SUBJECT: Some Observations on the Dunwoody Study

Prepared by: Robert J. Eger III

We reviewed the analysis of the potential creation of the city of Dunwoody performed by the Carl Vinson Institute of Government (CVIOG), University of Georgia. Our evaluation focused on the comprehensiveness, accuracy, and municipal service estimates of the CVIOG work. We find that the expenditure estimates appear to be low while revenue estimates, with the inclusion of the Perimeter CID, appear to be reasonably accurate. Important to this evaluation is an understanding that the CVIOG was unable to secure complete data from DeKalb County. This is not to state that CVIOG was necessarily handicapped in its analysis, but rather to point out that focusing on other municipalities outside of the immediate area in a state like Georgia can provide misleading information and costs projections. This occurs because there is a single large-metropolitan area within a state. Thus, using comparison data from other states that do not have a single large-metropolitan area can lead to incorrect cost projections. This can be found in a variety of analysis, including analysis of public schools.

There are two major issues raised with the Dunwoody study:

- First is the use of the basic and enhanced benchmark expenditures. Neither benchmark is related to the urban needs of Dunwoody and therefore likely to provide incorrect information for Dunwoody. The expenditures shown for the Georgia Comparison Cities use the Department of Community Affairs (DCA) data for the entire state. Traditionally, due to the nature of the Atlanta metro area and the remaining areas of the state, the DCA data is usually seen as a best case scenario. In the study, the CVIOG analysis indicates that Dunwoody’s revenues are 30 percent lower than expenditures (Table 1.2 of the CVIOG study). This would lead to the conclusion that Dunwoody is not financially viable, since using the average expenditures of all the cities in Georgia is a best outcome scenario. Thus, the two benchmark
scenarios, which both indicate lower costs may be misleading since the average city in Georgia spending is higher than both benchmark scenarios.

If we reassess expenditures using expenditures for the ARC 10 counties metro region and cities, the estimates should be much closer to Dunwoody’s potential costs. As an example, police services are shown in the two benchmark scenarios based on calls for service for Roswell and North Precinct data from DeKalb County. These benchmark costs are $58.19 and $85.76 per capita, respectively. Using the DCA data for the 10 county metro areas (ARC designation) the average cost per capita for police services is $228.00, and if we exclude Atlanta City the cost per capita on average is $226.00. Thus, it may be the case that the police expenditures in both the benchmarks are understated by a factor of about 3. If we followed the comparison cities offered by the CVIOG study, Peachtree City and Duluth, Peachtree City has police spending of about $125 per capita (at least 45 percent higher than the benchmarks) and Duluth is about $290 per capita (at least 300 percent higher than the benchmark scenarios). This leads us to question the viability of the benchmark scenarios as valid for this service. We then looked at the City of Alpharetta, a city with a very similar population count, but differing demographics, and find that police expenditure are about $180 per capita. Thus, since Dunwoody is using fire services from DeKalb County, the only expense for safety and the largest expense this potentially new municipality faces is forecasted at a very low per capita cost in both the benchmark scenarios of the study. This leads to the broader question of whether the other expenditure projections in the CVIOG study are low.

- Second is the inclusion of Perimeter CID. The issue here is that costs associated with this area are currently dispersed throughout DeKalb County. The infrastructure that was allocated to the Perimeter CID was purchased by all DeKalb County residents. DeKalb may require repayment. If the City of Dunwoody was to assume this area into their tax digest, then a capital repayment expense should be allocated to DeKalb County in the study. This was not accounted for in the study.

These two issues alone certainly seem to indicate that the current study outcome is flawed, perhaps seriously so.

If the State is interested in having an accurate estimate of expected revenues and expenditures, what might the State do? One option would be for the State to fund studies of incorporated areas, rather than to rely on a citizen group with an interest in incorporating.

A second thing the State could do is to require that potential cities use standards that include current costs of municipal type services provided by counties as a based estimate of financial viability. This would require the state to assure data needs for the research are provided by the current provider of the service.