



FISCAL RESEARCH CENTER

Report on the City of South Fulton: Potential Revenues and Expenditures

Peter Bluestone
John Matthews

**Fiscal Research Center
Andrew Young School of Policy Studies
Georgia State University
Atlanta, GA**

January 2014



ANDREW YOUNG SCHOOL
OF POLICY STUDIES

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Executive Summary

The Fiscal Research Center (FRC), Andrew Young School of Policy Studies, Georgia State University was contacted by South Fulton United, Inc. and later a contract was executed with the same, to develop an analysis of the fiscal feasibility of a proposed City of South Fulton. This study provides a detailed analysis of the expected revenue and expenses of the proposed city using generally accepted methodologies that the FRC has used for similar studies. The main purpose of the analysis is to estimate the ability of a City of South Fulton to meet its expenditures with available revenue sources. Based on this analysis and using conservative assumptions, the City of South Fulton should expect annual revenue of approximately \$64.9 million and annual expenses of approximately \$61.9 million (these are the conservative low estimates for revenue and the high estimate for expenditures, see Table E1). This analysis suggests that the city would generate a surplus under conservative assumptions of approximately \$3 million, which may be used to provide additional contingency funds, reduce the millage rate, or expand the level of expenditures. *Based on these estimates and given the assumptions that are detailed in this report, we find that the City of South Fulton is financially feasible.*

This report provides a series of revenue and expenditure estimates for the new municipality of the City of South Fulton. To establish the estimates for the potential City of South Fulton, we examined Fulton County Budget documents, spoke with individuals at Fulton County and other related governments and institutions and researched current legislation at the state and local level. These estimates include the entire South Fulton Special Services District (SSD) including the Fulton Industrial District.

The analysis of the expected revenue and expenditures of a new City of South Fulton relies on several key assumptions: First, the City of South Fulton would continue the current tax and fee policies at a millage of 10.469 per \$1,000 in tangible property value; second, the City of South Fulton would receive a share of the local option sales tax (LOST) fund revenue, roughly based on its population as determined by the US Census of 2010. This revenue is based on the current established formula by Fulton County and the incorporated cities within the county; third, the new City of South Fulton would be successful in negotiating franchise fees with utilities that raise similar amounts of revenue per capita as other similar cities in Fulton County; fourth, the City of South Fulton would continue with

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the current zoning and planning policies put in place by Fulton County and continue to raise the same license and fee revenue.

Our expenditure estimates assume the following:

- The City of South Fulton would continue to provide a similar set of services, at the same range and level, as currently provided by the South Fulton Special Services District;
- The City of South Fulton would incur similar administrative, general governance, and infrastructure costs as those found in similar Fulton County cities.

We estimate the capital expenditures of the City of South Fulton by the established precedent set by the Fulton County Commission for the two assets, parkland and fire stations. That precedent was a cost of \$100 per acre for parkland and \$5,000 for the capital asset of the firehouse building. Based on these costs, the assets currently owned by Fulton County but residing within the new boundaries of the City of South Fulton are valued at \$173,600. Because the current cost of acquiring these assets is relatively low, no long-term debt is necessary.

In an effort to yield the most accurate assessment of the financial viability of the new City of South Fulton, we rely on reported revenues and expenditures from Fiscal Year 2012, the latest full year of data available, for the SSD. When it was necessary to use estimates for revenues or expenditures, we were conservative in that we chose reasonable values that tended to underestimate new sources of revenue and overestimate new expenditures. Following this conservative approach, our estimate of financial viability does not rely on any expected future growth of revenues to cover relevant expected expenditures. Because we do estimate a surplus for the new City of South Fulton, it should have an adequate reserve to withstand the normal variation in revenues and expenditures cities can experience from year to year.

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**TABLE E1. CITY OF SOUTH FULTON ESTIMATED REVENUES
AND EXPENDITURES**

	SSD Revenue and Service Levels	DCA City Average Revenue and Service Levels
Total Revenues	\$64,939,662	\$68,653,531
Total Expenditures	\$47,458,955	\$61,850,752
Surplus (Deficit)	\$17,480,707	\$6,802,779

Table E1 shows the expected revenues and expenditures for the proposed City of South Fulton. Based on our estimates, we find that the proposed City of South Fulton is financially feasible in that expected revenues exceed expected expenditures. We find that under conservative estimates, the proposed City of South Fulton would face reserve balances ranging from \$6.8 million to \$17.5 million, depending on specific assumptions about revenues and expenditures. The lower level reserve amount assumes that the proposed City of South Fulton adopts spending patterns similar to the Department of Community Affairs (DCA) Fulton County city average. While the higher reserve balance assumes that the proposed city will continue to spend in a similar manner as the current SSD. In the most conservative case in which the new city raises SSD levels of revenue but undertakes DCA level expenditures, the reserve balance would fall to roughly \$3.0 million. Thus, even under the most conservative assumptions, we find that the City of South Fulton is financially feasible.

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Introduction

The Fiscal Research Center (FRC), Andrew Young School of Policy Studies, Georgia State University was contacted by South Fulton United, Inc. and later a contract was executed with the same, to develop an analysis of the fiscal feasibility of a proposed City of South Fulton. This study provides a detailed analysis of the expected revenue and expenses of the proposed city using generally accepted methodologies that the FRC has used for similar studies. The main purpose of the analysis is to estimate the ability of a City of South Fulton to meet its expenditures with available revenue sources. Based on this analysis and using conservative assumptions, the City of South Fulton should expect annual revenue of approximately \$64.9 million and annual expenses of approximately \$61.9 million (these are the conservative low estimates for revenue and the high estimate for expenditures). This analysis suggests that the city would generate a surplus under conservative assumptions of approximately \$3 million, which may be used to provide additional contingency funds, reduce the millage rate, or expand the level of expenditures. *Based on these estimates and given the assumptions that are detailed in this report, we find that the City of South Fulton is financially feasible.*

This report provides a series of revenue and expenditure estimates for the new municipality of the City of South Fulton. To establish the estimates for the potential City of South Fulton, we examined Fulton County Budget documents, spoke with individuals at Fulton County and other related governments and institutions and researched current legislation at the state and local level. These estimates include the entire South Fulton Special Services District (SSD) including the Fulton Industrial District.¹

The report provides a feasibility analysis for the potential City of South Fulton. This report focuses on the revenue and expenditures of the potential new city and offers evidence based on currently available data on the fiscal viability of this new city. The report does not address other criteria that are also important to the new city including social, political, and governance issues. We do not provide any normative judgment on whether or not the City of South Fulton should incorporate; however we state our findings with regard to the financial

¹ This report updates and revises a previous report analyzing the feasibility of creating a new City of South Fulton by John Matthews and Robert Eger published in October of 2007, by the Fiscal Research Center.

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viability of the new city. To explore the effects of incorporation on the residents of the City of South Fulton, we estimated:

- Revenues that the City of South Fulton would have received had it been incorporated in 2012:
 - The new revenues that the City of South Fulton would receive based on its new municipal status;
 - Revenues based on the average set of services offered by the current similar size cities in Fulton County, Georgia;
- Expenditures the City of South Fulton would have incurred if it had been incorporated in 2012:
 - Expenditures that the City of South Fulton would incur based on services that are currently provided by Fulton County through the South Fulton Special Services District;
 - Expenditures based on the average set of services offered by similar size cities in Fulton County, Georgia;
 - Capital expenditures based on the purchase of assets currently owned by Fulton County.

We approach the estimates based on actual expenditures in the South Fulton Special Services District and use conservative estimates when actual data is not available. That is, we likely under-estimate potential revenues while over-estimating potential costs. Using these conservative methods we find that the new City of South Fulton is financially feasible.

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Expenditure and Revenue Estimates for the City of South Fulton

The potential incorporation of the City of South Fulton provides the new city with numerous sources of revenue. Many of these sources are the same as those currently funding Fulton County's South Fulton Special Services District (e.g., property taxes, business taxes, alcohol excise taxes, etc.). Importantly, for many revenue sources (e.g., property taxes, business taxes, and franchise fees) the new City of South Fulton would need to specify by ordinance or agreement the specific level of taxation that it wishes to implement. That is, there is no guarantee that the new government would choose to generate the same level of revenue as is currently generated. Beyond this set of revenues, as a newly incorporated City of South Fulton, potential new sources of revenue, such as utility franchise fees that are available only to municipalities, become available should the city decide to draw on these sources. See Appendix A for more details on the geography and property tax base of the new city.

One of the significant resources available to the City of South Fulton that is not currently used by Fulton County to provide services within the South Fulton Special Services District (SSD) is the Local Option Sales Tax (LOST). LOST revenues are distributed among the general-purpose local governments according to a negotiated formula (or a formula that is set by local laws). The expenditure estimates provided in this report are based on the current expenditures of the SSD. Leaders of a newly incorporated City of South Fulton may choose a different set of expenditures, which could have an impact on the fiscal feasibility unless revenues were changed commensurately.

We present several budget estimates for the new City of South Fulton, based on 2012 revenue and expenditure levels in the SSD. The first set of revenue and expenditure projections of the City of South Fulton are based on our conversations with Fulton County service providers and the projections based on the approved 2012 Fulton County—South Fulton Special Services District Budget including a conservative estimate for LOST revenue. For the purposes of bracketing our estimates, we also offer a second set of estimates based on the similar sized cities in Fulton County which is an average estimate generated from self-reported city data for municipal services and revenue to the Georgia Department of Community Affairs (DCA). We describe each estimation type and provide a table indicating

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our estimates. These estimates form the foundation of our analysis and findings on the financial viability of the new City of South Fulton.

Fulton County Final FY2012 Special Services District Budget

Our first reference for revenues and expenditures for the potential new City of South Fulton is based on the FY2012 SSD approved budget. Table 1 reproduces the SSD actual revenues and expenditures in FY2012 and the FY2013 Final Budget as documented by Fulton County for the SSD (termed the 301 Fund). We offer the actual revenues and expenditures for FY2012 and the budgeted revenues and expenditures for FY2013 in total and per capita values.² This is identical to the public presentation of the budget for the SSD as presented by the Fulton County Commission. The three largest areas of expenditure are Police, Fire, and Non-Agency. Non-Agency expenses include general overhead costs, such as

TABLE 1. FY 2012 FINAL & FY 2013 APPROVED BUDGETS WITH PER CAPITA REVENUE AND EXPENSES

	-----FY 2012-----		-----FY 2013-----	
	Actual	Per Capita	Final Budget	Per Capita
<i>Revenue</i>				
Property Taxes	\$27,828,078	\$318	\$30,067,527	\$344
Licenses & Permits	\$6,280,659	\$72	\$5,067,794	\$58
All Other	\$10,354,770	\$118	\$7,668,705	\$88
Total Revenues	\$44,463,522	\$508	\$42,804,026	\$489
<i>Expenditures</i>				
Planning and Community Development	\$3,100,850	\$35	\$3,325,266	\$38
Finance	\$178,648	\$2	\$225,335	\$3
Fire	\$14,038,157	\$160	\$14,963,547	\$171
Non-Agency	\$7,206,949	\$82	\$10,551,302	\$121
Parks & Recreation	\$2,902,639	\$33	\$3,649,813	\$42
Police	\$15,204,882	\$174	\$17,901,272	\$205
Total Expenditures	\$42,632,125	\$487	\$50,616,535	\$579

² For consistency, all population estimates for Fulton County cities and the new City of South Fulton are from the 2010 Census. For additional data sources used in this report, see Appendix B.

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the rents for buildings and utility costs. One of the largest items in the non-agency budget is indirect costs. Indirect costs are estimated to be the share of general administration and financial administration costs incurred by Fulton County on behalf of the SSD and paid by the SSD to the General Fund.³ Note the SSD coincides with the borders of the proposed new City of South Fulton.

South Fulton Special Services District Tax Digest Data

Our first set of estimates of the revenues and expenditures for the potential new City of South Fulton are based on the FY2012 South Fulton Special Services District Tax Digest. To provide accurate estimates, we use the certified tax digest for FY2012 as reported by the Fulton County Tax Commissioner to the Georgia Department of Revenue. Note that the SSD represents all the unincorporated property in Fulton County. As it is the intention to create a city that includes the whole SSD we are able to use the records kept for the SSD by the Georgia Department of Revenue (DOR) without modification. Table 2 shows the FY2012 assessed property values for the potential City of South Fulton. If the City of South Fulton was incorporated today, the total property tax levy at the FY2012 millage rate is estimated at \$28,312,440.

TABLE 2. ALLOCATION OF PROPERTY VALUES TO CITY OF SOUTH FULTON

	40% Value	Millage per \$1000 Property Value	Tax
Property Digest	\$2,355,987,979	10.469	\$24,664,838
Utilities	\$171,153,334	10.469	\$1,791,804
Vehicles	\$177,265,970	10.469	\$1,855,797
Total	\$2,704,407,283	10.469	\$28,312,440

³ These indirect costs are substantial, about \$4.2 million, however they are a similar share of the total South Fulton Special Services District budget as the other Fulton County city's expenses for general and financial administration, examined in this report.

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Estimates for City of South Fulton

Our first estimate in Table 3 reproduces the costs currently allocated to the SSD by Fulton County and assess these costs based on the revenues available to the new City of South Fulton. In regards to revenues, we use the actual revenues for 2012 in the SSD from the Fulton County budget for property tax and licenses and fees. Property taxes are adjusted to reflect the historical collection levels for cities, which is conservatively estimated at 93 percent of the assessed digest value.⁴ We allocate two new revenue sources LOST and Franchise fees, based on the DCA average for similar cities in Fulton County.⁵ We will refer to this group of cities as the Fulton County DCA average.

Throughout Fulton County, LOST is roughly allocated by proportion of city population to county population. If the new City of South Fulton were to receive its LOST share based on population, it would be about \$243 per capita as the City of South Fulton represents about 9 percent of Fulton County population. Currently, the Fulton County General Fund is receiving about 15 percent of LOST revenue. We deem it unlikely that the new City of South Fulton would be allocated the county's full share. To provide a conservative estimate we use the Fulton County DCA average of \$186 per capita. The LOST revenue generated on this basis in the new City of South Fulton is about \$16.9 million.

Franchise fees are an additional source of revenues for municipalities in Georgia. Municipalities are allowed to impose fees on utilities for the use of the municipality's right-

⁴ The SSD includes the Fulton Industrial District (FID). It is the goal of South Fulton United to include the FID in the new City of South Fulton and FID is interested in becoming part of the new city. However, because of some legal issues, FID may require special procedures to become part of the new city and thus may not be part of the new city upon its initial incorporation. The temporary loss of the FID does not materially affect the viability of the new City of South Fulton. The FID contributes approximately \$1.4 million in property tax to the SSD at the millage rate of 10.469. The loss of this revenue does not materially affect our estimates as the amount is below even the most conservative estimates of surplus. In addition, if the new City of South Fulton were to incorporate without the FID it would realize some savings in expenditures, as it would not have to provide services to the FID. As it is the goal of the incorporation process to include the FID and the FID wants to be a part the new city, we assume FID will eventually be part of the new city and therefore do not make any adjustments to our estimates.

⁵ For our analysis we include all cities in Fulton County with a population of 10,000 or greater as determined by the 2010 Census. The cities with populations are: Alpharetta, 57,551; East Point, 33,712; Fairburn, 12,950; Johns Creek 76,728; Milton, 32,661; and Union City, 19,456. We do not include College Park with a population of 13,942 for several reasons. First, College Park did not have a survey on file with DCA for 2012. Second, the per capita revenue and expenditure data for College Park for 2011 are considerably higher than even the city of Atlanta, suggesting that College Park maintains its financial records in a manner different from the other cities in Fulton County. We also do not include Atlanta; with a population of 420,003 it is just much bigger than all other cities.

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of-way and related costs. Other than for cable, county governments do not collect franchise fees. The fee is some percentage of the receipts for specified services collected by the utility within the municipality. Franchise fees are collected from cable operators, natural gas providers, electricity companies, and telephone companies. We allocate franchise fees to the new City of South Fulton based on the Fulton County DCA average, \$66 per capita. Within the DCA relevant cities, these fees can range from \$30 per capita to \$151 per capita. We next examine the costs Fulton County allocates to the SSD.

We use the actual expenditures for 2012 in the SSD from the Fulton County budget for all the listed items under expenditures in Table 3 except for public works and capital expenditures. Fulton County includes public works costs in its General Fund. These costs are almost exclusively incurred by the SSD and most likely will become a responsibility of the new city. For instance, in the end of year statements for Fulton County for FY2012 there is a line item in the General Fund for *S. Fulton Construction Services* in the amount of roughly \$4.3 million. As a conservative measure, we use the slightly higher figure found in the original Fulton County FY 2012 budget. In Table 3 we allocate the costs of acquiring assets currently owned by Fulton County to the expenditure category.⁶

⁶ The new City of South Fulton has been granted the right to purchase parkland from Fulton County at \$100/acre and fire stations at \$5,000 per station. Based on discussions with members of South Fulton United Inc. and data from the Fulton County budget we estimate that there are currently 1,136 acres of parks and 12 fire stations currently in the South Fulton Special Services District. In the previous study, debt was assumed to be incurred to purchase various assets owned by Fulton County. Because the current cost of acquiring these assets is relatively low, no long-term debt is necessary.

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TABLE 3. CITY OF SOUTH FULTON ALLOCATIONS IN SOUTH FULTON TAX DISTRICT

	City of South Fulton FY 2012 Tax Digest -----Basis-----	
	Totals	Per Capita
<i>Revenues</i>		
Property Taxes	\$26,255,492	\$300
Local Option Sales Tax (LOST)*	\$16,268,182	\$186
Franchise Fees**	\$5,780,559	\$66
Licenses & Permits	\$6,280,659	\$72
All Other	\$10,354,770	\$118
Total Revenues	\$64,939,662	\$742
<i>Expenditures</i>		
Environmental & Community Development Services	\$3,100,850	\$35
Finance	\$178,648	\$2
Fire	\$14,038,157	\$160
Non Agency	\$7,206,949	\$82
Parks & Recreation	\$2,902,639	\$33
Police	\$15,204,882	\$174
Tax Commissioner (1% of Property Taxes)	\$262,555	\$3
Public Works****	\$4,390,675	\$50
Capital Expenditures*****	\$173,600	\$2
Total Expenditures	\$47,458,955	\$543
Surplus (Deficit)	\$17,480,707	\$200

* Based on \$186 per cap, the DCA selected city average.

**Based on selected DCA city average.

*** The indirect costs represents the support that the Fulton County General Fund gives to the South Fulton Tax District in administration, finance, IT, personnel purchasing, etc.

**** Currently in General Fund, moved to South Fulton Tax District for complete analysis.

***** Purchase of Fulton County assets including parks and fire stations.

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As noted at the bottom of the column, the City of South Fulton would have a surplus of about \$17.5 million assuming all costs for services were as indicated in the SSD FY2012 budget and full accrual of public works costs were included in total expenditures. This cost level, \$543 per capita, is similar to the lower per capita spending Fulton County selected DCA cities. The estimations in Table 3 are based on spending in the current SSD. Next in Table 4 we use the selected Fulton County DCA cities to illustrate the viability of the new City of South Fulton should its revenues and expenditures vary from the current allocations.

To test the robustness of our estimates we compare the expected revenues and expenditures of the new City of South Fulton with the Fulton County DCA city average costs. When available we used actual 2012 revenues and expenditures in the SSD. For those revenues and expenditures that we do not have data for, we substitute in the DCA similar cities average value per capita. To bound our estimates we use the Fulton County DCA average for similar cities and a second DCA average that includes all the previous cities as well as the city of Atlanta. Atlanta is an outlier for both revenues and expenditures, likely due to its large population and substantial economic activity. For the remainder of the discussion, we refer to the DCA average without Atlanta as the low DCA average and the average with Atlanta, as the high DCA average.⁷

Table 4 illustrates three different revenue and expenditure patterns. Based on estimates developed, the new City of South Fulton has expected revenues of \$785 per capita and expected expenditures \$626 per capita (see Table 4). Next, in Table 4 are the DCA average low revenues of \$844 per capita and expenditures of \$707 per capita, and the DCA average high revenues of \$970 per capita and expenditures of \$799 per capita. Thus, the new City of South Fulton would appear to have enough revenue to be viable unless its spending increased to reflect the levels present in the higher spending cities in Fulton County. Note as a city, the residents of the City of South Fulton would have the flexibility to determine the level of service and the necessary revenue mix to pay for that service level.

⁷ Note both DCA averages include revenues and expenditures from a municipal court, which the SSD currently does not operate and receives very little revenue from the counterpart in Fulton County. The new City of South Fulton could choose to have its own Municipal Court or continue to utilize the Fulton County court system. However, if it chooses to utilize the county court system it would likely not receive significant revenue from fines and forfeitures. We assume here that the new city would choose to operate its own municipal court.

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TABLE 4. FY 2012 CITY OF SOUTH FULTON REVENUE & EXPENDITURE ESTIMATES USING MULTIPLE DATA SOURCES

	<u>City of South Fulton</u>		<u>DCA Average Low</u>		<u>DCA Average High</u>	
	Total	Per Capita	Total	Per Capita	Total	Per Capita
<i>Revenue</i>						
Real and Personal Property Taxes	\$26,255,492	\$300	\$26,033,604	\$298	\$30,699,739	\$351
Local Option Sales Tax	\$16,268,182	\$186	\$16,268,182	\$186	\$16,842,212	\$193
Fines, Forfeits and Court Fees	\$3,974,250	\$45	\$3,974,250	\$45	\$4,067,444	\$46
Franchise Fee Payments	\$5,780,559	\$66	\$5,780,559	\$66	\$6,839,020	\$78
Licenses, Permits, and Fees	\$6,280,659	\$72	\$5,047,651	\$58	\$6,100,672	\$70
All Other	\$10,094,389	\$115	\$16,768,723	\$192	\$20,300,372	\$232
Total Revenue	\$68,653,531	\$785	\$73,872,969	\$844	\$84,849,459	\$970
<i>Expenditures</i>						
General Admin. and Support	\$6,840,478	\$78	\$6,840,478	\$78	\$10,637,335	\$122
Financial Administration	\$2,902,492	\$33	\$2,902,492	\$33	\$3,594,304	\$41
General Government Buildings	\$966,327	\$11	\$966,327	\$11	\$1,263,398	\$14
Building Inspection and Regulation	\$1,208,375	\$14	\$1,208,375	\$14	\$1,198,357	\$14
Municipal Court	\$895,150	\$10	\$895,150	\$10	\$1,086,652	\$12
Police Department	\$15,204,882	\$174	\$19,195,731	\$219	\$21,526,365	\$246
Jail	\$502,679	\$6	\$502,679	\$6	\$1,241,618	\$14
Fire Department	\$14,038,157	\$160	\$14,891,040	\$170	\$14,959,842	\$171
Highways and Streets	\$4,390,675	\$50	\$7,102,238	\$81	\$6,918,864	\$79
Parks and Recreation	\$3,007,813	\$42	\$3,007,813	\$34	\$3,603,390	\$41
Community Development	\$1,863,220	\$21	\$1,863,220	\$21	\$1,597,046	\$18
Natural Resources*	\$0	\$0	\$0	\$0	\$0	\$0
General Insurance	\$0	\$0	\$0	\$0	\$0	\$0
Legal Fees	\$962,716	\$11	\$962,716	\$11	\$867,148	\$10
Drainage	\$0	\$0	\$0	\$0	\$0	\$0
Other Expenditures	\$1,162,582	\$13	\$1,162,582	\$13	\$1,064,903	\$12
Debt Service	\$173,600	\$2	\$349,912	\$4	\$349,912	\$4
Total Expenditures	\$54,119,144	\$626	\$61,850,752	\$707	\$69,909,132	\$799

* Garbage collection and landfill expenses are also \$0 for all selected DCA cities.

Variation in spending across the Fulton County cities is primarily in three of the highest expenditure categories in the DCA averages, police, fire and highways and streets.⁸ We next briefly discuss how becoming a city might affect these expenditures for the City of South Fulton.

⁸ For example, for the group of Fulton county cities that make up the low DCA average, the range for police expenditures per capita is \$93-\$401; for fire, \$113-\$235; and highways and streets, \$46-\$117.

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South Fulton Special Services District current levels of fire and police expenditures as well as highways and streets lag the DCA city averages and thus might be expected to increase should the SSD become a city. Police is the highest expenditure category for the low and high DCA averages with spending from \$219-\$246 per capita. The SSD currently spends less than the average amount at \$174 per capita. For fire, the DCA average is about \$170 for both low and high averages; the SSD currently spends \$160 per capita. For highways and streets the DCA city average is roughly \$80 per capita for both low and high averages. In FY2012, Fulton County spent \$50 per capita in the SSD, considerably below the DCA averages. Residents of the new City of South Fulton may be satisfied with current quality of police and fire service and highway and street maintenance that Fulton County provides for them. However, it seems likely that residents of the new City of South Fulton would choose to spend a similar amount as other Fulton County cities. Thus, we would expect that the new City of South Fulton's spending would be similar to the low DCA average of \$707 per capita, which is viable with the expected revenue of \$783 per capita for the new City of South Fulton, indicating revenues greater than expenditures under reasonable assumptions.

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Summary

In this analysis of the revenues and expenditures for 2012 for the potential new City of South Fulton, we approach the estimates based on actual expenditures in the SSD and use conservative estimates when actual data is not available. That is, we likely under-estimate potential revenues while over-estimating potential costs. We acknowledge and recognize the limitations of revenue and expenditure projections based on this conservatism.

We also offer no estimate of how potential changed demographic or economic conditions could affect the fiscal viability of the new City of South Fulton. However, several relevant demographic and economic changes have occurred since the last report in 2007 and should be noted. First, the South Fulton area has practically doubled in population since our last report in 2007 (for additional demographic information, see Appendix A). Second, the area has been hit particularly hard by the housing bust, brought on by the recession in 2008. Property assessments have declined substantially since 2008. The SSD has handled this decline by raising millage rates. Although it appears that residential property has been somewhat shielded from higher property tax bills due to the falling assessments; the bulk of the additional property tax revenue has been paid by the owners of industrial and commercial property in the SSD.

Based on our estimates, we find that the proposed City of South Fulton is financially feasible in that expected revenues exceed expected expenditures. We find that under conservative estimates, the proposed City of South Fulton would face reserve balances ranging from \$6.8 million to \$17.5 million, depending on specific assumptions about revenues and expenditures. The lower level reserve amount assumes that the proposed City of South Fulton adopts spending patterns similar to the Fulton County DCA average. While the higher reserve balance assumes that the proposed city will continue to spend in a similar manner as the current SSD. In the most conservative case in which the new city raises SSD levels of revenue but undertakes DCA level expenditures, the reserve balance would fall to roughly \$3.0 million. Thus, even under the most conservative assumptions, we find that the City of South Fulton is financially feasible.

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Appendix A. Background of the Geographical Area of the Proposed City of South Fulton

Although the geographical area now defined by legislative act, as the potential City of South Fulton was not previously recognized as a specific area, we estimate a series of demographic and socio-economic characteristics for the city based on the 2010 US Census. To accomplish these estimates, we use Geographic Information System data to define the area based on the Fulton County Special Services District digest parcel data. Geographically, the potential City of South Fulton is bordered by several current municipalities including Atlanta, College Park, Union City, Palmetto, Hapeville, East Point, and Fairburn. The City of South Fulton has a relatively new city on its western border, the City of Chattahoochee Hill Country. The City of South Fulton would also have borders with four (4) counties, Cobb, Coweta, Douglas, and Fayette.

As shown in Table A1, the new City of South Fulton is approximately 9.5 percent of the total county population. With respect to racial diversity we use the racial identifiers black and white. Using these identifiers, the black population is approximately 91 percent while the white population is about 5 percent. This is in contrast to Fulton County where the white population is about 45 percent and the black population is about 44 percent. The working age population in the City of South Fulton is lower as a percentage than found in Fulton County.

The City of South Fulton has about 2.7 persons per household compared to the entire Fulton County area, which has about 2.4 persons per household. When looking at households on public assistance, the City of South Fulton has a higher percentage than Fulton County and a greater share of the City of South Fulton households are below the poverty level when compared to Fulton County as shown in Table A2. This could increase costs to the City of South Fulton since it may have to provide more community development services necessary to assist impoverished households. Table A3 shows that the median household income for the City of South Fulton is lower than Fulton County. When looking at housing, the City of South Fulton has a lower percentage of renters and a higher percentage of non-vacant (occupied) housing. Although the housing occupancy rate of 89 percent in the City of South Fulton is not very different than the 86 percent occupancy rate in the county as a whole.

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TABLE A1. ESTIMATED POPULATION STATISTICS

	South Fulton	% South Fulton	Fulton County	% Fulton County
<i>Population</i>	87,062		920,581	
White	4,728	5%	409,697	45%
Black	79,241	91%	405,575	44%
Hispanic	2,229	3%	72,566	8%
Age 0-4	6,789	8%	62,581	7%
Age 5-17	18,095	21%	157,105	17%
age 18+	62,178	71%	700,895	76%

**TABLE A2. ESTIMATED INCOME AND HOUSING STATISTICS
(CENSUS 2011 ESTIMATE)**

	South Fulton	Fulton County
Average Income	\$51,192	\$65,135
% Households on Public Assistance	2.1	1.7
% Household Below Poverty	16.4	12.3
Persons per household	2.7	2.4

TABLE A3. ESTIMATED HOUSEHOLD STATISTICS

	South Fulton	% South Fulton	Fulton County	% Fulton County
<i>Households</i>	31,986		376,377	
White HH	2,116	7%	182,382	48%
Black HH	28,992	91%	161,394	43%
Hispanic HH	566	2%	20,126	5%
<i>Housing Units</i>	36,104		437,105	
Occupied HU	31,986	89%	376,377	86%
Owner Occupied HU	23,500	65%	202,262	46%
Renter Occupied HU	8,486	24%	174,115	40%

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Appendix B. Data Sources

We have used four basic sources of data for our estimates. First, is the Fulton County FY2013 Final Budget as provided by Fulton County with a South Fulton Special Services District millage rate of 10.469 per \$1,000 in assessed property value. Under the Schafer Amendment, the unincorporated areas of Fulton County that remain after incorporation of the City of Sandy Springs are budgeted separately and placed into Fulton County Special Services District. Consequently, we have a distinct property tax base and estimated expenditures for the South Fulton Special Services District. Second, is the Fulton County FY2012, FY2011, and FY2010 budget closeout end of year reports. The third source of data is US Census data and Census updates from the Atlanta Regional Commission. This data is used to determine the population and socio-demographic information. The fourth source is the Georgia Department of Community Affairs (DCA) annual Report on Local Government Finances. The FY2012 data collected by DCA is used to estimate expenditures by function and revenues by source for cities in Georgia. Data is discussed in this report in relatively gross categories, but is available in more refined detail. We also reviewed the FY 2011 data collected by DCA and found the range of revenues and expenditures to be similar to those in FY 2012.

PLEASE NOTE: All figures in all tables are rounded to the nearest dollar—this rounding may cause the columns not to total exactly. All totals are correct.

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About the Authors

Peter Bluestone is a Senior Research Associate with the Fiscal Research Center. He is a Georgia State University Urban Fellows Recipient. His research interests include urban economics, environmental economics and state and local fiscal policy. He received his Ph.D. in Economics from Georgia State University.

John Matthews is a retired Senior Research Associate from the Fiscal Research Center in the Andrew Young School of Policy Studies at Georgia State University and a visiting professor in both GSU's Public Administration and Urban Studies and The Graduate School of City Planning at the Georgia Institute of Technology. Dr. Matthews' main research interest is in urban growth policy.

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