



FISCAL RESEARCH CENTER

**REPORT ON THE CITY OF
SOUTH FULTON:
POTENTIAL
REVENUES AND
EXPENDITURES
(Revised)**

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

Table of Contents

Executive Summary	iii
Conclusion	iv
Findings	vi
Introduction.....	1
Expenditure and Revenue Estimates for the City of South Fulton	3
Fulton County Final FY 2007 South Fulton Tax District Budget.....	5
South Fulton Tax Digest Data.....	10
Estimates for City of South Fulton	12
Opinion	18
Appendix A: Background of the Geographical Area of the City of South Fulton	19
Appendix B: Data Sources.....	21

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

Executive Summary

The task of this report is to provide a series of revenue and expenditure estimates for the new municipality of the City of South Fulton.

To establish the estimates for the City of South Fulton, we examined numerous documents, spoke with many individuals at Fulton County and other related governments and institutions and researched current legislation at the state and local level. These estimates include areas annexed in the unincorporated South Fulton Tax District as shown in Georgia House Bill 725, signed into law by Governor Sonny Perdue on May 18, 2007.

In this report we offer the reader the opportunity to review our assumptions. Our revenue estimates are based on the following assumptions 1) that the City of South Fulton would continue the current tax and fee policies, a millage of 5.731 per \$1000 in tangible property value; 2) the City of South Fulton would receive, based on the US Census of 2000, a share of the local option sales tax (LOST) fund revenue. This revenue is based on the current established formula by Fulton County and the incorporated cities within the county; and 3) the City of South Fulton would continue with the current zoning and planning projections and growth estimates as provided by the Fulton County Demographer and the Atlanta Regional Commission.

Our expenditure estimates are based on 1) the City of South Fulton will continue to provide a similar set of services, at the same range and level, as currently provided by the South Fulton Tax District; 2) the City of South Fulton would incur similar administrative, general governance, and infrastructure costs as those found in Fulton County cities and other cities in Georgia; and 3) the City of South Fulton would provide all current services unequivocally to all citizens of the City.

We estimate the capital expenditures of the City of South Fulton by the established precedent set by the Fulton County Commission for the three assets, park land, greenspace, and fire stations. That precedent was a cost of \$100 per acre for park land and \$5000 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 \$1,460,700. This total asset value includes the Fulton County Police assets, assets in which the Fulton County

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

Commission has not addressed value. Thus we use 2006 tax assessor value for these assets. Given the dollar value of these assets, we offer two alternatives to acquire the assets based on length of time. The first is a 10 year-term note with a current market rate of 4.27 percent. The second is a 20 year-term note based on the current market rate of 4.66 percent. Both notes are based on a single A rating by the rating agencies.

Although we are confident in our verification of the data, the task of predicting service costs and the revenue potentials of a new city from a county based municipal-like service base assumes that the new city will provide the identical set of services currently offered through the County. This assumption introduces error into our estimates. To compensate for this effect we approach the estimates based on conservatism. That is, we under-estimate potential revenues while over-estimating potential expenses. We acknowledge and recognize the limitations of revenue and expenditure projections.

An important assumption in our analysis is a growth rate of zero percent. Although the South Fulton area has been growing on average at a rate of about 5.28 percent annually as projected through a thorough assessment of the Atlanta Regional Commission and the Fulton County Demographer's estimations, we assume no growth in the area to provide a conservative financial estimate. We have also assumed no change in the appraised value of properties in the area from the FY2006 tax digest. While we know that Fulton County property valuations are increasing on an ongoing basis, the exact changes are not yet available, and the extent of the property value change is controlled by the County Assessor's Office. These two assumptions, zero growth and zero change in property values from FY2006, result in an under-reporting of anticipated revenues, providing again a model that generates a conservative financial estimate.

CONCLUSION

We find that the City of South Fulton is financially viable under our estimations. A summary of the following discussion is shown in Table 1.

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

TABLE 1. CITY OF SOUTH FULTON EXPENDITURES AND REVENUES

	Conservative Basis¹	Metro Basis²	Fulton County Budget Basis²
Estimated Annual Revenue	\$54,009,275	\$54,009,275	\$52,292,321
Estimated Annual Expenditure	<u>\$53,130,361</u>	<u>\$40,932,694</u>	<u>\$51,885,097</u>
Estimated Surplus (Deficit)	<u>\$878,914</u>	<u>\$13,076,581</u>	<u>\$407,224</u>

1. The findings in this report are reflected in this column.

2. These findings are for reference only, and do not reflect our opinion.

Our estimates show that for 2008 the City of South Fulton would have a reserve of approximately 1.6 percent of total revenues based on our conservative estimates. Our finding shows that under the current mill levy on property of 5.731 per \$1000 property value and the use of municipal bonds to finance the debt for the current infrastructure assets owned by Fulton County (fire stations, parks & recreation, and greenspace), in 2008 the City of South Fulton would have a reserve of \$878,914.

This reserve outcome in the conservative estimate includes the City of South Fulton's acquisition of all current assets from Fulton County, including fire and police capital assets, parks, and greenspace. We show a municipal bond debt of \$1,889,080 (includes 3.5 percent issuance cost) at a rate of 4.27 percent over a 10 year term. The debt payment of \$188,908 includes both principal and interest. This cost would fall if the City of South Fulton chose a coupon (interest) payment only. The City of South Fulton could also choose to increase the length of time on the debt payment, thereby reducing annual expenses; however that would increase the total cost of the debt.

We offer a second estimate for the City of South Fulton based on the Department of Community Affairs (DCA) Metropolitan Atlanta areas average municipal costs. We find that using this estimation technique, the City of South Fulton has a reserve of \$13,076,581 or about 24.2 percent of total revenues. This cost estimate includes debt service for the Fulton County asset and the average costs of Public Works in the Atlanta Metropolitan area.

We offer a third estimate using the 2007 Approved South Fulton Tax District budget and allocate the Local Option Sales Tax by population to the City of South

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

Fulton. This estimate of the annual expenditures and revenues indicate that the City of South Fulton would have a surplus of \$407,224 or 0.78 percent of total revenues. This cost estimate includes debt service for the Fulton County assets and the proportion of Public Works based on population currently shown in the Fulton County General Fund. We reallocate the Public Works since the costs associated with this item are for road construction and repair in the unincorporated areas.

FINDINGS

It is our opinion and supported by our overall findings that the City of South Fulton is financially viable under our analyses. We find that the conservative estimates can provide the City of South Fulton with a 1.6 percent of revenues reserve balance. Ideally, this balance would increase over time to the guidelines set by the Government Finance Officers Association (GFOA). We also find that using the metro area basis or the like-size basis estimates may be overly optimistic. New cities incur costs that older, more established cities will not be burdened with. It is our opinion that the estimates under the conservative basis provide the City of South Fulton with a reasonable reserve fund and indicate the viability of this potential new city.

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

Introduction

We provide this report to assist citizens and policymakers as they evaluate the potential incorporation of the City of South Fulton. The report is established to provide understandable revenue and expenditure estimates for:

- Citizens and taxpayers within the boundaries of the potential City of South Fulton;
- Other concern parties within and outside of Fulton County.

The purpose is to allow all affected citizens, whether they are within the potential city limits of the City of South Fulton or not, the opportunity to appraise and discuss the financial implications of the incorporation of the 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 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 assume that these and other aspects of the new city will be addressed in a business plan that comprehensively looks at all aspects of the new city. We do not provide any normative judgment on whether or not the City of South Fulton should incorporate; however state our findings with regard to the financial viability of the new city.

To explore the effects of incorporation on the residents of the City of South Fulton, we estimated:

- Revenues
 - Revenues that the City of South Fulton would have received had it been incorporated in 2007;
 - 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 the State of Georgia;
 - Revenues based on the Atlanta Regional Commission ten county metro area.
- Expenditures
 - Expenditures the City of South Fulton would have incurred if it had been incorporated in 2007;

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

- Expenditures that the City of South Fulton would incur based on services that are currently provided by Fulton County through the South Fulton Tax District;
- Expenditures based on the average set of services offered by similar size cities in the State of Georgia;
- Expenditures based on the Atlanta Regional Commission ten county metro area;
- Capital expenditures based on the purchase of assets currently owned by Fulton County.

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

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 Tax 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 revenue should the city decide to draw on these sources.

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 Tax District 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 incorporation of the City of South Fulton has a set of expenditure choices based on the level of service provision and type of service provision the new city desires. These include police and fire services, recreational services, and other services the city may desire to fund. The choice of services is critical to provide accurate estimation of revenue needs and the type of revenue sources needed.

We present here an estimated 2008 budget for the new City of South Fulton, based on what we term a "conservative estimate" which reduces revenues to the low estimates and increases expenditures to the high estimates.

For reference, we provide a series of additional estimates for the City of South Fulton. These revenue and expenditure projections of the City of South Fulton based on our conversations with Fulton County service providers and the projections based on the approved 2007 Fulton County - South Fulton Tax District Budget including the population based share of revenue for the LOST. We also offer a set of estimates based on the Atlanta Regional Commission (ARC) ten county

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

metropolitan area and a statewide average estimate for municipal services of similar size cities provided by the Georgia Department of Community Affairs (DCA) in Category B. We describe each estimation type and provide a table indicating our estimations. These estimates provide the basis for our planned budget for the new City, and form the foundation of our opinion on the financial viability of the City of South Fulton.

These estimates are developed within a framework that includes a series of changes over the last two years in the South Fulton Tax District. Those changes include a series of annexations that were signed into law under House Bill 725 in the 2007 Georgia Legislative Session, the vote that created the new City of Chattahoochee Hill Country in June 2007, and the reapportioned area as defined in Georgia House Bill 552 and signed into law in the 2006 Georgia Legislative Session. Our geographical data for the City of South Fulton is presented in Appendix A and our data sources are highlighted in Appendix B.

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

Fulton County Final FY2007 South Fulton Tax District Budget

Our first reference for revenues and expenditures for the potential new City of South Fulton are based on the FY2007 South Fulton Tax District approved budget. Table 2 reproduces the South Fulton Tax District actual revenues and expenditures in FY2006 and the FY2007 Final Budget as documented by Fulton County for the South Fulton Tax District (termed the 301 Fund). We offer the actual revenues and expenditures for FY2006 and the budgeted revenues and expenditures for FY2007 in total and per capita values. This is identical to the public presentation of the budget for the South Fulton Tax District as presented by the Fulton County Commission. We then indicate in the two columns, labeled Population Post Annexation, the distribution of both costs and revenues in the South Fulton Tax District based on population estimates for the potential new City of South Fulton.

Table 2 indicates that the South Fulton Tax District actual for FY2006 and the budget for FY2007 are out-of-balance, with the deficits paid from existing reserve funds. These reserve funds are carried over from the old Special Services District (SSD) budget prior to the incorporation of the northern area of Fulton County. There are several issues that surround the FY2007 budget in Table 2. First, all expenditure categories are higher in FY2007. This is not an uncommon occurrence since the prices of commodities and labor tends to increase over time. Second, revenue per capita is showing an increase for FY2007 of 7.3 percent. The revenue increase can be attributed to several occurrences which include property valuation increases and growth changes within the South Fulton Tax District. The perplexing issue in Table 2 is that expenditures in FY2007 are rising at a higher rate than revenues. This seems counterintuitive. In FY2006 expenditures exceeded revenues by \$5.3 million. To respond to this situation, the South Fulton Tax District will increase expenses in Environmental and Community Development by 15.57 percent, Finance by 27.88 percent, Fire by 15.99 percent, Non Agency by 13.16 percent, Parks & Recreation by 24.60 percent, and Police by 30.81 percent over FY2006 actual expenditures. This leads to an increase in total expenditures of 20.12 percent while revenues rose by only 7.3 percent. Overall this spending pattern increases the deficit within the South Fulton Tax District by 105 percent over the actual deficit in FY2006.

TABLE 2. FY 2006 FINAL & FY 2007 APPROVED BUDGET WITH PER CAPITA REVENUE AND EXPENSE

	2006 Actual	2006 Actual Per Capita	2007 Final Budget	2007 Final Budget Per Capita	Population Post Annexation City of South Fulton Estimated Current Population 45,183
<i>Revenues</i>					
Property Taxes	\$17,279,231	\$365	\$17,765,007	\$376	\$16,977,438
License & Permits	9,919,623	210	9,732,920	206	9,301,435
All Other	8,211,234	174	10,526,982	223	10,060,294
<i>Total Revenues</i>	<i>\$35,410,088</i>	<i>\$749</i>	<i>\$38,024,909</i>	<i>\$804</i>	<i>\$36,339,167</i>
<i>Expenditures</i>					
Environ. & Comm. Dev. Svcs	\$5,480,965	\$116	\$6,334,596	\$134	\$6,053,767
Finance	351,884	7	450,000	10	430,050
Fire	14,899,834	315	17,282,772	366	16,516,582
Non Agency	6,398,291	135	7,240,377	153	6,919,392
Parks & Recreation	2,772,996	59	3,455,257	73	3,302,077
Police	10,808,802	229	14,139,227	299	13,512,399
Tax Commissioner					
<i>Total Expenditures</i>	<i>\$40,712,772</i>	<i>\$861</i>	<i>\$48,902,229</i>	<i>\$1,034</i>	<i>\$46,734,267</i>
<i>Surplus (Deficit)</i>	<i>(\$5,302,684)</i>	<i>(\$112)</i>	<i>(\$10,877,320)</i>	<i>(\$230)</i>	<i>(\$10,395,100)</i>

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

Due to this situation in which expenditures are increasing at a faster increment than revenues in the South Fulton Tax District, we question the value of using the South Fulton Tax District as a basis for estimation. However, we would like to use the South Fulton Tax District as an estimation tool since we can offer the identical set of current services assuming these revenues and costs. We initially recognize that the rising costs may be due to staffing issues, as Fulton County municipal type services are eliminated from the newly incorporated North County areas of John's Creek and Milton, full-time personnel may be reallocated to the South Fulton Tax District, thus temporarily increasing costs due to personnel issues.

Table 3 shows the actual full-time personnel for the entire Special Services District (SSD) in FY2005 and the South Fulton Tax District in FY2006. We show for FY2007 the final budget for full-time personnel for the South Fulton Tax District and for the potential new City of South Fulton. We find that compared to the entire SSD in FY2005, corrections to personnel needs appear to have taken place by FY2006.

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

TABLE 3. SOUTH FULTON TAX DISTRICT FUND PERSONNEL

	FY2005 Total SSD	FY 2006 South Fulton Tax District	-----FY 2007----- South Fulton Tax District	City of South Fulton (Estimate)
<i>Environment & Community Development</i>				
Total Full-Time	165	75	79	75
Total Temporary	5	0	0	0
<i>Fire</i>				
Total Full-Time	447	238	223	212
Total Temporary	0	2	0	0
<i>Parks & Recreation</i>				
Total Full-Time	111	36	37	35
Total Temporary	207	0	0	0
Total Seasonal	156	0	0	0
<i>Police</i>				
Total Full-Time	367	228	230	218
Total Temporary	0	1	0	0
<i>Tax Commissioner</i>				
Total Full-Time	19	0	0	0
<i>Finance</i>				
Total Full-Time	0	15	2	2
<i>Total Full-Time Positions:</i>	<i>1,109</i>	<i>592</i>	<i>571</i>	<i>542</i>
<i>Total Temporary Positions:</i>	<i>212</i>	<i>3</i>	<i>0</i>	<i>0</i>
<i>Total Seasonal Positions:</i>	<i>156</i>	<i>0</i>	<i>0</i>	<i>0</i>

We also find that for the South Fulton Tax District total fulltime personnel are lower in FY2007 than found in FY2006. This finding is for both full-time and temporary positions. Thus, we conclude that personnel labor costs do not appear to be indicative of the approved higher expenditures in FY2007.

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

We focus on the two highest costs in the South Fulton Tax District, Police and Fire services. We offer a comparison of Police and Fire expenditures in Table 4 comparing the average 10 county metro area as defined by the ARC and several of the cities that border the potential new City of South Fulton. We note, as in our previous report, that Fire costs in the South Fulton Tax District per capita are exceptionally high when compared to the metro area cities and the cities that border the City of South Fulton while Police costs are about 20 percent higher than the median or average costs. We note that the City of East Point has a population that is smaller than the potential new City of South Fulton (Population is estimated at 45,183); however it is the closest in population size. Note that fire costs in the City of East Point are much lower per capita than the South Fulton Tax District, while police costs are very similar.

TABLE 4. POLICE AND FIRE COSTS PER CAPITA

	Fire	Police	Population
<i>South Fulton Tax District</i>	\$366	\$299	\$47,279
DCA Metro	106	249	n/a
City of Atlanta	162	380	419,126
City of East Point	194	279	35,456
Union City	121	152	16,750
City of College Park	265	n/a	18,000
City of Palmetto	269	171	5,112
<i>Average</i>	\$212	\$255	n/a
<i>Median</i>	\$203	\$255	n/a

We reviewed the police and fire services findings in our original report; it does not seem likely that density or size of service area can explain the high per capita costs in the South Fulton Tax District. Other explanations could be that Fulton County is supplying services inefficiently, that services are being supplied at levels far higher than needed, and/or the newly derived costs in the separate South Fulton Tax District are inaccurate. In all these potential explanations, significant cost reductions seem a likely approach to the imbalances in the FY2007 approved South Fulton Tax District budget.

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

South Fulton 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 FY2006 South Fulton Tax District Tax Digest. To provide accurate estimates, we correct the certified tax digest for FY2006. We begin our estimates with an important statement about the Georgia Department of Revenue certified tax digest for South Fulton Tax District for FY2006. After consultation with Fulton County and exploring the data provided to the Georgia Department of Revenue, all vehicles and utilities were allocated to the South Fulton Tax District by Fulton County for all the unincorporated area of the county. This is clearly not a fact since both John's Creek and Milton were part of the unincorporated portion of the County in FY2006. To address this error, we estimate revenue for the City of South Fulton in the following manor. First, using Geographical Information Systems (GIS) we reference all property in the potential City of South Fulton. This provides us with a property digest (this includes residential, agricultural, conservation use, commercial, industrial, mobile homes, timber, and heavy equipment property values less all property exemptions) of \$3,210,483,040 for the City of South Fulton excluding both vehicles and utilities as shown in Table 5. To derive vehicle property values for the City of South Fulton, we use the following methodology:

1. Use the total number of parcels in FY2006 in each area of the County. These numbers are in the tax digests;
2. Take proportions;
3. Apply proportions to total Motor Vehicles reported in the Unincorporated Fulton County Tax Digest;
4. Find average tax value of motor vehicles in Alpharetta and Roswell for the Northern part of the County and Union City, Fairburn, and Palmetto for the Southern part of the County;
5. Apply average tax value to derived number of motor vehicles and values.

To estimate property value for utilities we derive the following methodology:

1. Used GIS to identify tax base parcels in the three areas of interest, South Fulton Tax District, Sandy Springs (we found no allocation to Sandy Springs), and North Fulton Tax District;

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

TABLE 5. ALLOCATION OF PROPERTY VALUES TO CITY OF SOUTH FULTON

	40% Value	Millage per \$1000 Property Value	Tax
Property Digest	\$3,210,483,040	5.731	\$18,399,278
Utilities	156,820,614	5.731	898,739
Vehicles	107,830,013	5.731	617,974
<i>Total</i>	<i>\$3,475,133,667</i>	<i>5.731</i>	<i>\$19,915,991</i>

2. Identified parcels with land use code equal to “utility” in the tax digest;
3. Counted number of records in each area and assigned value from the Tax Digest based on proportion occurring in each area.

Table 5 shows the final property values for the City of South Fulton. If the City of South Fulton was incorporated today the total property tax digest revenue is estimated at \$19,915,991.

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

Estimates for City of South Fulton

Our first estimate in Table 6 is to reproduce the costs currently allocated to the South Fulton Tax District by Fulton County and assess these costs based on the revenues available to the new City of South Fulton. In regards to revenues, we allocate the Local Option Sales Tax (LOST) based on the per capita allocation provided to all current municipalities in Fulton County.

The LOST revenue generated on this basis in the City of South Fulton is about \$11,900,000. We allocate franchise fees to the City of South Fulton based on the minimal fees found in the Metro area, \$25 per capita. Franchise fees are an additional source of revenues for municipalities in Georgia. Within the Metropolitan Atlanta Area, these fees can range from \$25 per capita to \$61 per capita as found in the Georgia Department of Community Affairs (DCA) database. When looking at expenses (we remind the reader that our role as estimators is to produce a conservative estimate) we allocate the entire public works costs from the current Fulton County General Fund. A caveat needs to be addressed with respect to the public works costs. When we allocate the entire costs from the Fulton County General Fund, we are assuming these costs are for roads within the unincorporated area of the County only. This is the information we were provided, however the County does not use a cost basis accounting system that would provide us the opportunity to state how much of this costs was allocated to the South Fulton Tax District only. This is due to multiple changes within the County including the incorporation of both the Cities of Milton and John's Creek. We acknowledge that the allocation of this cost is not based on data; however, this is the expenditure shown in the Fulton County General Fund.

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

TABLE 6. CITY OF SOUTH FULTON ALLOCATIONS IN SOUTH FULTON TAX DISTRICT

	City of South Fulton --FY 2006 Tax Digest Basis--	
	Totals	Per Capita
<i>Revenues</i>		
Property Taxes	\$19,915,991	\$441
Local Option Sales Tax (LOST)*	11,863,248	263
Franchise Fees**	1,129,575	25
Licenses & Permits	9,307,698	206
All Other	10,075,809	223
<i>Total Revenues</i>	<i>\$52,292,321</i>	<i>\$1,157</i>
<i>Expenditures</i>		
Environmental & Community Development Services	\$6,053,767	\$134
Finance	430,050	10
Fire	16,516,582	366
Non Agency	6,919,392	153
Indirect Costs***	4,932,616	109
Contribution To Enterprise Fund	245,607	5
Electricity	577,186	13
Telephone	200,032	4
MARTA Match	3,345	0
Transfer-General Fund-Cops Payment	689	0
Transfer To General Fund-Atlanta Humane Society	136,632	3
Contingency	823,286	18
Parks & Recreation	3,302,077	73
Police	13,512,399	299
Tax Commissioner (1% of Property Taxes)	261,178	6
Public Works****	4,700,744	104
Debt Service*****	188,908	4
<i>Total Expenditures</i>	<i>\$51,885,097</i>	<i>\$1,148</i>
<i>Surplus (Deficit)</i>	<i>\$407,224</i>	<i>\$9</i>

* Based on \$262.56 per cap, the actual city distribution in FY 2006 for Fulton County.

**Based on per capita in Metro area which ranges from \$25 to \$61. We used \$25 per capita.

*** 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. This number is determined by an outside firm based on actual expenses two years in arrears. For example FY2007 allocation is based on FY2005 expenses.

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

***** Purchase of Fulton County Assets based on 10 year note with single A rated debt.

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

In Table 6 we allocate the costs of debt service for the assets currently owned by Fulton County to the expenditure category. As noted at the bottom of the column, the City of South Fulton would have a surplus of about \$407,224 assuming all costs for services were as indicated in the South Fulton Tax District FY2007 budget and that debt service and full accrual of public works costs were included in total expenditures. We acknowledge that this cost level, \$1,148 per capita, would be the one of the in Fulton County and also the one of the highest in the Metropolitan Atlanta area for these services.

The estimations in Table 6 are based on spending in the current South Fulton Tax District. As noted earlier, the South Fulton Tax District is inclusive of the new City of Chattahoochee Hill Country with a different demographic and socio-economic base than the potential City of South Fulton. To address this potential mismatch of true costs, we provide the estimation methodology for expenditures based on the Department of Community Affairs data in Table 7.

In the first column, we estimate revenues and expenditures based on the DCA Metro area cities. This estimate captures expenditures for municipal services for cities located in the Atlanta Metropolitan Area.

In the second column we estimate revenues and expenditures by using DCA Category B, cities of similar size in Georgia to the City of South Fulton. This estimate focuses on expenditures for municipal services of cities across Georgia that is similar in population size to the potential new City of South Fulton.

The last column, entitled “Conservative Basis” is our estimates based on an expenditure structure that is high and a revenue structure that is low. In all the estimates in Table 7, we estimate revenues based on our revision of the current tax digest available at <http://www.ganet.org/dor/ptd/cds/csheets/digest/digest.cgi?year=06> found under Fulton County, South Fulton Tax District. Our revisions to this certified tax digest are presented in Table 5 with the methodology shown preceding Table 5. We include in Table 7 the debt service costs for asset purchases from Fulton County.

We begin by looking at the estimates offered in the first two columns, DCA Metro basis and DCA Like City Basis. Both of these estimates indicate that the new

TABLE 7. FY 2008 CITY OF SOUTH FULTON REVENUE & EXPENDITURE ESTIMATES USING MULTIPLE DATA SOURCES

	-----DCA Metro Basis-----		-----DCA Like City Basis ¹ -----		-----Conservative Basis-----	
	Total	Per Capita	Total	Per Capita	Total	Per Capita
<i>Revenues</i>						
Property Taxes	\$19,915,991	\$441	\$19,915,991	\$441	\$19,915,991	\$441
Local Option Sales Tax (LOST)*	11,863,248	263	11,863,248	263	11,863,248	263
Fines and Forfeitures**	1,716,954	38	1,716,954	38	1,716,954	38
Franchise Fees***	1,129,575	25	1,129,575	43	1,129,575	25
Licenses & Permits	9,307,698	206	9,307,698	206	9,307,698	206
All Other	10,075,809	223	10,075,809	223	10,075,809	223
<i>Total Revenues</i>	<i>\$54,009,276</i>	<i>\$1,195</i>	<i>\$54,009,275</i>	<i>\$1,213</i>	<i>\$54,009,275</i>	<i>\$1,195</i>
<i>Expenditures</i>						
General Administration	\$3,399,272	\$75	\$3,775,437	\$84	\$3,775,437	\$84
Financial Administration	1,572,244	35	1,394,071	31	1,572,244	35
Building & Grounds	1,236,115	27	1,069,705	24	1,236,115	27
Building Inspections	770,257	17	948,721	21	948,721	21
Municipal Court	1,562,523	35	788,564	17	1,562,523	35
Police****	11,257,872	249	8,436,701	187	11,521,665	255
Jail	1,417,509	31	320,050	7	1,417,509	31
Fire*****	4,800,884	106	4,761,788	105	9,578,796	212
Highways & Streets	3,824,444	85	4,700,744	104	4,700,744	104
Parks & Recreation	3,613,102	80	6,576,036	146	3,613,102	80
Community Development*****	900,923	20	534,838	12	6,054,522	134
Debt Service*****	188,908	4	188,908	4	188,908	4
Natural Resources	129,788	3	0	0	129,788	3

Table 7 continues next page...

TABLE 7 (CONTINUED). FY 2008 CITY OF SOUTH FULTON REVENUE & EXPENDITURE ESTIMATES USING MULTIPLE DATA SOURCES

	-----DCA Metro Basis-----		-----DCA Like City Basis ¹ -----		-----Conservative Basis-----	
	Total	Per Capita	Total	Per Capita	Total	Per Capita
<i>Expenditures (continued)</i>						
Garbage Collection	344,971	8	904,078	20	904,078	20
Garbage Disposal	41,943	1	0	0	41,943	1
Group Insurance	783,023	17	330,856	7	783,023	17
Legal Fees	143,772	3	143,772	3	143,772	3
Drainage	68,085	2	80,413	2	80,413	2
Other	4,877,059	108	1,839,074	41	4,877,059	108
<i>Total Expenditures</i>	<i>\$40,932,694</i>	<i>\$906</i>	<i>\$36,793,754</i>	<i>\$814</i>	<i>\$53,130,361</i>	<i>\$1,176</i>
<i>Surplus (Deficit)</i>	<i>\$13,076,581</i>	<i>\$289</i>	<i>\$17,215,521</i>	<i>\$399</i>	<i>\$878,914</i>	<i>\$19</i>

* Based on \$262.56 per cap, the actual city distribution in FY 2006 for Fulton County.

** Based on cost of municipal court.

*** Based on per capita in Metro area which ranges from \$25 to \$61. We used \$25 per capita.

**** Costs are the average of the Metropolitan Atlanta Area, South Fulton Tax District, and surrounding cities. (See Table 4 in this report.)

***** Conservative estimate based on South Fulton Tax District budgeted costs for FY 2007 as noted in Table 3.

***** Debt based on current assets owned by Fulton County for the City of South Fulton.

¹ Derived from DCA Financial Data for cities in the 10 County Atlanta Regional Commission area in the city size category for the City of South Fulton (Category B).

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

City of South Fulton would have substantial reserves. We acknowledge this result based on average cities in the State of Georgia and those of the Metropolitan Atlanta area.

We focus here on the revenue estimates in the column entitled “Conservative Basis.” We take the lowest estimates for ‘Franchise Fees’ found under in the DCA data, again, to conservatively reduce revenue. This is reassuring that we have reduced revenues to this level. We then take the highest expenditures from the DCA data and allocate those to our conservative basis expenditures.

We can now address the issues of Fire, Police, and Community Development expenditures which we have modified from the DCA data. We begin with fire costs. To address fire costs, we use the average cost per capita of the bordering governments as found in Table 4. This result increases fire costs by about 100 percent over fire costs found in the DCA Metro Basis column. We feel this is a reasonable inflator of fire cost, however we reiterate that this costs is still much higher than many of the cities surrounding the City of South Fulton.

To address Police costs, we use the average costs for Police for the surrounding governments as shown in Table 4. This also happens to be the median costs for Police services found in Table 4. This is reassuring since the potential new City of South Fulton would have a population very close to the median for the area.

The last expenditure not directly related to the DCA data is Community Development. In this expenditure we allocate the costs per capita from the South Fulton Tax District based on the FY2007 budget. This is the highest Community Development cost we were able to find using our data sources.

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

Opinion

In these estimations of the revenues and expenditures for 2008 for the potential new City of South Fulton, we approach the estimates based on conservatism. That is, we under-estimate potential revenues while over-estimating potential costs. We acknowledge and recognize the limitations of revenue and expenditure projections based on this conservatism.

Our estimation assumptions include a growth rate of zero percent. Although the South Fulton area has been growing on average at a rate of about 5.28 percent annually, we assume no growth in the area to provide a conservative financial estimate.

It is our opinion and supported by our overall findings that the City of South Fulton is financially viable. We find that the conservative estimates can provide the City of South Fulton with a reserve balance that is approaching the reserve balance guidelines set by the Government Finance Officers Association (GFOA). We also find that using the metro area basis or the like-size basis estimates may be overly optimistic. New cities incur costs that older, more established cities will not be burdened with. It is our opinion that the estimates under the conservative basis provide the City of South Fulton with a reasonable reserve fund and indicate the viability of this potential new city.

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

Appendix A: Background of the Geographical Area of the 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 2000 US Census as revised for Fulton County based on annexations and boundary changes through April of 2007. To accomplish these estimates, we use GIS to define the area based on the Fulton County tax 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 new city on its western border, the City of Chattahoochee Hill Country. The City of South Fulton would also have borders with three (3) counties, Coweta, Douglas, and Fayette.

As shown in Table A1, the City of South Fulton is approximately 5.5 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 84 percent while the white population is about 14 percent. This is in contrast to Fulton County where the white population is about 48 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.

TABLE A1. ESTIMATED POPULATION STATISTICS

	South Fulton	Fulton County
Total Population	45,183	816,006
White	13.90%	48.23%
Black	84.25%	44.35%
Population Over 18 Years of Age	70.14%	79.11%

The City of South Fulton has about 2.70 persons per household compared to the entire Fulton County area which has about 2.54 persons per household. When looking at households on public assistance, the City of South Fulton and Fulton County are similar, however; the City of South Fulton has a much lower percentage

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

of households below the poverty level when compared to Fulton County as shown in Table A2. This should provide the City of South Fulton financial savings since it will not have to provide as many community development services that cities usually provide to assist impoverished households.

TABLE A2. ESTIMATED HOUSEHOLD STATISTICS

	South Fulton	Fulton County
Total Households	16,734	321,266
White	14.05%	53.45%
Black	80.27%	41.08%
Households on Public Assistance	3.67%	3.61%
Household Below Poverty	9.61%	15.73%

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. The finding that housing is 95 percent occupied in the City of South Fulton indicates not only that available housing stock is less than Fulton County, but that as the population growth in the City of South Fulton continues at about 5 percent annually, housing needs will exceed current housing stock.

TABLE A3. ESTIMATED INCOME AND HOUSING STATISTICS (ESTIMATE 2000 US CENSUS)

	South Fulton	Fulton County
Median Household Income	\$42,918	\$47,321
Occupied Housing	95.08%	92.14%
Renter Occupied Housing	27.78%	47.93%

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

Appendix B: Data Sources

We have used four basic sources of data for our estimates. First is the Fulton County FY2007 Final Budget as provided by Fulton County with a South Fulton Tax District millage of 5.731 per \$1000 in assessed property value. Under new legislation, 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 Tax Districts. Consequently, we have a distinct property tax base and estimated expenditures for the South Fulton Tax District.

The second data source is based on parcel level property tax files from the Fulton County State Certified Tax Digest for FY2006. The parcel level property tax files are used to estimate the proportions of the property tax base distributed between the City of South Fulton and the City of South Fulton.

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 FY2005 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.

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.

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

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

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