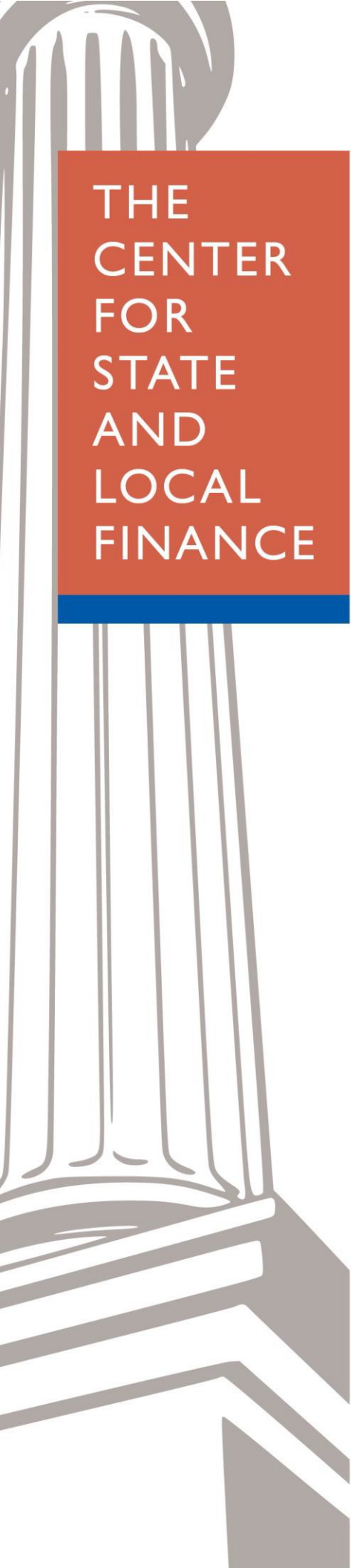


November 12, 2021



THE
CENTER
FOR
STATE
AND
LOCAL
FINANCE

Feasibility Study for the Proposed City of East Cobb

Table of Contents

Executive Summary	3
Introduction	5
Economic and Demographic Characteristics	5
Revenue Analysis	6
Expenditure Analysis	14
Public Works and Cities Services Agreement	20
Conclusion	22
Appendix: Parks and Recreation	23
About the Center for State and Local Finance	25

Executive Summary

The Center for State and Local Finance (CSLF), Andrew Young School of Policy Studies, Georgia State University was contacted by State Representative Matt Dollar to develop a fiscal feasibility study for a newly incorporated city of East Cobb. This study provides a detailed analysis of the expected revenues and expenditures for the proposed city using generally accepted methodologies that the CSLF has used for similar studies. The main purpose of the analysis is to estimate the ability of the proposed city of East Cobb to meet its expenditures with available revenue sources. Based on this analysis, the proposed city of East Cobb could expect annual revenues of approximately \$27.72 million and annual expenditures of approximately \$24.65 million (see Table Ex-1) yielding a surplus of approximately \$3.07 million. *We find that the proposed city of East Cobb would be financially feasible, based on the above estimates and assumptions that are detailed in this report.*

The revenues from the various sources depends on the tax rate or fee structure. For some of the revenue sources, the proposed city of East Cobb will have no say as to what the rates are. The current proposal for the city of East Cobb calls for a transfer from Cobb County of the current fire fund millage rate of 2.86. To the extent that the proposed city of East Cobb might adopt different tax rates or fee structures, the revenues will differ from the estimated revenue. To produce the estimates of expenditures for the proposed city of East Cobb, we relied on the provided a list of services that it envisions the proposed city undertaking. These are police, fire, planning and zoning, and code enforcement. Note that a fourth service, public works, is also included as a contingency to satisfy current Georgia law. Other services and activities as required by law were included in the analysis. We relied heavily on the budgets of several other cities in Georgia with similar populations, including Brookhaven, Dunwoody, Johns Creek, Marietta, and Smyrna. In both the revenue and expenditure analysis, we have taken a conservative approach to the estimation, as detailed in the report. The analysis provides the best estimate given available data and information from Committee for Cityhood in East Cobb, Inc. and Cobb County regarding the proposed city's expenditures and assumes no "shocks," such as unanticipated capital expenses or a major economic downturn. This report updates a previous report dated December 18, 2018, to reflect the changes made to the proposed city's expected size and service portfolio.

Table Ex-1. Summary of Financial Analysis

REVENUE CATEGORY	AMOUNT	EXPENDITURE CATEGORY	AMOUNT
Property Tax	\$15,658,168	Mayor/City Council	\$278,839
Alcoholic Beverages	\$917,035	Other Administration	\$5,976,194
Insurance Premium	\$2,741,745	Code Enforcement, Planning and Zoning	\$1,247,003
Franchise Fees	\$3,328,941	Public Safety	\$14,343,561
Licenses and Permits	\$1,758,704	Facility Leasing	\$0
Intergovernmental Revenues	\$624,176	Startup Expenditures	\$984,325
Public Safety Services	\$2,636,869	Contingency	\$1,820,466
Other Services	\$53,015		
Total Revenue	\$27,718,653	Total Expenditures	\$24,650,388
Revenue in Excess of Expenditures	\$3,068,264		

Introduction

The Center for State and Local Finance (CSLF), Andrew Young School of Policy Studies, Georgia State University was contacted by State Representative Matt Dollar to develop a fiscal feasibility study for a newly incorporated city of East Cobb. This study provides a detailed analysis of the expected revenues and expenditures for the proposed city using generally accepted methodologies that the CSLF has used for similar studies. The main purpose of the analysis is to estimate the ability of a proposed city of East Cobb to meet its expenditures with available revenue sources. Based on this analysis, the proposed city of East Cobb should expect annual revenues of approximately \$27.72 million (Table 3) and annual expenditures of approximately \$24.65 million (Table 9). *Based on these estimates and given the assumptions that are detailed in this report, we find that the proposed city of East Cobb would be financially feasible.*

The purpose of the study is to provide, in as much detail as possible, an estimate of the revenues and expenditures of the proposed city. However, it is not intended to be a budget. The Committee for Cityhood in East Cobb, Inc. provided a list of services that it envisions the proposed city undertaking. These are police, fire, planning and zoning, and code enforcement. Other services and activities as required by law were included in the analysis. The proposed city has a limited, prescribed set of revenues that are analyzed in this report. Important limitations regarding the data or assumptions made to develop the estimate, or places where there is discretion regarding an item, are noted in the text.

The first section of this study provides a summary of economic and demographic characteristics of the proposed city of East Cobb and a selected group of comparison cities in the metropolitan Atlanta area with populations similar to the proposed city of East Cobb. The second section provides detailed revenue analysis. The third section provides the expenditure analysis. The fourth section discusses the potential cost of providing public works and additional revenue from a new cities' services agreement, followed by the conclusion.

Economic and Demographic Characteristics

The proposed city of East Cobb analyzed in this report is comprised of land in Cobb County. The land area (roughly 25 square miles) is similar to that of Marietta. Based on data from the U.S. Census and other governmental agencies, the population of the proposed city of East Cobb would be 50,406. This population is similar to both Dunwoody and Brookhaven.

The socioeconomic characteristics of the proposed city of East Cobb and comparison cities are summarized in Table 1. In general, the population of the proposed city of East Cobb has a greater share of its population age 65 and older (17.2 percent) than the average of the comparison cities (11.5 percent). However, East Cobb is similar in this demographic to Dunwoody. East Cobb's per capita income is \$61,408, which is similar to the average of the comparison cities excluding Marietta (\$53,434). Median house values in East Cobb are \$358,000, while the average median house value in the comparison cities is \$377,800. These comparisons are helpful for understanding the expected demand for services of the citizens of East Cobb and for developing reasonable estimates of the ability of these citizens to support reasonable expenditures by the city of East Cobb.

Table 1. Demographic and Socioeconomic Characteristics for the Proposed City of East Cobb and Selected Comparison Cities

	East Cobb	Brookhaven	Dunwoody	Johns Creek	Marietta	Smyrna
County	Cobb	DeKalb	DeKalb	Fulton	Cobb	Cobb
Population	50,406	55,554	49,356	84,579	60,867	56,666
Land Area (sq. miles)	25.24	11.81	12.94	30.73	23.51	15.59
Percentage of Population 65 or older	17.2%	9.9%	14.2%	10.7%	12.9%	9.8%
Number of Households	18,232	22,549	20,482	27,941	24,554	24,736
Per Capita Income	\$61,408	\$60,163	\$54,580	\$52,312	\$35,598	\$46,681
Median House Value	\$358,000	\$484,400	\$432,900	\$400,100	\$287,600	\$284,000
Number of Businesses (2012)	2,137	2,006	2,329	2,476	3,456	1,742

Sources: U.S. Census Bureau, Census Quickfacts (2019-20); CSLF calculations based on East Cobb property and demographic estimates

Revenue Analysis

This section presents the revenue estimates for the proposed city of East Cobb and a discussion of how each revenue estimate was developed. The estimated total for each revenue source is presented in Table 3. The revenue from the various sources depends on the tax rate or fee structure. For some of the revenue sources included in this analysis, the city of East Cobb will have no say as to what the rates are. For other taxes and fees, we assumed the rates will be the same as those that Cobb County is currently imposing. To the extent that the city of East Cobb might adopt different tax rates or fee structures, the revenues will differ from the revenue estimated herein.

The City of East Cobb plans to provide fire services, therefore it would be eligible to receive the 2.86 mills dedicated to that service from the taxes currently collected by Cobb County. Cobb County has no other mechanism available to partially roll back its millage rate for the other services. Instead, at present, it provides for payments to its existing cities through a memorandum of understanding (MOU) agreed to by the parties in 2014 and expiring in 2023. We would expect that Cobb County will either negotiate a new MOU when it expires with the cities existing in 2023, or implement another mechanism to enable partial roll back of its millage rate in order to be in compliance with the Services Delivery Strategy (see discussion a later section). In this circumstance, the City of East Cobb would be eligible to participate in

the revenue from either approach. However, there is no way to predict the outcome and therefore in order to provide a conservative view of potential revenue, we have not included any estimate of revenue from this source.

PROPERTY TAXES

To approximate the total property tax revenue, we estimated the revenue for individual components of the property tax base as it existed in 2020. For real property taxes, we used the property tax base data for the proposed city of East Cobb provided by the Cobb County Tax Commissioner's Office. For the other components, we allocated a portion of the property tax base for the unincorporated area to the proposed city of East Cobb. In all cases we assumed a millage rate of 2.86 mills. We assumed a collection rate of 95 percent, which is a reasonable collection rate given the high value of residential property in the digest; a large percentage of the delinquent property tax liability that is not collected in the first year will be collected in subsequent years.

Real Property Tax Revenue

The real property tax base for 2020 for the proposed city of East Cobb was provided by the Cobb Tax Commissioner's Office. We provided a digital map of the proposed city of East Cobb to the Cobb County Tax Commissioner, who returned consolidated real property tax base data. These data include the taxable values for residential, commercial, brownfield, utility, and conservation properties. (Note that there is no industrial property in the proposed city of East Cobb.) Because of limitations with the Commissioner's property tax information program, data for personal property and automobiles were not included in the data provided. The revenue from these sources had to be estimated separately.

Table 2. Proposed City of East Cobb Real Property Taxable Value

	RESIDENTIAL	COMMERCIAL	UTILITY	CONSERVATION	TOTAL	M&O EXEMPTIONS	NET TAXABLE
Total	\$4,252,806,722	\$421,552,174	\$478,117	\$1,450,254	\$4,721,782,063	\$45,884,125	\$4,675,897,938

Table 2 shows the assessed values by major property class as well as the net taxable value after exemptions. The estimated real property tax revenue from a tax rate of 2.86 mill and a 95 percent collection rate is \$12,704,415.

Personal Property Taxes

The property tax records obtained from Cobb County did not contain detailed information on personal property. Using the property tax consolidation sheet for the unincorporated area, we calculated the share of commercial personal property compared to commercial real property for the unincorporated area and applied that share to the estimated value of the proposed city of East Cobb's commercial real property. We then multiplied that commercial personal property value estimate by the 95 percent collection rate and the 2.86 millage rate.

Intangible Personal Property Taxes

Revenues from intangible personal property taxes are divided among all taxing jurisdictions according to the proportion that the millage rate levied by the jurisdiction bears to the total millage rate levied on

that property. Currently, there is no state millage rate; the millage rate for East Cobb is 2.86, and the Cobb unincorporated millage rate is 8.46. We estimated intangible personal property taxes by first multiplying Cobb's 2020 receipts for this category by the current total millage (county and school district) divided by the proposed rate of 2.86 mill. We then multiplied the resulting value by the proposed city's share of all of Cobb's real estate sales and by the proposed millage divided by the new total millage (county, school district and proposed city).

Real Estate Transfer

Revenues from intangible real estate transfer taxes are divided among all taxing jurisdictions according to the proportion that the millage rate levied by the jurisdiction bears to the total millage rate levied on that property. Currently, there is no state millage rate, the millage rate for East Cobb is 2.86, and the Cobb unincorporated millage rate is 8.46. We estimated real estate transfer fees by first multiplying Cobb's 2020 receipts for this category by the current total millage (county and school district) divided by the proposed rate of 2.86 mills. We then multiplied the resulting value by the proposed city's share of all of Cobb's real estate sales and by the proposed millage divided by the new total millage (county, school district and proposed city).

Motor Vehicles Property Taxes (TAVT)

Beginning in 2013, the state of Georgia changed how motor vehicles are taxed, from a one-time sales tax combined with an annual ad valorem tax to a one-time title ad-valorem tax. Under the new system, when a motor vehicle is sold, the buyer pays a Title Ad Valorem Tax (TAVT) Fee upon registration. This fee is then distributed to the state, counties, cities and school districts. Effective July 1, 2019, the method for allocating TAVT is as follows. First, 35 percent of total funds are remitted to the state revenue commissioner; the remaining 65 percent go to local governments. One percent of those local funds are retained by the county's tag agent to offset administration expenses. Next, the funds are distributed to match any local water and sewerage authority and/or Transportation Special Purpose Local Sales Tax receipts they received from the old ad-valorem system in 2012. Then, the remaining funds are divided among the county government, any municipality governing the area in which the owner resides and the relevant school district. For sales registered to owners in unincorporated areas of the county, the county governing authority receives 51 percent and the county's school district 49 percent of the local government funds. In incorporated areas, the county governing authority receives 28 percent, the municipal government receives 23 percent and the remaining 49 percent goes to the relevant school district (either the county's or the municipal independent school district, whichever serves the owner's registration address).

Based on this system, we estimated East Cobb's likely TAVT revenue as follows. Assuming that the presence of extant cars in a jurisdiction reflects the demand for motor vehicle sales, we collected data on the number of vehicles in Cobb County and its existing municipalities in 2020. Using these figures, we found the share of vehicles (and therefore the approximate share of sales) in the incorporated versus unincorporated county. We then multiplied these shares by the average total TAVT receipts for Cobb County between 2016 and 2020 to estimate the share of collections in incorporated versus unincorporated Cobb. Next, we divided the collection figures by the county's share of receipts for incorporated and

unincorporated areas respectively, yielding an estimate of the county's total *collections*. With this figure found, we apportioned the county-wide collections total by the share of sales (again, based on extant vehicles) within the boundaries of the proposed city of East Cobb, yielding the collections likely to occur within the proposed city. Finally, we multiplied this collections amount by the statutorily set 23 percent (of 64 percent) for a municipality to estimate the proposed city of East Cobb's revenue for TAVT.

SELECTIVE SALES & USE TAXES

Selective sales and use taxes are imposed on activities that place a burden on county or city operations to benefit a private enterprise. This burden may come from the use of government property, such as utility easements used by certain private utility providers, or by increasing the demand for certain services, such as roads or policing. By taxing these activities, the local government can recoup part of the activities' costs, preventing them from burdening residents.

Alcoholic Beverages

Under OCGA 48-13-51, Cobb County is required to remit 50 percent of its alcoholic beverage sales tax collections to the Cobb-Marietta Coliseum and Exhibit Hall Authority. Accordingly, we found the average Cobb County receipts for this category between 2016 and 2020 and multiplied them by two to estimate the total collections in unincorporated Cobb. Next, we apportioned these collections by the ratio between alcohol-serving employment within the proposed city and in the current unincorporated area of Cobb County to estimate the taxes generated on the sale of alcoholic beverages in the proposed city of East Cobb.

Insurance Premium

Insurance premium tax revenue collected in the county is required by law to be allocated on a per capita basis. Thus, we allocated a share of the revenue from the insurance premium taxes, as reported by Cobb County, to the proposed city of East Cobb based on its share of the population of the unincorporated area.

Franchise Fees

Municipalities are allowed to impose fees on utilities for the use of the municipality's right-of-way and related costs. Other than for cable, county governments generally do not collect franchise fees. The fee is some percentage of the receipts for specified services collected by the utility within the municipality. Municipalities collect franchise fees from cable operators, natural gas providers, electricity companies and telephone companies. We estimated the revenue that the city of East Cobb might expect for each type of franchise fee per person based on per-capita franchise fee revenues for each type of fee from various comparable Georgia cities, adjusted for differences in population and related qualities. For example, cities with a higher percentage of commercial parcels feature more business activity, which requires more electricity. This in turn increases the utility company's total receipts, the franchise fees received as a percent of those receipts and the per capita franchise fee amount. The following provides some details of the estimating procedures for each franchise fee.

Electricity

We inspected the electric franchise revenues of multiple comparable cities as reported the Carl Vinson Institute of Government's Tax and Expenditure Data Center. There was a positive relationship between the percent of each city's parcels zoned commercial and the per-capita electricity franchise fee. We estimated the proposed city's per-capita electricity franchise fee as the average of the two comparable cities with the most similar share of commercial parcels.

Cable

We collected data on the cable franchise revenues of multiple comparable cities as reported by the Carl Vinson Institute of Government's Tax and Expenditure Data Center. For cable franchise revenue we started with the revenues for the comparison cities and unincorporated Cobb. The revenue per capita differs a little across these six areas. The average for the area is \$12.36 per capita, lower than unincorporated Cobb's \$15.85. To be conservative, we averaged these figures to form the per-capita estimate used to calculate the proposed city's revenue.

Natural Gas

The natural gas franchise revenues of multiple comparable cities were collected from the Carl Vinson Institute of Government's Tax and Expenditure Data Center. There was a negative relationship between the percent of each city's parcels zoned commercial and the per-capita natural gas franchise fee. We estimated the proposed city's per-capita gas franchise fee as the average of the two comparable cities with the most similar share of commercial parcels.

Telephone

Franchise fee revenue for telephone services depends on both population and employment. Per-capita telephone franchise fees have a negative relationship with population and a positive relationship with employment. We estimated the proposed city of East Cobb's per-capita telephone franchise fees as the average of the per-capita telephone franchise fees of the two comparison cities with the nearest population levels and unemployment rates.

LICENSES & PERMITS

Alcoholic Beverage Permits and General Business Licenses

There are several categories of business licenses, which we combined into two categories: general business licenses (sometimes called the occupation tax) and licenses for liquor. The latter includes licenses for package liquor stores, stores that sell beer and wine, establishments that sell liquor by the drink and adult entertainment establishments. Cobb County provided business license revenue information for businesses within the proposed city of East Cobb, including alcohol licenses.

Building Permits

Building permit revenue comes from registration, permits and inspection fees associated with construction and renovations, including installation of plumbing, electrical and HVAC systems. We estimated it as the total building permit revenue of Cobb County, scaled by the ratio of the proposed city of East Cobb's residential plus commercial parcels divided by the unincorporated area's total of the same categories.

Qualifying Fees

Qualifying fees are imposed on each person qualifying to run for an elected office. The rate is 3 percent of the position's salary. We assumed that there would be a mayor and four city council members, with salaries of \$16,000 for each position. We assumed that there would be three people qualifying for each position.

INTERGOVERNMENTAL REVENUES

Municipalities often receive revenue from other levels of government. The most relevant is the State Local Maintenance and Improvement Grant. Due to the limited set of services that East Cobb plans to provide, it is uncertain if the city would qualify for payments under the Cobb County Millage Rate and City Services Agreement. We discuss this agreement in detail in a later section.

State Local Maintenance and Improvement Grant (LMIG)

As of 2010, Georgia's Department of Transportation provides all municipalities in the state with grants to improve road quality in their areas, funded by state motor fuel tax collections. The stated intent of this grant is to allow local governments more flexibility and speed in maintaining and improving their roads, and grant funds are restricted to road-related activities. Allocation is based on an area's local road miles and population, regardless of whether the municipality or county manages the roads in question. The amount of the grant is determined by formula: one-third of the local population divided by the state's population, plus two-thirds of the local road mileage divided by the total state road mileage, multiplied by the total grant amount available state-wide for the granting year.

CHARGES FOR SERVICES

In addition to the above revenue sources, municipalities charge fees for certain services they provide.

Planning and Development

Municipalities undertake planning and development activities, such as managing zoning needs. The revenue also includes sign permits, zoning variance permits and certificates of occupancy. We allocated a share of the revenues from these activities, as reported by the Cobb County, based on the proposed city of East Cobb's share of the unincorporated area's residential, commercial and industrial property tax base.

Municipal Court

Revenue from the operation of a municipal court is largely from traffic fines. Comparable cities in Georgia also offer police services and maintain their own municipal courts. Therefore, we assume that the proposed city of East Cobb will do the same. To estimate potential revenue from such a court, we found the per capita court fees for five comparable cities and averaged them, then multiplied by the proposed city's population.

Public Safety E-911

The proposed city of East Cobb will be taking on policing duties for its territory, including managing emergency calls. Accordingly, it is entitled to certain charges to pay for this activity. We estimated its

revenue as Cobb County's total receipts for E-911, apportioned by the ratio of the proposed city's population to that of the unincorporated area.

REVENUE SOURCES THAT ARE NOT APPLICABLE TO EAST COBB

There are additional potential revenue sources that we assume are not applicable to the proposed city of East Cobb or that would generate no revenue.

Federal Community Development Block Grant (CDBG)

The proposed city of East Cobb will not be eligible for a federal Community Development Block Grant (CDBG). The size of the grant is determined by a formula. Key elements in the formula include extent of poverty and housing overcrowding in each census tract. Based on demographic data it does not appear that the proposed city of East Cobb would qualify for these funds.

Financial Institutions Tax

Cobb County reported no revenue from the financial institutions tax between 2016 and 2020, meaning the proposed city of East Cobb's share would be \$0.

Heavy Equipment Property Taxes

The proposed city of East Cobb has a very small commercial and no industrial base. Additionally, the entirety of unincorporated Cobb County reports only 124 items of heavy equipment in its 2020 consolidated summary. Based on these dynamics, we estimate that the receipts of a tax on any heavy equipment in the proposed city of East Cobb is likely to be close to zero.

Hotel/Motel Taxes

We assume that the proposed city of East Cobb will not have a promotion office; thus, we assume that the proposed city of East Cobb will not impose a hotel-motel tax. If the proposed city decides to have such a function, state law (OCGA 48-13-51) requires the majority of the hotel/motel tax revenue collected be remitted to the Cobb-Marietta Coliseum and Exhibit Hall Authority.

Investment Income

Investment income represents income on reserves and non-cash asset balances. We assume that there will be no such revenue in the first year of operation.

Mobile Home Property Taxes

Due to the extremely small number of mobile homes estimated to be in the boundaries of the proposed city, we estimate that the receipts of a tax on any mobile homes in the proposed city of East Cobb is likely to be close to zero.

Parks and Recreation

Cities generate revenues from fees for organized activities and recreation facilities. The proposed city area contains several public parks and facilities, which could generate culture and recreation service charge revenues. However, the proposed city does not plan to take on parks and recreation service provision for any of these areas, meaning their revenues will remain with the county. The committee

has expressed interest in evaluating taking on this service in the future, should revenues exist. An appendix illustrates the estimated revenues and expenditures that would flow from taking on the additional service of parks and recreation.

Special Purpose Local Option Sales Tax (SPLOST)

The proposed city of East Cobb will be eligible for a portion of Cobb County's SPLOST revenue. However, such revenue is allocated on a project basis (not by formula) upon application and its use is restricted to capital projects. Therefore, SPLOST revenues have no bearing on ongoing operations for the proposed city of East Cobb.

Storm Water Fees

Currently, Cobb County imposes a storm water utility fee to cover the cost of handling storm water. The proposed city of East Cobb has not opted to provide this service and thus will not impose this fee. In the future, should the proposed city of East Cobb take up storm water services and collect this fee, this revenue would be earmarked for this activity, as it is an enterprise fund.

REVENUE SUMMARY

Table 3 contains the estimates for all of the revenue items discussed above for which we developed revenue estimates, totaling \$27,718,652.

Table 3. Revenue Estimates

REVENUE CATEGORY	PROPOSED CITY OF EAST COBB REVENUE
Property Taxes	
Real & Personal Property	
<i>Real Property Tax</i>	\$12,704,415
<i>Personal Property Tax</i>	\$1,145,357
Motor Vehicles (TAVT)	\$785,423
Intangible Personal Property	\$708,841
Real Estate Transfer	\$314,132
Selective Sales & Use Taxes	
Alcoholic Beverages	\$917,035
Insurance Premium	\$2,741,745
Franchise Fees	
<i>Electricity</i>	\$2,082,878
<i>Cable</i>	\$660,514
<i>Natural Gas</i>	\$357,989
<i>Telephone</i>	\$227,560
Licenses & Permits	
Alcoholic Beverage Permits	\$369,810
General Business Licenses	\$562,781
Building Permits	\$818,913
Qualifying Fees	\$7,200
Intergovernmental Revenues	
State LMIG	\$624,176
Charges for Services	
Planning and Development	\$53,015
Municipal Courts	\$1,404,478
Public Safety E-911	\$1,232,390
TOTAL REVENUE	\$27,718,652

Expenditure Analysis

To produce the estimates of expenditures for the proposed city of East Cobb, we relied heavily on the budgets of several other cities in Georgia with similar populations and median income levels. These cities include Brookhaven and Dunwoody in DeKalb County, Johns Creek in Fulton County, and Marietta and Smyrna in Cobb County. While the population and median income of the proposed city of East Cobb is expected to be in line with all of these cities, several of these cities have more established municipal

governments that offer a larger array of government services than those offered by the proposed city of East Cobb. Several of the comparison cities also offer parks and recreation and sanitation and storm water management services, which the proposed city of East Cobb does not plan to offer.¹

Municipal expenditures reflect not only the cost of service provision but also the level of service that is desired by the municipal taxpayers. Higher levels of expenditures may not necessarily reflect an ineffective government but are more likely to represent a higher quality or increased level of service provision, such as a greater public safety presence or stricter building code enforcement. Therefore, it is important to understand that including several comparison cities in the analysis captures a fairly wide array of preferences for services. The choice of how much to spend on a particular service must be left to the citizens of the proposed city of East Cobb.

GOVERNANCE

The governance of the city includes the position of mayor and members of the city council. Most of the comparison cities have council sizes of six or seven members, although Brookhaven has just four. Smyrna council members serve an average of 8,095 persons, while those in Johns Creek serve 14,097. On average, council members in the comparison cities serve 10,600 persons each. Data from the 2020 Department of Community Affairs Municipal Wage and Salary survey for elected officials show that compensation for council members in our comparison cities ranges from \$12,000 in Brookhaven and Dunwoody to \$18,900 in Marietta and Smyrna. Compensation for the position of mayor ranges from \$16,000 in Brookhaven and Dunwoody to \$25,200 in Marietta and Smyrna.

Table 4. Governance Estimate

PREFERRED ESTIMATE	
Mayor/City Council	\$278,839

Average expenditures over the 2016-20 period for the mayor and city council department range from \$254,666 in Dunwoody to \$371,286 in Marietta. Based on budget data from 2016-20, we compute the per capita expenditures associated with this department for each of the comparison cities. From these per capita figures, we compute the average ratio for the comparison cities. The average per capita expenditures ratios are then applied to the anticipated population of the proposed city of East Cobb to determine the estimate presented in Table 5. Based on this methodology, we estimate an annual expenditure for governance for the incorporated area of East Cobb of \$278,839.

CITY ADMINISTRATION

For the purposes of this analysis, city administration is defined as the departments of city manager, finance, general administration, legal and city clerk. Average administrative expenditures over the 2016-20 period for the comparison cities ranged from a low of \$6.2 million in Dunwoody to a high of \$14.7 million in Smyrna.

¹ It is assumed that Cobb County will continue to collect the appropriate storm water fees on behalf of East Cobb.

Determining the expenditures associated with each department is challenging because each city allocates the responsibilities of city management amongst the administrative departments in various ways that best suit their needs. Therefore, comparing the expenditures of finance departments across two different cities may not provide a relevant comparison. For example, while all of our comparison cities have a finance office, the responsibilities of this office may not be the same across all of the cities. This is particularly problematic for administrative services. To the extent possible, we reallocated expenditures among departments to construct departments with similar responsibilities across our comparison cities.

The expenditures associated with the general administration are constructed to include human resources, risk management, information technology, municipal courts and building services/facilities. The offices of city clerk and city manager are fairly consistently defined over our comparison cities. It is also important to note that the administration departments of smaller cities take on many responsibilities that may be performed by separate departments in larger cities. For this reason, we caution readers against focusing solely on the expenditures of each department and advise, instead, to focus on the expenditure estimate for administration as a whole.

Table 5. Administration Estimate

DEPARTMENTS	PREFERRED ESTIMATE
City Manager	\$695,290
Finance	\$1,479,343
General Administration*	\$3,164,519
Legal**	\$377,809
City Clerk**	\$259,233
Total Administration	\$5,976,194

*Omits Smyrna and Marietta, which are outliers in general government administration spending

**Omits Smyrna, which does not itemize legal or city clerk costs

We employ the same methodology used previously: we compute the average per capita expenditures ratio for the comparison cities and then apply the ratio to the anticipated population of the proposed city of East Cobb to determine the preferred estimate. Table 5 shows the preferred expenditure estimates for the proposed city of East Cobb, based on the average per capita expenditure ratios of the comparison cities over 2016-20.

PUBLIC SAFETY

The proposed city of East Cobb plans to provide police, fire and E-911 services. Police services include administration, logistics, criminal investigations, uniform patrol, traffic control and jails. Fire services include administration, fire suppression, prevention, logistics and training. Other potential services may be offered for both police and fire. E-911, the Enhanced 911 service, is a centralized emergency response communication channel; the enhanced function of this 911 service provides emergency

responders with the geographic location of mobile phone users.

The methodology employed in the previous sections — using the per capita average of the comparison cities applied to the estimated population of East Cobb — is used to estimate the cost of the three public safety services.² The cost of police services can also be estimated using average spending per officer and population per officer for the comparison cities. Under this alternate method, we then divide the estimated East Cobb population by the population per officer estimate and multiply the result by the estimated spending per officer. This calculation yields a police force of roughly 71 officers. The two methods produce similar expenditure estimates; however, because two of the comparison cities, Johns Creek and Smyrna, do not distinguish between officers and civilian employees in annual financial reports, the per capita estimate is preferred in this case. The proposed city of East Cobb will also include two existing fire stations. Per Georgia law, the proposed city plans to purchase these fire stations for the statutorily prescribed amount of \$5,000 each.³ Table 8 shows the best estimates for police services as well as fire and E-911 services.

Table 8. Public Safety Estimate

DEPARTMENTS	PREFERRED ESTIMATE
Police Subtotal	\$7,363,752
Fire Subtotal	\$5,701,119
E-911 Subtotal	\$1,278,689
Public Safety Total*	\$14,343,561

*Omits Marietta, which is an outlier in public safety spending

PUBLIC WORKS

A foreseeable area of additional expense for the new city of East Cobb would be in maintaining roads. In 2015, OCGA 36-31-7.1 was enacted and requires that “any new city created must assume the ownership, control, care and maintenance of county road rights of way located within the area incorporated unless the municipality and the county agree otherwise by joint resolution.” The city of East Cobb hopes to reach an agreement with Cobb County that maintains the status quo in terms of road maintenance. This is a reasonable assumption, as the county is still receiving all funding sources used for road maintenance. Thus, in this section of the analysis it is assumed that an agreement is reached between Cobb County and the new city of East Cobb. In a later section we estimate the cost to the new city of East Cobb for road maintenance should the new city be required to provide that service.

TOURISM

East Cobb does not plan to undertake this function. Note a minimum of 40 percent of hotel-motel taxes must be set aside for tourism, should a city undertake this service (see hotel-motel tax revenue

² Brookhaven and Dunwoody are excluded from the fire estimates because they do not provide fire services. Marietta is excluded from these estimates as its per capita costs for police and fire are almost double those of the other cities. Marietta also uses Cobb County’s E-911 service.

³ These fire stations are numbers 15 and 21. The statute governing this purchase by a new city is OCGA 36-31-11.1.

discussion above for more detail on local requirements). If East Cobb decides to do so, the expenditures in this category would be paid exclusively from the revenue from the hotel/motel tax.

CODE ENFORCEMENT AND COMPREHENSIVE PLANNING AND ZONING

The proposed city of East Cobb will be responsible for developing a comprehensive strategic plan and enforcing all zoning decisions and ordinances. In addition, the estimate below includes the cost of administering business licenses and providing building inspections. The estimated expenditures for code enforcement and planning and zoning are shown in Table 9 and are based on a per capita calculation of expenditures of code enforcement in the comparison cities. Two cities, Brookhaven and Dunwoody, are omitted because they have divisions tasked with promoting economic development, increasing costs per capita. This estimate assumes the proposed city of East Cobb would not initially provide such services. If policymakers choose to do so, the city's expenses would increase accordingly. The comparison cities employed an average of 13 people in code enforcement and planning and zoning.

Table 9. Code Enforcement and Comprehensive Planning and Zoning Estimate

DEPARTMENTS	PREFERRED ESTIMATE
Code Enforcement/Planning & Zoning	\$1,247,003

FACILITY LEASING AND MANAGEMENT

To account for office space and equipment in East Cobb, we estimate the total cost based on the facilities costs of Dunwoody and Brookhaven. Dunwoody leases approximately 24,000 square feet of office space. This amount of space corresponds to the space available in the East Cobb Government Center, currently used by Cobb County police, fire and tax commissioner's office. Should East Cobb become a city it would have access to this facility for its office space and equipment needs. As such we do not include any costs for facility leasing in Table 10.

Table 10. Other Estimated Expenditures

EXPENDITURES	PREFERRED ESTIM
Facility Leasing	\$0
Startup Expenditures	\$984,325
Contingency	\$1,820,466

STARTUP EXPENDITURES

To account for general startup expenditures, we estimated that East Cobb will employ 50 people in various capacities. This estimate is in line with that of Brookhaven and Johns Creek. However, it should be noted that the five comparison cities vary greatly in their use of outsourcing. Dunwoody, for instance, employs just 15 full-time equivalent workers in the selected service categories, while Smyrna employs 111 workers and Marietta averages 191. We estimate that each employee will require furniture and office equipment, software, computers and communication equipment, totaling an estimated expense

of \$8,000 per employee. In addition, a central computer system, software and GIS equipment will cost approximately \$140,000. Finally, we estimate that the new city will also need five vehicles at a cost of \$35,000 each. The total start-up cost for the above expenses is \$715,000 in year one.⁴ The total startup costs also include significant initial investments in a police department. Based on police startup costs in nearby cities, we estimate startup costs of \$55,000 per officer, for a total investment of \$3.85 million. This includes police equipment, uniforms, vehicles, radio equipment and other necessary items for law enforcement. Notably, many cities amortize these costs over five years and may not pay the full \$4.57 million in the first year. Table 10 reflects this, showing the annual payment of a five-year note at a rate of 3.00 percent.⁵

The overall startup costs will vary if the city leases equipment instead of purchasing equipment and will depend on the number of employees initially hired. In addition, to cover the initial costs incurred before the first property tax collection, the city can offer a one-year bond, called a Tax Anticipation Note (TAN). Assuming the city floats a one-year bond for \$10,000,000 at the current LIBOR one-year interest rate of 0.24 percent, interest on this note would be \$24,000 for the first year. Should the city choose this option, it could fall into the contingency spending category discussed below. Table 10 provides the estimates for the other estimated startup expenditures, excluding a potential TAN.

CONTINGENCY

To account for unforeseen expenses and deviations from an original plan, we have included a contingency budget equal to one month of expenditures, excluding one-time expenditures such as startup expenditures. This amount is shown in Table 10.

⁴ This amount is calculated based on various estimates for the items listed above in previous incorporation studies done by CSLF and the Carl Vinson Institute of Government.

⁵ This rate is estimated based on correspondence with the Georgia Municipal Association.

Table 11 provides a summary of all estimated expenditures associated with the proposed city of East Cobb.

Table 11. Summary of All Expense Estimates

DEPARTMENTS	PREFERRED ESTIMATE
Mayor/City Council	\$278,839
City Manager	\$695,290
Finance	\$1,479,343
General Administration	\$3,164,519
Legal	\$377,809
City Clerk	\$259,233
<i>Sub Total Administration</i>	\$6,255,033
Code Enforcement/Planning & Zoning	\$1,247,003
Public Safety	\$14,343,561
Facility Leasing	\$0
Startup Expenditures	\$984,325
Contingency	\$1,820,466
Total – All Expenditures	\$24,650,388

Public Works and Cities Services Agreement

Certain items, in both the expenditure section and the revenue section, require special consideration. In the expenditure section, the city of East Cobb may be unable to reach an agreement with Cobb County on road maintenance. This would not be the preferred outcome for the city of East Cobb, as it would require the city to incur a large expense without receiving a significant source of funding the county relies on to provide the service, the property tax. Other cities in Cobb County receive some funding from the County to offset the cost of providing services in lieu of a property tax rebate from the County. This agreement is discussed here as well. Note that none of these additional expenditures and revenues are included in our estimate of feasibility for the reasons discussed below.

PUBLIC WORKS

As mentioned above, absent reaching an agreement with Cobb County, the proposed city of East Cobb may be required to provide limited public works services, namely the administration and maintenance of roads. This estimate assumes that other services that can traditionally fall under the umbrella of public works, such as sanitation and stormwater, would continue to be provided by the county, as they are not itemized in statute OCGA 36-31-7.1. Two comparison cities, Brookhaven and Smyrna, provide stormwater services; Smyrna, along with Marietta, also provides sanitation. These expenditures were excluded from our analysis to the extent that they were itemized independently. All five cities provide street maintenance and traffic services, but staffing levels varied considerably. Brookhaven, Dunwoody and Johns Creek outsource these services to private contractors, employing between 0 and 3 full-time

workers. In 2020, Smyrna employed 35 street and maintenance workers, while Marietta employed 66. This estimate assumes East Cobb will primarily outsource these services, employing a single staff member initially to manage the outsourced projects. There are several ways to calculate a reasonable estimated cost of providing public works; but the two methods presented here produce substantially different estimates. Using a per capita estimate, East Cobb would be expected to spend around \$3.3 million. However, as the cost of road maintenance is likely a function of how many roads a city maintains, average spending per road mile may be a better estimate. The comparison cities service between 125 and 228 miles of roads, according to the Georgia Department of Transportation; the proposed city of East Cobb would be responsible for 304 miles of roads within its limits, according to a GIS analysis conducted by CSLF. Using average per mile spending across the comparison cities, East Cobb would be expected to spend \$6.6 million annually on public works. To put these cost estimates in perspective, Marietta and Smyrna have five-year average annual public works expenditures of \$4.5 million and \$3.0 million respectively and each has roughly 200 miles of roads.

These cost estimates are all generated from the comparison cities' general fund expenditures. In addition to general fund revenues, the proposed city of East Cobb will be eligible for a portion of Cobb County's SPLOST revenue. However, SPLOST revenue is allocated on a project basis (not by formula) upon application and its use is restricted to capital projects. Therefore, SPLOST revenues are not relevant for ongoing operation expenses, such as running a department of public works, for the proposed city of East Cobb. Note that the city of East Cobb hopes to reach an agreement with Cobb County that maintains the status quo in terms of road maintenance. This is a reasonable assumption, as the county is still receiving all funding sources used for road maintenance. Thus, this estimate is not included in our feasibility analysis.

COBB COUNTY AND CITIES SERVICES AGREEMENT (COBB SIX CITIES MOU)

In Cobb County, all residents pay a millage rate of 8.46 to the county general fund, in both incorporated and unincorporated areas. Rather than roll this millage rate back for those that live in the cities within Cobb County, the county provides funds to offset the cost of city service provision. Developed as part of the Service Delivery Strategy required by OCGA 36-70-2, this arrangement is contained in a Memorandum of Understanding (MOU), an intergovernmental agreement, dated July 9, 2014, between Cobb County and the existing six cities of Acworth, Austell, Kennesaw, Marietta, Powder Springs, and Smyrna. The amount of funds available annually is set out in the agreement, starting at \$4.55 million in 2014 and increasing slowly to \$5.45 million by 2023. The amount set to be available in 2022 is \$5.35 million. The cities are allocated a share of these funds based on the taxable real property in the digest of each city as a share of the six cities' total digest value.

The Service Delivery Strategy (SDS) is a detailed document submitted to the Georgia Department of Community Affairs (DCA) that specifies which entity (the county and/or a municipality) will provide each of a variety of services within the various parts of the county. DCA Rules chapter 110-12-1 requires that the SDS must be updated at least every 10 years, in addition to when prompted by activities defined by OCGA 36-70-28. One such qualifying activity is the creation of a new municipality within the county,

meaning the incorporation of the proposed city of East Cobb would trigger a review of Cobb's Service Delivery Strategy. As outlined previously, the proposed city plans to take over delivery of select services from the county in its area, meaning the review would necessarily prompt revision in turn (rather than merely filing an extension for an unchanged SDS). This would likely result in renegotiation among the county and its municipalities regarding payments in lieu of rollback of the sort that the 2014 MOU laid out, invalidating the prior agreement.

In addition, several other unincorporated areas in Cobb County are going through the process of becoming cities. Each proposal that successfully becomes a city, with its own potential bundle of services, would need to be taken into consideration when a new service delivery agreement is negotiated. Accordingly, the share 'rolled back' to the proposed city under a potential new MOU may be smaller than the proportion that can be derived under the current formula (which is based on taxable real property digest value) to account for the potential new city entrants and varying service bundles. We note that given the historical amounts allocated to all cities in Cobb County, it is likely that the proposed city of East Cobb would receive less than \$1 million annually. Again, due to the unknown number of potential new cities in Cobb, possible differences in service provision, and the vagaries of multi-party negotiations, we cannot estimate a revenue amount from a new Cobb MOU that included the proposed city of East Cobb.

Conclusion

Total estimated revenues and total estimated expenditures for the proposed city of East Cobb are shown in Table 11. The proposed city can anticipate \$3.07 million of revenues in excess of expenses under the assumptions made in this report, including the data we developed and the list of expenditures that East Cobb anticipates undertaking.

Table 11. Total Estimated Revenues and Expenditures

PREFERRED ESTIMATE	
Revenues	\$27,718,652
Expenditures	\$24,650,388

Appendix: Parks and Recreation

PARKS AND RECREATION: EXPENDITURES

The proposed city of East Cobb may choose to provide parks and recreation services. Typically, these services include maintaining public park land within the city's boundaries and providing recreational programming and events. To assess the cost of park services, we rely on the expenditure experience of the five comparison cities. But while these cities have similar populations, they vary significantly in their acreage of parkland and offer a variety of recreational facilities. Dunwoody has the least acreage of park space, with 156 acres, while Johns Creek has the most, at 400 acres. Expenditures, however, did not necessarily correlate with the amount of land maintained by each department, suggesting that differences in programming and facilities have a larger impact on spending than acreage alone. Average parks and recreation expenses over the period ranged from a low of \$2.1 million in Johns Creek to a high of \$3.7 million in Marietta. Note the comparison city of Smyrna, also operates its local library at a cost of roughly \$800,000 annually. As it is the only public library in Cobb County that is not managed by the county government, this estimate assumes the county will continue to administer the East Cobb branch of the Cobb County library system.

Table 1A: List of Proposed City of East Cobb Park Facilities

PARK	STATUS	ACRES	LIST OF FACILITIES
East Cobb	Community Park	20.55	Amphitheater
Fellton Property	Undeveloped	4.11	
Fullers Park	Community Park	51.37	Recreation center; playground; tennis courts; batting cages; baseball and multi-use fields
Hyde Farm and Welcome Center	Community Park	59.58	Nature preserve, fishing pond, gardens
Mount Bethel Park	Baseball Field	3.77	Baseball field, batting cages
Worthington Property	Undeveloped	11.97	
Wright Environmental Center	Nature Center	19.64	Nature preserve
Total		170.99	

The proposed city of East Cobb contains 171 acres of parkland. Table 1A lists the parks included in this analysis. Per Georgia law, the cost of parkland is \$100 per acre, plus \$5,000 for each facility. The cost of purchasing the parkland is determined by multiplying the 171 acres by \$100, then adding the acquisition costs for the Hyde Farm Welcome Center, the Fullers Recreation Center and the Wright Environmental Center. Using the methodology employed in the previous sections — the per capita average of the comparison cities applied to the estimated population of East Cobb — estimated parks and recreation expenditures total \$2.5 million. Using an alternate method — the per acre average of the comparison cities applied to East Cobb's park acreage — would produce an estimated expenditure of \$1.8 million. This method, however, is not advised for the following reasons. It would give East Cobb the lowest park expenditures of any comparison city, despite East Cobb having several facilities that require on-site staff to operate. These facilities include Hyde Farm, the Fullers Recreation Center and the Wright

Environmental Center. By contrast, the comparison cities have larger quantities of passive parkland that result in low per-acre costs that may not be appropriate for East Cobb. The preferred estimated expenditures for park and recreation services, including acquisition costs is \$2,598,492.

PARKS AND RECREATION: REVENUE

Cities generate revenues from fees for organized activities and recreation facilities. The proposed city area contains several public parks and facilities, which could generate culture and recreation service charge revenues. The proposed city will be not taking on parks and recreation management activities at the time of this study. However, the existing municipalities in Cobb County have both their own Parks departments and a number of parks/recreation areas within their borders that are still managed by the county. Therefore, the extent to which the proposed city may choose to take over revenues and expenditures associated with one or more parks in its area is unknown at this time. The affected facilities include East Cobb Park, Fullers Park, Hyde Farm (with Welcome & Education Center), Mt. Bethel Park, and Wright Environmental Center; a further two plots held by Cobb County, known as the Fellton Property and Worthington Property, are within the proposed city's borders but are recorded as being entirely undeveloped and so unlikely to generate revenue for any entity managing them. The revenues estimated in this sub-section assume all five existing attractions are transferred to the proposed city and were calculated by sharing down the average 2016-2020 Cobb County parks and recreation revenue by the ratio of the parks' acreage with the total developed acreage managed by Cobb County, resulting in revenue of \$172,453. Naturally, if any or all of these facilities remain under Cobb County's management, revenues would be reduced accordingly.

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