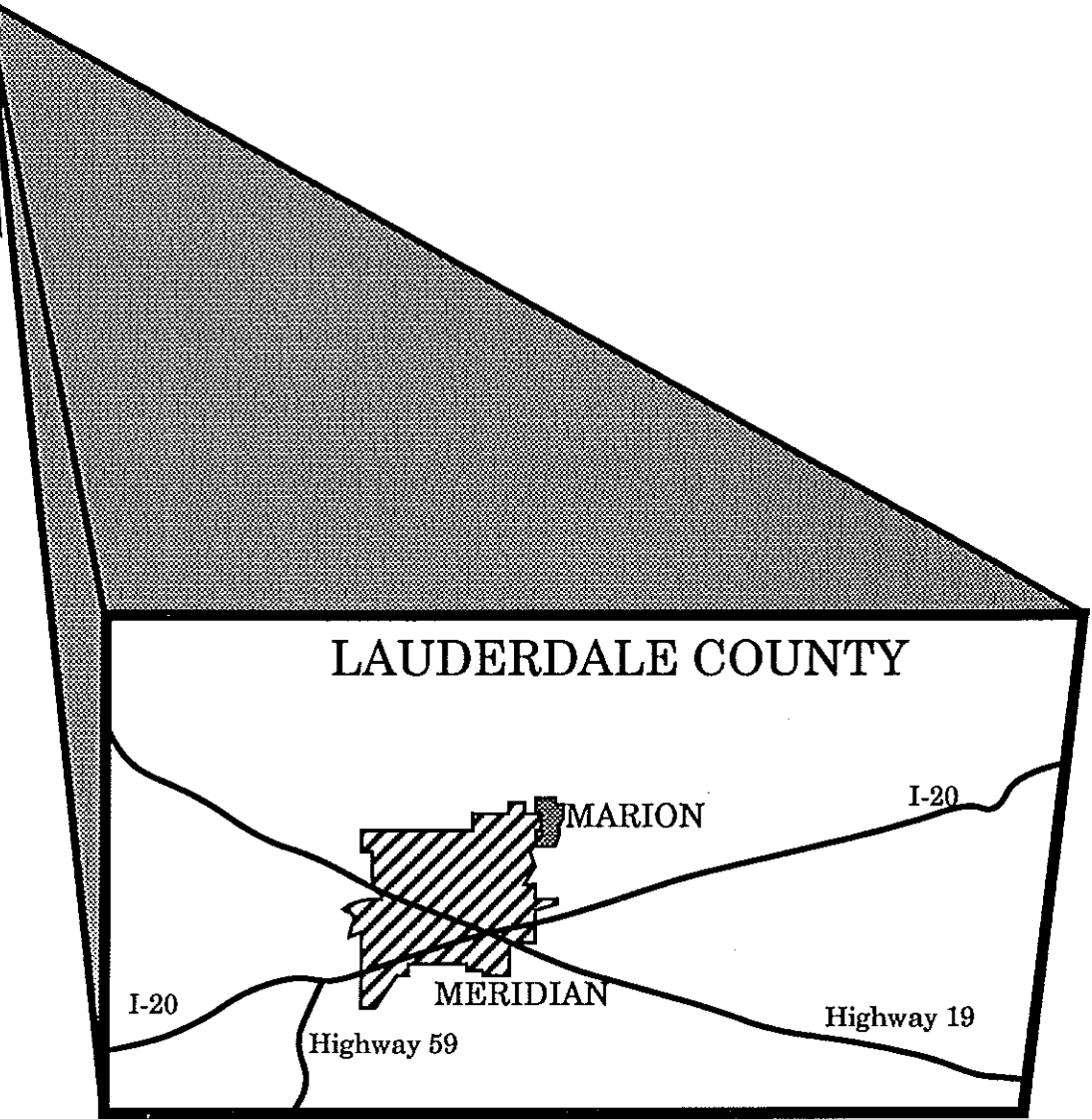
The 1890 Mississippi Constitution established county government. The county's governing body is the board of supervisors, composed of five members in each county. Supervisors perform administrative and

EXHIBIT 1

LOCATION AND DEMOGRAPHICS OF LAUDERDALE COUNTY, MERIDIAN, AND MARION



Demographic Data				
	Unincorporated Area	Meridian	Marion	Total
Area in Square Miles	665.6	35.4	4.0	705
Population (1960)	17,745	49,374	N/A	67,119
Population (1990)	33,160	41,036	1,359	75,555
%Increase/<Decrease>	86.9%	<16.9%>	N/A	12.6%



SOURCE: U.S. Census Data

legislative tasks including oversight of: road and bridge construction and maintenance, county finances, sanitation, and maintenance of county buildings and grounds. Road and bridge maintenance/construction has traditionally been viewed as one of the most important functions of county government, as evidenced by the levels of expenditure for this function reflected in county budgets.

Several other elected officials function independently of the board of supervisors in Mississippi counties. These include, among others, sheriffs, tax assessors/collectors, circuit clerks, chancery clerks, coroners, surveyors and district attorneys. The Mississippi Constitution establishes the positions of sheriff, tax assessor/collector, coroner, and surveyor while the others are established under state statutes. While these county officials operate independently of the board of supervisors, it is important to note that they depend on the board for their operating funds through the budget process in the same manner as state agencies depend on the Legislature for appropriations.

The system of county government in Mississippi has changed relatively little since its establishment in 1890. Debate over the efficiency and effectiveness of county government has been well-publicized over the last few years; however, proposals for substantial change in county government can be traced back to 1932 and the release of a study by the Brookings Institute, an independent government research organization. This study has been succeeded by numerous studies of Mississippi county government, many of which cite the plural executive aspect of the state's county government as the cause of fragmentation of local authority and a lack of unified leadership.

Proponents of change argue that while county government was designed with some degree of rationality, the rationality was in nineteenth-century context when county lines were drawn to accommodate horse and buggy travel. With tremendous advances in transportation, telecommunications and computer technology, proponents of change argue that counties have not moved forward, resulting in inefficiency and ineffectiveness within their operations. Opponents of change in county government argue that the current form of county government is "closer to the people," because it allows them to elect virtually every executive within county government.

Lauderdale County operates under a county-wide system of road administration, commonly known as a "unit system." A road manager oversees the day-to-day operations of the road department at the direction of the board of supervisors as a whole. In addition, the board employs a county administrator to oversee the board's administrative responsibilities such as budgeting and purchasing. The county administrator has no authority over other elected county officials.

Municipal Government

Unlike county government, which was created to implement state-mandated functions at the local level, municipal governments are established at the request of groups of individuals inhabiting an area that desire services beyond those provided by the state and county. The provisions for creation of a municipality are found in MISS. CODE ANN. Section 21-1-1 et seq. Two-thirds of the qualified electors of any territory planned for incorporation must sign a petition to be presented to the chancery court of the county in which the territory is located. If after hearing all evidence for and against a proposed incorporation the court finds the proposed incorporation to be "*reasonable and required by the public convenience and necessity*," the court must declare the municipal corporation to be created.

Mississippi statutes provide that upon incorporation, municipalities have the power to sue and be sued, to own real and personal property, to levy property taxes, and to borrow money, among other powers. Although municipalities are provided by law with a corporate status, they continue to be subject to statutes enacted by the Mississippi Legislature. As such, the Legislature retains the right to alter the structure of municipalities in any manner it deems necessary.

The Legislature has chosen to classify municipalities into groups for legislative purposes. State statutes currently provide for three classes of municipalities: cities (population of 2,000 or more), towns (population less than 2,000 but not less than 300), and villages (population less than 300). State law also provides four forms of municipal government:

- *Council*-- This form of government is commonly referred to as the mayor-board of aldermen or "weak mayor" form of government. Administrative power is spread between the mayor, the board of aldermen and other elected/appointed officials.
- *Mayor-Council* --This form of government is commonly referred to as the "strong mayor" form of government. Legislative authority is vested in the council while administrative authority is vested in the mayor, creating a relationship comparable to that of Mississippi's Governor and Legislature.
- *Commission*--This form of government combines executive and legislative powers which are vested in a commission, of which the mayor is a member. The mayor's authority is basically the same as that of other commission members. Individual commission members serve as administrative heads of various municipal departments.
- *Council-Manager*--This form of government is similar to the commission form, as it combines legislative and executive power

into a council with the mayor serving as an equal to other members. The difference is that the council appoints a city manager to have sole responsibility of administrative matters.

Most Mississippi municipalities (94%) use the council form of government (mayor-board of aldermen), as every Mississippi municipality began under this form. In order to change forms of government, municipalities must legally change their corporate charters after holding an election on the subject of changing their form of government. The efficiency and effectiveness of each form of government depend on characteristics such as size, economic, social and political conditions, and the competency of its elected officials.

The City of Meridian adopted the mayor-council form of government in 1985, putting the city in the unique position of having operated under all four forms of government during its history. Five council members represent separate wards within the city. The mayor, with the assistance of a chief administrative officer, oversees the operations of six departments: finance and records, public works, parks and recreation, community development, fire and police.

The Town of Marion has operated under the council form of government (mayor-board of aldermen) since its 1971 incorporation. The town's mayor serves part-time, as do its five aldermen, who are elected at-large.

REVENUE AND EXPENDITURE ANALYSIS

PEER analyzed the revenues and expenditures of Lauderdale County, the City of Meridian, and the Town of Marion in an effort to identify each entity's sources of funding, types of expenditures and types of services provided. PEER analyzed gross revenues and expenditures for each entity, but carried the analysis a step further by focusing on each entity's local tax revenues and related expenditures made from local tax revenues. As such, the analysis provides an objective presentation of each entity's expenditures from local tax dollars.

Lauderdale County

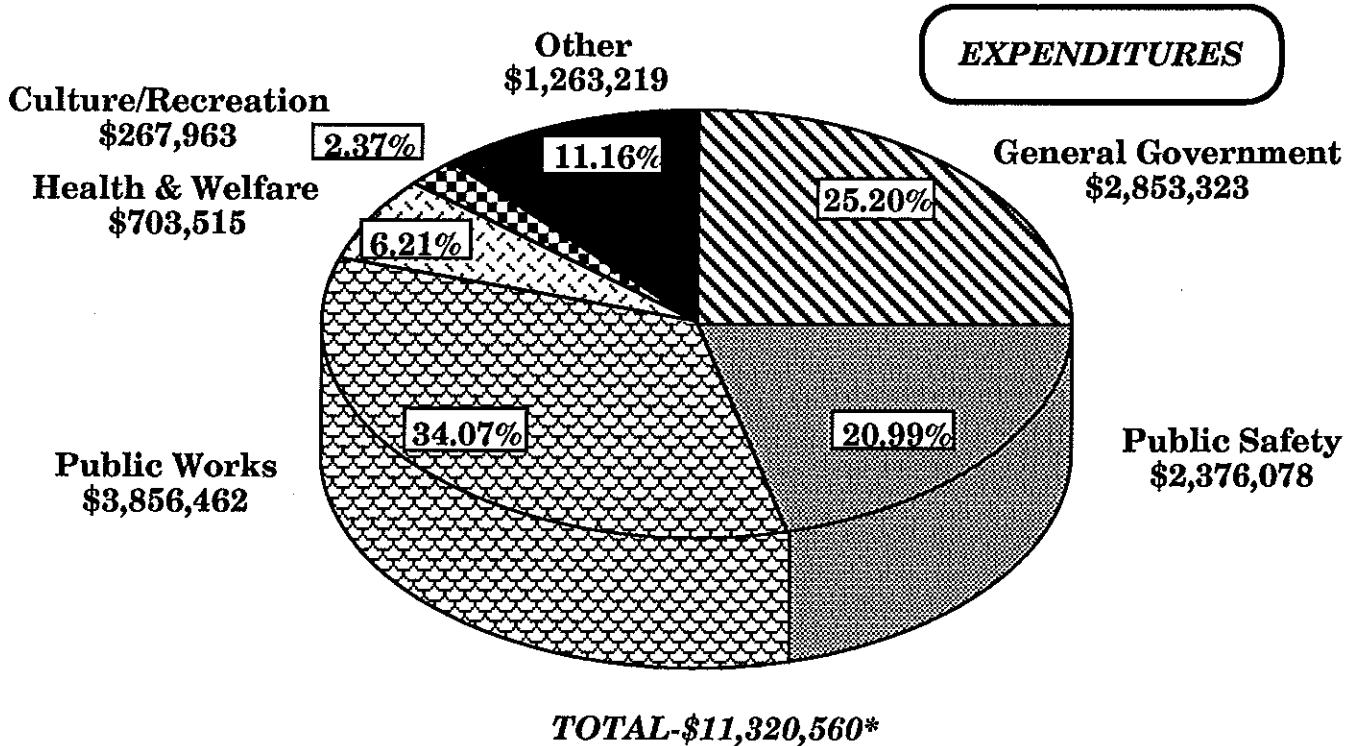
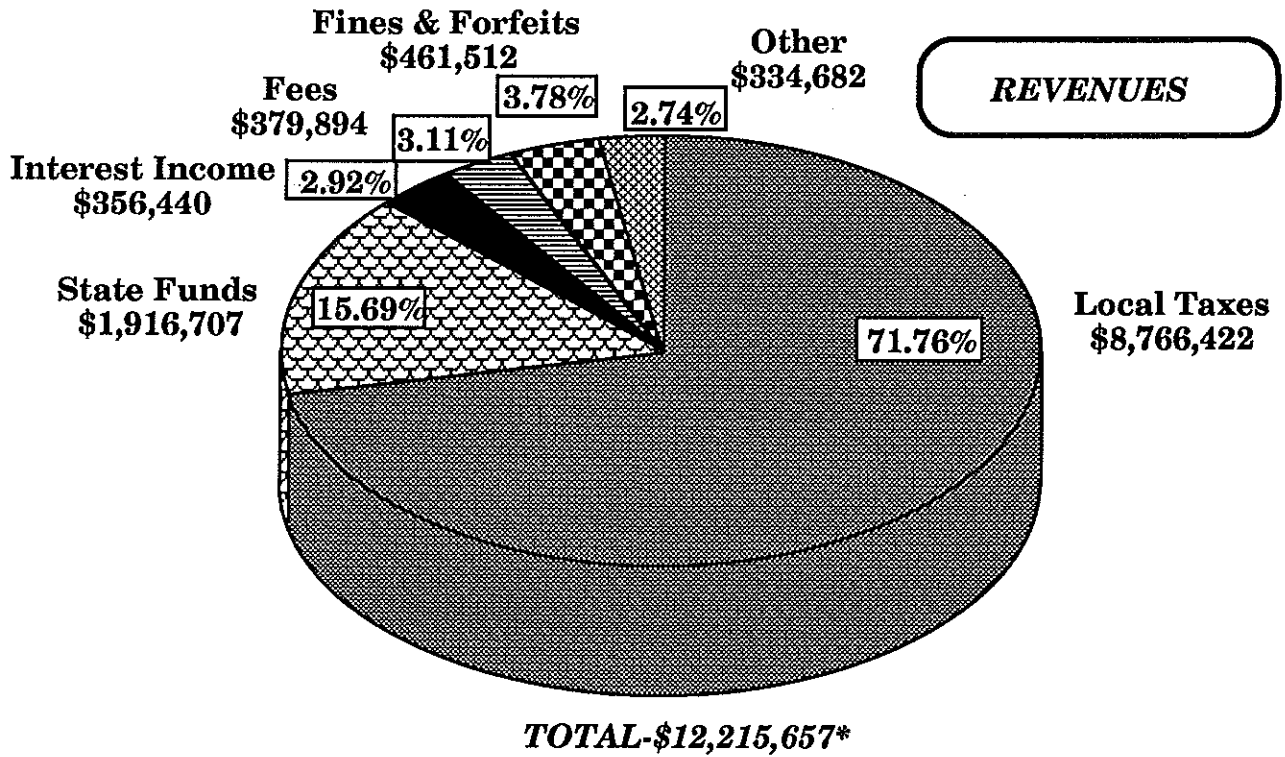
Lauderdale County's financial operations are based on a legally mandated fiscal year that ends on September 30 in the same manner as the state's other counties. At the time of PEER's review, the most recently completed fiscal year was September 30, 1990. As such, much of PEER's analysis of Lauderdale County revenues and expenditures relates to the activity of fiscal year 1990. However, some budgetary data for fiscal years 1991 will also be presented.

Lauderdale County's budgetary revenues for fiscal year 1990 were \$12.22 million (excludes proceeds of \$6.5 million bond issue), while total budgetary expenditures for the same period were \$11.32 million (excludes expenditure of bond proceeds). Local tax revenues represented 71% of the county's revenues for the year (see Exhibit 2, page 10), while the county's largest expenditure category was public works, which consists primarily of road and bridge expenditures (see Exhibit 2). Lauderdale County officials project budgetary revenues of \$12.54 million and budgetary expenditures of \$13.25 for fiscal year 1991 (excluding revenues and expenditures related to 1989 bond issue proceeds).

During fiscal year 1990, the county also received \$6.5 million in bond proceeds from a 1989 general obligation bond issue. The board of supervisors has earmarked \$5 million of the bond proceeds for road and bridge improvements and \$1.5 million for county building improvements. The county will pay the related bonded debt over a twenty-year period. The debt service payment on this bond issue for fiscal year 1991 is \$837,378 (\$155,000 principal and \$682,378 interest). Lauderdale County's total bonded debt at September 30, 1990, was \$8.8 million, excluding county school debt (see Exhibit 3, page 11).

As stated above, local tax revenues represent over 71% of the county's total revenues. PEER identified the following taxes as the county's primary local tax sources: ad valorem (real and personal property) tax, road and bridge privilege tax, and petroleum (primarily gasoline) tax. Lauderdale County's local tax revenues totalled \$8,766,422 for fiscal year 1990. The

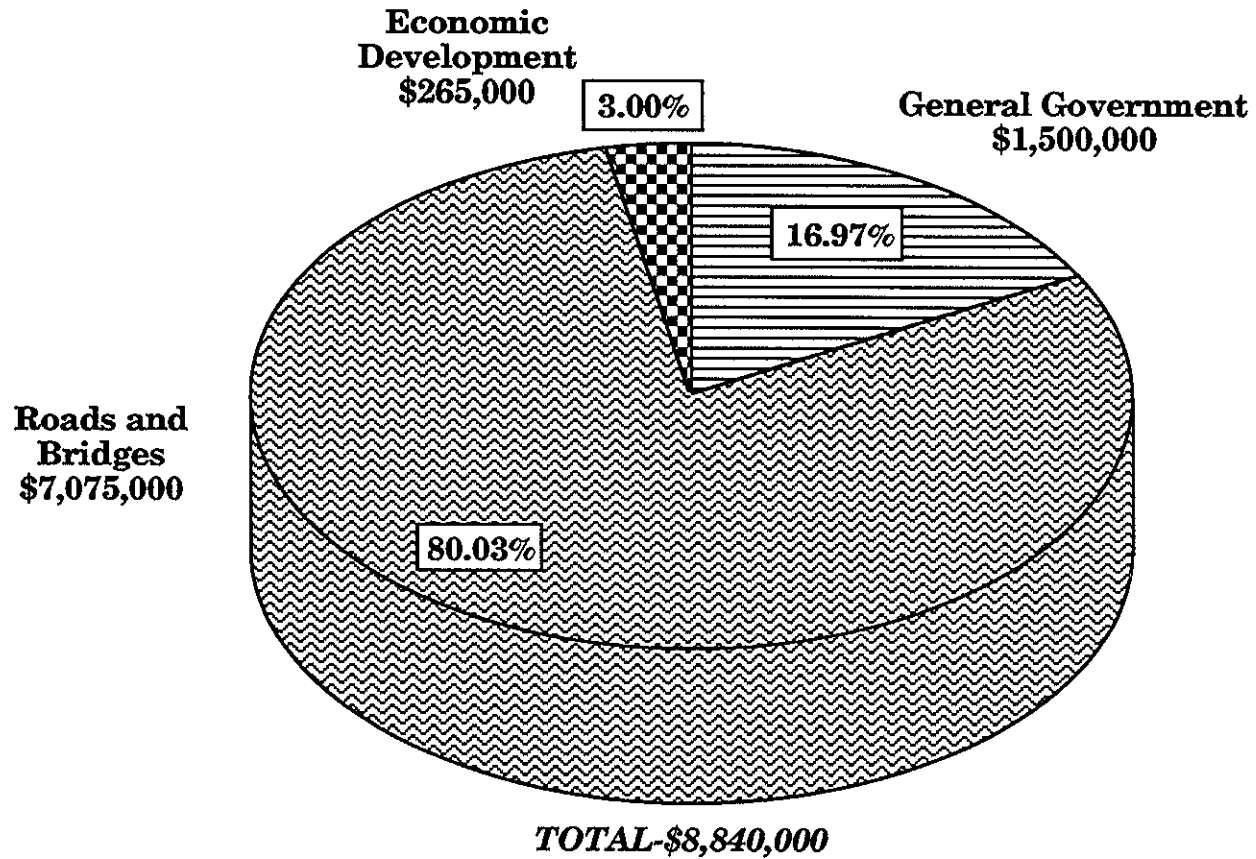
**EXHIBIT 2
REVENUES AND EXPENDITURES OF
LAUDERDALE COUNTY
FISCAL YEAR 1990**



SOURCE: PEER analysis of Lauderdale County financial records.

EXHIBIT 3

**LAUDERDALE COUNTY
BONDED DEBT FUNDED BY LOCAL TAXES
SEPTEMBER 30, 1990**



SOURCE: PEER analysis of Lauderdale County financial records.

county's ad valorem tax represents by far the largest component (85%) of its local tax revenues (see Exhibit 4, page 13). As such, the county is very dependent on ad valorem taxes to fund its budget.

PEER focused its review on county departments that are funded in whole or part by the local tax sources referred to above. These include general government, public libraries, sanitation, roads and bridges, debt service, and county support of other government entities. All other county operations are funded by state, federal or self-generated funds, and as such, are not relevant for the purposes of identifying the cost of services provided by local tax revenues. PEER determined the portion of each county department's total expenditures that were funded with local tax revenues for fiscal year 1990 by reducing each department's total expenditure amount by the amount of non-tax revenue (such as state, federal or self-generated funds) received by the department. The resulting expenditure amount for each county department will be referred to as the department's *net expenditures* for purposes of PEER analysis (see Exhibit 5, page 14).

Lauderdale County's net expenditures from local tax dollars for fiscal year 1990 were \$7.9 million. Of this amount, \$7.7 million represented expenditure of local tax revenue derived from all county taxpayers (excludes expenditures for sanitation and county fire protection, which are funded by tax levies on county residents outside the City of Meridian.) Exhibit 6, page 16, reflects a detailed breakdown of Lauderdale County's net expenditures for fiscal year 1990. As noted in relation to the county's total expenditures, public works (primarily road and bridge expenditures) represents the largest component of net expenditures for fiscal year 1990.

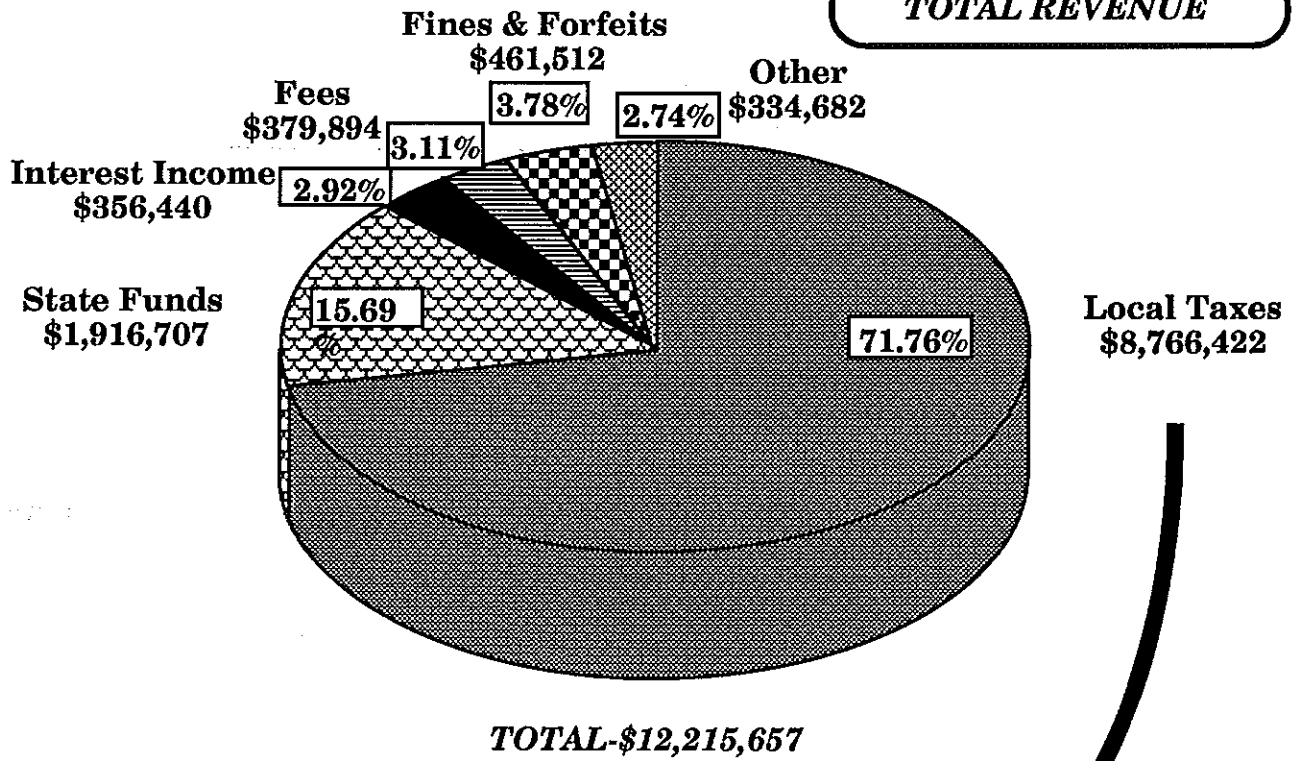
City of Meridian

The City of Meridian also operates on a legally mandated fiscal year ending September 30 with the most recently completed fiscal year ending on September 30, 1990. As with Lauderdale County, PEER focused on the City of Meridian's actual expenditures for fiscal year 1990 but also reviewed budgetary information for fiscal year 1991.

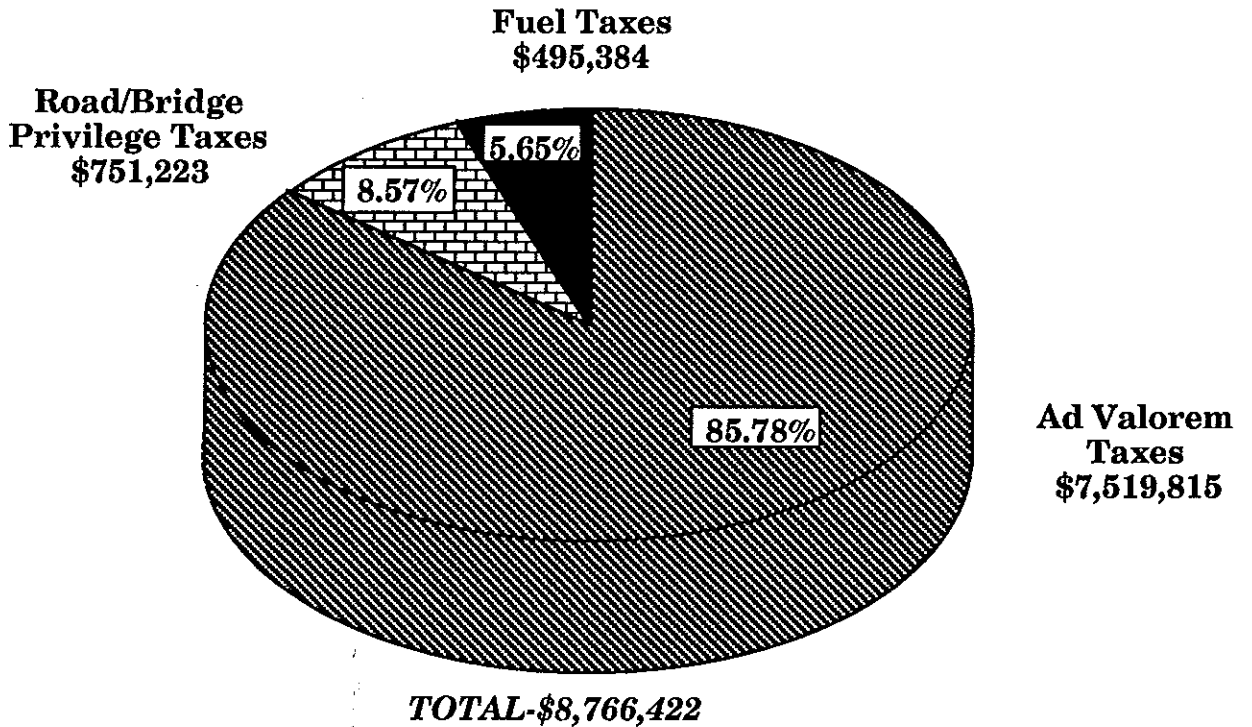
The City of Meridian's total budgetary revenues for fiscal year 1990 were \$24.91 million while total budgetary expenditures were \$25.55 million, excluding bond proceeds and capital outlay from prior years' grants and bond issues (see Exhibit 7, page 18). In order to provide a more accurate picture of the city's operating revenues and expenditures for fiscal year 1990, PEER excluded bond proceeds and interest income on bond proceeds from the revenues total and capital outlay expenditures (made from prior years' bond issue proceeds or federal grant monies) from the expenditures total. Local taxes represented the largest revenue component of the city's total revenues, and public works expenditures represented the largest expenditure component. The city's budgeted revenues and expenditures for fiscal year 1991 are \$26.39 million and \$28.39 million, respectively.

EXHIBIT 4

TOTAL REVENUES AND LOCAL TAX REVENUES OF LAUDERDALE COUNTY FISCAL YEAR 1990



LOCAL TAX REVENUES



SOURCE: PEER analysis of Lauderdale County financial records.

EXHIBIT 5

PEER FORMULA FOR DETERMINATION OF LOCAL GOVERNMENT NET EXPENDITURES

$$\begin{array}{l} \text{TOTAL LOCAL} \\ \text{GOVERNMENT} \\ \text{EXPENDITURES} \end{array} \quad \text{■} \quad \begin{array}{l} \text{STATE, FEDERAL \&} \\ \text{SELF-GENERATED} \\ \text{REVENUES} \end{array} \quad \text{=■} \quad \begin{array}{l} \text{NET EXPENDITURES} \\ \text{FROM LOCAL} \\ \text{TAX REVENUE} \end{array}$$

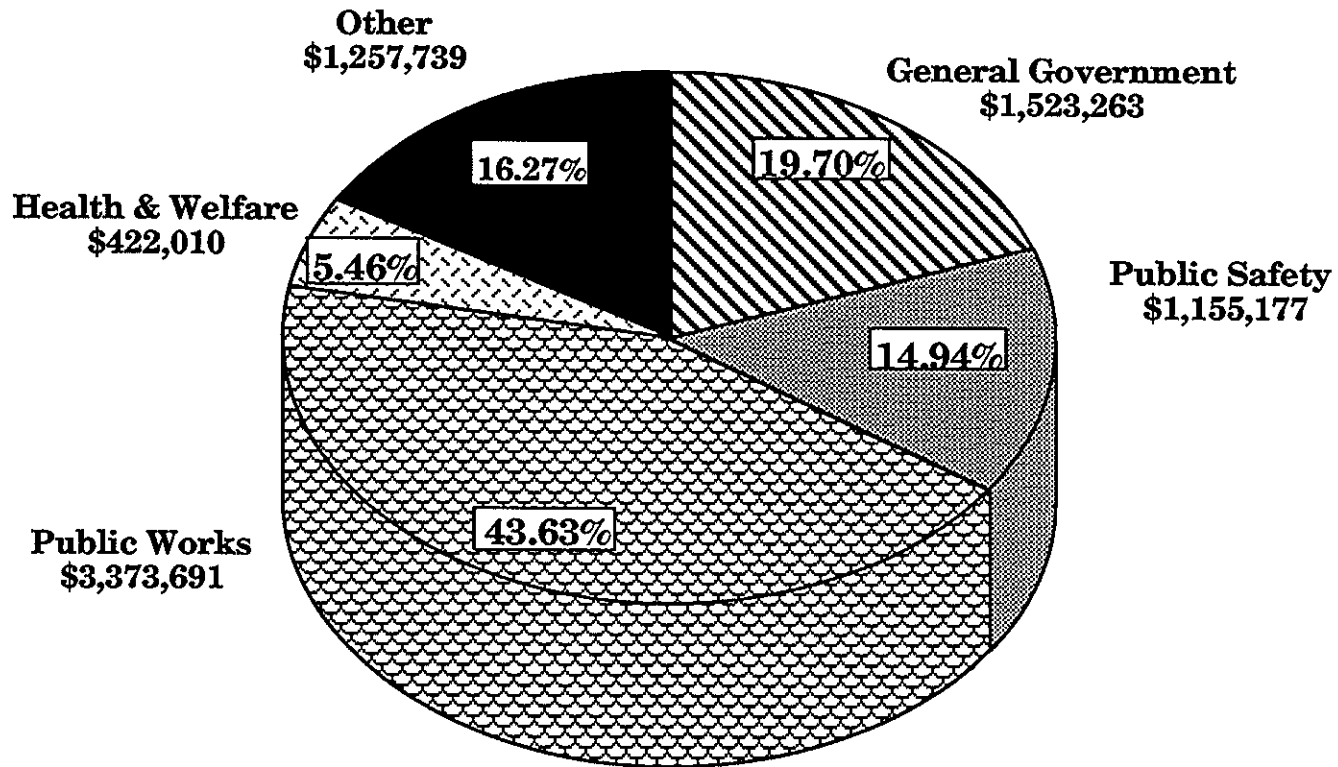
SOURCE: PEER staff analysis.

During fiscal year 1990 the city received \$4 million in bond proceeds for various public works projects, including: drainage, street improvements, and airport renovation. The city also spent \$5.2 million for various capital projects funded from prior years' bond issues and federal grants. The City of Meridian's total bonded debt at September 30, 1990, was \$31.42 million, with \$19.25 million of the total being funded by local tax dollars (see Exhibit 8, page 19). The remaining \$12.17 million is being funded primarily by enterprise revenues and special assessments.

As reflected in Exhibit 7, page 18, local tax revenues represent the largest component (59.03%) of the city's total revenues. PEER identified the following taxes as the city's primary local tax sources: ad valorem (real and personal property) tax, sales tax, franchise tax, county road tax and petroleum (primarily gasoline) tax. The City of Meridian's total local tax revenue for fiscal year 1990 was \$14.7 million, with sales tax representing the largest component (49.65%) of local tax revenue (see Exhibit 9, page 20). Ad valorem tax also provides a substantial portion of the city's local tax revenue (40.11%), particularly as a funding source to pay long-term debt (\$1.8 million for fiscal year 1990).

PEER focused its review on city departments and services that are funded in whole or part by local tax revenues noted above. These services include: general government, streets, sanitation, police, fire protection,

EXHIBIT 6
LAUDERDALE COUNTY
NET EXPENDITURES FROM LOCAL TAX REVENUE
FISCAL YEAR 1990



TOTAL-\$7,731,880*

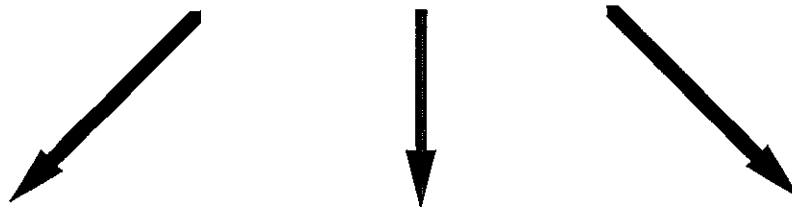
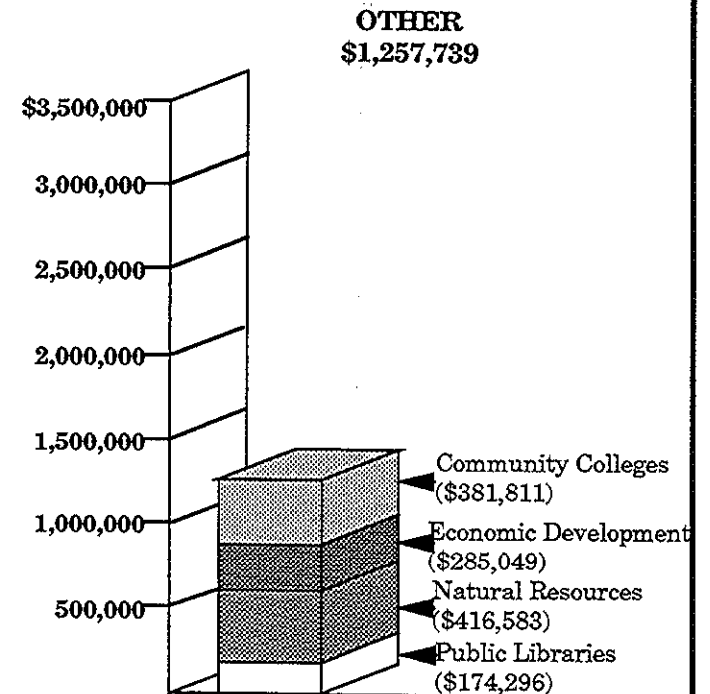
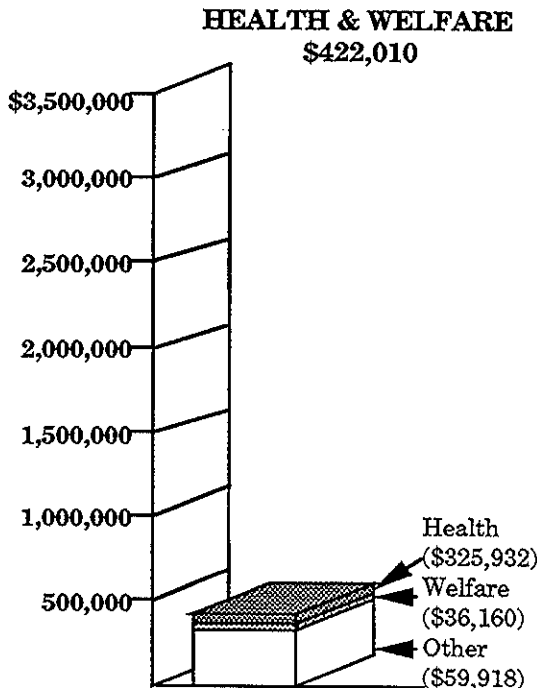
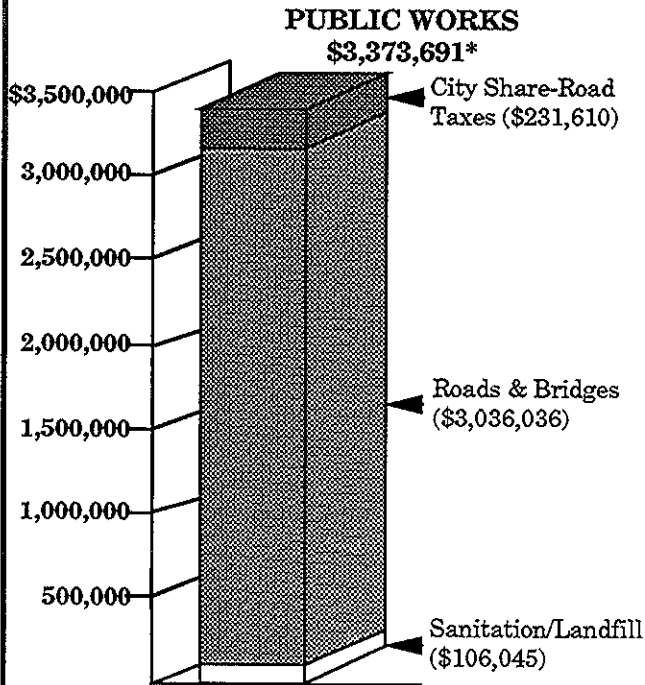
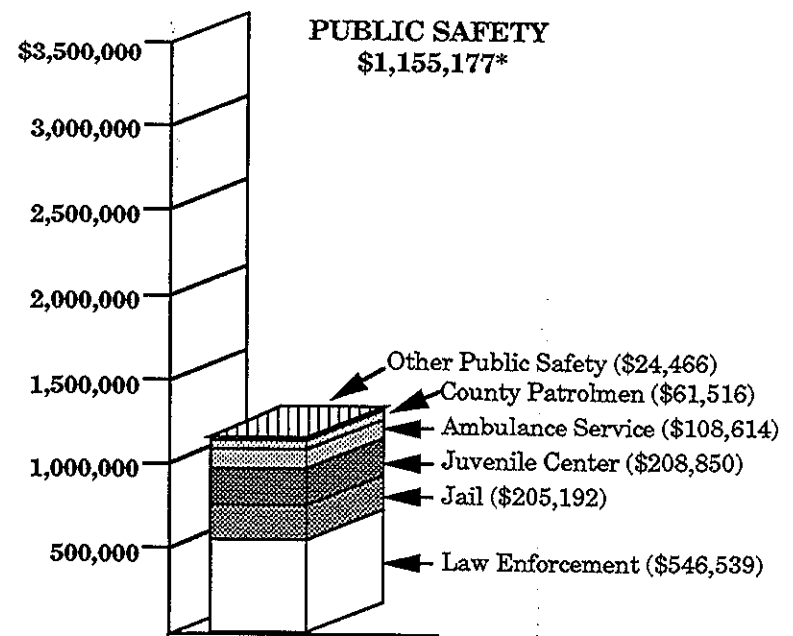
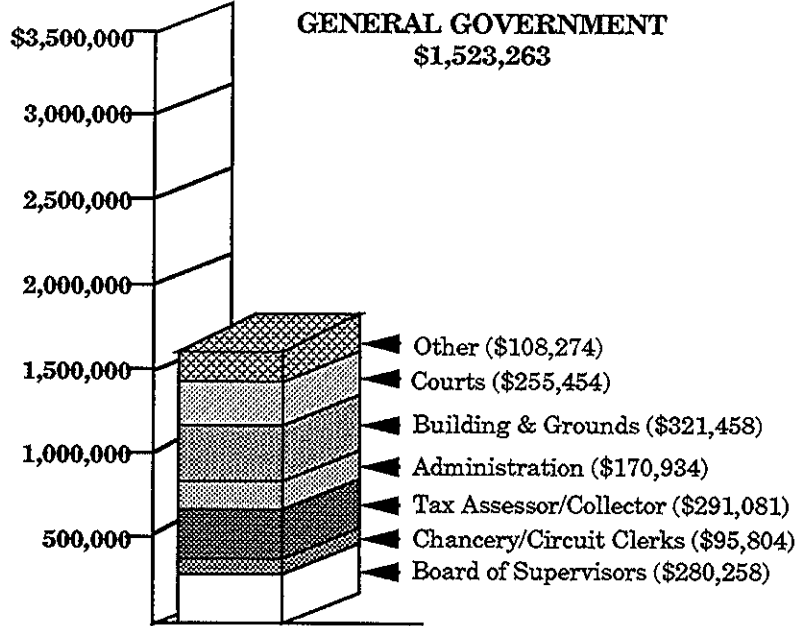


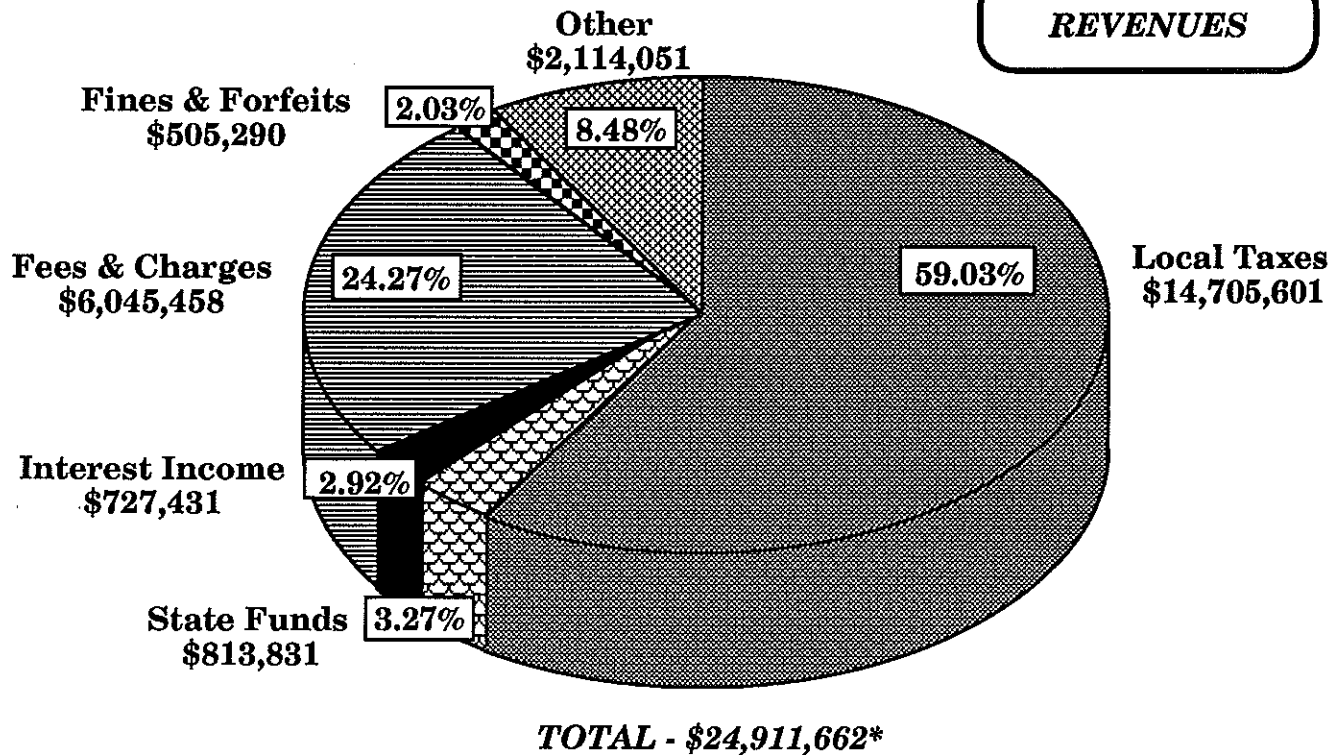
EXHIBIT 6 (continued)



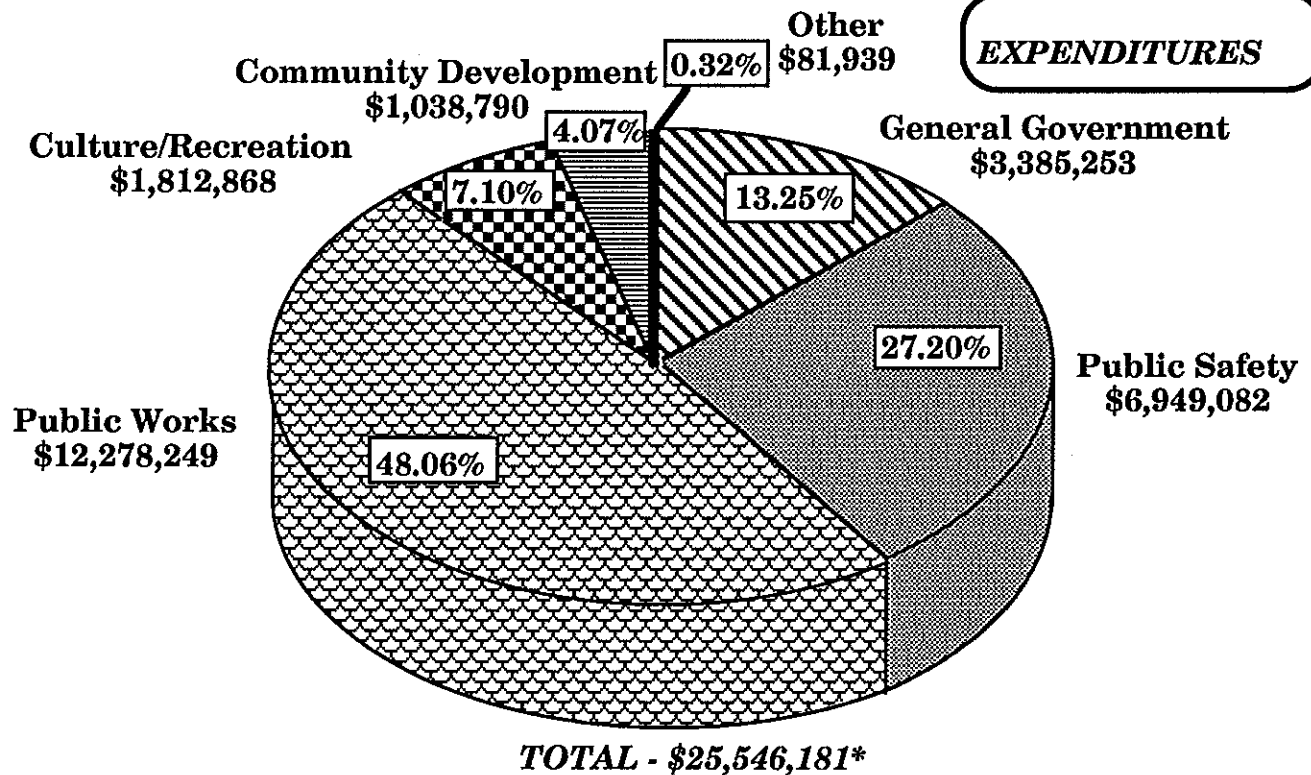
* Does not include expenditures of \$73,722 for sanitation and \$101,682 fire protection that are funded by tax levies on residents of the county outside the City of Meridian

**EXHIBIT 7
REVENUES AND EXPENDITURES OF
CITY OF MERIDIAN
FISCAL YEAR 1990**

REVENUES



EXPENDITURES

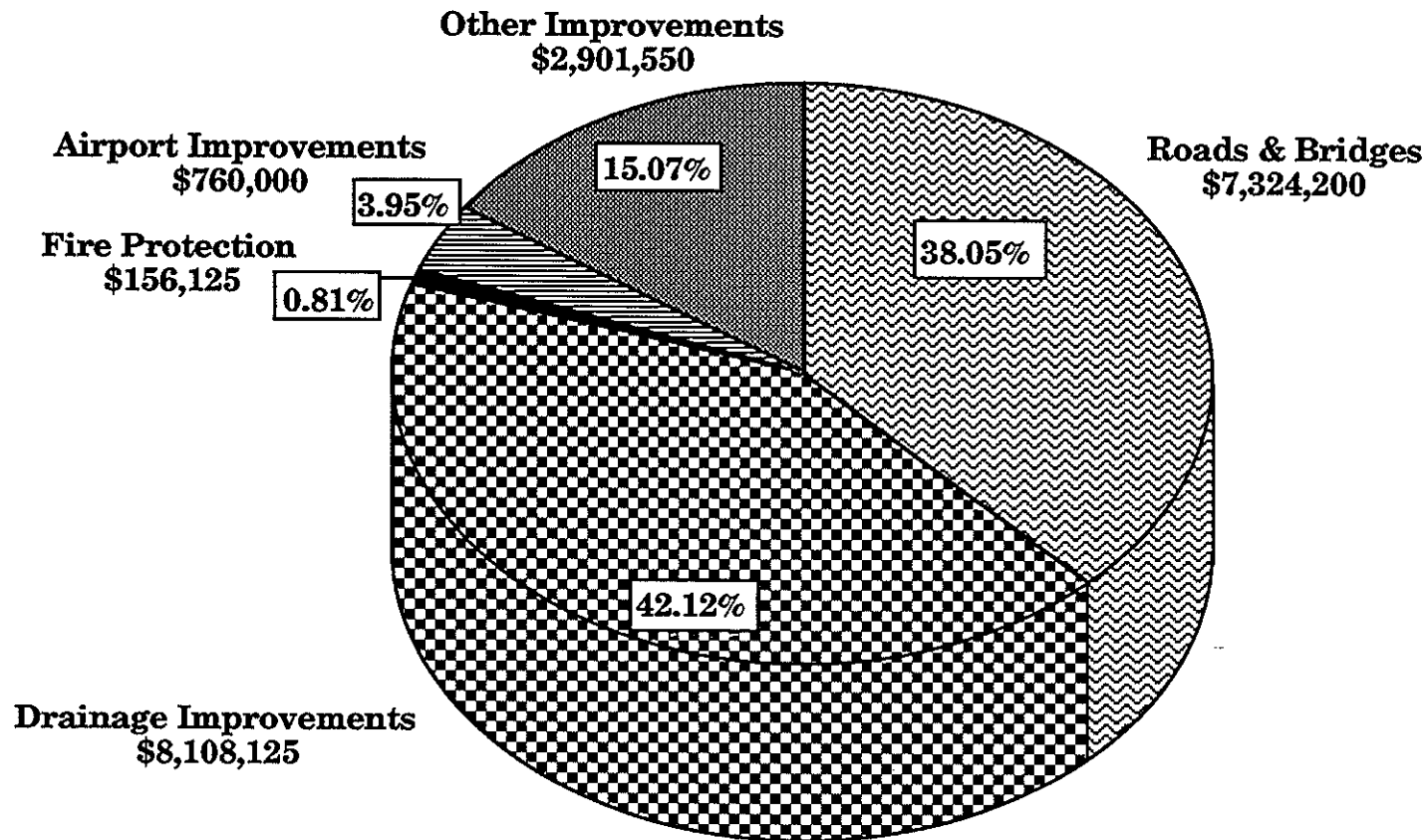


* Excludes receipts and disbursements related to 1990 bond issue and school debt.

SOURCE: PEER analysis of City of Meridian financial records.

EXHIBIT 8

**CITY OF MERIDIAN
BONDED DEBT FUNDED BY LOCAL TAXES
SEPTEMBER 30, 1990**



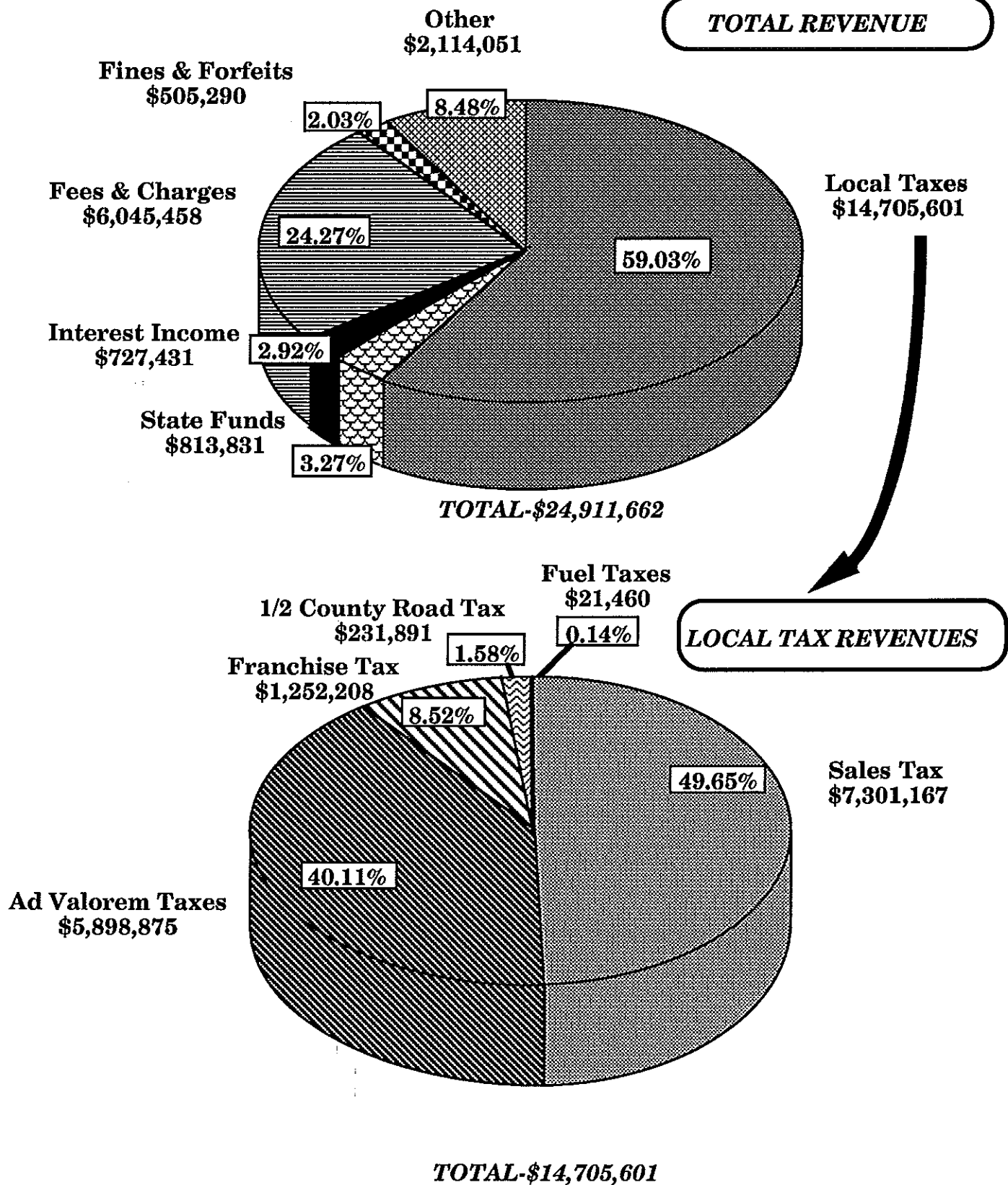
TOTAL-\$19,250,000*

*** Excludes school debt.**

SOURCE: PEER analysis of City of Meridian financial records.

EXHIBIT 9

**TOTAL REVENUES AND LOCAL TAX REVENUES OF
CITY OF MERIDIAN
FISCAL YEAR 1990**



SOURCE: PEER analysis of City of Meridian financial records.

community development, culture/recreation, debt service, and support of other local government entities. As with Lauderdale County, PEER did not analyze city operations that are funded completely by state, federal or self-generated funds. As such, this analysis excludes the city water department, which is funded by user charges and receives no local tax funding. PEER determined the net expenditures for each city service department that is funded in whole or part by local tax revenues, using the same formula that was used for the county analysis (see Exhibit 5, page 14).

The City of Meridian's net expenditures from local tax dollars for fiscal year 1990 totalled \$15.4 million. Public safety (fire and police) represents the city's largest component of net expenditures from local tax dollars, with total expenditures of \$5.6 million (see Exhibit 10, page 22). Virtually all of the city's debt service expenditures from local tax dollars for fiscal year 1990 (\$2 million) are classified as public works expenditures due to the nature of the projects for which bond proceeds have been used.

Town of Marion

The Town of Marion operates on a legally mandated fiscal year ending September 30 with its most recently completed fiscal year ending on September 30, 1990. PEER focused primarily on fiscal year 1990 revenues and expenditures in the same manner as for Lauderdale County and the City of Meridian, but also reviewed budgetary information for fiscal year 1991.

The Town of Marion's total budgetary revenues for fiscal year 1990 were \$382,623, while total budgetary expenditures were \$412,616 (see Exhibit 11, page 24). The town did not issue any bonds during the fiscal year and has no capital project funds. As such, the totals presented above represent all of the town's revenues and expenditures for the year. The town's budgeted revenues and expenditures for fiscal year 1991 are \$430,210 and \$441,105, respectively.

Water and sewer user fees represent the largest revenue component (56.30%) in the Town of Marion's budget, as shown by Exhibit 11, page 24, and local taxes (sales tax, ad valorem taxes, franchise tax, and fuel taxes) represent the second largest component (29.39% for fiscal year 1990). Sales tax (45.84%) and ad valorem taxes (45.23%) represent the primary components of Marion's total local tax revenues of \$112,472 (see Exhibit 12, page 25).

As with Lauderdale County and the City of Meridian, PEER focused its review on the Town of Marion's services that are funded in whole or part by local tax revenues including: general government, streets, and police. As such, this analysis excludes the town's water department operations, which are funded primarily by user charges. PEER calculated the town's

EXHIBIT 10
MERIDIAN
NET EXPENDITURES FROM LOCAL TAX REVENUE
FISCAL YEAR 1990

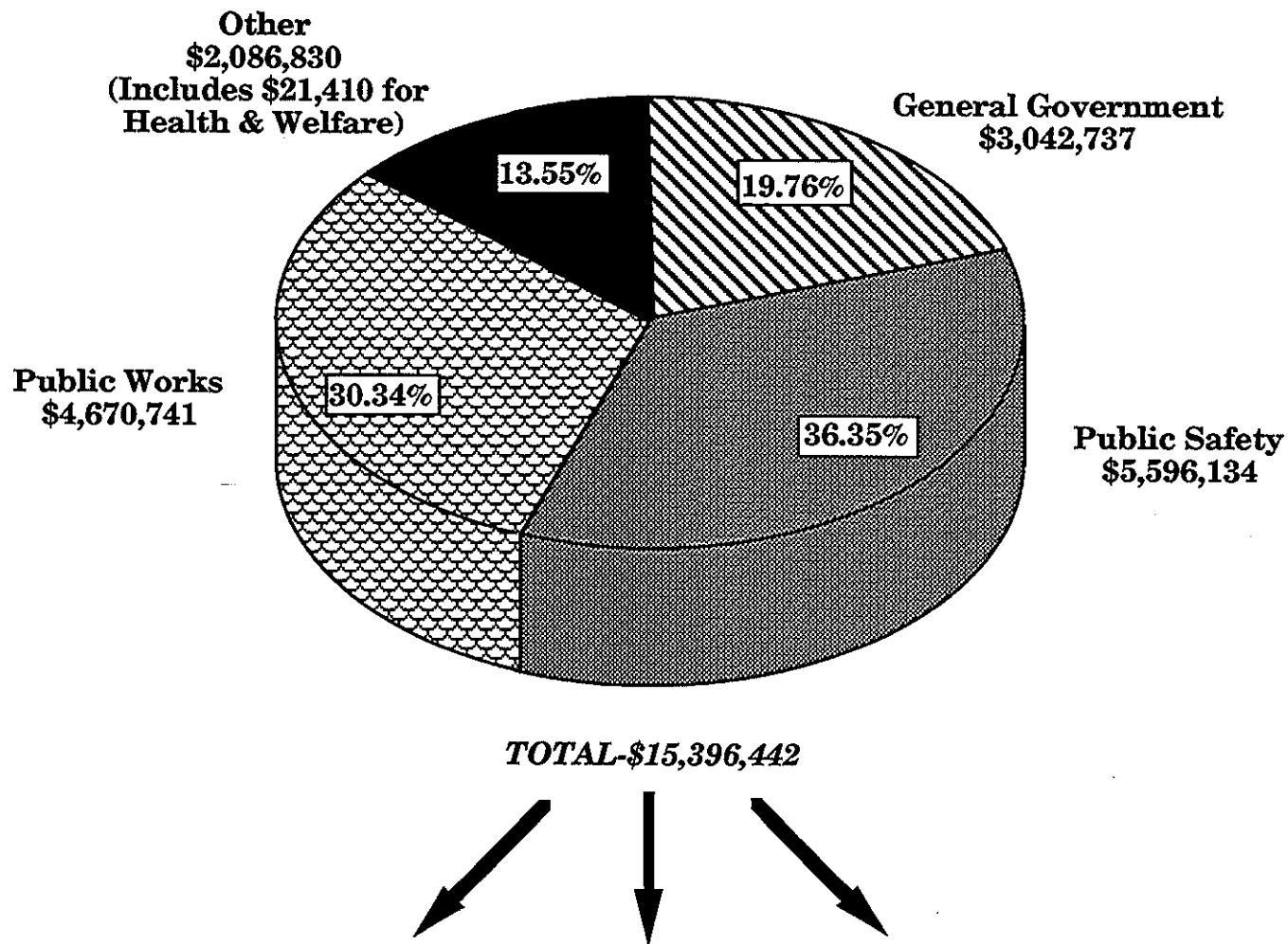
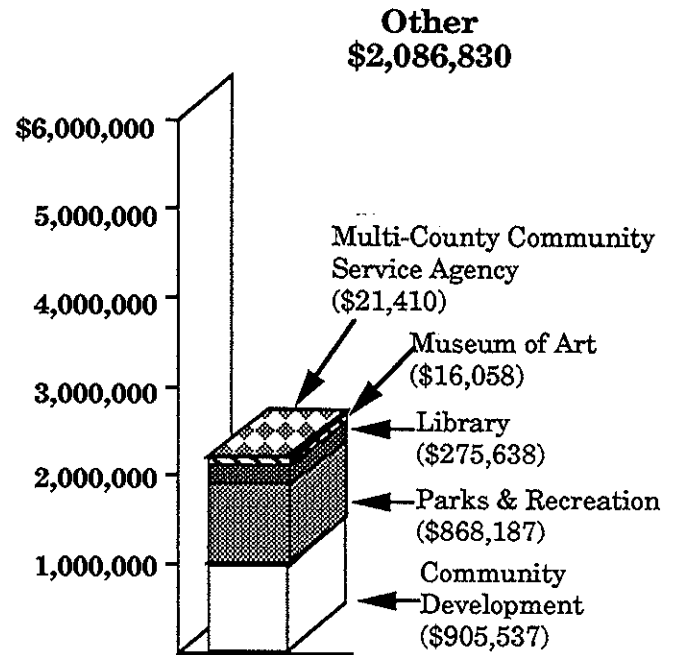
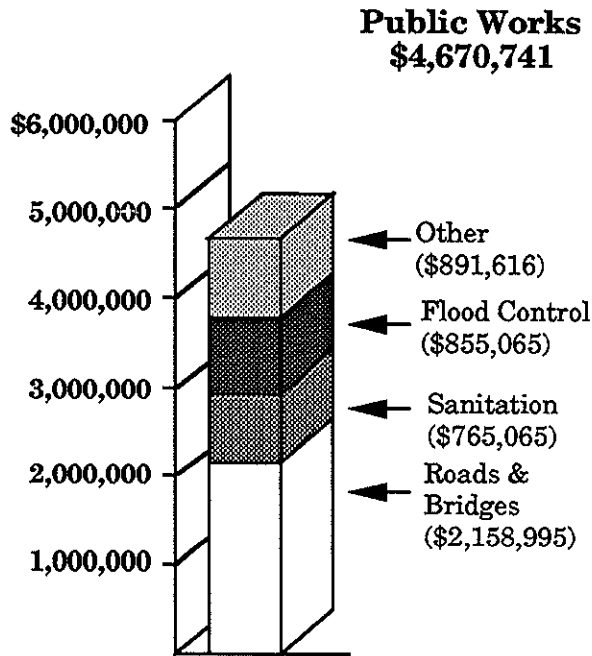
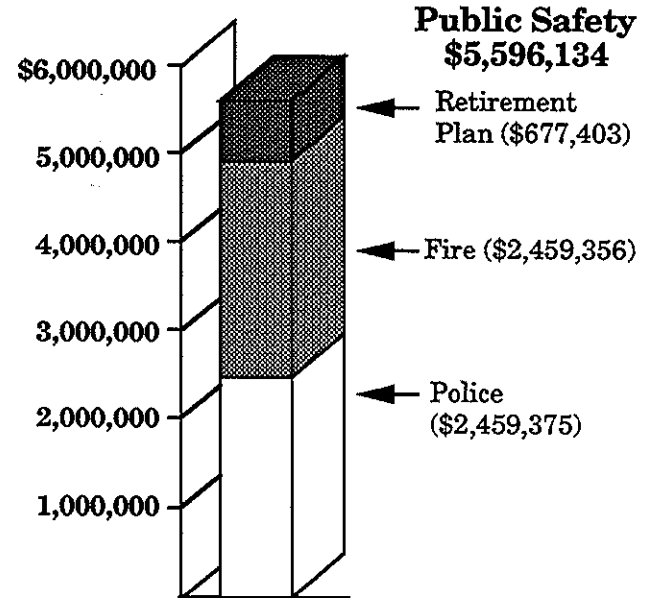
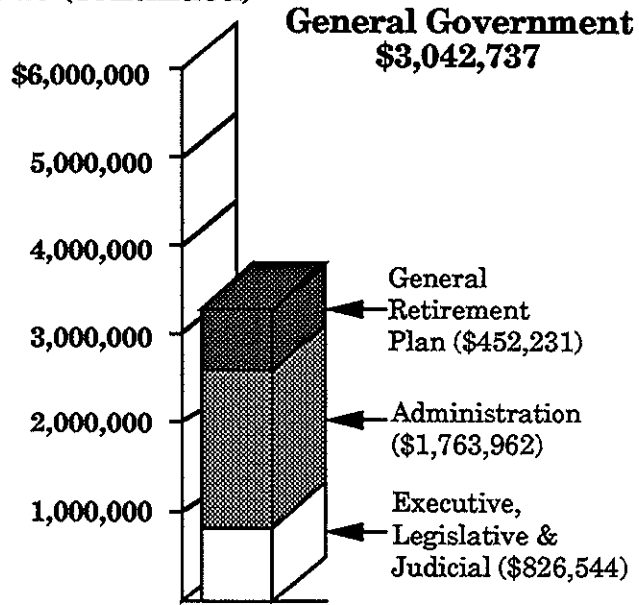


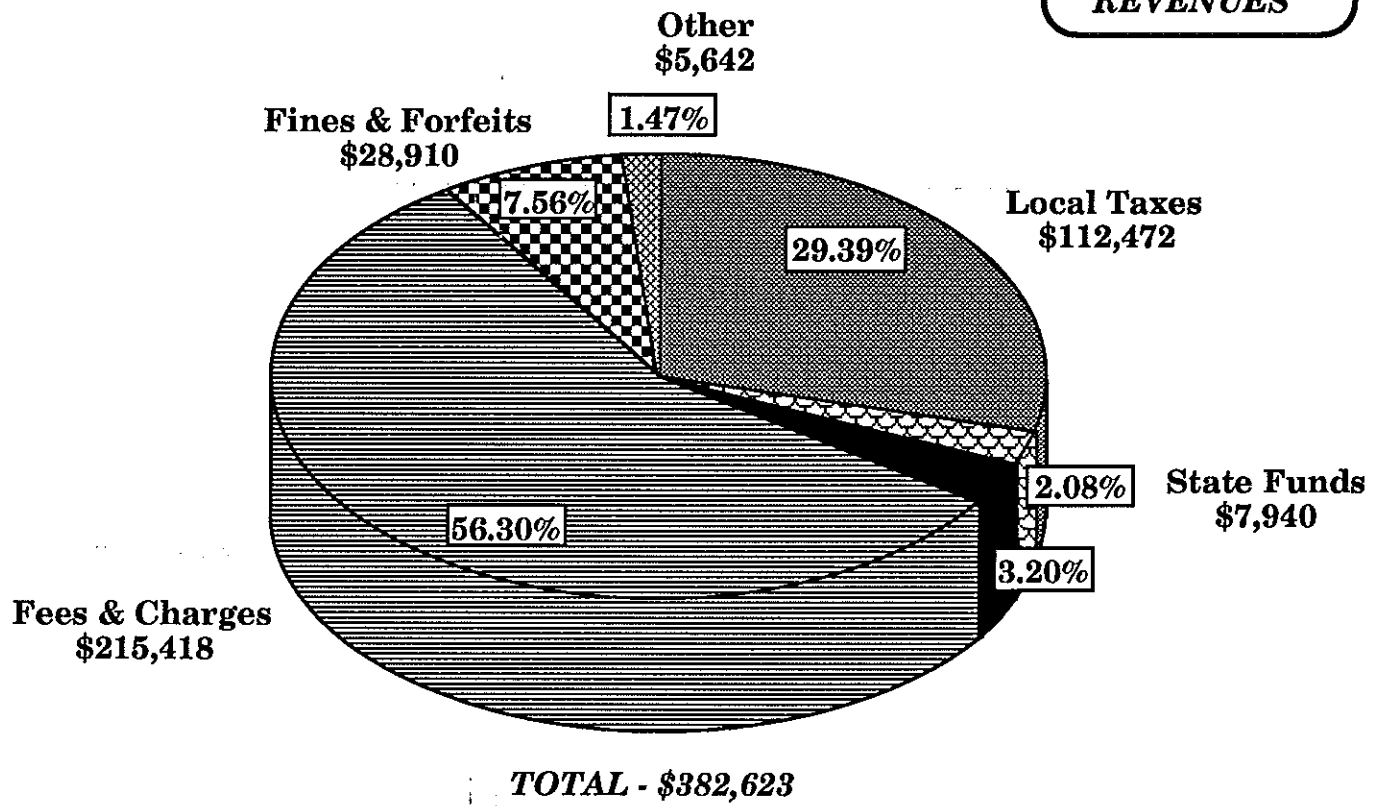
EXHIBIT 10 (continued)



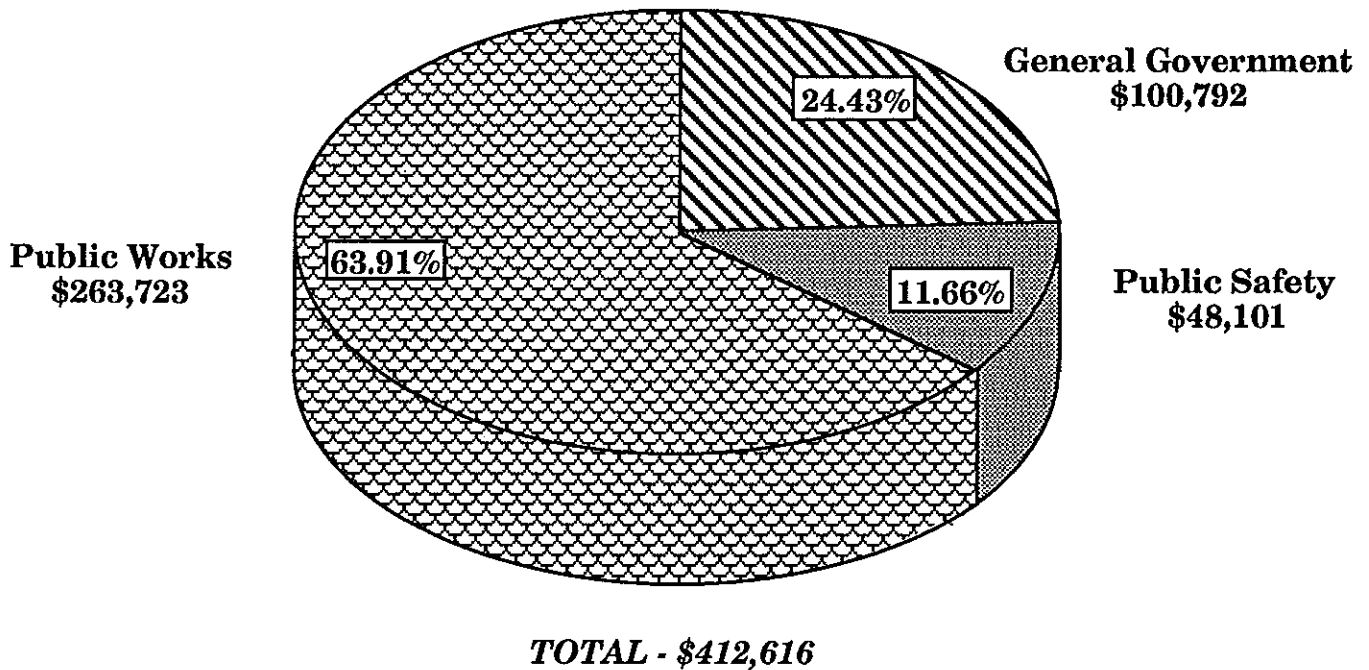
SOURCE: PEER analysis of City of Meridian financial records.

**EXHIBIT 11
REVENUES AND EXPENDITURES OF
TOWN OF MARION
FISCAL YEAR 1990**

REVENUES



EXPENDITURES

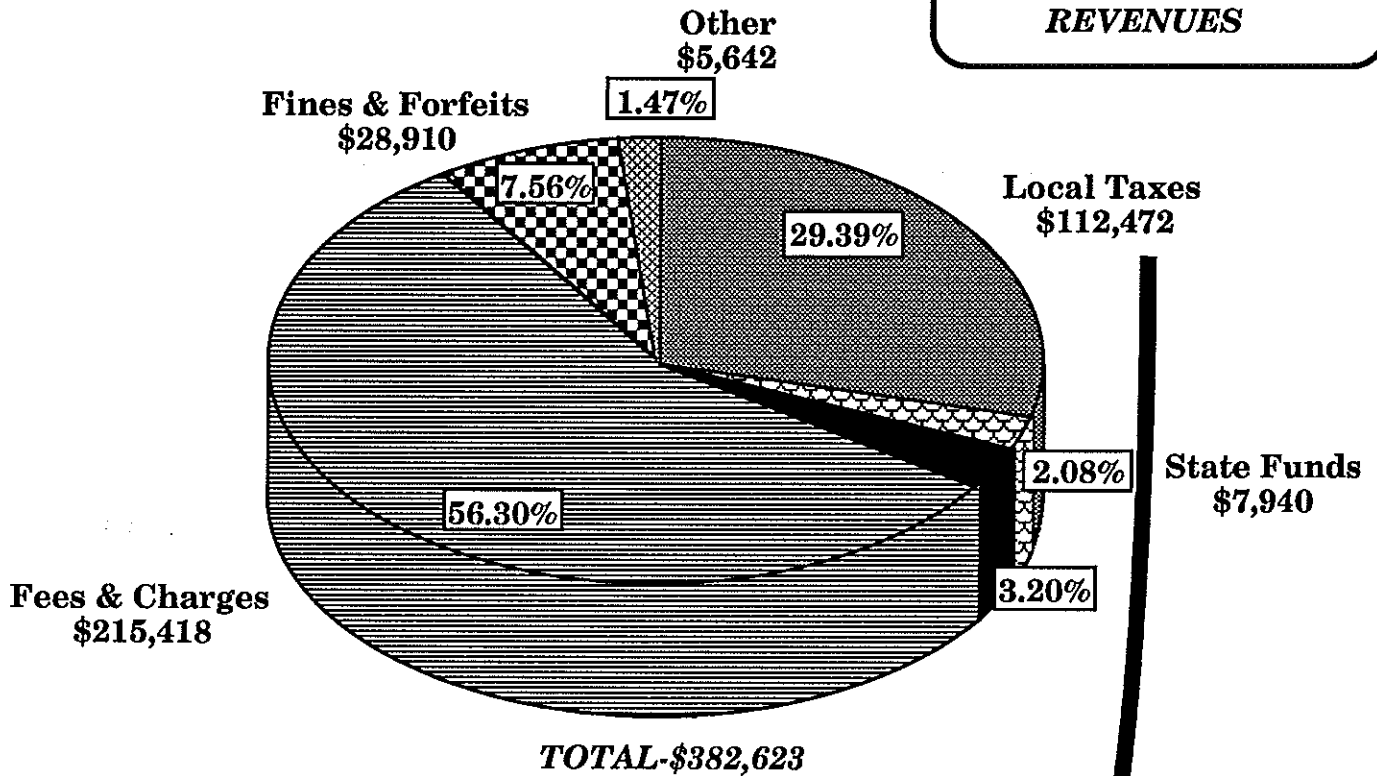


SOURCE: PEER analysis of Town of Marion financial records.

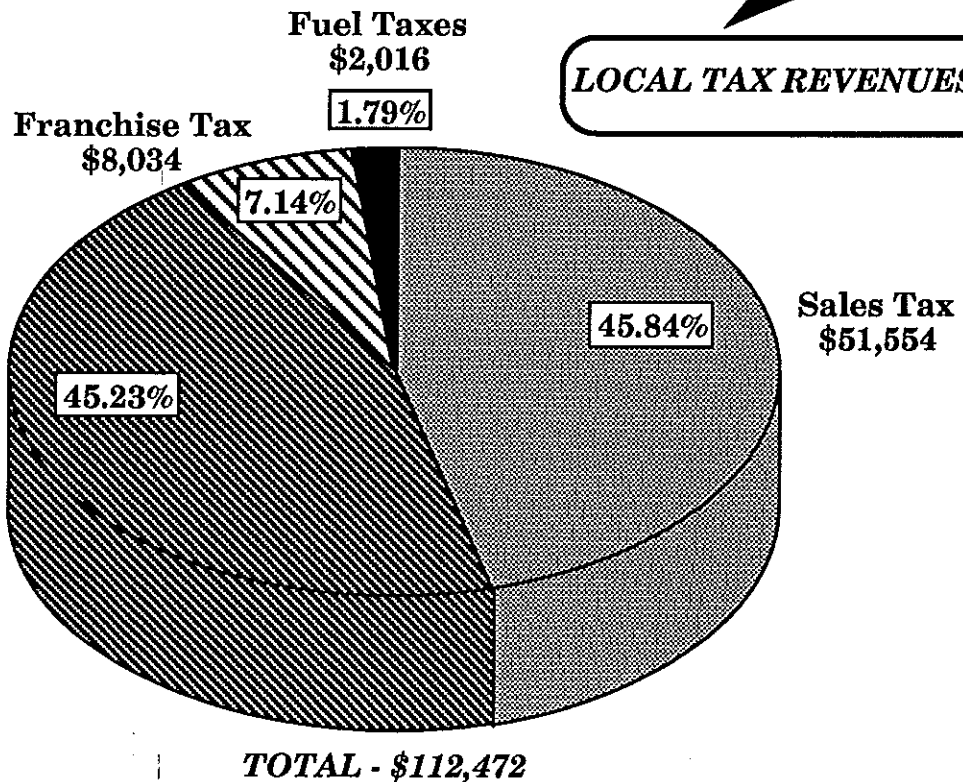
EXHIBIT 12

**REVENUES AND LOCAL TAX REVENUES
OF TOWN OF MARION
FISCAL YEAR 1990**

REVENUES



LOCAL TAX REVENUES



SOURCE: PEER analysis of Town of Marion financial records.

net expenditures from local tax dollars in the same manner as for Lauderdale County and the City of Meridian (see Exhibit 5, page 14).

The Town of Marion's net expenditures from local tax dollars for fiscal year 1990 were \$144,305 (see Exhibit 13, page 28). General government costs represented the town's largest expenditure of local tax dollars during the year (61.78% of total net expenditures). The Town of Marion relies on Lauderdale County for most of its road and bridge maintenance in lieu of receiving a share of county road and bridge ad valorem taxes collected from town residents. Marion residents also rely on the county's sanitation services and pay an additional property tax for these services in the same manner as county residents that live in unincorporated areas.

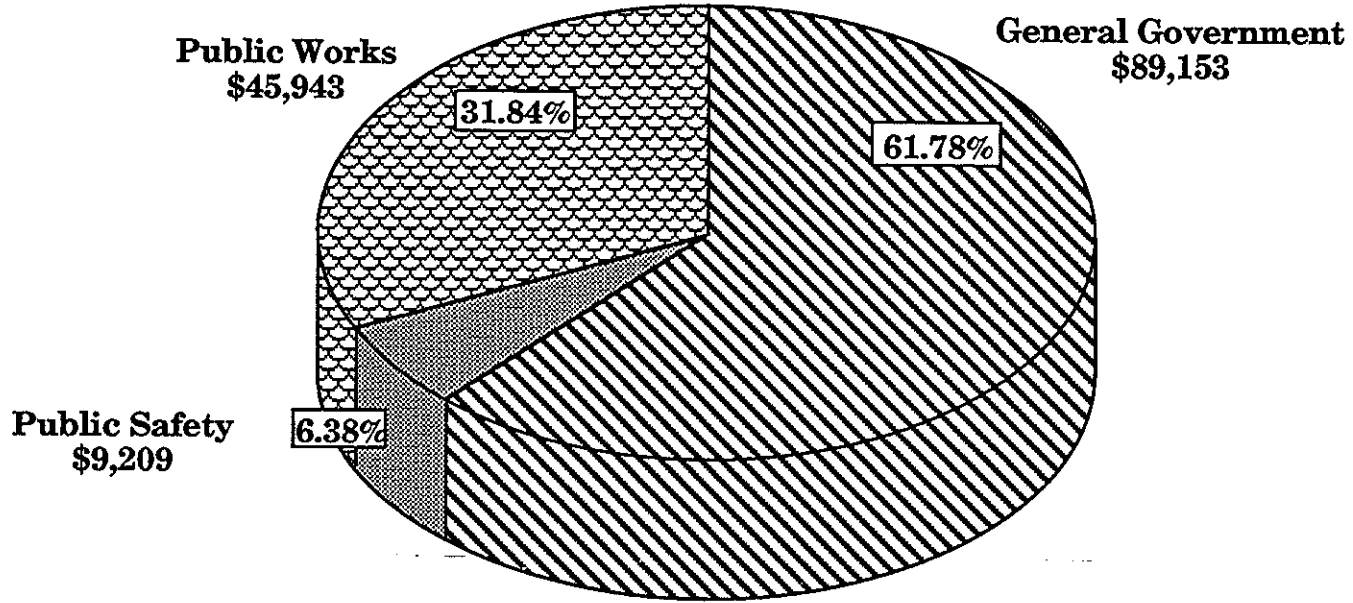
Comparison and Analysis

PEER compared local tax revenue sources and net expenditures of Lauderdale County, the City of Meridian, and the Town of Marion for fiscal year 1990 (see Exhibit 14, page 30). This comparison and analysis is presented only as means of providing similar data on all three local governmental entities in one place and is not intended to infer that any of the three collects or spends local tax dollars more efficiently or effectively than the others.

The City of Meridian received the largest amount of local tax revenue (\$14.71 million) for fiscal year 1990, with the primary difference between the City of Meridian and Lauderdale County being sales tax revenue received by the city. The Town of Marion received substantially less local tax revenue than Lauderdale County and the City of Meridian due to its much smaller population and area. The county received more ad valorem tax revenue than the City of Meridian as well as more fuel tax revenue. The county also received all road and bridge privilege tax revenue collected on county vehicle tag purchases. The City of Meridian and the Town of Marion received franchise tax revenue from local utilities (included in the "Other Taxes" category in Exhibit 14), while the county did not receive any such revenue.

EXHIBIT 13

**TOWN OF MARION
NET EXPENDITURES FROM LOCAL TAX REVENUE
FISCAL YEAR 1990**



TOTAL - \$144,305

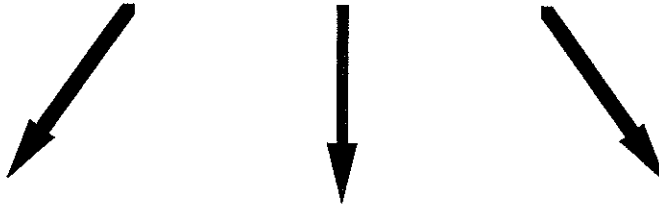
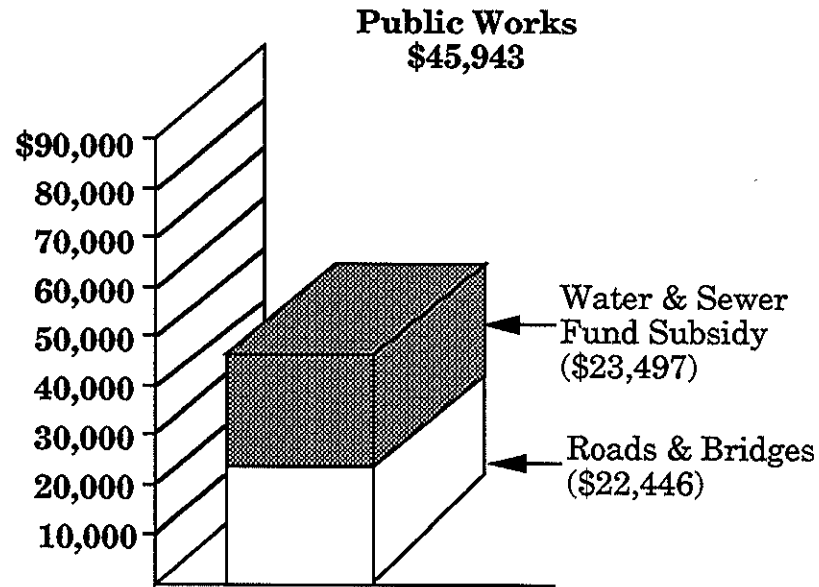
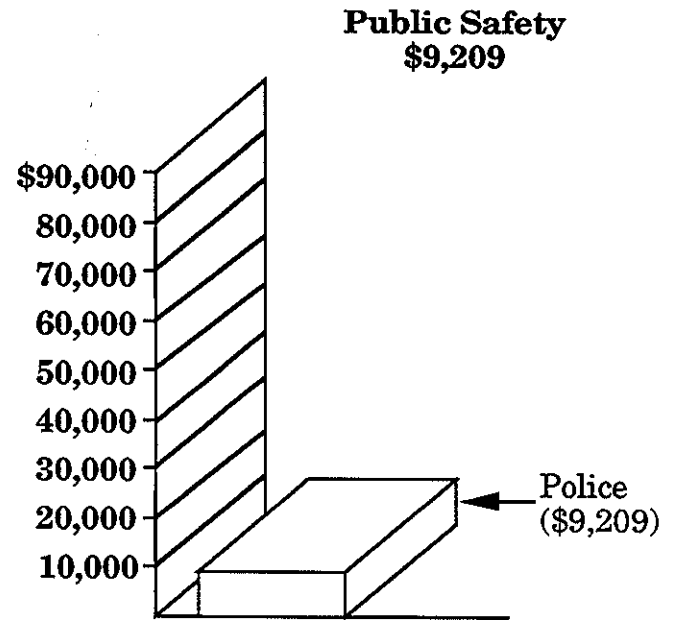
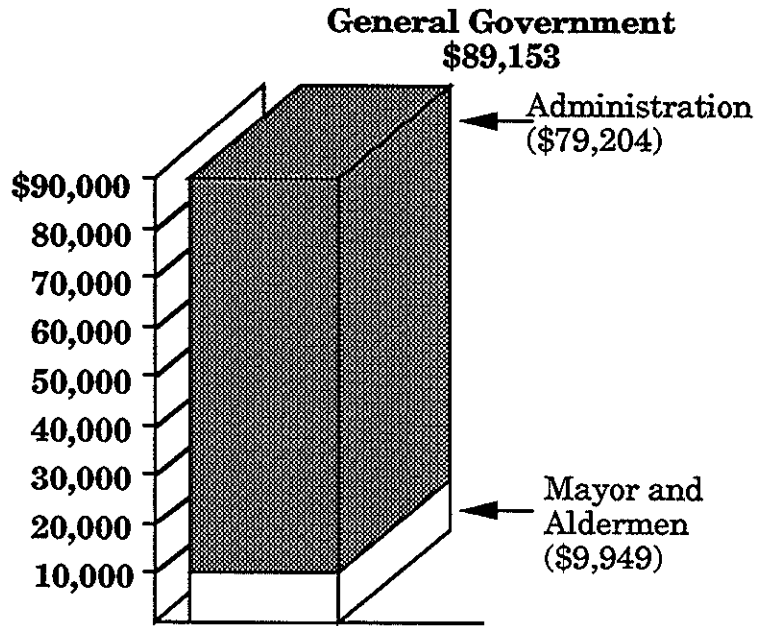


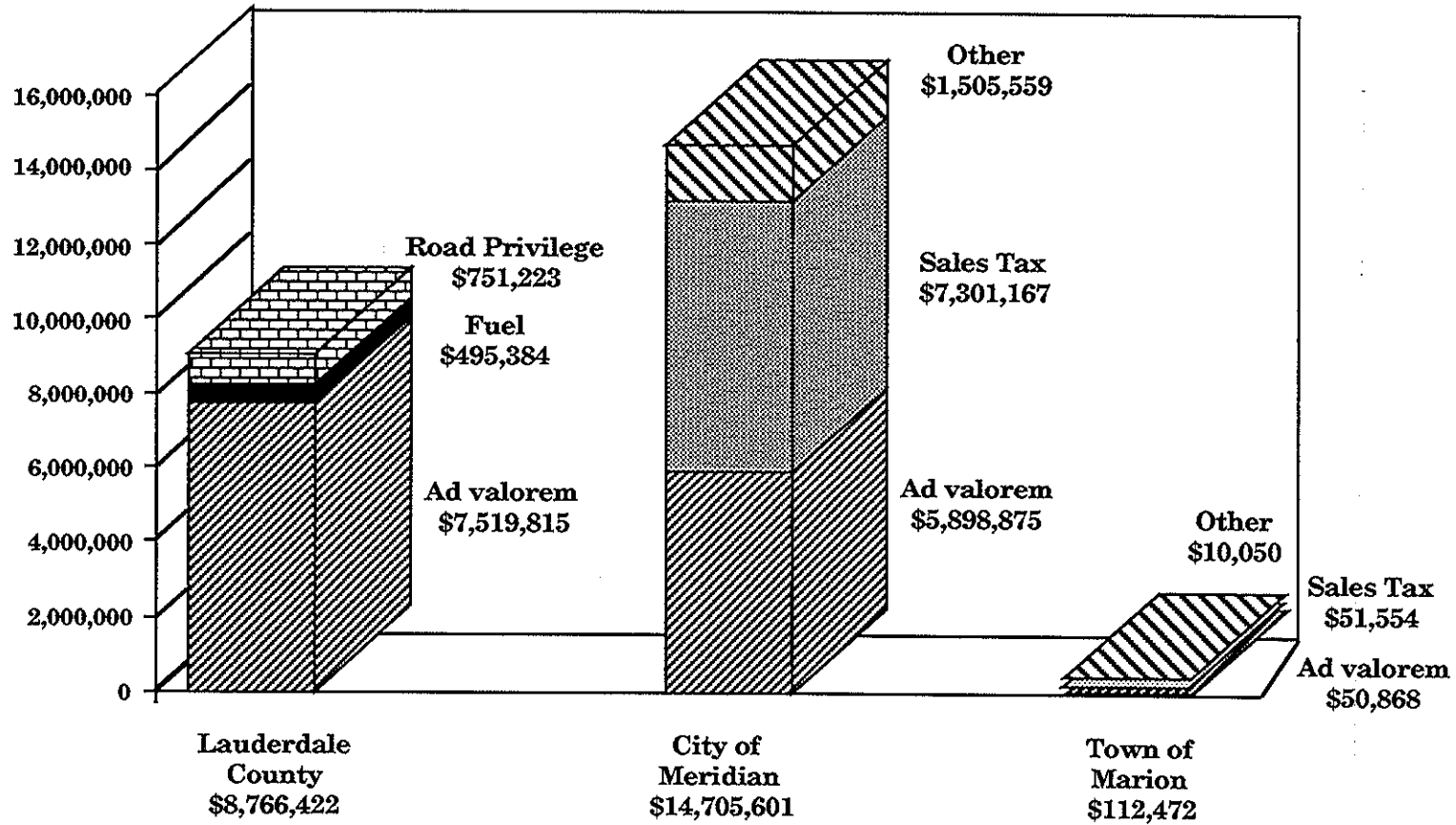
EXHIBIT 13 (continued)



SOURCE: PEER analysis of Town of Marion financial records.

EXHIBIT 14

COMPARISON OF LOCAL TAX REVENUE SOURCES
 LAUDERDALE COUNTY/CITY OF MERIDIAN/
 TOWN OF MARION
 FISCAL YEAR 1990

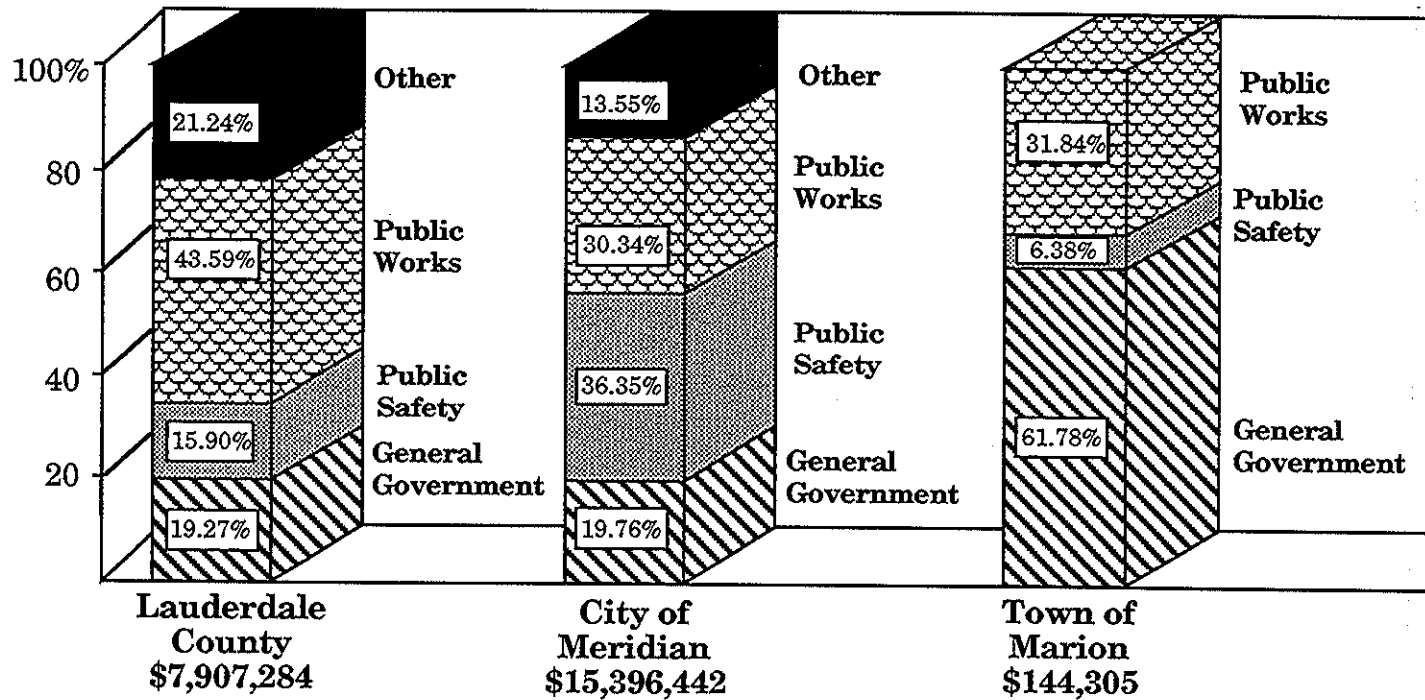


SOURCE: PEER analysis of Lauderdale County, City of Meridian and Town of Marion financial records.

PEER compared net expenditures from local tax dollars for Lauderdale County, the City of Meridian, and the Town of Marion in an effort to identify similarities and differences in the local government entities' spending priorities. All three entities' net expenditures reflect a priority of spending in three primary areas: general government, public safety, and public works (see Exhibit 15, page 32). However, the similarity ends at this broad expenditure level. Lauderdale County officials' spending priority is in the area of public works, primarily road and bridge maintenance and construction (43.59% of the county's net expenditures). City of Meridian officials' top expenditure category is public safety (primarily fire and police protection), with 36.35% of the city's total net expenditures made for public safety purposes during fiscal year 1990. The Town of Marion's largest expenditure category is administration (61.78%) due to its small size and primary reliance on county services. Exhibit 16, page 33, provides additional detail regarding actual dollar amounts spent in each category by each entity.

EXHIBIT 15

**COMPARISON OF LOCAL TAX REVENUE
NET EXPENDITURE PATTERNS
LAUDERDALE COUNTY/CITY OF MERIDIAN/
TOWN OF MARION
FISCAL YEAR 1990**



SOURCE: PEER analysis of Lauderdale County, City of Meridian and Town of Marion financial records.

EXHIBIT 16

**COMPARISON OF NET EXPENDITURES FROM LOCAL TAX REVENUE
LAUDERDALE COUNTY/CITY OF MERIDIAN/TOWN OF MARION
FISCAL YEAR 1990**

	<u>LAUDERDALE COUNTY</u>	<u>CITY OF MERIDIAN</u>	<u>TOWN OF MARION</u>
GENERAL GOVERNMENT			
Executive, Legislative, Judicial	\$1,244,055	\$826,544	\$9,949
Administration	170,934	1,769,962	79,204
Other	108,274	452,231	
	<u>\$1,523,263</u>	<u>\$3,042,737</u>	<u>\$89,153</u>
PUBLIC SAFETY			
Police	\$751,731	\$2,459,375	\$9,209
Fire	101,682	2,459,358	
Ambulance Service	108,614		
Juvenile Center	208,950		
Other	85,982	677,403	
	<u>\$1,256,859</u>	<u>\$5,596,134</u>	<u>\$9,209</u>
PUBLIC WORKS			
Roads and Bridges	\$3,267,646	\$2,158,995	\$22,446
Sanitation	179,787	765,065	
Other		1,746,681	23,497
	<u>\$3,447,413</u>	<u>\$4,670,741</u>	<u>\$45,943</u>
HEALTH & WELFARE			
Health Department	\$163,645		
Welfare Department	36,160		
Weems Mental Health Center	159,331		
Multi-County Community Service	21,723	21,410	
Other Local Agencies	41,151		
	<u>\$422,010</u>	<u>\$21,410</u>	<u>\$0</u>
OTHER			
Public Library	\$163,570	\$275,638	
Parks and Recreation		868,187	
Museum of Art		16,058	
Other	10,726		
Community Colleges	\$381,811		
Community Development		605,537	
Economic Development	285,049		
Natural Resources	416,583		
	<u>\$1,257,739</u>	<u>\$2,065,420</u>	<u>\$0</u>
TOTAL NET EXPENDITURES	<u>\$7,907,284</u>	<u>\$15,396,442</u>	<u>\$144,305</u>

SOURCE: PEER analysis of Lauderdale County, City of Meridian and Town of Marion financial records.

**LAUDERDALE COUNTY AND THE CITY OF MERIDIAN:
THE TAX EQUITY QUESTION**

This review by the PEER Committee was initiated as a result of continuing debate between Lauderdale County and City of Meridian officials regarding the question of tax equity. City officials contend that residents of the city pay ad valorem (property) taxes to the county, but do not receive an equitable share of services provided by the county. County officials contend that county (outside the city limits of Meridian) residents pay a large portion of the sales tax collected by the City of Meridian, yet the county does not receive a portion of the sales tax. The debate has been held mostly through the press and has been very heated at times, reflecting the emotional nature of this issue. This type of city-county conflict is not unique to Lauderdale County and the City of Meridian; it is found in other Mississippi counties and municipalities and even in other states.

While the terms "tax equity" and "double taxation" have become very popular terms for political rhetoric everywhere, no single definition or formula describes tax equity or clarifies the meaning of double taxation. The conflict over these taxing issues generally arises as the result of geographic overlapping of local government entities, generally cities and counties. Taxpayers residing in the overlapped area (city) pay taxes to both local government entities while only receiving tangible government services (e.g., street maintenance, fire protection, and police protection) from one entity (city). However, the difficulty of assessing tax equity in these cases arises in attempting to determine what level of responsibility city residents have to fund county services for which they do not directly benefit. Taxpayers at all levels of government (federal, state and local) find themselves paying taxes to provide services for which they do not receive direct benefits (e.g., welfare). These types of costs are assumed to benefit the entire governmental entity (society) and not just the area that receives the direct benefit. In these cases, policymakers are responsible for assuring that tax dollars are distributed based on need rather than geographic location of the source of the tax dollars.

PEER did not attempt to establish a formula for collection and distribution of local tax dollars by Lauderdale County and the City of Meridian, as this is the responsibility of the local governing bodies. However, in reviewing the local tax structure and the expenditure of local tax dollars by Lauderdale County and the City of Meridian, PEER sought to clarify certain issues that have been debated by county and city officials:

- percentage of Lauderdale County's ad valorem tax collections attributable to city and non-city property;
- percentage of the City of Meridian's sales tax collections attributable to the county's non-city residents;

- origin of road and bridge revenue versus geographic concentration of road and bridge expenditures; and,
- proportion of funding provided by city taxpayers for local agencies funded jointly by Lauderdale County and the City of Meridian.

Origin of Lauderdale County Ad Valorem Tax Collections

Lauderdale County's primary funding source is ad valorem (property) tax, which provided 85.78% of the county's local tax revenue for fiscal year 1990. The county received \$7.5 million in ad valorem taxes during fiscal year 1990. PEER sought to identify the sources of Lauderdale County's ad valorem tax revenue. As stated earlier, Town of Marion residents pay taxes at the same rate as other county residents that do not reside in the City of Meridian and for purposes of this analysis will be considered county residents residing outside the City of Meridian.

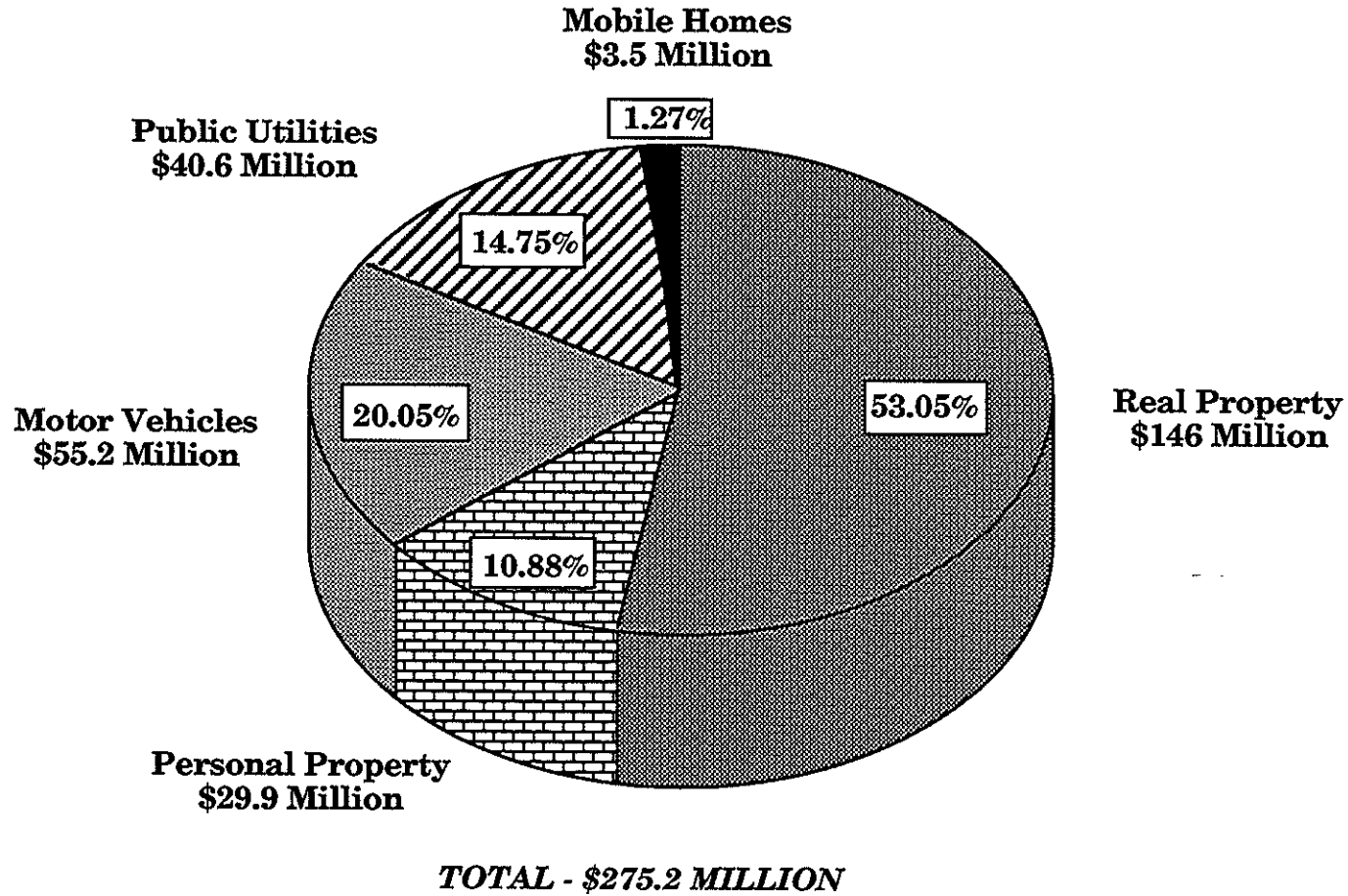
In determining the sources of Lauderdale County's ad valorem taxes, PEER used 1990 tax assessment data provided by Lauderdale County officials. Lauderdale County levies ad valorem taxes on five types of property: real property (land and buildings), personal property (business inventory and equipment), automobiles, public utility property, and mobile homes. The total 1990 assessed value of all Lauderdale County property is \$275.2 million (assessed value represents the value assigned to taxable property against which the tax rate established by the board of supervisors will be applied to determine the tax due on the property.). Exhibit 17, page 36, provides a breakdown of the amount of each type of taxable property in the county.

PEER analyzed the amount of taxable property inside the City of Meridian compared to the amount outside the city limits. As Exhibit 18, page 37, reflects, 60.2% of Lauderdale County's assessed valuation is within the City of Meridian. Further analysis shows that at least 50% of all types of taxable property in Lauderdale County are located in the City of Meridian, with the exception of mobile homes, which represent less than two percent of all taxable property in the county. As such, about sixty cents of every ad valorem tax dollar collected on county-wide tax levies comes from taxable property in the City of Meridian.

Several reasons exist for the larger assessed valuation for the City of Meridian. Most real property within the city is developed, while the remainder of the county is primarily rural. Developed land is generally assigned a higher taxable value than undeveloped land. In addition most of the county's commercial real property is located in the City of Meridian as shown by Exhibit 19, page 38. Commercial real property includes retail outlets, rental property (e.g., apartments, office buildings), and

EXHIBIT 17

**LAUDERDALE COUNTY
1990 ASSESSED VALUATION - BY PROPERTY TYPE**

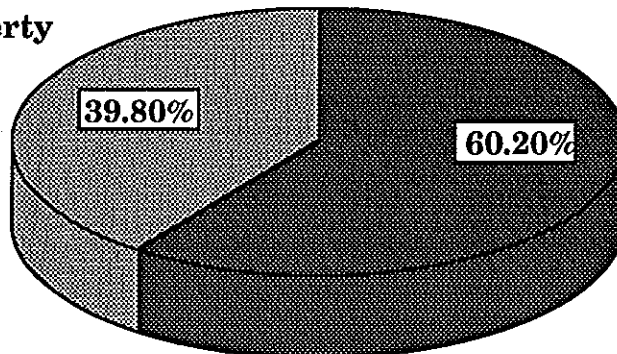


SOURCE: PEER analysis of Lauderdale County tax assessment data.

EXHIBIT 18

LAUDERDALE COUNTY
COMPARISON OF 1990 ASSESSED VALUATION - ALL PROPERTY

Other County Property
\$109.5 Million

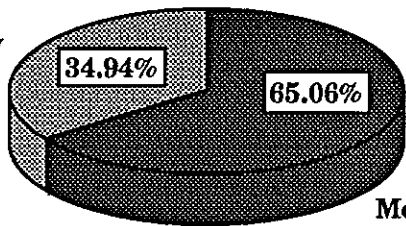


Property Inside
City of Meridian
\$165.7 Million

TOTAL-\$275.2 Million

Real Property

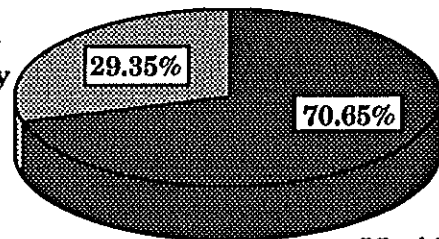
Other
County



Meridian

Personal Property

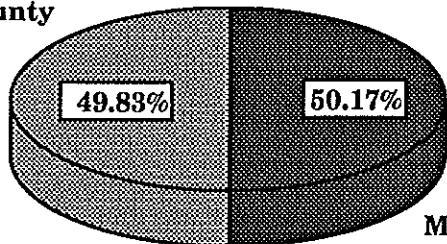
Other
County



Meridian

Other
County

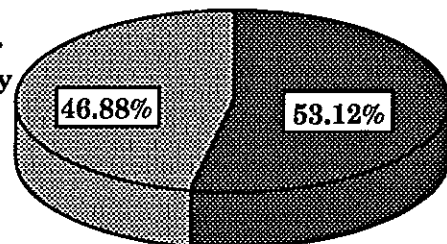
Motor Vehicles



Meridian

Other
County

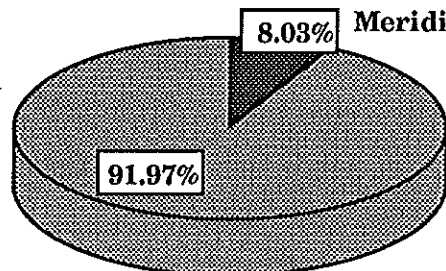
Public Utilities



Meridian

Mobile Homes

Other
County



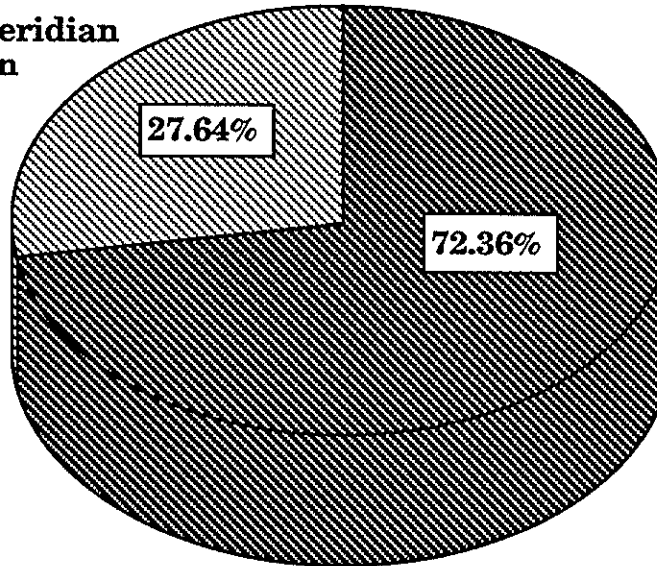
Meridian

SOURCE: PEER analysis of Lauderdale County assessment data.

EXHIBIT 19

**LAUDERDALE COUNTY
COMPARISON OF COMMERCIAL REAL PROPERTY
1990 ASSESSED VALUATION**

**Outside City of Meridian
\$23.2 Million**



**Inside City of Meridian
\$60.9 Million**

TOTAL - \$84.1 Million

SOURCE: PEER analysis of Lauderdale County tax assessment data.

manufacturing concerns. Finally, 54.3% of the county population resides in the City of Meridian.

Applying the 60.2% proportion of the county's assessed valuation located inside the City of Meridian to total county ad valorem tax collections of \$7.5 million for fiscal year 1990 yields a contribution of \$4.5 million by city property owners to the county. While this analysis reflects that city property owners pay 60.2% of the county's ad valorem taxes, it does not infer that city administration has any rights to these funds. As stated earlier, the board of supervisors must make a policy decision regarding the expenditure of tax dollars. The board of supervisors should, however, be aware of this information in making its decisions.

Origin of City of Meridian Sales Tax Collections

As shown in Exhibit 9, page 20, the City of Meridian's largest local tax revenue source (49.65%) is sales tax. As stated earlier, Lauderdale County officials contend that county residents outside the City of Meridian shop in Meridian, thus providing a large portion of the city's sales tax revenue, but receive no benefits from sales taxes collected by the city. PEER sought to identify the sources of the City of Meridian's sales tax revenue.

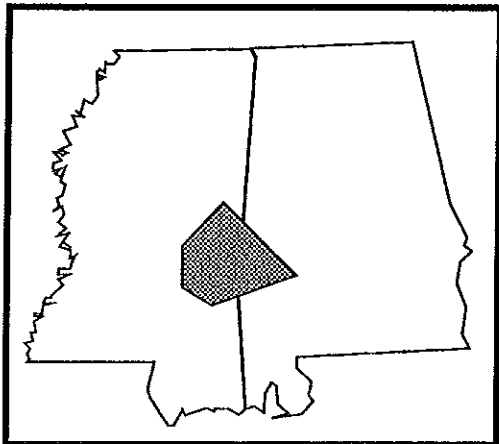
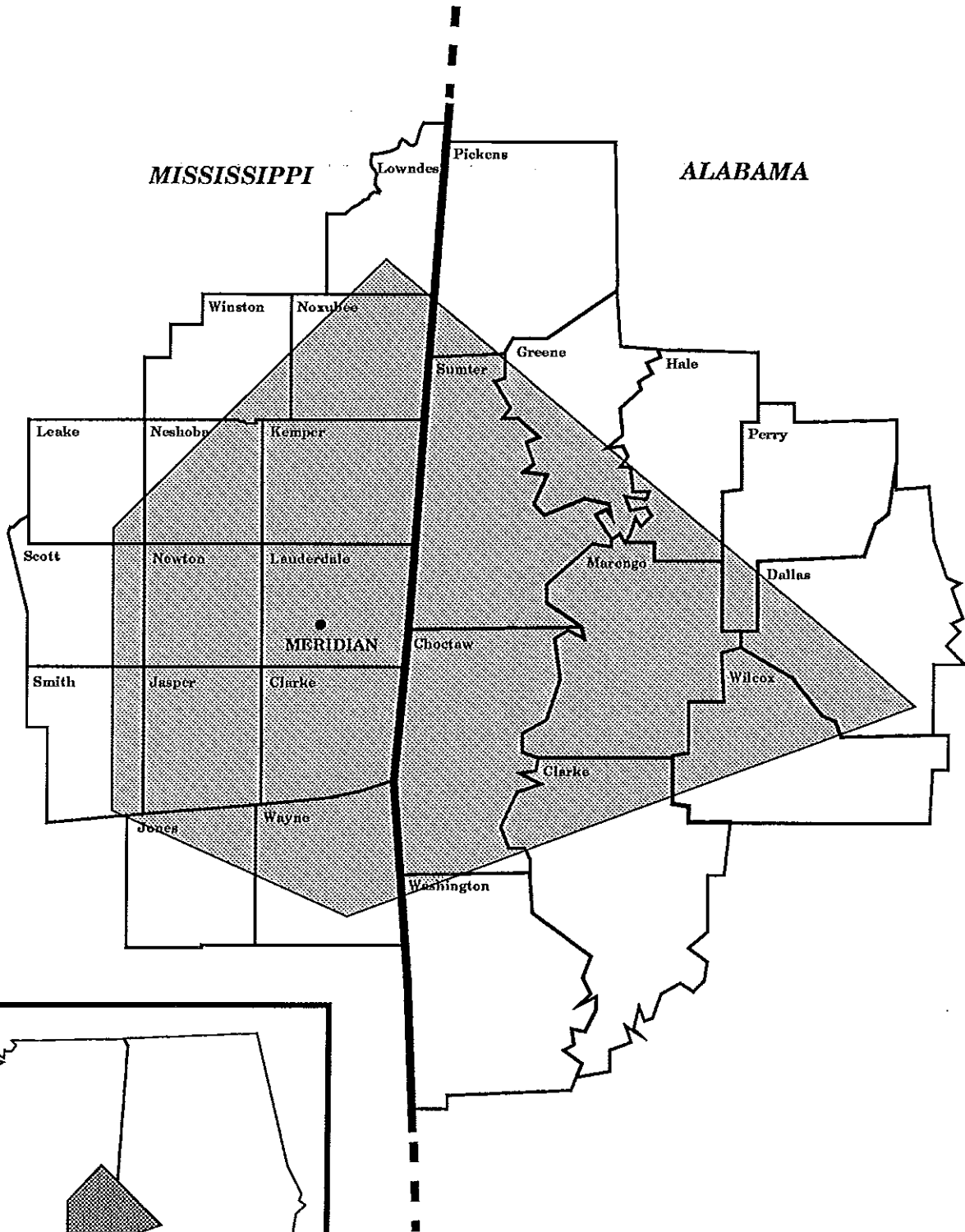
State statutes provide that Mississippi municipalities receive twenty and one-half percent of total sales tax revenue collected in such municipalities. The City of Meridian received \$7.3 million as its share of sales tax revenue during fiscal year 1990. City officials are very reliant on sales tax as a source of revenue as implied by the fact that sales tax represents such a large portion of the city's funding.

Although data is not available that specifically identifies the amount of sales tax paid by City of Meridian residents as compared to others that shop in Meridian, PEER reviewed a 1989 study by the Lauderdale County Economic Development Authority entitled *Meridian Retail Trade Analysis*. The study identified the Meridian retail trade area as including fourteen Mississippi counties, eleven Alabama counties and a total population of 369,800 (see Exhibit 20, page 40). According to the study, the City of Meridian can expect to capture about fifty percent of the retail trade in this area and serve a population of approximately 158,875. Using population, income, and distance data presented in the report, PEER estimates that Lauderdale County residents outside Meridian's city limits provided 19.76% (\$1.4 million) of Meridian's sales tax revenue for fiscal year 1990.

Obviously, county residents outside the City of Meridian contribute sales tax revenue to the city. However, the amount contributed does not appear to be as substantial as certain county officials have represented. In addition, while the amounts are not measurable, individuals shopping in

EXHIBIT 20

MERIDIAN RETAIL TRADE AREA



SOURCE: *Meridian Retail Trade Analysis*, Lauderdale County Economic Development Authority, 1989

the City of Meridian, or any other city for that matter, receive the benefit of certain city services while in the city. Such benefits include the use of city streets, fire protection and police protection, which are the city's largest budget items.

Lauderdale County Road and Bridge Taxes: Origin of Revenue Versus Geographic Concentration of Expenditures

City of Meridian officials contend that the county board of supervisors collects sixty percent of the county's road and bridge taxes on property located in the City of Meridian, but spends virtually all of the tax dollars on roads and bridges outside the city limits. As stated earlier, 60.2% of the county's ad valorem taxes are, in fact, collected on property located in the City of Meridian. PEER reviewed the road and bridge issue by focusing on the county's net expenditures from all local tax revenues that are earmarked for road and bridge purposes.

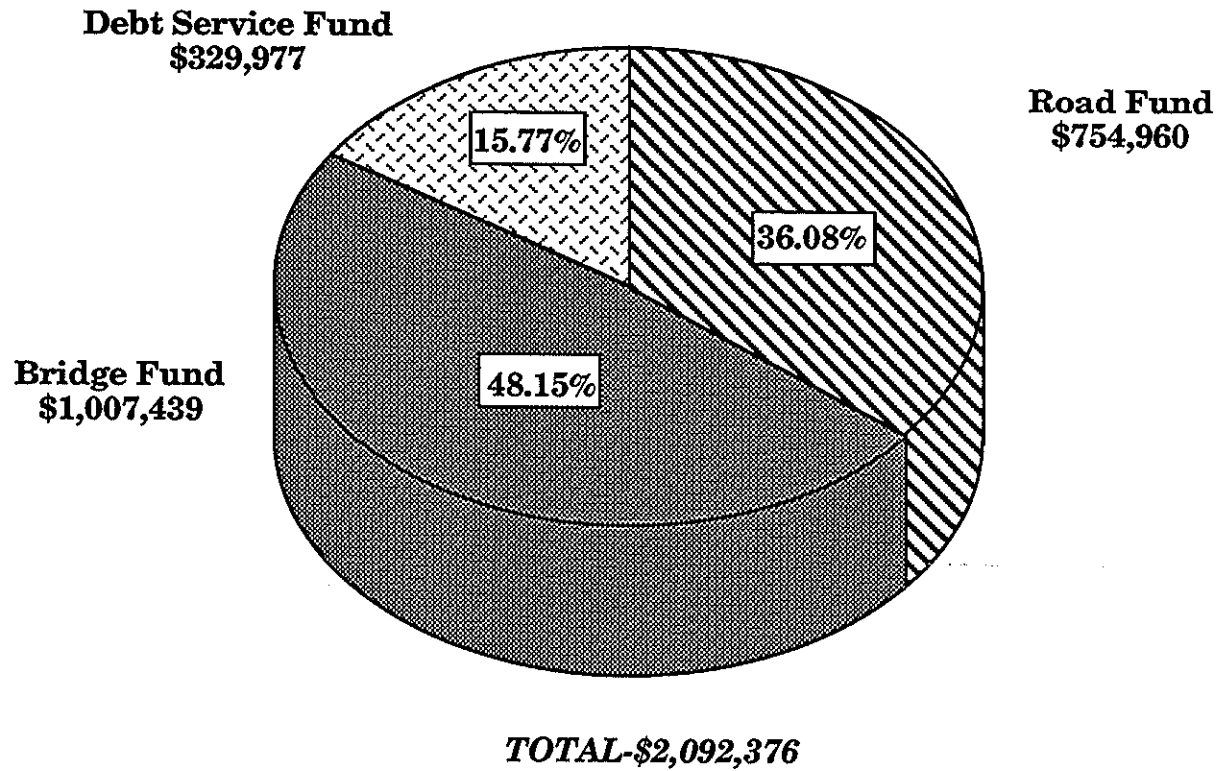
MISS. CODE ANN. Section 65-15-3 requires each county board of supervisors to levy ad valorem taxes "*upon the taxable property of such county*" for road and bridge purposes. Furthermore, CODE Section 65-15-7 allows board of supervisors to levy an an additional ad valorem tax "*on all taxable property of the county*" to be used for maintenance and construction of bridges and culverts "*throughout the county.*" For fiscal year 1990, the Lauderdale County Board of Supervisors set one levy for roads (3.05 mills), one levy for bridges (4.07 mills), and one levy for road and bridge debt (1.33 mills). Each mill is equivalent to a tax rate of .001 on each dollar of assessed valuation of taxable property. Lauderdale County collected \$2.1 million in road and bridge ad valorem taxes during fiscal year 1990. Exhibit 21, page 42, shows the amount of ad valorem tax collected under each tax levy.

The county also receives two other primary sources of local tax revenue that are earmarked for road and bridge purposes under state statutes: privilege taxes collected on vehicle tag purchases in the county and a portion of fuel taxes collected in the county. During fiscal year 1990, the county received \$751,223 in road and bridge privilege taxes and \$495,384 in fuel taxes. Municipalities do not receive a share of road and bridge privilege taxes and receive only a small portion of fuel taxes. (The City of Meridian received \$21,460 in fuel taxes during fiscal year 1990.).

PEER analyzed the local tax revenues noted above to establish the amount collected from within the City of Meridian as compared to the amount collected from the remainder of the county. Ad valorem tax collection percentages established earlier in this report were applied to road and bridge ad valorem collections for fiscal year 1990. Data is not available to establish the exact amount of fuel tax collected inside the city compared to the amount from outside the city. As such, PEER allocated fuel tax collections based on population inside and outside the city limits, which

EXHIBIT 21

**LAUDERDALE COUNTY
ANALYSIS OF ROAD AND BRIDGE AD VALOREM TAX REVENUE BY FUND
FISCAL YEAR 1990**



SOURCE: PEER analysis of Lauderdale County financial records.

appears to be a conservative allocation. PEER allocated privilege tax collections based on the motor vehicle assessed valuation inside and outside the city limits. According to these calculations, 57.07% of Lauderdale County's road and bridge local tax revenues for fiscal year 1990 originated within the City of Meridian (see Exhibit 22, page 44).

PEER also sought to determine the amount of Lauderdale County's road and bridge tax revenues for fiscal year 1990 that were spent inside the City of Meridian as compared to expenditures outside the city limits. PEER determined that 7.09% of Lauderdale County's road and bridge disbursements for fiscal year 1990 were used inside the City of Meridian (see Exhibit 23, page 45). The 7.09% represented \$231,610 of road fund taxes that were transferred to the city as required under state law. Lauderdale County did not make any discretionary expenditures of road and bridge tax funds in the City of Meridian during the year.

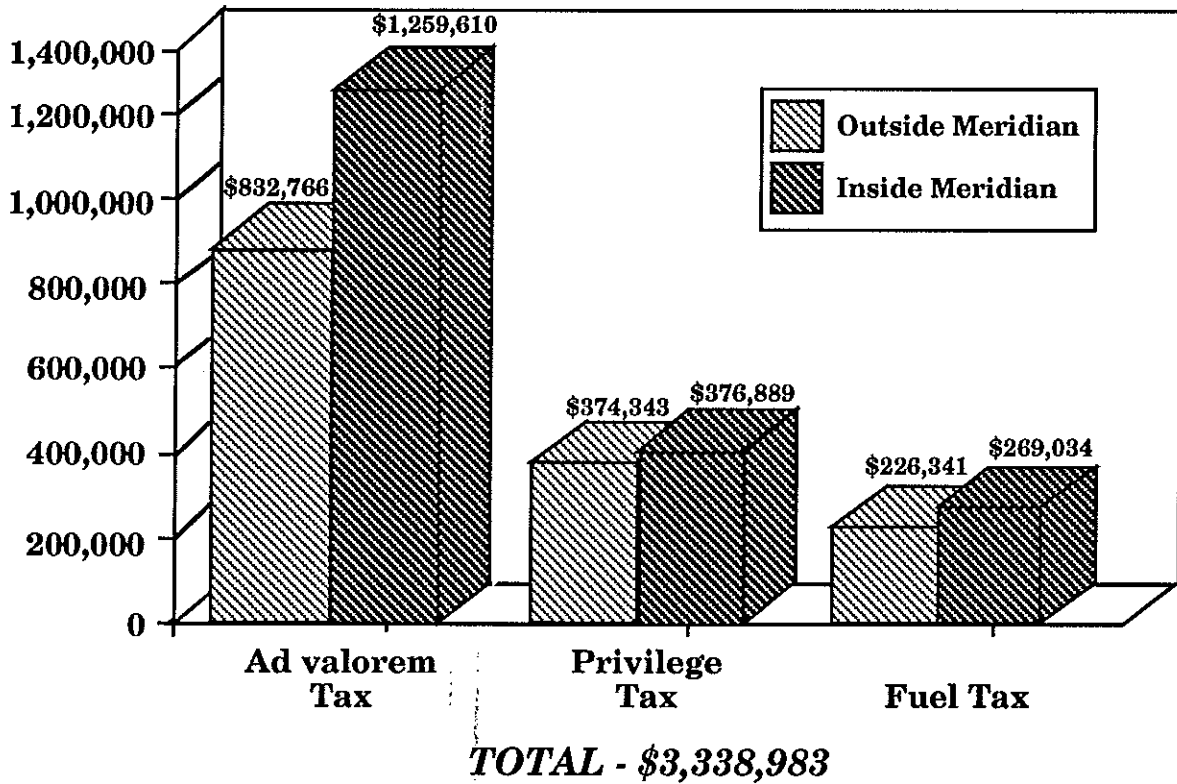
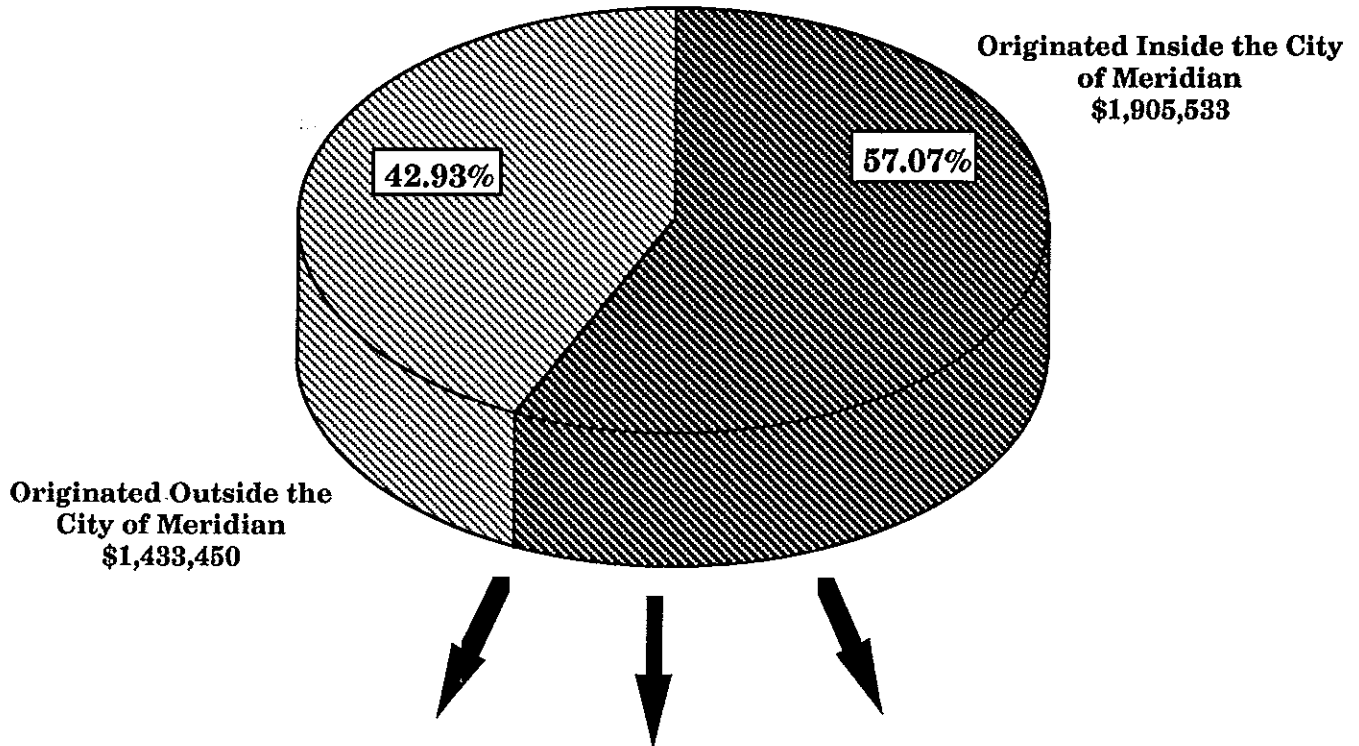
MISS. CODE ANN. Section 65-15-21 requires counties to transfer one-half of ad valorem taxes collected, for road purposes, on property within a municipality to the municipal treasury if the municipality maintains its streets. This mandatory transfer of ad valorem tax collections does not apply to the levy for bridge and culvert maintenance or road and bridge debt. This statute represents the only legal requirement that a portion of a county's road and bridge tax revenues be spent inside a city's limits. Because municipalities are not entitled to share in counties' bridge levy collections, there have been cases in Mississippi where municipalities accused counties of using bridge funds for road work to avoid having to share such tax collections with the municipalities.

PEER analyzed and compared Lauderdale County road fund expenditures and bridge/culvert fund expenditures for fiscal year 1990. PEER determined that bridge/culvert fund expenditures represented 31.0% of the county's total road and bridge expenditures for fiscal year 1990. In contrast, bridge/culvert fund salaries and wages represented 55.3% of total road and bridge salaries and wages. Fiscal year 1991 budget data shows similar percentages relating to salaries and wages (28.6% and 55.6%, respectively). PEER noted that the bridge culvert fund pays one-half of the county supervisors' salaries each year (\$66,300 for fiscal year 1990), and the general fund pays the other half.

Lauderdale County does not maintain records reflecting employees' work time on bridges/culverts as compared to road work. Employees' salaries were prorated under an unknown basis many years ago and have remained in the same proportion since. The county administrator acknowledged that salaries and wages paid by the bridge/culvert fund might be too high and should be reviewed for possible adjustment. If Lauderdale County's bridge/culvert fund expenditures and tax levy have been overstated and the road fund expenditures and tax levy have been understated over the years, the City of Meridian has not been receiving an

EXHIBIT 22

**LAUDERDALE COUNTY
ANALYSIS OF SOURCES OF LOCAL ROAD AND BRIDGE TAX REVENUES
FISCAL YEAR 1990**

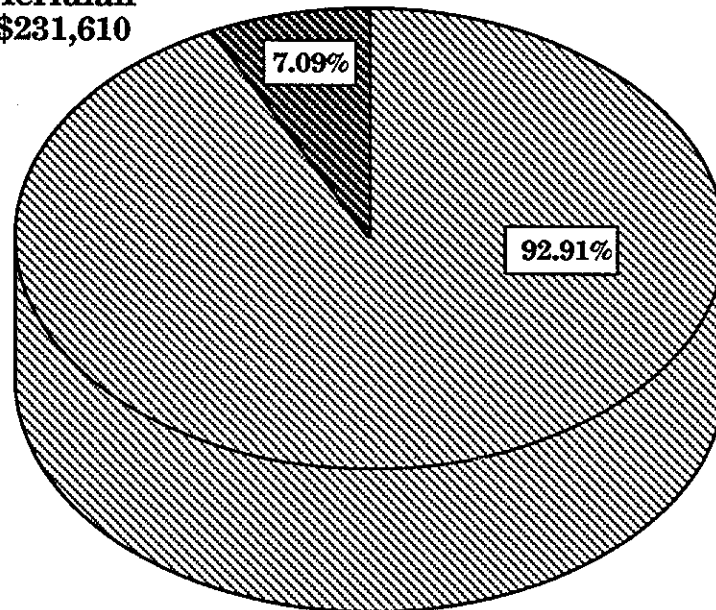


SOURCE: PEER analysis of Lauderdale County financial data.

EXHIBIT 23

**LAUDERDALE COUNTY
ANALYSIS OF ROAD AND BRIDGE NET EXPENDITURES
FROM LOCAL TAX REVENUE
INSIDE CITY OF MERIDIAN
FISCAL YEAR 1990**

**Inside City of
Meridian
\$231,610**



**Outside City of
Meridian
\$3,036,036**

TOTAL-\$3,267,646

SOURCE: PEER analysis of Lauderdale County financial records.

equitable share of road fund taxes under the statutory requirements referred to above.

Although PEER's analysis of road and bridge tax revenues shows that more than half of the tax revenues are generated inside the city limits of Meridian while only 7.09% are spent inside the city limits, PEER cannot assess the equity or inequity of this ratio. However, it is clear that county officials have generally excluded the City of Meridian's roads and bridges from county consideration for expenditure over the years. PEER did note that county officials approved expenditure of \$213,600 of bond proceeds for road work inside the City of Meridian during fiscal year 1991. This expenditure represented about 4% of the \$5 million in bond proceeds that are earmarked for road and bridge work in Lauderdale County.

City and County Proportions of Funding for Jointly Funded Local Agencies

Both Lauderdale County and the City of Meridian provided funding to Meridian Public Library and the Multi-County Community Service Agency during fiscal year 1990 through appropriation of local tax dollars. The county provided \$163,570 to Meridian Public Library from a .66 mill tax levy on all county property, and \$21,410 to the Multi-County Community Service Agency from the general fund tax levy. The City of Meridian provided \$275,638 to Meridian Public Library from local tax dollars (\$150,744 from a one-mill tax levy and \$124,894 from the general fund tax levy) and \$21,410 to the Multi-County Community Service Agency from the general fund tax levy.

PEER used the percentages established earlier in this report relating to county ad valorem taxes (60.2% for the City of Meridian and 39.8% for the remainder of the county) and city sales tax (19.76% for non-city residents of the county) to analyze the sources of local tax revenues provided to these local agencies. Local tax revenue originating in the City of Meridian provided 71.17% of the local government funding for Meridian Public Library and 55.53% of the local government funding for the Multi-County Community Service Agency during fiscal year 1990 (see Exhibit 24, page 47). Lauderdale County and City of Meridian budgets for fiscal year 1991 reflected similar funding percentages for these local government agencies.

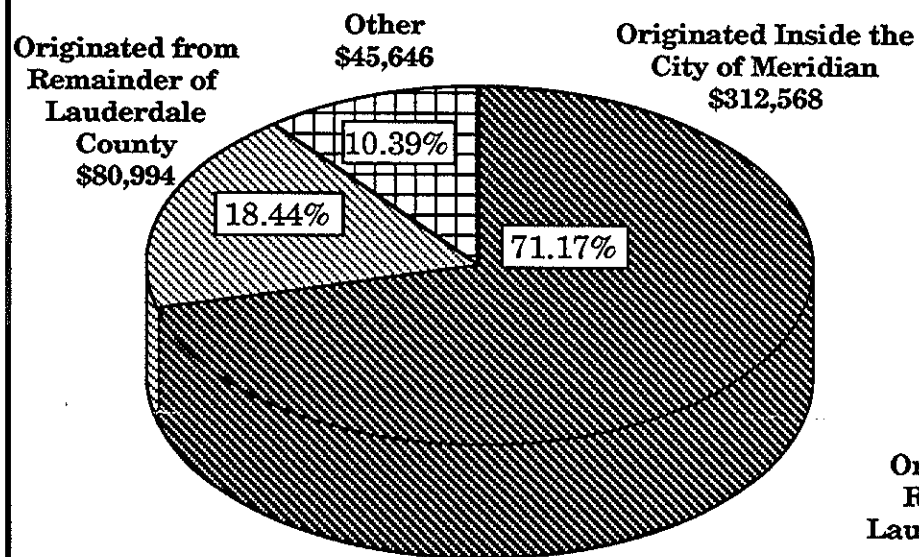
Conclusion: The Tax Equity Question

PEER's analysis of the tax equity issue in Lauderdale County clarifies several facts that have been debated by county and city officials. The facts noted present historical data relating to the receipt and expenditure of local tax dollars and should not be viewed as inferring that PEER has taken either a "county" or "city" position on this issue. In

EXHIBIT 24

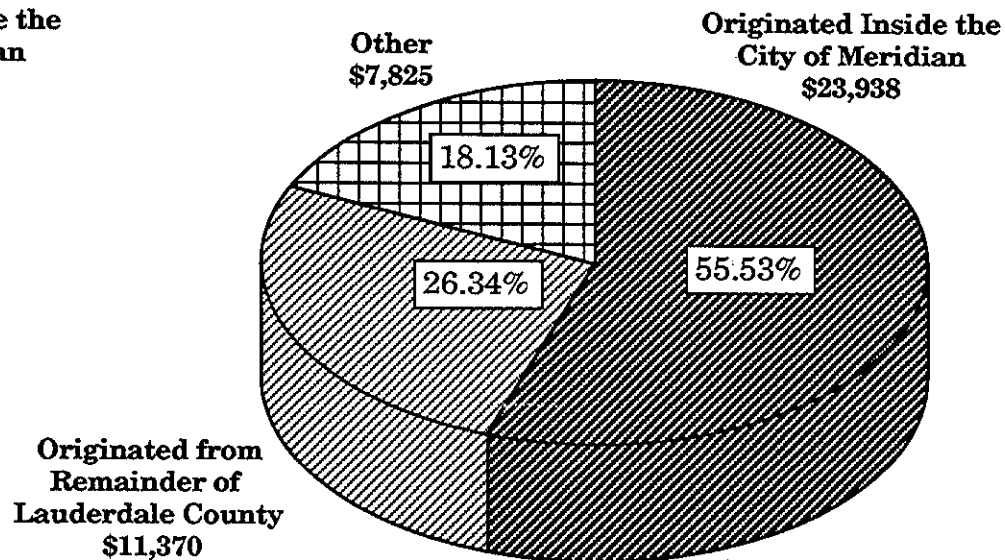
**COMPARISON OF ORIGIN OF LOCAL TAX FUNDING PROVIDED TO
LOCAL GOVERNMENT SERVICE AGENCIES
FISCAL YEAR 1990**

Meridian Public Library



TOTAL-\$439,208

Multi-County Community Service Agency



TOTAL-\$43,133

SOURCE: PEER analysis of Lauderdale County and City of Meridian financial records.

summarizing the Lauderdale County/Meridian tax equity issue, PEER concludes:

- Lauderdale County's primary funding source is ad valorem tax (85.78% of total revenues for fiscal year 1990).
- About sixty cents of every ad valorem tax dollar collected by Lauderdale County comes from taxable property in the City of Meridian (\$4.5 million for fiscal year 1990).
- Lauderdale County residents not living in the City of Meridian provided 19.76% (\$1.4 million) of Meridian's sales tax revenues during fiscal year 1990.
- Property in the City of Meridian generated 57.07% of Lauderdale County's local tax revenues for road and bridge purposes for fiscal year 1990, while 7.09% of the county's road and bridge disbursements were used inside the city limits.
- Lauderdale County's bridge/culvert fund paid 55.3% of the total road and bridge salaries for fiscal year 1990, including one-half of the supervisors' salaries, yet total bridge fund expenditures during the same period represented 31% of total road and bridge expenditures.
- Local tax revenue originating in the City of Meridian provided 71.17% of the local government funding for Meridian Public Library and 55.53% of the local government funding for the Multi-County Community Service Agency during fiscal year 1990.

Both Lauderdale County and City of Meridian officials have maintained positions regarding the use of Lauderdale County ad valorem tax revenues that are contrary to a policy of distribution based on need. Lauderdale County officials have over the years consciously chosen not to spend county tax dollars for road and bridge expenditures in the City of Meridian, despite the fact that city residents are also county taxpayers residing in the county. On the other hand, City of Meridian officials have demanded that county officials provide funding for city street projects because of the large proportion of ad valorem tax dollars collected on property in the City of Meridian. Ultimately, the decision of where to spend county tax dollars rests with the board of supervisors. However, the board of supervisors must be cognizant of the fact that its constitutional and statutory responsibilities extend to the entire county and not just the unincorporated areas.

Local policymakers (mayors and boards/councils for municipalities and boards of supervisors for counties) must bear the responsibility for determining the amount of tax their respective counties or municipalities levy on their residents and the services to be provided by their respective

governments. These local governing bodies are legally responsible for establishing their county or municipal budgets by establishing spending priorities and determining services to be provided. *It is the local governing body's responsibility to spend tax dollars based on need rather than assuring that all political districts receive their "equitable" share. However, just as tax dollars should not be spent based on political boundaries, they should not be withheld based on political boundaries.*

Recommendations

1. The Lauderdale County Board of Supervisors should develop road and bridge plans for the entire county, including the needs of the City of Meridian.

City of Meridian officials should submit an annual list of road and bridge needs to the board of supervisors. The board should include the needs of the City of Meridian in its assessment of the county's needs for the year. While county funding of road and bridge work in the city should not necessarily correspond to the amount of ad valorem tax revenue provided on city property, county officials should not consciously omit any portion of the county from its assessment of needs.

2. The Lauderdale County Board of Supervisors should review closely the budget of its bridge/culvert fund to insure that it funds only bridge and culvert expenditures. County officials should review payroll expenditures in particular to insure that employees (including supervisors) are not compensated for time not devoted to bridge and culvert work.

LOCAL GOVERNMENT CONSOLIDATION

As stated earlier, the concepts of tax equity and double taxation have received a substantial amount of publicity in Lauderdale County during the past year. In response to the debate over the issue of local government taxation, the Lauderdale Council of Governments requested the PEER Committee to review the feasibility of local government consolidation in Lauderdale County in conjunction with PEER's review of the tax equity question.

The concept of government consolidation is very broad and means different things to different people, including government officials. To some, consolidation simply means merging services, while to others it can mean complete dissolution (including positions of elected officials) of prior local government entities and the formation of a new local government entity. Many local governments around the country have consolidated in the last few years--some opting for near-total consolidation, and some for limited service consolidation. While the term *government consolidation* provides for lively political rhetoric in the same manner as the term *tax equity*, local policymakers considering such consolidation should begin by concurring on its definition.

Mississippi's state laws do not currently provide for complete governmental consolidation of municipalities and counties. As such there is no legal definition of a consolidated municipality/county in the state of Mississippi. State statutes do, however, provide for service consolidation which will be discussed later in this chapter. PEER reviewed information related to some highly publicized consolidations from around the country. While each method reviewed could be implemented in the State of Mississippi, substantial statutory and even constitutional revision would be necessary in most cases.

Other States' Consolidations

Local governments have formed eighteen consolidated communities in the United States since World War II (see Exhibit 25, page 51). Consolidation in urban areas is often motivated by the migration of taxpayers to the suburbs, while consolidation in rural areas is often necessary to survive. A complete governmental consolidation would merge all departments and functions of the counties and cities within it; however, many governments depart from this model for historic, political or constitutional reasons. Consolidated city-counties bring substantial, but not necessarily complete, integration of the elective function. County officials such as the assessor, the district attorney and the clerk of the court in Louisiana, Florida, Kentucky, Tennessee, Indiana and South Carolina are all insulated by their constitutional status. During the past quarter

EXHIBIT 25

U.S. CITY-COUNTY CONSOLIDATIONS SINCE WORLD WAR II

CITY	COUNTY	STATE	YEAR EFFECTIVE	VOTER SUPPORT	PREVIOUS ATTEMPTS
Anaconda	Deer Lodge	MT	1976	56%	
Anchorage	Anchorage Area Borough	AK	1975	60%	1970, 1971
Baton Rouge	Parish of East Baton Rouge	LA	1947	51%	
Butte	Silver Bow	MT	1976	62%	1924, 1931, 1963
Carson City	Ormsby	NV	1969	62%	
S. Norfolk	Norfolk	VA	1962	66%	
Columbus	Muscogee	GA	1970	81%	1962
Hampton	Elizabeth	VA	1952	89%	
Houma	Terrebonne Parish	LA	1984	*	
Indianapolis	Marion	IN	1969	**	
Jacksonville	Duval	FL	1967	65%	1935
Juneau	Greater Juneau	AK	1969	54%	
Lexington	Fayette	KY	1972	69%	
Nashville	Davidson	TN	1962	57%	1958
Newport News	Warwick	VA	1958	67%	1950
Sitka	Greater Sitka Borough	AK	1971	77%	
Suffolk	Nansemond	VA	1972	76%	
Virginia Beach	Princess Anne	VA	1962	82%	

* Voter Support Information Not Available

** Consolidation accomplished without referendum

SOURCE: Kenneth Town and Carol Lambert, *The Urban Consolidation Experience in the United States*. (Atlanta, Georgia: Research Atlanta, 1987).

century, each metropolitan consolidation has been a partial consolidation rather than a complete consolidation.

PEER sought to provide general information regarding several of the more publicized local government consolidations from around the country. These brief analyses should provide readers with an overview of the various formats which consolidated governments have assumed and clarify the fact that local government consolidation does not necessarily imply complete governmental consolidation.

Baton Rouge, Louisiana

Baton Rouge and East Baton Rouge Parish, Louisiana, consolidated in 1947. The consolidated government operates under a strong mayor-council form of government. The council consists of twelve members elected from single-member districts. The mayor has limited veto authority over council actions. Several parish officials retained their constitutional status, and as such, do not answer directly to the new consolidated governing board.

Two of the main service priorities at the time of consolidation were street and drainage improvements. The consolidated government established maintenance districts and made extensive capital improvements in rural and urban road systems, as well as sewage districts. The consolidated government did not initially have the resources to expand these services; thus, it levied a 1% sales tax in 1951 which allowed expansion of public services to the entire urban area, including the creation of a model fire protection program.

The consolidated government provides fire protection to all citizens of the parish; however, fire stations located within the city limits are rated higher than those located in the parish outside the city. Municipal and parish areas receive comparable road/street maintenance and utility/garbage collection services. The area has both a police chief and a sheriff, with the sheriff having jurisdiction over the entire area. The sheriff delegates most of the law enforcement responsibility within the city limits to the chief of police. The sheriff administers the parish jail, which houses municipal and parish felons.

Police, general services and fire protection witnessed the largest per capita service cost increases subsequent to consolidation. The extension of additional services of this type to the rural areas resulted in additional costs, but also yielded more services for the rural areas.

Jacksonville, Florida

After three failed attempts at annexation, Jacksonville and Duval County, Florida, consolidated in 1967. Jacksonville operates under a strong mayor-council form of government. The council consists of nineteen members, with fourteen of these members elected from single-member districts and the remaining five elected from at-large districts. The mayor has veto power over council actions.

Following consolidation, Jacksonville established six different service districts. The five urban service districts consisted of Jacksonville and four other communities in the area. These four other communities retained their municipal status and their own tax structures following consolidation. The unincorporated area taken in by Jacksonville during consolidation made up the general service district. Jacksonville now serves as the uniform taxing system for the entire county; however, the four separate communities get a tax differential of 18% because they each levy their own taxes for specific services (fire, police, garbage collection and road/street maintenance). Jacksonville provides emergency ambulance service to these communities. Each of the four communities has its own chief of police; however, Jacksonville's sheriff is the primary law enforcement officer in the area.

The consolidated government of Jacksonville received better bond ratings, lower fire insurance rates and eligibility for increased federal funding, all of which encouraged massive improvement programs. County-wide land use planning and redevelopment efforts attracted much-needed new industry. However, the consolidated government financed some improvement by taxes or user fees which tended to hit the poor disproportionately. In addition, the consolidated government faced difficulties resulting from the continued independence of some boards and commissions.

Columbus, Georgia

After annexation attempts in 1960 and 1969, Columbus and Muscogee County, Georgia, consolidated in 1970. The consolidated government operates under the mayor-council form of government. The council consists of ten members, with four of these members elected from single-member districts and the remaining six elected from at-large districts. The mayor has limited veto power over council actions and may vote in order to break a tie. A city manager reports to the mayor as well as the council.

Columbus is divided into three separate taxing districts: a general service district and two urban service districts. Residents' taxes correspond to the level of service provided in their respective service districts. Urban service districts generally provide more sewer services than the general service district. All residents receive fire protection,

although more fire stations are located in the urban service districts. Both general and urban service districts receive the same level of road/street maintenance. The consolidated government has both a sheriff and a chief of police, with both law enforcement authorities having their own jails.

Local officials believe the creation of general and urban service districts resulted in government services being financed through more equitable taxation. In addition, because the consolidated government reduced twenty-two different service functions into nine categories, local officials contend that the cost of duplicated services was reduced.

Nashville, Tennessee

After a failed consolidation attempt in 1958, Nashville and Davidson County, Tennessee, consolidated in 1962. The metro government operates under a mayor-council form of government. The council consists of forty members, with thirty-five of the members elected from single-member districts and the remaining five elected from at-large districts. The government also has a vice-mayor who is elected county-wide. The mayor has veto authority on all council matters except for the budget and personnel.

Nashville is divided into two service districts: a general service district, covering the whole county; and, an urban service zone, composed of Nashville's former city limits. Six satellite cities fall into the general services district. These cities have their own tax structures, but most receive services from the metro government as residents of the general service district.

Residents of the general service district receive typical county services such as police, road maintenance and welfare. Residents of the urban service district receive additional fire protection, garbage collection, street lighting and storm drainage. The same level of road/street maintenance is provided to both districts. Metro residents' taxes correspond to the level of service provided in their respective service districts. Residents of the urban zone pay a higher tax rate, as they receive more services from the metro government. Metro Nashville has both a sheriff and a chief of police. The chief of police is the main law enforcement officer, having authority over both the general and urban service districts. The sheriff, on the other hand, is an administrative officer whose main responsibility is to operate the metro jail.

The consolidated government extended sewers into forty-nine square miles annexed prior to consolidation and replaced obsolete sewer and water lines. Local officials contend that consolidation resulted in more uniform distribution of police services, enlargement of health and welfare services, and reorganization of the fire department. The new government also initiated an extensive park development program and coordinated parks

and school services. Local officials also report that rural or former suburban residents now pay for previously free services.

Indianapolis, Indiana

Indianapolis and Marion County, Indiana, consolidated in 1969, and became the only city/county consolidation in the nation to be enacted without referendum. The elected city-county council and the mayor share the authority of the consolidated government, or Unigov as it is commonly called. The city-county council consists of twenty-nine members, with twenty-five of these elected from single-member districts and the remaining four elected at-large. The city-county council has exclusive powers to pass laws and appropriate funds. The mayor has the authority to veto bills passed by the city-county council.

The Unigov charter provides that fire protection, police and schools not be included in consolidation. The city and the county still maintain separate law enforcement services, with the state constitution mandating that each county have a sheriff. The county never provided fire protection, but townships had their own volunteer fire departments. All residents of the consolidated government's area receive the same level of road/street maintenance services, garbage collection and water/sewer services.

Indianapolis did not completely integrate all functions of the consolidated entities. Three cities remain outside consolidated Indianapolis, nine townships still exist in Marion County, and Indiana state law forbids the elimination of eight county offices. Fifty different governmental units provide services and impose taxes within Marion County.

Government Consolidation in Mississippi

As the brief analyses of consolidated governments in other states reflect, government consolidation takes different forms. Complete governmental consolidation is uncommon due to the constitutional and political restraints against such a system. Many county positions are provided for in state constitutions and their abolishment or alteration would require constitutional amendment. Also, total consolidation could be hampered by local officials' "urban vs. rural" turf battles.

Any attempt at providing for complete government consolidation of municipalities and counties in Mississippi would face similar political and constitutional obstacles. Voters in forty-five of the eighty-two Mississippi counties chose not to consolidate road and bridge operations within their counties in 1988, preferring instead to operate under a beat system with five separate road departments in each county. As such, the concept of a

consolidated city-county government would undoubtedly receive substantial resistance in Mississippi.

Section 271, MISSISSIPPI CONSTITUTION, currently provides for the consolidation of adjoining counties, and state statutes provide for the consolidation of two or more municipalities; however, no provisions exist for the complete governmental consolidation of a city or cities with a county. While a degree of local government consolidation is possible in Mississippi, complete local government consolidation would involve tremendous statutory and constitutional revision, depending on the type of consolidation sought.

At least eleven sections of the state's constitution and hundreds of statutory sections of the law relate to counties, county officials, municipalities and municipal officials. Complete local government consolidation would require establishment of legislative and executive authority over the consolidated entity. Presently, boards of supervisors' jurisdiction over county roads and bridges and the offices of sheriff, county coroner, tax assessor, tax collector and county surveyor are provided for in the state's constitution. If new legislative and executive positions were established at the local government level, these constitutional sections would be affected. Numerous statutory sections establish and outline municipalities' and counties' financial structures and taxing authority, as well as the responsibilities and duties of various local government officials. These sections might also be affected, depending upon the type of consolidation sought.

Another important factor that must be considered regarding the consolidation of local governments is the impact on local school districts. If a municipality and a county were permitted to consolidate, what would happen to their municipal and county school districts? Would the school districts remain separate or merge? This question alone would create an obstacle for local government consolidation.

Service Consolidation

Although state law does not contain provisions for complete city-county consolidation, Mississippi municipalities and counties may combine service functions under the Interlocal Cooperation Act of 1974, codified under Title 17, Chapter 13, of the MISSISSIPPI CODE. This act permits Mississippi's local government entities (counties, municipalities, and school districts, among others) to implement jointly any responsibility that such local governing entities have legal authority to carry out independently, except the authority to levy taxes and incur debt. Such interlocal agreements must be in writing and approved by each entity's governing body.

PEER surveyed Mississippi municipalities and counties to determine the extent to which joint service agreements are used in this state. Forty-four percent (36 of 82) of Mississippi's counties responded to the survey and cited 255 joint service arrangements to which they were a party. Forty-one percent (122 of 297) municipalities responded to the survey and cited 299 joint service arrangements to which they were a party. Responding entities cited sanitation, law enforcement, and fire protection as the most common types of joint service arrangements. As the results of this survey reflect, joint service arrangements are popular in the state of Mississippi.

Nationally, service consolidation is the fastest growing trend in the area of consolidation among local government entities. Statutory revision to permit service consolidation is generally much simpler than statutory (and constitutional) revision necessary to provide for total government consolidation, since no local government entities or officials' positions are created or abolished. In addition, service consolidation arrangements can be terminated if the parties to the arrangement are not satisfied with the outcome. Nationally, service consolidation occurs most frequently in the police, health, corrections, planning and roads functions.

PEER identified three primary forms of service consolidation:

- *Joint Service Agreement*--two or more governmental units' joint planning, financing, and service delivery.
- *Intergovernmental Service Transfer*--permanent transfer of total responsibility for provision of a service from one government to another.
- *Intergovernmental Service Contracts*--one governmental unit pays another for delivery of a particular service.

Lauderdale County, the City of Meridian, and the Town of Marion are currently parties to several joint service arrangements, including: mutual fire protection agreements, tax collection by the county, and a beautification program. In addition, these entities participate in unwritten agreements such as Lauderdale County's provision of sanitation services for the Town of Marion residents, with Marion residents paying an additional ad valorem tax.

PEER interviewed elected and appointed management officials from all three local government entities regarding their views on joint service arrangements. Ninety-six percent (22 of 23) of the officials interviewed are in favor of pursuing joint service arrangements that appear feasible. Nineteen of the twenty-one officials mentioned law enforcement as an area in which joint service provision should be pursued. Other services mentioned frequently were sanitation and road maintenance.

Conclusion: Government Consolidation in Mississippi

Several major points can be derived from PEER's analysis of the potential for government consolidation in the state of Mississippi in general and Lauderdale County in particular:

- Consolidated local government entities in other states do not necessarily represent completely consolidated local governments, but rather partial consolidations.
- Any attempt at complete local government consolidation would encounter substantial legal (constitutional and statutory revision) and political (resistance by local governments) obstacles.
- Mississippi laws currently permit service consolidation between municipalities and counties.

The concept of local government consolidation should not be limited to city-county mergers. While Meridian and Marion represent the only incorporated municipalities in Lauderdale County and are located close to the geographic center of the county, this is not the case in most other counties. For example, a city which represents the center of a large multi-county metropolitan area might do little to maximize the area's potential by merging only with the county in which it resides. The demographics, resources and needs of local government entities are major factors in decisions concerning consolidation.

Mississippi's local government entities should consider the potential benefits of service consolidation. While numerous interlocal arrangements exist statewide, the majority do not represent substantial service consolidation arrangements such as merger of law enforcement functions or road and bridge functions.

Recommendation

Lauderdale County, City of Meridian, and Town of Marion officials should establish a joint forum to review and consider establishing additional joint service agreements. PEER is not recommending the merger of any specific services, although reduced duplication appears possible through the consolidation of certain aspects of functions such as law enforcement (custody of prisoners and radio operations).

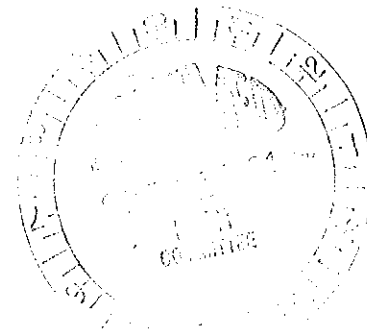
AGENCY RESPONSE

the City of **MERIDIAN**

601 24th Avenue
Post Office Box 1430
Meridian, Mississippi 39302-1430



October 29, 1991



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(601) 485-1927

Councilmembers:
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Ward 2
BARBARA HENSON
Ward 3
JESSE PALMER, SR.
Ward 4
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Ward 5

Mr. John Turcotte, Director
PEER Committee
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Jackson, MS 39205

Dear Mr. Turcotte:

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Thank you for giving the City of Meridian the opportunity to respond to the draft executive summary of "An Analysis of Local Government Funding and Services: Lauderdale County/City of Meridian/Town of Marion" as prepared by the staff of the Performance Evaluation and Expenditure Review (PEER) Committee. Members of the Meridian City Council, the city's administrative staff and I were impressed with the professionalism and dedication of the PEER staff as it carried out its responsibilities, and I would especially like to thank Danny Miller for all his efforts to carefully gather and analyze the documentation that was presented.

As your analysis pointed out, the basic and central issue is one of fairness. Particularly, the very questionable fiscal practices regarding the county road and bridge taxes go to the very heart of the equity issue. County taxpayers inside the city simply do not get their fair share of county services from the county tax dollars they pay. We are pleased that the PEER analysis reached the same conclusion and recommended that "The Lauderdale County Board of Supervisors should develop road and bridge plans for the entire county, including the City of Meridian." Be assured, City of Meridian officials will submit an annual list of road and bridge needs to the board of supervisors as recommended in your report.

The report's findings concerning the county's bridge/culvert fund expenditure and tax levy and the resulting recommendation that "The Lauderdale County Board of Supervisors should review closely the budget of its bridge/culvert fund to insure that it funds only bridge and culvert expenditures" were greatly appreciated. We only regret that your staff could not spend the time and effort required to probe more deeply into what extent Lauderdale County is being unfair to its taxpayers inside the City of Meridian in the way it administers and expends money from the bridge and culvert fund.

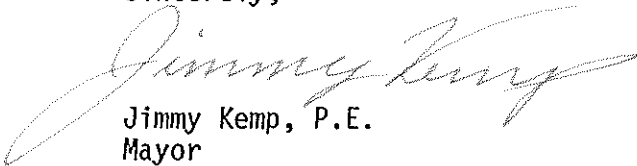
We have utterly failed in our efforts to convince a majority of the members of the Lauderdale County Board of Supervisors to take action to end the unfair practices that are hurting the people of Meridian and ultimately crippling our entire trade area, as long as these practices go unchecked. Not only has the board majority failed to acknowledge its fiscal responsibility to its taxpayers inside the city, it is also fighting Meridian's current annexation process, which is designed to broaden the economic base of the City of Meridian, the only governmental entity in the trade area capable of the kind of support needed for sustained growth and development that will allow the entire area to prosper.

In addition, the Mississippi Legislature has hampered our ability to support additional economic development by refusing to allow municipalities and counties to levy a local option sales tax, as cities and counties in the four surrounding states are permitted to do. A local option sales tax would allow local governments to ease the ad valorem tax burden on our people, ease the load created by such lump-sum tax payments as vehicle tags, address the issue of heavy taxation on rental property and put some of the tax responsibility on visitors, not just local taxpayers.

Unless all of these critical issues are addressed at the local and state levels, the larger municipalities that are the lifeblood of their trade areas will continue to be squeezed and will become older and poorer as their more affluent residents flee to the fringes outside the city, which they have been doing for the last 30 years.

We are confident that our position will prevail because it's right, it's fair and it will well serve the people of our entire area. Your report goes a long way in providing a critical, unbiased affirmation of the principles and policies we support. Your analysis will have statewide implications and, we believe, could very well be a catalyst for the kind of bold economic development initiative Mississippi so desperately needs.

Sincerely,



Jimmy Kemp, P.E.
Mayor

JK/ljs

c: Meridian City Council
City Attorney Tom Goldman
CAO Bob Klimetz
City Department Heads

**THE LAUDERDALE COUNTY BOARD OF SUPERVISORS AND TOWN OF
MARION BOARD OF ALDERMEN ELECTED NOT TO PROVIDE A
WRITTEN RESPONSE TO THIS REPORT.**

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