



Carl Vinson Institute of Government **UNIVERSITY OF GEORGIA**

Fiscal Feasibility Analysis for a Proposed
City of Mableton

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Executive Summary

Over the last several years, the University of Georgia's Carl Vinson Institute of Government has conducted a number of feasibility studies for proposed incorporations. Those studies, like this one, have been designed to provide the groups and legislators that have commissioned them an opportunity to investigate the potential fiscal feasibility of an area being considered for municipal incorporation. Essentially, the studies seek to determine whether the services sought to be provided by a hypothetical city, along with the necessary administrative apparatus, can be adequately funded by the revenues that would be available. The House of Representatives' Governmental Affairs Committee of the Georgia General Assembly has required by committee rule that bills proposing incorporation be introduced in the first year of a biennial session and that a feasibility study be conducted before they can be considered in the second year. The committee has named the Institute of Government as one of the two university institutions qualified to conduct such studies.

To determine available revenues, the Institute of Government research team looked at the amounts of revenue being paid to the county government currently providing services to the area under study and any revenue streams uniquely available to municipalities such as franchise fees or shares of local option sales taxes. To determine the likely operational expenses associated with providing planning and zoning, code enforcement, solid waste, parks and recreation, and basic administrative costs, as well as capital costs associated with those services and administration, the research team looked at two comparison governments in the nearby area, the City of Smyrna and the City of Marietta.

It is important to note the limitations of these types of studies. They cannot predict every possible variable that may occur in the future that could potentially impact the costs of government. Additionally, the study is not intended to provide a model budget for a new city. A newly elected city council will endeavor to represent its constituencies and will have a set of priorities that may impact both taxing and spending patterns.

The Institute of Government is confident, however, that looking at currently available revenues and analyzing comparable municipal government spending, the methodology used in this study, reflects a realistic assessment of likely fiscal feasibility. Table 1 shows a summary of estimated revenues and expenditures for the study area in questions. Based on this analysis, the Institute of Government research team finds that likely available revenues exceed likely expenditures for the services identified to be provided, and therefore conclude that a city comprising the Mableton study area is fiscally feasible.

Table 1. Summary of Estimated Revenues and Expenditures

Item	Study Area
<i>Annual Expenses</i>	<i>\$10,040,322</i>
<i>Annualized Capital Expenses</i>	<i>\$1,338,686</i>
Total Annual Operating Expenses	\$11,379,008
Total Annual Revenues	\$14,612,652
Total Annual Revenues Less Expenses (Surplus)	\$3,233,644

Introduction

The South Cobb Alliance, Inc. and State Representative Erica Thomas engaged the University of Georgia’s Carl Vinson Institute of Government to study an area within unincorporated Cobb County to aid their consideration of the area’s possible incorporation. Mableton, referred to as the “study area” in this report, is situated in the southern part of Cobb County. The study area comprises the area east of the City of Austell to the eastern border of Cobb County. The southern boundary of the study area also tracks the Cobb County boundary, while the northern boundary tracks the City of Smyrna on the eastern side and Hurt Road and Powder Springs Road on the northwestern side. See Appendix A for a map of the study area.

This report provides estimates of revenues and expenditures that a potential City of Mableton, if incorporated, could anticipate in providing certain municipal services for a single fiscal year. The revenue estimates are primarily based upon actual revenues collected for the unincorporated area by Cobb County in fiscal year (FY) 2018 as well as projections for franchise fees and other revenues. Expenditure estimates are primarily based on costs for services in the cities of Marietta and Smyrna. For each city that was used to establish cost estimates, the Institute of Government faculty examined its budget documents and conducted interviews with city staff about the proper allocation of certain costs and to clarify figures and line items reported in their budgets.

The cities of Marietta and Smyrna were selected at the outset of the study to be used as the primary comparisons for expenditure purposes. These cities are the most similar in size to the study area of all cities located in Cobb County. The most recent budget documents from each city were used to estimate costs (typically budget documents for FYs 2018 and 2019). When possible, estimates are based on actual expenditures, which tend to lag budgeted amounts; consequently, the data used are typically for FY 2017 and FY 2018. Because the proposed new city is projected to only provide a limited set of municipal services, for some expenditure estimates such as indirect or support services, the City of Peachtree Corners was used as a

comparison because it is the only city of comparable size that provides such a limited set of services. The research team believes these were the best available data during the time the study was conducted. The comparison cities generally provide municipal services through their own directly employed city staff.

Estimates given in this report are based on tax levies and service levels for a city not yet created; thus, they should not be viewed as certainties. Also note that the research team took a purposely conservative approach to assessing fiscal viability. This conservative approach involves providing lower estimates of revenues and higher estimates of expenditures in cases where an alternative approach might provide higher revenue estimates and lower expenditure estimates. While the research team hopes that this report assists with the public consideration of a potential municipal incorporation, it should not be construed to constitute a position either for or against the establishment of a City of Mableton by the Carl Vinson Institute of Government.

Revenues

The revenue estimates outlined below include all major revenue sources a city representing the study area would have collected had it existed in 2018 and assessed taxes and fees at rates similar to Cobb County in that same period. Most of the revenue analysis is based on revenue collections by Cobb County in 2018. The analysis uses the most recent available data to capture the most current revenue climate in the area under study. Note, however, that the amount of revenue generated from different sources can vary from year to year due to a variety of factors. In calculating these estimates, the Institute of Government researchers applied metrics used in prior research that were accepted by stakeholders in some of the most recent incorporation studies. Thus, to the extent possible, this report uses similar revenue estimation methodologies as those provided in both Georgia State University's 2007 report, *The Fiscal Impact on DeKalb County with Possible Incorporation of Dunwoody, Georgia* and the Carl Vinson Institute of Government's 2008 report, *Revenue and Expenditure Analysis of a Proposed City of Dunwoody*. The method for determining how much revenue was assigned as coming from the study area is described in Table 2.

Special Considerations and Assumptions

For the purposes of this analysis, the proposed City of Mableton is assumed to provide only the following limited set of services: planning and zoning, code enforcement, parks and recreation, and sanitation/solid waste (to be provided through either an enterprise fund or franchise arrangement). Because the proposed city would not be providing some of the more expensive services such as fire or law enforcement, and because some of the services to be provided (e.g., building permitting and recreation programs) involve service charges that can generate revenue, it is assumed that the proposed new city would not levy a property tax. Also, because the proposed new city is not assumed to levy a property tax, it would also not be eligible to receive revenue from real estate transfer taxes or intangible taxes. However, because the new city, once incorporated, could choose to levy these taxes, the appendix presents an estimate of the potential revenue these taxes could generate.

Another special consideration is the potential for the new city to receive revenue from the county to address the issue of double taxation. Counties in Georgia are required by law to not “double tax” municipal taxpayers, i.e., tax municipal tax payers for municipal-type services that these taxpayers only receive from the city government. That is, because city taxpayers pay a municipal tax for these same services, they should not also have to pay the county for service they receive from the city. To address this prohibition of double taxation, many counties in Georgia have created a special tax district comprising the unincorporated area. By applying a property tax in this unincorporated area but not in the incorporated parts of the county, the county government ensures that the municipal taxpayers are not taxed for municipal-type services they do not receive from the county government. Cobb County has not addressed the double taxation prohibition through the creation of a special tax district. Instead, the county agreed to make yearly payments to the cities in Cobb County based on their respective property tax digests. Whether the proposed new city can participate in this payment agreement is an open question. Following the conservative fiscal analysis approach taken in this report, the research team did not allocate any revenue from this potential revenue source.

Table 2. Summary of Study Area Revenue Estimates

Revenue Source	Data Source	Amount
Occupation Taxes	Actual amounts provided by Cobb County Finance Department	\$1,310,257
Alcoholic Beverage Excise Taxes	Actual amounts provided by Cobb County Finance Department	\$60,711
Hotel/Motel Taxes (restricted to tourism)	Actual amounts provided by Cobb County Finance Department	\$624,556
Hotel/Motel Taxes	Actual amounts provided by Cobb County Finance Department	\$374,734
Bank Shares Taxes	Cobb County does not levy this tax.	\$0
Intangible Taxes & Real Estate Transfer Tax	As it is assumed the proposed city would not levy a property tax, there would not be revenue from this source.	\$0
Building and other Development Permits	Actual amounts provided by Cobb County Finance Department	\$1,144,256
Fines (Municipal Court)	Estimated based on comparison with Peachtree Corners' revenue	\$7,366
Insurance Premiums	Ratio of population in study area to unincorporated area	\$4,214,974
Service Delivery Strategy Payment	Estimated based on SDS agreement allocation method	\$0
Local Option Sales Tax	Cobb County does not levy a local option sales tax	\$0
Energy Excise Tax	As Cobb County does not levy a local option sales tax, no energy excise tax is collected	\$0
State Grant – Community Development Block Grant	Because eligibility for an award is based on poverty rates, the probability of an award to the study area is not high.	\$0
Franchise Fees	Regression with data set of 28 cities	\$4,677,658
Special Purpose Local Option Sales Tax (restricted to capital)	Based on ratio of municipal SPLOST shares to municipal population shares of county SPLOST and population	\$0
Miscellaneous	Represents a number of small revenue sources. See <i>Appendix B</i> .	\$1,181
Motor Vehicle Tax	Estimated based on historical shares of vehicle values combined with population and property value proportions	\$1,824,919
Parks and Recreation Fees	Actual amounts as reported by Cobb County Parks and Recreation Department	\$372,040
Total Revenue Estimate		\$14,612,652

A. REVENUES RELATED TO VARIOUS COMMERCIAL ACTIVITIES

A number of taxes currently collected in the unincorporated area of Cobb County are generated solely by commercial activity. Cobb County provided much of this data using geographic information system (GIS) mapping. Table 3 illustrates the ratios of residential, commercial, industrial, utility, and total assessed property value of the study area to the unincorporated area in Cobb County.

Table 3. 2018 Property Values in Study Area and Unincorporated Cobb

	Study Area	Unincorporated Cobb County	Percent Study Area to Unincorporated
AV Residential Property	\$1,507,680,219	\$18,889,888,325	7.981%
AV Commercial Property	\$770,302,902	\$8,478,488,607	9.085%
AV Commercial & Residential	\$2,277,983,121	\$27,368,376,932	8.323%
AV Industrial Property	\$37,009,832	\$137,846,467	26.849%
AV Utility Property*	–	\$749,132,780	0.000%
AV Conservation Property	\$1,066,376	\$77,376,182	1.378%
Total Assessed Value	\$2,316,059,329	\$27,583,599,581*	8.397%

Note: AV=assess value.

*The Cobb County Tax Commissioner's Office was not able to estimate the value of utility property in the study area. Consequently, in developing percentages of assessed value of study area properties to the unincorporated area properties, utility property and some other minor land-use classes were excluded.

Occupation Taxes

Occupation taxes are levied on persons and entities engaged in occupations or trades for profit-making purposes. Cobb County levies an occupation tax in the unincorporated area.

Alcoholic Beverage Excise Taxes

Alcoholic beverage excise taxes are collected on individual retail sales of alcoholic beverages.

Personal Property Taxes

Personal property taxes are levied on personal property owned by commercial businesses. The analysis assumes that the proposed new city would not impose a property tax and as such would also not receive any revenue from personal property taxes.

Hotel/Motel Taxes

Hotel/motel taxes are collected based on a percentage of the nightly room rate charged by hotels within the jurisdiction of a city or county that levies the tax. Cobb County levies a tax of 8% of the nightly room rate (O.C.G.A. § 48-13-51 (a) 5.1). Pursuant to state law, however, only the revenue generated by a 3% tax may be spent for general fund purposes; the remaining revenue must be spent on activities promoting tourism, generally by contract with a nonprofit.

Bank Shares Taxes

Cities and counties are permitted to levy a tax on depository financial institutions that have offices located in their respective jurisdictions. Currently, Cobb County does not levy a financial institutions tax. While the proposed new city could levy such a tax, the research team did not allocate revenue from this source to the new city based on an assumption that the new city would have the same level of taxation as is currently the case in the unincorporated area.

Intangible and Real Estate Transfer Taxes

Real estate transfer and intangible taxes are levied on the transfer of real estate and on the value of notes to secure debt backed by real estate. Revenue from these taxes is typically divided among all taxing jurisdictions based on the proportion that the millage rate levied by the jurisdiction bears to the total millage rate levied on that property. The research team assumed that the proposed new city would not impose a property tax and as such would also not receive any revenue from intangible and real estate transfer taxes.

Development Fund Zoning and Variance Fees and Permits

Development fees are fees charged for permits related to development, such as plumbing, electrical, HVAC, and building inspections. This figure also represents revenue collected from applicants for zoning changes and variances.

B. METHODOLOGIES UTILIZING RATIOS OF THE POPULATION IN THE STUDY AREA TO THE UNINCORPORATED AREA

A number of revenue sources depend more directly on the number of individuals engaging in certain behaviors such as the purchase of insurance, watching cable television, owning a car, and committing traffic offenses. For these revenue sources, the research team assumed that these behaviors are fairly constant across the unincorporated population of Cobb County; thus, the ratio of the population of the study area to the entire unincorporated area was applied to the actual revenues. Table 4 gives the population figures for the study area and unincorporated Cobb County.

Table 4. Population Figures for Study Area and Unincorporated Cobb

	Study Area	Unincorporated Cobb County	Percent Study Area to Unincorporated
Population (based on 2010 Census)	70,644	509,750	13.9%
	Study Proxy Area Mableton, Census Designated Place	Cobb County	
Median Household Income	\$ 60,056	\$72,004	
Poverty Rate	13.8%	10.9%	

Population figures are from the 2010 Census, and income and poverty figures come from the American Community Survey, 2012–2016 ACS Five-Year Selected Population estimates, using block groups that approximate the study area.

Use of Population Figures in This Report

It is necessary to estimate the population based on counts for census areas with the finest-grained geographies. These areas are typically census blocks for which population counts are only taken every 10 years at the decennial census. Because decennial census figures are generally assumed to be the best possible population estimates, Institute of Government researchers typically use decennial census figures for all revenue and expenditure estimating procedures used in a fiscal viability analysis. However, as the time of the fiscal analysis gets further away from the time of the decennial census, the potential for error in using these figures increases. For example, if population in the study area has grown by 8% since the prior decennial census figures were determined, the expenditure estimates that use per capita expenditures as a basis could potentially underestimate expenditures by 8%. Because of this potential and following the conservative fiscal analysis approach taken in this report, the Institute research team instead generated a 2017 estimate of the population in the study area and used this updated population figure as appropriate. This estimate involved inflating the 2010 decennial census estimate by the percentage of growth in the county population between 2010 and 2017. This resulted in a population estimate for the study area of 76,423. Where 2017 study area population estimates are used in the analysis, comparable 2017 estimates for the unincorporated area are also used, as appropriate.

Insurance Premiums Tax

Insurance premiums taxes are collected on policies written for both property and casualty and life insurance policies purchased by those insured within the jurisdiction of a city or unincorporated areas of a county.

Fines

Because the proposed new city does not currently plan to operate a police department, the amount of fine revenue expected would be minimal as it would only include fines for building, zoning, and code violations. The Institute research team utilized a comparison of data from Peachtree Corners to estimate this revenue.

Motor Vehicles

Under the local title ad valorem tax (TAVT) fee, cities receive a 23% share of the local share of TAVT revenues for vehicles registered in the city jurisdiction. The local share represents 65% of the total TAVT revenue collected. The remaining 35% of the revenue is distributed to the state. Because recent changes to the new TAVT had not gone into effect when the study was underway, the data needed to precisely calculate the likely revenue for the study area were not

available. The most recent year in which jurisdiction-specific data on motor vehicle values are available is 2012. The estimation method involves the following steps:

- Identify the total TAVT revenue collected in the county in 2017: \$146,358,655
- Calculate the total local share of this revenue: \$95,133,126
- Reduce this share by 1% to account for administrative costs. Adjusted local share: \$94,181,794
- Calculate the municipal share (assuming all areas of the county were incorporated): \$21,661,813
- Using 2012 motor vehicle data (which includes assessed values of motor vehicles in each jurisdiction), calculate the share of total county motor vehicle values that are attributed to the unincorporated area. This share is: 75.71%
- Estimate the value of the municipal share of the TAVT in the unincorporated area and estimate the study area share of this unincorporated share using a per capita basis.
- Estimate the study area share of this unincorporated share using a property value basis.
- Take the average of these last two calculations.

Table 5 shows the results.

Table 5. TAVT Collection for the Study Area

Estimated Value of Municipal Share of TAVT in the Unincorporated Area	\$16,400,029
Estimated Study Area Share Based on Pop. Share	\$2,272,807
Estimated Study Area Share Based on Property Values	\$1,377,030
Average of Methods	\$1,824,919

¹

¹ As a check on the estimate produced above, the research team worked with the Finance Director of the City of Smyrna to attempt to assess the results of our methodology against actual TAVT collection figures. At the time of the collaborative work with the City of Smyrna's Finance Director the City had collected 6 months of TAVT revenue under the new allocation system. By extrapolating these data to estimate a full year of TAVT revenue, it was estimated that Smyrna would receive approximately \$1.7 million in FY 2020. This amount was not substantially different from the amounts estimated for Smyrna (i.e., ~\$1.6 million with FY 2017 TAVT collections as a base) using the methodology outlined above. The only difference in the methodology used to produce the Smyrna estimate was the use of motor vehicle property values rather than total property values. Real property values were used in the study area estimate because motor vehicle values for the study area were not available.

C. LOCAL OPTION SALES TAXES

To receive a share of the local-option sales tax (LOST) revenue, a city must be qualified and the county must choose to levy the tax. As Cobb County has not chosen to levy this tax, the proposed new city would not receive any revenue of this type. Moreover, the currently proposed list of services to be provided by the new city would not make it eligible to receive LOST revenue were the county to choose to levy the tax.

Local Excise Tax on Energy Used in Manufacturing

The local excise tax on energy used in manufacturing is an optional local tax. The local excise tax is levied at the same rate as local county/city sales taxes. The revenues from this tax are shared between the county and the cities based upon the same proportional share each receives from local sales taxes. Because Cobb County does not levy a sales tax, the proposed new city would also not receive revenue from the local excise tax on energy.

D. COMMUNITY DEVELOPMENT BLOCK GRANT

Community development block grants (CDBG) are awarded by the federal and state governments to local governments meeting certain criteria. According to the Georgia Department of Community Affairs, “Eligible applicants selected for funding will be those having the greatest need as evidenced by poverty and per capita income and whose applications most adequately address the needs of low- and moderate-income persons and have the greatest impact.” Cobb County has in recent years received some CDBG funding. Specifically, the original allocation for CDBG for 2017 was \$3,912,216 and for 2018 was \$3,710,086.

Based on the relatively low poverty rate and relatively high household income in the study area, it is unlikely that the proposed new city would receive substantial and sustained CDBG funding. As such, and in keeping with a conservative fiscal estimate, no CDBG funding is included in the accounting of the study area’s fiscal viability.

E. FRANCHISE FEES

Some revenue sources are unique to municipal corporations in Georgia. Franchise fees are essentially rental compensation by a private utility company for use of a city’s public rights-of-way. For estimating the electric, natural gas, cable, and telephone franchise fees, the Institute of Government researchers used a regression model with franchise fees paid to 28 cities in Georgia in 2016, the latest data available. The data were only available as a total number for franchise fees and were not broken down by type. The regression output is shown in Appendix C.

Franchise Fees – Cable

Federal and state law allows cities and counties to enter into franchise agreements with cable companies to compensate the local government for their use of public rights-of-way. These fees are usually 5% of the revenue derived from cable television services.

Franchise Fees – Electric

Franchise fees for electric utilities are the result of contracts between municipal corporations and electric utility providers that occupy a city's rights-of-way. These agreements typically provide that 4% of the gross sales of electric power within a city's limits less sales taxes and fuel costs be paid annually to the city to compensate it for use and occupancy of public property. The sole electric utility provider in the study area is Georgia Power. Pursuant to recent rulings by the Georgia Public Service Commission, half of the annual franchise fee paid by Georgia Power to municipal corporations is collected from the rate base of all Georgia Power customers statewide (as a cost of doing business), and the other half is collected as a fee solely on the electric bills of customers within the municipality collecting that fee. Thus, collection of the electric franchise fee would result in an increase of approximately 2% in the electric bills of city customers.

Franchise Fees – Natural Gas

Natural gas distribution utilities occupying public rights-of-way in the study area would be subject to franchise fees for the use of these rights-of-way were the study area to become a municipal corporation. Such franchise fees to cities are typically paid out of the rate base of all natural gas customers as a cost of doing business.

Franchise Fees – Phone

Because only landline telephone service requires occupancy of municipal rights-of-way, movement away from landline service to internet-based and cellphone services is making this a diminishing revenue source for municipal corporations.

F. REAL PROPERTY TAXES

Cobb County does not levy a property tax that is exclusively used to provide for municipal-type services to the unincorporated area, i.e., a tax that the study area taxpayers would no longer have to pay once they were part of a municipality. Consequently, there is no basis on which to allocate to the proposed new city a tax revenue amount that would be equivalent to the relief from county property taxes these taxpayers would receive upon incorporation. Instead, the research team estimated an amount of intergovernmental revenue that the new city could receive as part of the intergovernmental agreement that Cobb County and its cities entered into as part of a service delivery strategy resolution. Because the proposed new city may choose to levy a property tax in the future, the analysis includes information on the amount of revenue that a one-mill tax would provide to the city.

G. SPECIAL-PURPOSE LOCAL-OPTION SALES TAXES

The special-purpose local-option sales tax (SPLOST) is a potential revenue source for local governments; the use of the funds is restricted to capital projects. Cities and counties can potentially both participate in SPLOST, but there is no guarantee that cities or any particular

city will receive either revenue or capital projects from this tax. Georgia law specifies the following:

“Prior to the issuance of the call for the referendum and prior to the vote of a county governing authority within a special district to impose the tax under this part, such governing authority may enter into an intergovernmental agreement with any or all of the qualified municipalities within the special district.”²

For the purposes of the SPLOST tax, a "qualified municipality" means only those incorporated municipalities that provide at least three of the following services, either directly or by contract: law enforcement; fire protection (which may be furnished by a volunteer fire force) and fire safety; road and street construction or maintenance; solid waste management; water supply or distribution or both; waste-water treatment; storm-water collection and disposal; electric or gas utility services; enforcement of building, housing, plumbing, and electrical codes and other similar codes; planning and zoning; recreational facilities; or library.³

Two distribution methods could potentially leave a city without a share of the SPLOST revenue benefits:

1. If the county board of commissioners proposes to fund one or more Level One county projects using SPLOST, and the Level One projects would consume 100% of the estimated SPLOST revenues, no qualified municipality would receive SPLOST funds.⁴
2. If the board of commissioners negotiates an intergovernmental contract to determine the distribution of SPLOST funds, the agreement is effective so long as it is between the county and one or more qualified municipalities representing 50% or more of the municipal population in the county.⁵

In the first case, no city would receive a SPLOST benefit. In the second case, cities that are not included in the negotiation/agreement could potentially be excluded from the benefit. In the case of Cobb County, for example, even after the incorporation of the new city, the existing cities would together comprise more than 50% of the municipal population and could potentially approve a revenue distribution that excluded the new city. Moreover, there is no provision in Georgia law for newly incorporated cities to get a share of currently negotiated

² O.C.G.A. § 48-8-111.

³ O.C.G.A. § 48-8-110.

⁴ Level One projects are capital projects for the use and benefit of the citizens of the entire county that are needed to implement state-mandated county responsibilities. See ACCG. 2016. *Special Purpose Local Option Sales Tax: A Guide for County Officials*, 6th edition. Retrieved from www.accg.org/library/legal/SPLOST%202016.pdf.

⁵ O.C.G.A. § 48-8-115.

SPLOST revenue. As such and because this analysis provides a conservative revenue estimate, no revenue for the proposed new city is estimated from this source.

H. SERVICE DELIVERY STRATEGY PAYMENTS

In 2017, Cobb County and its cities extended their Service Delivery Strategy (SDS) Agreement. As part of this agreement and as part of an effort to resolve any remaining tax equity issues between the county and its cities, the Cobb County government agreed to make a series of payments to the cities. These payments increase incrementally from 2014 to 2023, at which point the agreement will be renegotiated. The payments are to be allocated to the cities based on each city's respective share of the aggregate tax digests of municipal governments in the county. The creation of a new municipality in the county could potentially trigger a renegotiation of the SDS Agreement, but for the purpose of this fiscal viability analysis, the research team assumed that the proposed new city would not be included under the existing agreement.

This potential source of revenue is not included in this analysis because the county and the existing cities may view the new city as not being a full-service city and therefore not deserving of a full share of the tax equity payments that the county has agreed to make. That is, the payments that the county has agreed to make represent a means of achieving equity between municipal and county taxpayers such that municipal taxpayers are not paying for county services that they do not receive. For cities that provide the full range of services, particularly expensive services such as law enforcement, the payment from the county is designed to compensate municipal taxpayers who are paying county taxes for county services that are only being provided to the unincorporated area (since the cities provide these services in the incorporated area). Because the proposed new city will not be providing law enforcement services, it can be argued that these new city taxpayers do not deserve the same level of compensation for the county taxes they will be paying because, unlike taxpayers in the other cities, they will be receiving some of the municipal-type services for which they have paid county taxes.

I. REVENUES FROM SERVICE CHARGES

Because the proposed new city will provide recreation services, users of these services are expected to partially pay for their provision. While the exact fee rates and user charges that the new city would implement are not known, the research team could roughly estimate revenues by assuming that the new city would implement fees and charges that are similar in scope to those currently in place. Thus, the Institute research team requested and received two years of fee revenue data from the Cobb County Parks and Recreation Department for the programs and services offered in the study area.

The Parks and Recreation Department fee revenue data revealed that the major revenue source for the department could be traced to a single facility, the Mable House Barnes Amphitheatre. This facility accounted for approximately \$1.3 million out of \$1.7 million in fee revenue. The

operation of amphitheater-type facilities tends to fall on the edge or outside of the traditional understanding of the scope of park and recreation departments' responsibilities. In addition, the comparison cities in the analysis do not provide a comparable service or facility. Consequently, and following a conservative fiscal analysis approach, Institute of Government faculty excluded the revenues from the Mable House Barnes Amphitheatre in this fiscal analysis.

Expenditures

The expenditure estimates below are based primarily on expenditures incurred by comparable governments that provide services similar to those contemplated to be provided by a city comprising the study area. In calculating these estimates, the Institute research team first established two primary comparable governments, the cities of Marietta and Smyrna. These cities were selected based on several factors. Both cities are located in Cobb County, part of the metropolitan area labor market. While the comparison cities are not quite as large as the study area, they are the largest cities in the area that have similar demographics and income characteristics. In terms of income and poverty factors, the study area is situated between the City of Smyrna and the City of Marietta. Both comparison cities provide the full range of services. This is not ideal from a comparison point of view in that the proposed new City of Mableton is currently slated to only provide the following direct services: planning and zoning, code enforcement, parks and recreation, sanitation, and a limited municipal court to manage code violations. Unfortunately, there are no cities of comparable size that provide the same limited set of services. Table 6 provides profile data for the study area and the comparison cities.

Table 6. Demographic Profile of Study Area and Primary Comparison Cities

	Study Area	Marietta	Smyrna
Population*	70,644	56,579	51,271
Race–White (not Hispanic)	37.82%	52.7%	53.8%
Race–Black	48.29%	31.5%	31.6%
Race–Asian	2.05%	3.0%	4.9%
Race–Other	8.98%	9.7%	6.7%
Ethnicity–Hispanic**	16.98%	20.6%	14.9%
Median Income	\$60,056	\$50,963	\$70,547
Poverty %	13.8%	19.0%	11.9%

* Population figures and racial makeup for the study area were determined based on Census block data using GIS mapping. The populations of the comparison cities come from 2010 US Census figures, and all other demographic data come from the US Census 2013–2017 American Community Survey.

**Hispanic is recognized as an ethnicity rather than a race in Census data. Therefore, the sums of all race and ethnic groups here may exceed 100%. Also, percentages are based on total population including two or more races, which is not shown in the table.

For most of the cost estimates given, the figures were derived by averaging the per capita costs of expenditures made by the two comparison cities for both FY 2017 and FY 2018.⁶ Some expenditure costs were not easily allocated to specific departments. In these instances, Institute faculty interpreted the budget and other financial documents based on local government finance and accounting knowledge and expertise. The explanation for how each estimate was derived is included below. Table 7 summarizes the expenditures.

Data from city budgets and financial statements were analyzed to provide a uniform basis for comparison. Because different cities include different elements within departmental budgets, the following adjustments to these budgets were necessary to provide a consistent overview of likely expenditures:

- Allocation of facility maintenance expenditures across departments
- Allocation of public works administration expenditures across public works units
- Extraction of municipal court expenditures from the police department budget
- Extraction of the finance, IT, legal, council, and manager/clerk/human resources (HR) functions from a generalized administration budget
- Adjustment for capital costs that are accounted for through a capital cost analysis

Table 7. Summary of Expenditure Estimates

Direct Services Operational Costs	
City Council	\$391,180
Legal Services	\$377,360
Municipal Court	\$7,034
Community Development	\$1,794,261
Tourism	\$624,556
Parks and Recreation	\$3,764,881
Subtotal	\$6,959,272
Indirect Services & Other Operational Costs	
Indirect/Admin. & Support Services	\$2,916,454
Contingency Fund	\$164,595
Total Operating Costs	\$10,040,322
Annualized Routine, Start-Up, & Park Acquisition Capital	\$1,056,536
Annual Lease Expenditure for Facilities	\$282,150

⁶ When available, actual expenditures numbers for both cities were used.

Total Annual Capital Costs	\$1,338,686
Total Annual Expenditures (Operating + Capital)	\$11,379,008
Surplus Based on Total Revenue Estimates	\$3,233,644

The capital amount represents costs for equipment, as well as furniture and financial software purchased for general government purposes. These costs are amortized over five years.

DIRECT AND INDIRECT SERVICES

The following sections attempt to identify the cost of providing an array of both direct and indirect (or support) services. Indirect or support services include such functions as accounting, purchasing, human resources, risk management, and the like. Typically, for a full-service city the research team would be able to delineate the specific expected expenditures for both types of services using the comparative city methodology. However, for cities that only provide a limited set of direct services (as is the case for the proposed city of Mableton), the comparison city methodology is likely to grossly overestimate expenditures on indirect services.⁷ That is, total expenditures on support services in a city that provides an extensive array of direct services will be much higher than expenditures for support services in cities that provide only a few direct services. Consequently, the research team used a different approach to estimating the cost of indirect or support services. This approach involved identifying a general relationship (or ratio) between direct and indirect service expenditures. A disadvantage of this approach is that it does not allow one to specify exactly where indirect service expenditures will be made, e.g., what the expected expenditures would be on a City Manager's Office versus those made on a Human Resources Office. Because of the method used to estimate indirect service costs, no detailed breakdown of these individual service or departmental units is provided. Experience suggests that governments that provide few direct services tend to differ substantially in how they organize the individual support services under different government units. That is, often they will combine several administrative functions into just a single or a couple of offices.

Direct Expenditures

Expenditures by Function

Estimates for direct service expenditures are broken out by functional area. In most cases, these costs were estimated by averaging FYs 2017 and 2018 expenditures of the comparison cities (Smyrna and Marietta). However, in a couple cases, Institute faculty based the estimates on departmental expenditures of the City of Peachtree Corners because it is the only city of substantial size that provides a limited set of services such as is proposed for the new city.

⁷ Indirect services include all the back-office support functions, including executive administrative services, elections, finance, general human resources, information technology, risk management, records management, public information and marketing, and general customer service.

In the following expenditure estimation methodology, we first calculate a per capita cost and then multiply this per capita cost by the study area population to arrive at an estimate for the proposed new city. Note that not all of the comparison city expenditure figures used in the calculation are directly drawn from department budget documents. This is the case because different local governments allocate costs to different departments in different ways. Hence, based on examination of the documents and interviews with the finance directors, the research team made adjustments in how certain expenditures are properly allocated to specific functions. Also, note that the base expenditure figures represent departmental expenditures minus capital expenditures that are sometimes included in departmental budgets.

City Council

Both the City of Marietta and the City of Smyrna have six council members and one mayor. Both cities assign some portion of staff to the council function. In addition to salaries and benefits, these costs also include items such as education and training, travel, dues, and fees.

Table 8. Comparison Government Council Expenses

City and Fiscal Year Budget	Dept. Budget	Per Capita
Marietta – FY 17	\$222,778	\$3.65
Marietta – FY 18	\$247,359	\$4.05
Smyrna – FY 17	\$321,866	\$5.68
Smyrna – FY 18	\$402,190	\$7.10
Average Per Capita Expenditure		\$5.12
Study Area Estimate		\$391,180

Legal Services

Estimating the cost of legal services is particularly difficult as the degree to which cities depend on legal advice varies substantially. The demand for legal services for the proposed City of Mableton is likely to be somewhat less than for cities that provide more services and have more departments (e.g., police) that are subject to legal suits and issues. Consequently, the research team used Peachtree Corners as the comparison city for legal services and for municipal court as this city's main legal issues relate to planning and zoning and code enforcement as would be the case for the proposed new City of Mableton.

Table 9. Comparison Government Legal Expenses

City and Fiscal Year Budget	Dept. Budget	Per Capita
--	---------------------	-------------------

Peachtree Corners, FY 2017	\$202,295	\$4.68
Peachtree Corners, FY 2018	\$225,000	\$5.20
Average Per Capita Expenditure		\$4.94
Study Area Estimate		\$377,360

Community Development

The Community Development expenditure estimate includes costs for planning and zoning, building inspections, code enforcement, and, where applicable, economic development. In the City of Smyrna, the Community Development Department also manages business licenses. In many cities, managing business licensing is a function of the finance department or other administrative departments, but the research team did not attempt to extract this cost, in keeping with its conservative approach.

Table 10. Comparison Government Community Development Expenses

City and Fiscal Year Budget	Dept. Budget	Per Capita
Marietta, FY 2017	\$1,582,389	\$25.92
Marietta, FY 2018	\$1,582,969	\$25.93
Smyrna, FY 2017	\$1,172,546	\$20.69
Smyrna, FY 2018	\$1,211,722	\$21.38
Average Per Capita Expenditure		\$23.48
Study Area Estimate		\$1,794,261

Municipal Court

Municipal courts for small cities typically involve hiring a part-time judge and one or more clerks to handle the paperwork.⁸ However, because the proposed new city would not provide law enforcement services, the actual amount of municipal court work is expected to be quite minimal. Only code violations would be heard in such a municipal court. The closest comparison in terms of workload and expected cost to the workload and cost of the proposed new city's municipal court is that operated by the City of Peachtree Corners. Because this city tries to work with code violators before issuing citations to appear in court, the Peachtree Corners' Municipal Court only meets occasionally and incurs little cost.

⁸ Court costs are sometimes spread across different departments rather than being entirely situated in a municipal court department.

Table 11. Comparison Government Municipal Government Expenses

City and Fiscal Year Budget	Dept. Budget	Per Capita
Peachtree Corners, FY 2017	\$4,037	\$0.09
Peachtree Corners, FY 2018	\$3,928	\$0.09
Average Per Capita Expenditure		\$0.09
Study Area Estimate		\$7,034

Parks and Recreation

Parks and Recreation service costs are some of the more difficult municipal service costs to estimate. Cities vary substantially in terms of the level or amount of service that they provide. This is true for both the number and size of facilities and the level and type of recreation programming they provide. In addition, cities vary in the degree to which they directly provide recreation programming (versus contracting with private providers and volunteer groups for these programs). For this reason, the Institute research team attempted to estimate parks and recreation costs in two ways: (1) using the comparison city methodology, and (2) estimating the cost based on current Cobb County expenditures.

Table 12. Comparison Government Parks and Recreation Expenses

City and Fiscal Year Budget	Dept. Budget	Per Capita
Marietta, FY 2017	\$3,129,014	\$51.25
Marietta, FY 2018	\$3,038,048	\$49.76
Smyrna, FY 2017	\$2,342,812	\$41.33
Smyrna, FY 2018	\$3,100,919	\$54.70
Average Per Capita Expenditure		\$49.26
Study Area Estimate		\$3,764,881

Table 13. Current Cobb County Parks and Recreation Expenditures

Cobb Parks and Recreation Budget Year	Dept. Budget	Per Capita (for Unincorporated)
FY 2017	\$20,066,682	\$39.37
FY 2018	\$20,939,794	\$41.08
Average Per Capita Expenditure		\$40.22
Study Area Estimate		\$3,073,900

Table 13 uses the higher of the two estimates, the comparison city-based estimate.

Tourism

Many cities support a tourism promotion function. Cities that do so will typically finance tourism promotion activities through a hotel-motel tax. State law requires that a portion of the hotel/motel tax be dedicated to promoting tourism. The research team assumes that the amount collected in revenue for this purpose would be spent as required by state law.

Contingency Fund

Contingency funds are used by cities to cover unforeseen expenditures. The Government Finance Officers Association (GFOA) recommends that governments establish a formal policy for the level of the unrestricted fund balance that should be maintained in the general fund. GFOA recommends that the adequacy of the unrestricted fund balance in the general fund should be determined based on each government's unique circumstances. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain an unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.⁹ Because this amount typically remains in reserve and is only rarely spent, it is not an expenditure that needs to be offset by revenue generated each year. Rather, it can typically be addressed through a multiyear allocation. The estimate given here of a needed fund amount is based on a 10-year cycle of having to use the contingency fund.

INDIRECT SERVICES AND COST CALCULATION

As outlined in the introduction to this section, the research team determined that using a ratio (of direct to indirect service costs) is the most appropriate method for estimating indirect services costs. The following sections first discuss the potential issues involved in this method and then identify two approaches to estimating an appropriate ratio for use in the estimation of indirect service costs.

⁹ See www.gfoa.org/fund-balance-guidelines-general-fund.

Estimating a Ratio of Direct-to-Indirect Costs

One way in which the relationship between direct and indirect expenditures can fail to be proportional is due to the existence of some fairly significant economies of scale in the delivery of support services. Take the example of a single accounts payable finance clerk who is able to manage the accounts of 10 departments that provide direct services, with each department taking about a 10th of the staff member's time. A government that only has two departments would therefore be expected to only require a .2 full-time equivalent finance clerk.

Unfortunately, it is typically not possible to employ staff with these skills on this basis, even on a contractual basis. Moreover, certain tasks require the fairly constant on-site presence of a staff member. As such, there is a certain minimum quantity of support staff who need to be employed if the direct services are to be delivered in a timely and effective manner. The proposed new city would be large enough to likely need support staff that will surpass the "minimum quantity" needed to provide the support service in question.

The second way that the relationship between direct and indirect expenditures can fail to be proportional is related to the potential for some services to be much more demanding of support services than others. This is more likely when a service has higher HR or purchasing demands (e.g., police and fire) than other services. In the proposed new City of Mableton, the direct services that are proposed for the city tend to be quite similar in terms of the likely demand for support services. In other words, the indirect service requirements per direct-service staff are not likely to differ dramatically between, say, community development and parks and recreation.

While the foregoing discussion suggests that using the ratio of direct to indirect expenditures as a basis for estimating support service costs in the study area would be appropriate, the data available do not allow us to address one possible way that the resulting estimate of support service cost could be skewed, i.e., the data do not allow us to make adjustments for the fact that some services may be more intensive users of support services than others. In the case of the study area, the foregoing discussion suggests that the direct services being proposed are ones that are likely to be somewhat less demanding of support services. In addition, because the proposed new city will not be providing road services or maintaining its own buildings (other than park and recreation facilities), some expenditures for indirect services for engineering and building maintenance may not be incurred, suggesting a lower ratio of indirect to direct service costs. Consequently, the Institute research team believes that the indirect services cost estimate produced based on the general ratio of direct to indirect expenditures should provide a conservative estimate of these costs.

The research team used two approaches to implement the proportional ratio method. In one, the team looked just at the comparison cities; in the other, the team examined all cities in Georgia that provided financial data for FY 2017 via the Department of Community Affairs (DCA) Local Government Finance Survey.

Approach 1. This method assumes that the ratio of expenditures on support services to direct services in the study area will tend to follow the overall ratio of support services to direct services expenditures in the comparison cities. The rationale for this method is that the proposed new city will be in a labor market that will be most similar to the comparison cities.

Table 14. Ratio of Indirect-to-Direct Expenditures

Marietta	0.278
Smyrna	0.465
Average	0.371

Approach 2. All of the Part A (Operational) expenditures (excluding legal and governing body expenditures) for all cities in Georgia using the DCA Local Government Finance Survey data for the most recent year for which there was fairly complete data (2017) were summed. Because of reporting anomalies, results that were two or more standard deviations from the mean were eliminated. The mean of the ratios of support services to direct services expenditures is approximately .595, with a median of .338. The average of these two statistics is .467. The rationale for this method is that Georgia has numerous small cities that may provide a less than full spectrum of direct services or that provide a fairly low level of these services such that there would be a similar “economies of scale” impact on the cost of support services.

Table 15. Ratio of Indirect-to-Direct Expenditures, All Cities

Mean	0.595
Median	0.338
Average of Mean & Median	0.467

An average of the estimates of the two approaches (i.e., .467 and .371) for per capita expenditure on support services was calculated resulting in .419 indirect-to-direct service cost ratio. As per the discussion of the relationship between direct and indirect costs, the indirect cost for support services is calculated by applying the ratio of indirect-to-direct services to the estimate of direct service expenditures.

CAPITAL COSTS

New cities typically incur some general start-up costs as well as ongoing capital replacement. Peachtree Corners is the only new city providing a limited set of services for which start-up capital costs are available. The Institute research team examined the Peachtree Corners FY 2013 start-up costs and inflated this amount to 2019 dollars to estimate the start-up costs for the proposed new city. However, after further review, it was determined that because a substantial amount of Peachtree Corners’ services were contracted out, the analysis likely underestimated

the start-up capital costs for the new city. Consequently, the researchers chose to estimate costs from scratch. Capital costs are often difficult to estimate based on budget documents because such costs tend to be “lumpy,” that is, very large in certain years and negligible in others. In building these estimated costs, the research team relied on a recent analysis of the capital budgets of the cities of Brookhaven and Dunwoody that use detailed capital budgeting at the departmental level. The Institute’s estimation process involved making a number of assumptions as outlined below for three areas of capital expenditure: annual capital, start-up capital, and park acquisition capital.

Annual Capital

Information Technology

Table 16 shows the annual capital cost estimate for information technology (IT). The analysis assumes all computer hardware will have a five-year replacement schedule and will be financed over a similar period.

Table 16. Annual Capital Cost Estimate – Information Technology

Item Cost	Unit Cost	Amount	Total Cost
Servers with OS and UPS	\$22,500	2	\$45,000
Data Storage including IPS	\$35,000	1	\$35,000
Telephones	\$243	53	\$12,879
Computers with Work Stations	\$2,000	30	\$60,000
Laptop Computers	\$700	23	\$16,100
Printers	\$400	15	\$6,000
Large Scanner / Large Plotter	\$5,000	3	\$15,000
AV Equipment	\$10,000	1	\$10,000
Other Server Software	\$10,000	1	\$10,000
<i>Total IT Capital</i>			\$209,979
IT Annual Cost Estimate (Total amortized over 5 years)			\$46,121

Administrative Positions

The city manager and the department heads of the Parks and Recreation and Community Development departments would each need a vehicle, for a total of three vehicles. Vehicles are assumed to have a five-year life and cost \$25,000 each. Vehicles are financed at an interest rate of 3.75% over a five-year period.

Community Development

The only annual capital expenses (other than IT) needed for the Community Development Department are vehicles for building inspectors plus one more to serve remaining department

personnel. The researchers estimated that approximately 25% of community development staff work as building inspectors. Using this ratio as a guide, the proposed city would have an estimated three building inspectors, and each inspector would require a vehicle. Similarly, the proposed new city would need approximately four code enforcement officers, each of whom would require a vehicle.

In sum, a total of eight department vehicles would be needed. Vehicles are assumed to have a five-year life and cost \$25,000 each. Vehicles are financed at an interest rate of 3.75% over a five-year period.

Parks and Recreation

The analysis assumes that capital costs for general parks and recreation facilities would be approximately \$700 per acre and would include repairs to and nonroutine maintenance of all other existing facilities and parks, including recreational centers, picnic shelters, fencing, trails and bridges, parking lots, and restrooms.

In addition, the research team posited that the new city would need to replace playgrounds, pavilions, and picnic areas on a 12-year cycle. This would require replacement of approximately three of these facility structures every year at an estimated cost of \$125,000 per facility.

Finally, the department would need an estimated five vehicles (primarily trucks) that would be shared by the department's leadership, athletic program supervisors, and staff at the recreation facilities. Vehicles are assumed to have a five-year life and cost \$30,000 each.

Summary Annual Capital Cost Estimate

Table 17 provides a summary of the routine annual capital costs estimated in this section.

Table 17. Routine Annual Capital Cost Estimate

Item	Amount
Information Technology	\$46,121
Admin. Vehicles	\$16,473
Community Development Vehicles	\$43,929
Playgrounds, Pavilions, Picnic Areas	\$375,000
Other Park and Facility Repair	\$374,241
Parks and Recreation Vehicles	\$32,947
Annual Capital Cost Estimate	\$888,712

Start-up Capital

The proposed new city would incur some general start-up costs such as furniture and software that would not need to be regularly replaced. The cost estimate shown in Table 18 includes furniture for employees' work spaces (desk, chair, file cabinet) totaling approximately \$1,600

each, council chambers, reception areas, a conference room, and any additional furniture needed for the recreation facilities. Specialized software programs are necessary to appropriately meet the needs of the Finance, Community Development, and Parks and Recreation departments. The total cost has been amortized over a five-year period and assumes a 3.75% annual interest rate.

Table 18. Start-Up Capital

Capital Item	Cost
<i>Furniture</i>	
Administration (25)	\$40,000
Community Development (18)	\$28,800
Parks and Recreation (13)	\$20,800
Additional Furniture	\$80,000
<i>Total Furniture Setup</i>	<i>\$169,600</i>
<i>Software</i>	
Finance Software	\$30,000
Community Development Software	\$208,000
Recreational Software	\$303,000
Total Start-Up Capital	\$710,600
Annualized Start-Up Capital	\$156,081

Start-up capital costs are assumed to be financed over a five-year term based on recent interest rates offered by the Georgia Municipal Association.¹⁰

Capital for Park Acquisition

The total cost for parkland acquisition from the county was determined by the number of acres and the statutory cost set forth in O.C.G.A. § 36-31-11.1. Although the statute is only applicable to counties with a MARTA sales tax, the research team used it as a guideline. As shown in Table 19, the total estimate for this cost is \$53,463. Once this figure is amortized over five years, the annual cost would be \$11,743. The cost of acquiring additional private property for parks would, of course, depend upon market factors.

¹⁰ An interest rate of 3.75% is assumed based on communications with the Georgia Municipal Association.

Table 19. Estimate of Park Purchase Cost

Park	Acres
Wallace Park	31.38
South Cobb Complex	10.4
Nickajack Park	31.49
Thompson Park	37
Heritage Park	110
Sweetwater Park	36.03
Cato Park	14.3
Bartlett Property	19.26
Tramore Park	79
Lions Park	25.28
Mable House Complex	16.46
Henderson Property	21.03
Discovery Blvd. Property	103
Total Acres	534.63
Estimated Park Purchase Costs	\$53,463

Summary of Capital Costs

Table 20. Annual Total Capital Cost Estimate

Item	Annual Amount
Routine Capital	\$888,712
Start-up Capital	\$156,081
Park Acquisition	\$11,743
Annual Capital Cost Estimate	\$1,056,536

FACILITY COSTS

Facility costs can vary depending on the kinds of facilities needed and the number of staff that need to be housed. Cities take numerous approaches to providing facilities. Some build high-end landmark-type facilities to give the city a presence in the community. Others house municipal staff in stripped-down, low-cost buildings. Still others simply lease nearby office and warehouse facilities. Because it is difficult to predict the approach that the proposed new city would take, the research team identified space needs and estimated the lease costs for office and other facilities that reflect the nature of the local real estate market.

The process for estimating facility space needs for a new city involves first identifying the number of employees in the comparison cities who would be employed in similar functions as the new city. The research team began by exploring the data on employment in the cities of

Smyrna and Marietta. Similar to the problem of estimating expenditures when the proposed new city will only supply a limited set of services, the comparison cities chosen also employ substantially more staff in support service departments than would be needed in the new city. This was particularly true in Marietta, where the support functions also support a major utility service operated by the city. Consequently, the Institute researchers chose to use Peachtree Corners, a city that only provides a similarly limited set of services, as the comparison basis for estimating staff facility needs. While Peachtree Corners does not provide parks and recreation services, it does provide some public works services that appear to be staffed at a level that would be similar to the proposed new city's parks and recreation services. The following services in the proposed new city would require facilities: governing body, executive management, finance, IT, planning and zoning, and code enforcement. Note that because the proposed new city is expected to take over existing county recreation facilities, the analysis assumes that no additional facility space would be needed to house the parks and recreation service staff. However, because Peachtree Corners' budget does not explicitly identify any IT staff positions, Institute of Government faculty added an IT position to the listing of Peachtree Corners' positions in Table 21.

Table 21. FY 2019 Peachtree Corners Positions

Admin	3
Finance (including HR, Purchasing, Audit, etc.)	8
Community Development	10
Legal	1
IT (added by researchers)	1
Total	23
Positions per 10,000 pop.	5.32
Estimated Study Area Positions	40.62

From the number of positions in Peachtree Corners, the research team estimated the total staffing per 10,000 residents and used this ratio to extrapolate an estimate of the number of employees needed in a city the size of the study area. The amount of square footage per employee was then calculated using both a low-end space need estimate (125 square feet per employee) and a higher space need estimate (225 square feet per employee). The analysis assumes that the municipal court could use the city council space for court hearings. It is assumed that vehicle maintenance would be contracted out, so these employees are not included. Assuming that the new city would purchase the county's parks and recreation

facilities that are within the new city boundary, there would be sufficient facilities in these park properties to accommodate Parks and Recreation Department staff.¹¹

To determine lease costs, the Institute research team surveyed real estate listings for the asking rent for lease space in the study area. This survey revealed that the market for office space in the study area is relatively thin. This finding suggests that the new city might be forced to use retail space as office space for some functions. As retail space is somewhat more expensive than office space, this affected the estimate of the likely high-end rental costs. The estimation model uses a low-end office/retail cost of \$18 per square foot per year and a high-end cost of \$22 per square foot per year.

For each scenario, the analysis also assumes that the new city would need 300 sq. ft. of record storage space, 500 sq. ft. of customer service and accessible record space, 100 sq. ft. of GIS station space, 200 sq. ft. for a data center, and 2,500 sq. ft. of council meeting/conference space. The total additional space would be 3,600 square feet.

Table 22 shows a low and a high estimate of the cost of leasing office space for the proposed new city government (exclusive of parks and recreation facilities).

Table 22. Facility Lease Space Based on Number of Employees

Estimated Employees	41
Low Estimate of Sq. Ft. Needed @ 125 Per Staff Member Plus 3,600 sq. ft. of Governing Body and Customer Service Space	8,725
High Estimate of Sq. Ft. Needed @ 225 Per Staff Member Plus 3,600 sq. ft. of Governing Body and Customer Service Space	12,825

Sq. Ft. Per Staff	Price per Sq. Ft.	Total Lease Expense
Low End: 125 sq. ft.	\$18.00	\$157,050
High End: 225 sq. ft.	\$22.00	\$282,150

The summary analysis uses the high-end lease estimate cost in order to be conservative.

¹¹ In § 36-31-11.1(3), "park" is defined as any property or facility located wholly within the territory of a municipality, including but not limited to athletic fields, athletic courts, recreation centers, playgrounds, swimming pools, arts centers, historical properties, and adjacent greenspace, and the fixtures located on such property or in such facility owned by the county or subject to a lease-purchase or installment sale arrangement by the county and used by the county to provide any services authorized by Article IX, Section II, Paragraph III(a)(5) of the Constitution or to provide any services authorized by Article IX, Section II, Paragraph III(a)(10) of the Constitution.

ENTERPRISE SERVICES: SANITATION

It is common for cities to provide some services on a fee basis and according to a separate accounting fund. When this occurs, the result is typically described as an enterprise fund-based service. While enterprise services occasionally receive small amounts of additional revenue or transfer small amounts of revenue to the city's general fund, in a true enterprise fund service arrangement, such transactions are rare. Such enterprise services are ones that for reasons of fairness are meant to be entirely supported through user fees or charges—you pay for what you get. Because citizens do not pay any taxes to support the provision of the service, and only those citizens who want the service are required to pay for it, an enterprise fund-based service does not impact the viability of a new city. Whether the city provides the service itself, contracts with a private provider, or franchises the delivery of the service, consumers of the service pay for the levels and types of services they receive. In this respect, an enterprise fund service is one that mimics a business delivery of the service. The key difference between a city enterprise fund service and a private business is that the city organizes how the service will be delivered; in all other respects, there is little or no difference between the two.

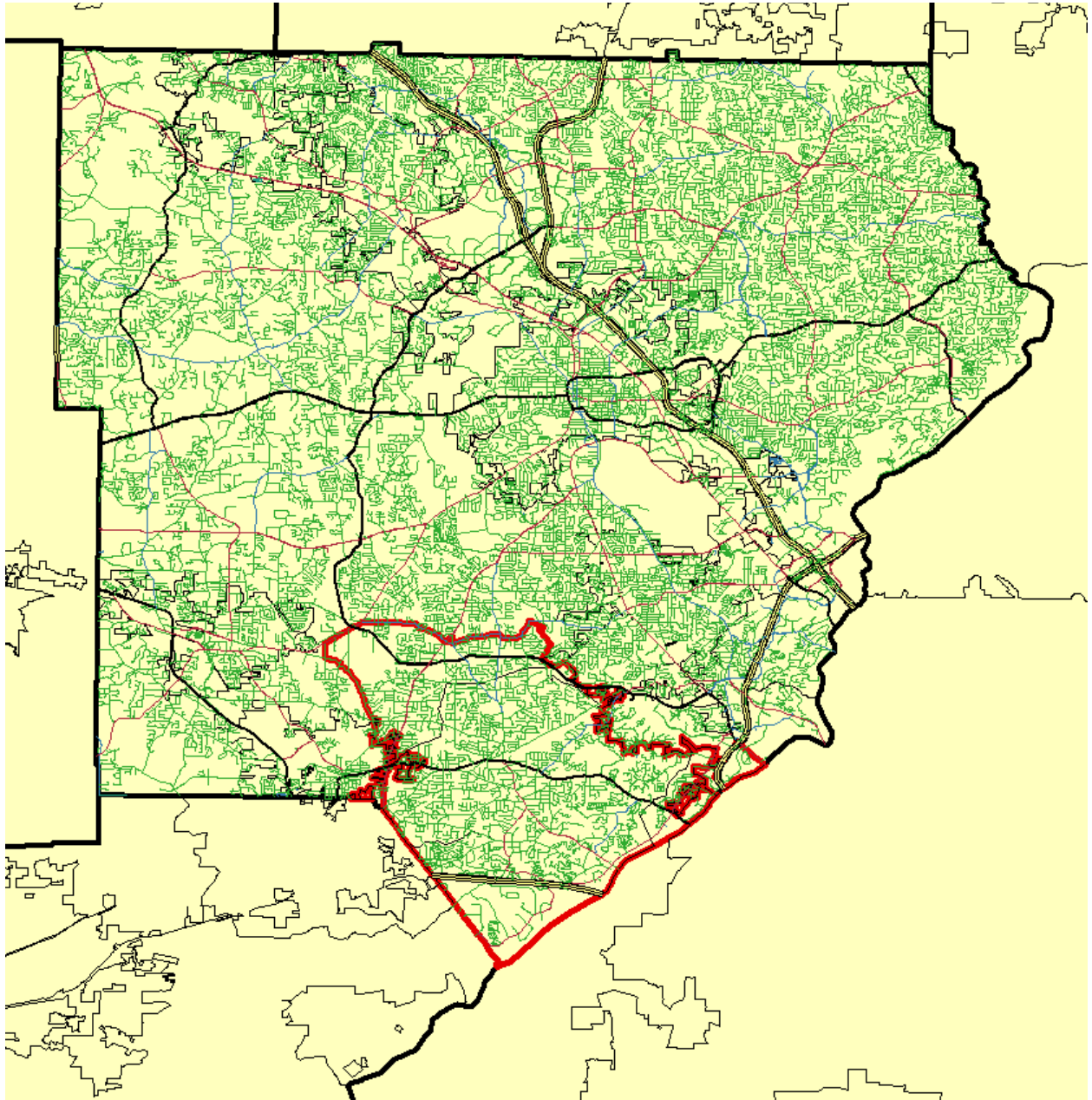
Solid Waste

Sanitation or solid waste disposal is a service commonly provided on an enterprise fund basis, whether contracted out or as a municipal service.¹² In unincorporated Cobb County, sanitation is provided through county agreements with a number of private providers; residents can choose among these providers. Some cities provide solid waste services directly for residential customers but leave commercial customers to arrange with private providers for more customized services.

Whether a city provides sanitation services directly on an enterprise basis or establishes one or more franchises for sanitation service with private haulers or simply regulates the service being provided by private haulers, the residents of the city do not experience the risk of a tax increase in order to provide the service. Consequently, there is no impact on fiscal viability for a potential new city.

¹² Providing solid waste services by contract does count for purposes of establishing qualified municipality status in sales tax negotiations.

Appendix A. Map of the Study Area



Appendix B. Miscellaneous Revenues—Qualifying Fees

State law, O.C.G.A. § 21-2-131, provides that municipalities collect qualifying fees for those seeking elected office at a rate of 3% of gross annual salary for the elected office being sought. Thus, this figure was obtained by averaging the salaries of the elected officials in the comparison cities and then multiplying that averaged amount by 3% and amounts to \$1,181.

Appendix C. Franchise Fees

The regression model with the highest explanatory power expressed franchise fees as a function of population, assessed value of residential property, assessed value of commercial property, and assessed value of industrial property, and had dummy variables for Augusta, Atlanta, and Athens–Clarke County. The adjusted R² for this model was .9872.

Regression Output

Independent Variable	Coefficient	Std. Error	t	P > t	95% Conf. Interval	
Intercept	–448892	387516.3	–1.15838	0.260354	–1257237	359452.6
Population	46.7029	15.27127	3.05822	0.006205	14.84759	78.5582
Assessed Value of Residential Property	0.000208	0.000387	0.538177	0.596394	–0.0006	0.001016
Assessed Value of Commercial Property	0.001348	0.000435	3.101144	0.00563	0.000441	0.002254
Assessed Value Industrial Property	0.00555	0.002111	2.629075	0.016081	0.001147	0.009954
Atlanta Dummy	26444278	6163046	4.29078	0.000356	13588389	39300167
Augusta Dummy	14901422	2965035	5.025716	6.48E-05	8716467	21086376
Athens–Clarke County Dummy	–390135	1256968	–0.31038	0.759485	–3012125	2231855

Appendix D. Right-of Way-Maintenance Costs

While the proposed new city is not expected to assume responsibility for street maintenance and traffic signaling, some have suggested that the new city would potentially need to provide some right-of-way maintenance.¹³ To estimate the cost of such maintenance, the Institute of Government research team examined the staffing of the departments in of the Cities of Smyrna and Marietta that are responsible for street maintenance. For each city, staff positions related to street maintenance were identified (as opposed to traffic engineering, signaling, or water or sewer services). We then calculated the percentage that these staff represented of the total staffing for the respective departments. We then assumed that about a third of this staffing would be needed for right of way maintenance rather than road work. Based on this assumption and the assumption that expenditures generally follow staffing, we calculated estimated expenditures on right of way maintenance for each city as well as a figure representing cost per centerline mile of city streets.¹⁴ After averaging the per centerline mile cost for the two cities we multiplied the resulting figure by the number of centerline miles of county roads within the proposed new city boundaries. In addition, Institute faculty identified four recent years of vehicle replacement fund expenditures for the Highways and Streets and calculated an average year's expenditure and then multiplied this expenditure by the proportion of Highways and Streets staff who are believed to be involved in right of way maintenance to arrive at an estimate of the annual vehicle replacement cost for this service. As it is unknown as to whether the proposed new city will actually assume responsibility for all of these road miles, the estimate of possible right-of-way maintenance costs would, based on the assumptions made in our estimation methodology, represent the higher end in terms of likely maintenance costs. Thus, we estimate that even if the proposed city was required to take on this duty, it would remain feasible.

Estimation of Right-of-Way Maintenance Cost

City and Fiscal Year Budget	Estimated Departmental Spending on ROW	Per Mile
Smyrna – FY 2018	\$504,141	\$6,880
Marietta – FY 2018	\$679,198	\$5,326
Average Per Mile Expenditure		\$6,103
Study Area Direct Expense		\$1,987,230
Study Area Total (with Indirect)		\$2,820,028

¹³ Some have speculated that this would be required based on the passage of O.C.G.A. § 36-31-7.1 in 2015.

¹⁴ In both comparison cities there were numerous miles of county roads as well as city streets. In the City of Marietta, the percentage of county roads maintained by the city is fairly minimal, e.g., 10–12%. Note: ROW = right of way.