

FISCAL RESEARCH CENTER

REPORT ON THE CITY OF CHATTAHOOCHEE HILL COUNTRY: POTENTIAL REVENUES AND EXPENDITURES

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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 Chattahoochee Hill Country.

To establish the estimates for the City of Chattahoochee Hill Country, we examined numerous documents, spoke with many individuals at Fulton County and other related governments and institutions, researched and incorporated current legislation at the state and local level, revised based on the current annexations in unincorporated South Fulton Tax District through 1/1/2007, and analyzed multiple databases. We met with each department head who was providing services through to the South Fulton Tax District to the geographical area of the City of Chattahoochee Hill Country. These services provided through the South Fulton County Tax District Fund differ from the general county-wide services provided by Fulton County in that this set of municipal-like services is limited in scope to the unincorporated areas within the County.

In almost every case, we verified all the data by comparing the data provided to alternative sources. 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 costs. We acknowledge and recognize the limitations of revenue and expenditure projections.

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 Chattahoochee Hill Country would continue the current tax and fee policies, with a millage rate of 5.731 per \$1000 in tangible property value; 2) the City of Chattahoochee Hill Country 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 Chattahoochee Hill Country would continue with the

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current zoning and planning projections (inclusive of the overlay) 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 Chattahoochee Hill Country will continue to provide a similar set of services, at the same range and level, as currently provided by the Fulton County SSD; 2) the City of Chattahoochee Hill Country 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 Chattahoochee Hill Country would provide all current services unequivocally to all citizens of the City.

We estimate the capital expenditures of the City of Chattahoochee Hill Country 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 Chattahoochee Hill Country are valued at \$93,127. Given that the dollar value of these assets is minor, we offer two alternatives to acquire the assets. The first is a direct purchase of the asset based on a cash purchase. The second is a short-term note based on the current market rate of 4.04 percent for a 10 year note.

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 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. 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

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anticipated revenues, again providing a model that generates a conservative financial estimate.

Conclusion

We find that the City of Chattahoochee Hill Country is financially viable under our conservative basis estimations. Our findings show that for 2008 the City of Chattahoochee Hill Country would have a surplus of approximately 3.25 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 Chattahoochee Hill Country would have a surplus of \$85,996, as shown in Table 1.

TABLE 1. CITY OF CHATTAHOOCHEE HILL COUNTRY EXPENDITURES AND REVENUES

	Conservative Basis¹	Metro Basis²	Fulton County Budget Basis²
Estimated Annual Revenue	\$2,632,139	\$2,645,328	\$2,572,844
Estimated Annual Expenditure	<u>\$2,546,143</u>	<u>\$1,901,977</u>	<u>\$2,588,487</u>
Estimated Surplus (Deficit)	\$ 85,996	\$ 743,351	(\$ 15,643) ³

1. The findings of this report are reflected in this column.
2. These findings are for reference only, and do not reflect our opinion.
3. This is within our computational error and thus is the same as zero.

This reserve outcome in the conservative estimate includes the City of Chattahoochee Hill Country's acquisition of all current assets from Fulton County through a municipal bond debt of \$96,386 (includes 3.5 percent issuance cost) at a rate of 4.04 percent over 10 years. The City of Chattahoochee Hill Country would have a payment of \$11,908 per year for these assets or may choose to pay \$93,127 for the Fulton County assets in cash.

We offer another estimate for the City of Chattahoochee Hill Country based on the Department of Community Affairs (DCA) Metropolitan Atlanta area. We find that using this estimation technique, the City of Chattahoochee Hill Country has a surplus of \$743,351 or about 28.1 percent of total revenues. This cost estimate includes debt service for the Fulton County assets and the proportion of Public Works

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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.

We offer another estimate using the 2007 Approved South Fulton Tax District budget and allocate the Local Option Sales Tax by population to the City of Chattahoochee Hill Country. This estimate of the annual expenditures and revenues indicate that the City of Chattahoochee Hill Country would have a deficit of \$15,643 or 0.6 percent of total revenues. This is within our margin of computational error, and we therefore conclude that this is the same as a balance of zero. 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 Chattahoochee Hill Country is financially viable under all of our analyses. We find that the conservative estimates can provide the City of Chattahoochee Hill Country with a surplus balance that is similar to the guidelines set by the Government Finance Officers Association (GFOA). We also find that using the reference 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 Chattahoochee with a reasonable reserve fund and indicate the viability of this potential new city.

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Introduction

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

- Citizens and taxpayers within the boundaries of the potential City of Chattahoochee Hill Country;
- 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 Chattahoochee Hill Country or not, the opportunity to appraise and discuss the financial implications of the incorporation of the City of Chattahoochee Hill Country. 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 Chattahoochee Hill Country 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 Chattahoochee Hill Country, we estimated:

- Revenues
 - Revenues that the City of Chattahoochee Hill Country would have received had it been incorporated in 2007;
 - The new revenues that the City of Chattahoochee Hill Country 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.

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- Expenditures
 - Expenditures the City of Chattahoochee Hill Country would have incurred if it had been incorporated in 2007;
 - Expenditures that the City of Chattahoochee Hill Country 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 the current 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.

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Expenditure and Revenue Estimates for the City of Chattahoochee Hill Country

The potential incorporation of the City of Chattahoochee Hill Country 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 Chattahoochee Hill Country 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 Chattahoochee Hill Country, 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 Chattahoochee Hill Country 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 Chattahoochee Hill Country 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 Chattahoochee Hill Country, 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 Chattahoochee Hill Country. These revenue and expenditure projections for the City of Chattahoochee Hill Country are based on our conversations with Fulton County

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service providers and the projections are 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 metropolitan area, and a statewide average estimate for municipal services of similar size cities. 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 Chattahoochee Hill Country.

These estimates are developed within a framework that would see two new cities in South Fulton County: (1) the City of South Fulton, which is estimated to have within its boundaries 95.57 percent of the population and 94.90 percent of the property value of the 2007 South Fulton Tax District; and (2) the City of Chattahoochee Hill Country, the remaining part of the 2007 South Fulton Tax District, which is 4.43 percent of the population and 5.10 percent of the property base. For our purposes, City of Chattahoochee Hill Country shares similar boundaries as defined for US Census Tract 104, excluding the reapportioned area as defined in Georgia HB 552 and the annexation area (annexed by the City of Palmetto), as defined by the Fulton County Commission as of January 1, 2007. Our geographical data for the City of Chattahoochee Hill Country is presented in Appendix A and our data sources are highlighted in Appendix B.

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Fulton County Final FY2007 South Fulton Tax District Budget

Our first reference for revenues and expenditures for the potential new City of Chattahoochee Hill Country 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 both the potential new City of South Fulton and the City of Chattahoochee Hill Country.

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. There are several issues surrounding the FY2007 budget in Table 2. First, revenue per capita shows an increase for FY2007 of 7.3 percent. Second, all expenditure categories are higher in FY2007. 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. This leads to an increase in total expenditures of 20.12 percent, and increases the deficit within the South Fulton Tax District by 105 percent compared to FY2006.

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

TABLE 2. FY 2006 FINAL & FY2007 APPROVED SOUTH FULTON COUNTY TAX DISTRICT BUDGET WITH PER CAPITA REVENUE AND EXPENSE BY POTENTIAL NEW CITY

	2006 Actual	2006 Actual Per Capita	2007 Final Budget	2007 Final Budget Per Capita	---Population Post Annexation---	
					South -----Fulton----	Chattahoochee ---Hill Country--
					45,183	2,096
<i>Revenues</i>						
Property Taxes	\$17,279,231	\$365	\$17,765,007	\$376	\$16,977,438	\$787,569
License & Permits	9,919,623	210	9,732,920	206	9,301,435	431,485
All Other	8,211,234	174	10,526,982	223	10,060,294	466,688
<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>\$1,685,742</i>
<i>Expenditures</i>						
Environ. & Comm. Dev. Services	\$5,480,965	\$116	\$6,334,596	\$134	\$6,053,767	\$280,829
Finance	351,884	7	450,000	10	430,050	19,950
Fire	14,899,834	315	17,282,772	366	16,516,582	766,190
Non Agency	6,398,291	135	7,240,377	153	6,919,392	320,985
Parks & Recreation	2,772,996	59	3,455,257	73	3,302,077	153,180
Police	10,808,802	229	14,139,227	299	13,512,399	626,828
Tax Commissioner	0		0			
<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>\$2,167,962</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>	<i>(\$482,220)</i>
<i>Fund Balance - Beginning</i>	<i>\$0</i>		<i>\$6,697,316</i>	<i>142</i>	<i>\$6,400,407</i>	<i>\$296,909</i>
<i>Transfer from SSD</i>	<i>\$12,000,000</i>		<i>\$6,000,000</i>	<i>127</i>	<i>\$5,734,005</i>	<i>\$265,995</i>
<i>Fund Balance - Ending</i>	<i>\$6,697,316</i>		<i>\$1,819,996</i>	<i>38</i>	<i>\$1,739,311</i>	<i>\$80,685</i>

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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 Chattahoochee Hill Country area. We find that compared to the entire SSD in FY2005, corrections to personnel needs appear to have taken place by FY2006.

TABLE 3. SOUTH FULTON TAX DISTRICT FUND PERSONNEL

	FY2005 Total SSD	FY 2006 South Fulton Tax District	-----FY 2007-----	
			South Fulton Tax District	Chattahoochee Hill Country*
<i>Environment & Community Development</i>				
Total Full-Time	165	75	79	4
Total Temporary	5	0	0	0
<i>Fire</i>				
Total Full-Time	447	238	223	11
Total Temporary	0	2	0	0
<i>Parks & Recreation</i>				
Total Full-Time	111	36	37	2
Total Temporary	207	0	0	0
Total Seasonal	156	0	0	0
<i>Police</i>				
Total Full-Time	367	228	230	12
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	0
<i>Total Full-Time Positions:</i>	<i>1,109</i>	<i>592</i>	<i>571</i>	<i>29</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>

* Based on population proportion and approved FY2007 Budget.

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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.

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 each city and county that borders Chattahoochee Hill Country with the South Fulton Tax District. 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 bordering counties, and that Police costs are at least 20 percent higher.

TABLE 4. POLICE AND FIRE COSTS PER CAPITA

	Fire	Police	Sheriff*	Population
<i>South Fulton Tax District</i>	\$366	\$299	n/a	47,279
DCA Metro	106	249	n/a	n/a
Carroll County	107	n/a	\$57	105,453
Coweta County	62	n/a	74	117,855
Douglas County	103	n/a	101	112,760
Palmetto City	269	171	n/a	5,112

* Sheriff provides enforcement services in these counties.

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 of these potential explanations, significant cost reductions seem a likely approach to the imbalances observed in the FY2007 approved South Fulton Tax District budget.

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South Fulton Tax Digest Data

Our first set of estimates of the revenues and expenditures for the potential new City of Chattahoochee Hill Country 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 consulting with Fulton County and exploring the data provided to the Georgia Department of Revenue, we found that all vehicles and utility properties for all of the unincorporated area of the county were allocated by Fulton County to the South Fulton Tax District. This is clearly not correct, 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 Chattahoochee Hill Country in the following manner. First, using Geographical Information Systems (GIS), we reference all property in Chattahoochee Hill Country. 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 \$172,635,869 for Chattahoochee Hill Country, excluding both vehicles and utilities as shown in Table 5. To derive vehicle property values for Chattahoochee Hill Country, 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.

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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;
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. ALLOCATION OF PROPERTY VALUES TO CHATTAHOOCHEE HILL COUNTRY

	40% Value	Millage per \$1000 Property Value	Tax
Property Digest	\$172,635,869	5.731	\$989,376
Utilities	8,432,645	5.731	48,327
Vehicles	5,798,295	5.731	33,230
<i>Total</i>	<i>\$186,866,809</i>	<i>5.731</i>	<i>\$1,070,934</i>

Table 5 shows the final property values for the City of Chattahoochee Hill Country. If the City of Chattahoochee Hill Country was incorporated today the total property tax digest revenue is estimated at \$1,070,934.

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Estimates for the City of Chattahoochee Hill Country

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 Chattahoochee Hill Country. 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 Chattahoochee Hill Country is approximately \$550,000. We allocate franchise fees to the City of Chattahoochee Hill Country based on the minimal fees found in the Metro area: \$25 per capita. When looking at expenses (we remind the reader that our role as estimators is to produce a conservative estimate), we allocate public works costs from the current Fulton County General Fund and 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 Chattahoochee Hill Country would have a deficit of about \$16,000 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, \$1,236 per capita, would be the highest in Fulton County and also 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 potential new City of South Fulton with a different demographic and socio-economic base than the potential City of Chattahoochee Hill Country. 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 E, cities of similar size in Georgia to the City of Chattahoochee Hill Country. This estimate focuses on expenditures for municipal services of cities

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TABLE 6. CHATTAHOOCHEE HILL COUNTRY ALLOCATIONS IN SOUTH FULTON TAX DISTRICT WITH FULTON COUNTY EXPENDITURES

	Chattahoochee Hill Country -FY 2006 Tax Digest Basis-	
	Totals	Per Capita
<i>Revenues</i>		
Property Taxes	\$1,070,934	\$511
Local Option Sales Tax (LOST)*	550,326	263
Franchise Fees**	52,400	25
Licenses & Permits	431,776	206
All Other	467,408	223
<i>Total Revenues</i>	<i>\$2,572,844</i>	<i>\$1,228</i>
<i>Expenditures</i>		
Environmental & Community Development Services	\$280,829	\$134
Finance	19,950	10
Fire	766,190	366
Non Agency	320,985	153
Indirect Costs***	228,820	109
Contribution To Enterprise Fund	11,393	5
Electricity	26,775	13
Telephone	9,279	4
MARTA Match	155	0
Transfer-General Fund-Cops Payment	32	0
Transfer To General Fund-Atlanta Humane Society	6,338	3
Contingency	38,192	18
Parks & Recreation	153,180	73
Police	626,828	299
Tax Commissioner (1% of Property Taxes)	10,709	6
Public Works****	397,907	190
Debt Service	11,908	6
<i>Total Expenditures</i>	<i>\$2,588,487</i>	<i>\$1,236</i>
<i>Surplus (Deficit)</i>	<i>(\$15,643)</i>	<i>(\$8)</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.

TABLE 7. FY 2008 CHATTAHOOCHEE HILL COUNTRY REVENUE AND 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	\$989,376	\$472	\$989,376	\$472	\$989,376	\$472
Vehicles	33,230	16	33,230	16	33,230	16
Utilities	48,327	23	48,327	23	48,327	23
LOST Sales Tax*	550,326	263	550,326	263	550,326	263
Fines and Forfeitures**	72,484	35	59,296	28	59,296	28
Franchise Fees***	52,400	25	52,400	25	52,400	25
Licenses & Permits	431,776	206	431,776	206	431,776	206
All Other	467,408	223	467,408	223	467,408	223
<i>Total Revenues</i>	<i>\$2,645,328</i>	<i>\$1,262</i>	<i>\$2,632,139</i>	<i>\$1,256</i>	<i>\$2,632,139</i>	<i>\$1,256</i>
<i>Expenditures</i>						
General Administration	\$157,689	\$75	\$219,414	\$105	\$219,414	\$105
Financial Administration	72,935	35	94,273	45	94,273	45
Building & Grounds	57,342	27	19,387	9	57,342	27
Building Inspections	35,732	17	27,728	13	35,732	17
Municipal Court	72,484	35	59,296	28	72,484	35
Police	522,243	249	471,805	225	522,243	249
Jail	65,757	31	6,720	3	65,757	31
Fire****	222,709	106	51,986	25	563,824	269
Highways & Streets	177,413	85	202,224	96	202,224	96
Parks & Recreation	167,609	80	44,404	21	167,609	80
Community Development*****	41,793	20	40,077	19	194,928	93
Debt Service*****	11,908	6	11,908	6	11,908	6
Natural Resources	6,021	3	0	0	6,021	3
Garbage Collection	16,003	8	26,637	13	26,637	13
Garbage Disposal	1,946	1	12,112	6	12,112	6

Table 7 continues next page...

TABLE 7 (CONTINUED). FY 2008 CHATTAHOOCHEE HILL COUNTRY REVENUE AND 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 (cont.)</i>						
Group Insurance	36,324	17	31,151	15	36,324	17
Legal Fees	6,669	3	27,912	13	27,912	13
Drainage	3,158	2	234	0	3,158	2
Other	226,243	108	114,482	55	226,243	108
<i>Total Expenditures</i>	<i>\$1,901,977</i>	<i>\$907</i>	<i>\$1,461,748</i>	<i>\$697</i>	<i>\$2,546,143</i>	<i>\$1,215</i>
<i>Surplus (Deficit)</i>	<i>\$743,351</i>	<i>\$355</i>	<i>\$1,170,392</i>	<i>\$558</i>	<i>\$85,996</i>	<i>\$41</i>

Note: Columns will not add exactly to totals due to rounding.

* 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.

**** Fire cost is based on the approved FY2007 budget in the City of Palmetto.

***** Conservative estimate based on the average between the surrounding counties, City of Palmetto, and the South Fulton Tax District budgeted costs for FY 2007.

***** Debt based on current assets owned by Fulton County for Chattahoochee Hill Country.

¹ Derived from DCA Financial Data for cities in the 10 County Atlanta Regional Commission area in the city size category for Chattahoochee Hill Country (Category E).

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across Georgia that is similar in population size to the potential new City of Chattahoochee Hill Country.

The last column, entitled “Conservative Basis” is our own estimate based on an expenditure structure that is high and a revenue structure that is low. In all of 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 City of Chattahoochee Hill Country would have a substantial surplus. We acknowledge this result is based on average cities in the State of Georgia; however, we would like to focus on the conservative estimates.

We focus here on the revenue estimates in the column entitled “Conservative Basis.” We take the lowest estimates for “Fines and Forfeitures” found under the DCA Like City Basis column, again, to conservatively reduce revenue. It 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 and Community Development expenditures which we have modified from the DCA data. We begin with fire costs. To address fire costs, we use the per capita cost of the bordering government of Palmetto as found in Table 4. This result more than doubles fire costs over the average fire costs found in the DCA Metro Basis column. We feel this is a high inflator of fire cost for a rural area such as the City of Chattahoochee Hill Country, but it is in keeping with our conservative approach.

The last expenditure not directly related to the DCA data is Community Development. In this expenditure we allocate the costs per capita by averaging FY2007 budget spending for Community Development in the City of Palmetto, the

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surrounding counties, and the South Fulton Tax District. This is a very high cost for Community Development, almost five times the average cost found in the DCA Metro Basis.

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Opinion

In these estimations of the revenues and expenditures for 2008 for the potential new City of Chattahoochee Hill Country, we approach the estimates based on the principal of conservatism. That is, we intentionally 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, supported by our overall findings, that the City of Chattahoochee Hill Country is financially viable. We find that the conservative estimates can provide the City of Chattahoochee Hill Country with a surplus balance that is similar 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 Chattahoochee Hill Country with a reasonable reserve fund and indicate the viability of this potential new city.

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Appendix A: Background of the Geographical Area of the City of Chattahoochee Hill Country

Although the geographical area now defined by legislative act as the potential City of Chattahoochee Hill Country 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 1/1/2007. 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 Chattahoochee Hill Country is bordered by one city, the City of Palmetto and four counties: Carroll, Coweta, Douglas, and Fulton.

As shown in Table A1, the City of Chattahoochee Hill Country is approximately 0.26 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 8 percent while the white population is about 79 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 Chattahoochee Hill Country is lower as a percentage than found in Fulton County.

TABLE A1. ESTIMATED POPULATION STATISTICS

	Chattahoochee Hill Country	Fulton County
Total Population	2,096	816,006
White	78.63%	48.23%
Black	7.66%	44.35%
Population Over 18 Years of Age	73.00%	79.11%

The City of Chattahoochee Hill Country has about 2.48 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 Chattahoochee Hill Country and Fulton County are similar, however; the City of Chattahoochee Hill Country has a much lower percentage of households below the poverty level when compared to Fulton County, as shown in Table A2. This should provide the City of Chattahoochee Hill Country a financial savings, since it will not

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have to provide as many community development services that cities usually provide to assist impoverished households.

TABLE A2. ESTIMATED HOUSEHOLD STATISTICS

	Chattahoochee Hill Country	Fulton County
Total Households	846	321,266
White	84.84%	53.45%
Black	13.92%	41.08%
Households on Public Assistance	3.1%	3.61%
Household Below Poverty	8.0%	15.73%

Table A3 shows that the median household income for the City of Chattahoochee Hill Country is lower than that of Fulton County. When looking at housing, the City of Chattahoochee Hill Country has a lower percentage of renters and a higher percentage of non-vacant (occupied) housing. The finding that housing is 96 percent occupied in the City of Chattahoochee Hill Country indicates not only that available housing stock is less than Fulton County, but that as the population growth in the City of Chattahoochee Hill Country continues at about 5 percent annually, housing needs will exceed current housing stock.

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

	Chattahoochee Hill Country	Fulton County
Median Household Income	\$44,113	\$47,321
Occupied Housing	96.23%	92.14%
Renter Occupied Housing	25.74%	47.93%

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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 rate of 5.731 per \$1000 in assessed property value. Under new legislation, the Schafer Amendment, the unincorporated areas of Fulton County that remain after the 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 expenditure 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 Chattahoochee Hill Country.

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.

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

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