

Expenditure and Revenues Estimates for the City of Chattahoochee Hills

For

Chattahoochee Hill County Alliance

Prepared By:

Robert J. Eger III, Ph.D.

John Matthews

Michael Rushton, Ph.D.

Summary

We find that the new city of Chattahoochee Hills would be viable if incorporation occurred in 2006. Our estimates of revenues and expenditures using multiple data source indicate a surplus of \$207,895 or 10.37% of revenues. Our estimating technique is to provide expenditures at higher than average costs while estimating revenues conservatively. Our estimates follow a conservative approach as indicated as appropriate financial management practice by the Government Finance Officers Association. We have estimated the revenues and expenditures using multiple factors, deriving multiple estimates that indicate similar surpluses under multiple financial circumstances.

Introduction

Presented here is a 2006 budget for a potential new city in South Fulton County; Chattahoochee Hills. This estimate is, in turn, developed within discussions of two new cities in South Fulton County. The two possible cities are 1) Campbell, which, for purposes of this estimate, includes all of unincorporated South Fulton except the unsewered far south and southwest portion of the county; and 2) Chattahoochee Hills, the remaining part of unincorporated south Fulton. For our purposes, Chattahoochee Hills shares boundaries with Census Tract 104.

Data Sources

We have used three basic sources of data for these estimates. First is the Fulton County 2006 Proposed Budget (http://www.co.fulton.ga.us/2006proposed_budget.pdf) which is revised based on the February 3 Board of Commissioners Meeting in which the Special Services District (SSD) budget was revised (<http://mm1.co.fulton.ga.us/cache/00002/123/PA060201.pdf>) and final budget information for the SSD budget as provided by Fulton County on 02-07-2006. Under new legislation, the remaining unincorporated areas of Fulton County that remain after incorporation of Sandy Springs are budgeted separately and placed into the SSD. Consequently, we have a distinct property tax base and estimated expenditures for unincorporated South Fulton. During the Board of Commissioner's Meeting on February 3, 2006, the millage for South Fulton was raised by 3 mills to a total millage of 7.731. This new millage rate is used in the estimates of this report. In addition, we have used parcel level property tax files from 2005. The parcel level property tax files are used to estimate the proportions of the property tax base distributed between Campbell and Chattahoochee Hills.

The second source of data is census data and census updates from the Atlanta Regional Commission (<http://www.atlreg.com/regionaldata/regionaldata.html>). This data is used to examine growth rates and to normalize and compare various costs and revenues on a per capita basis.

The third source is the Georgia Department of Community Affairs (DCA) annual Report on Local Government Finances. The 2004 data collected by DCA is used to estimate expenditures by function and revenues by source for cities in Georgia. Data is discussed here in relatively gross categories, but is available in more defined objects.

Fulton County Final 2006 SSD Budget

Table 1 reproduces the Special Services District 2006 Final Budget as documented by Fulton County on 2-6-2006 for all three of the new SSD areas. We then generate per capita revenues and costs based on the Fulton County Demographers estimates for 2006.

Table 1: 2006 SSD Proposed Budget Amended with Per Capita Revenue and Expense

	South Fulton 7.731 Millage	SF per Capita	NW Fulton 4.731 Millage	NE Fulton 4.731 Millage	NW+NE per Capita	Total SSD
Revenues						
Property Tax	\$ 18,331,680	\$ 328.75	\$ 7,099,040	\$ 16,149,120	\$ 253.20	\$ 41,579,840
License & Permits	5,579,000	\$ 100.05	953,000	5,910,000	\$ 74.75	\$ 12,442,000
All Other	7,721,400	\$ 138.47	2,277,000	7,790,400	\$ 109.65	\$ 17,788,800
Total Revenues	31,632,080	\$ 567.28	10,329,040	29,849,520	\$ 437.59	\$ 71,810,640
Expenditures						
Fire	15,000,000	\$ 269.01	5,500,000	7,696,000	\$ 143.72	28,196,000
Police	12,190,000	\$ 218.61	4,380,000	5,864,821	\$ 111.58	22,434,821
Non-Agency	6,893,986	\$ 123.63	2,182,438	10,930,090	\$ 142.81	20,006,514
Environ & Comm Dev	6,035,694	\$ 108.24	1,300,000	3,438,067	\$ 51.60	10,773,761
Parks & Rec	3,000,000	\$ 53.80	250,000	1,002,510	\$ 13.64	4,252,510
Tax Commissioner	400,000	\$ 7.17	100,000	400,000	\$ 5.45	900,000
Public Works	-	\$ -	-	251,000	\$ 2.73	251,000
Total Expenditures	43,519,680	\$ 780.47	13,712,438	29,582,488	\$ 471.53	86,814,606
Surplus (Loss)	(11,887,600)		(3,383,398)	267,032		(15,003,966)
Transfer	12,000,000		3,821,138	-		15,821,138
Ending Balance	\$ 112,400		\$ 437,740	\$ 267,032		\$ 817,172

From Table 1 we see that the SSD budget is out-of-balance (the deficits are paid from existing reserve funds) and total per capita expenditures in South Fulton are over 1.5 times that of North Fulton, although per capita revenues are comparable. There are several issues that surround the final budget in Table 1. First, revenue per capita is higher in South Fulton than in North Fulton if we were to hold the millage at 4.731 (South Fulton total revenues per capita are \$443.54). Second, Fire and Police costs in South Fulton per capita are exceptionally high. To put this in perspective we offer two comparisons. Using Table 1, we see that police costs are about 2 times and fire is about 1.5 times higher in South Fulton than in North Fulton. To provide a municipal comparative to these costs, Table 2 shows average per capita costs for general municipal services from the DCA 2004 Report on Local Government Finances. The South Fulton costs are significantly higher than average for the two services – police and fire services.

North Fulton per capita costs are higher than the average in Georgia for fire, but lower for police; combined police and fire per capita costs are about average in North Fulton.

We reviewed the police and fire services findings; it does not seem likely that density or size of service area can explain the high per capita costs in South Fulton. For example, per capita fire service costs are \$41.07 in Roswell, \$26.25 in Fairburn, \$74.33 in DeKalb County, \$68.70 in Cobb County, and \$62.78 in Clayton County. Per capita cost differentials are similar for police services. 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 SSD areas are inaccurate. In any event, significant cost reductions seem a likely approach to the imbalances in the 2006 SSD budget.

Table 2: Municipal Services and Per Capita Costs Georgia Cities: 2004

Service	# of Cities	Average	Minimum	Maximum
Administration & Support	386	\$ 100.90	\$ 1.38	\$ 956.91
Finance	239	32.35	0.17	529.50
Public Buildings	157	16.36	0.41	100.02
Building Inspection	152	14.92	0.07	148.76
Municipal Court	213	12.00	0.07	97.36
Police	329	174.13	0.14	962.84
Jail	101	9.26	0.10	145.37
Fire	309	52.51	0.01	435.12
Highways and Streets	366	76.92	1.88	483.73
Parks & Recreation	260	29.54	0.12	180.25

Estimates for Chattahoochee Hills

Based on the 2006 Final Fulton County SSD Budget as offered by Fulton County on 2-7-2006, the anticipated property tax revenue for South Fulton is \$18,331,680. We assume this property tax revenue anticipation is based on a GIS accounting of assessments and includes allocations for motor vehicles. Using data provided by Fulton County the resulting breakdown is that the new City of Chattahoochee Hills has \$924,774 in property tax.

We use estimates of revenues and expenses to test the concept that Chattahoochee Hills can be a fiscally viable city. Table 3 shows the estimations. Given our assumptions, the City of Chattahoochee Hills has a budget surplus of 10.37% under the assumption it was operational in 2006. The estimating process begins with average per capita revenues and expenses derived

from DCA data. Adjustments are made to reflect local conditions and to take a conservative (low revenue, high expense) approach. In the estimate we use the current Fulton County SSD mill levy of 7.731 and the current allocation of Local Option Sales Tax (LOST) revenues. We reduce the revenues for License & Permits below the SSD value to provide a conservative estimate. We follow this conservative approach for the remaining potential revenue sources for the new city. Note that the total estimate of \$924,774 equates to \$119,619 per mill. Local Option Sales Tax is estimated using actual per capita 2004 distributions to cities in Fulton County adjusted upward by approximately 5% to forecast for 2006. This adjustment is about 2.5% per year. Additionally, “Other Revenues” in the Final 2006 SSD Budget contain an assumption that per capita traffic fines will produce revenue that is double the costs of the municipal court.

Table 3: Chattahoochee Hill Country 2006 Estimated Revenue and Expense

Revenue Source	Average per Capita Rev	Estimated per Capita Rev	Population	Estimated Revenue
Property Tax	NA	\$ 328.75	2,813	\$ 924,774
LOST	106.78	220.00	2,813	618,860
Excise Tax	124.41	70.00	2,813	196,910
License & Permits	27.49	40.00	2,813	112,520
Intergovernmental	122.01	10.00	2,813	28,130
Service charges	40.96	20.00	2,813	56,260
Other revenue	78.78	24.00	2,813	67,512
Total Revenue				2,004,966
Expense Object	Average per Capita Exp	Estimated per Capita Exp	Population	Estimated Expense
Administration & Support	\$ 100.90	\$ 100.90	2,813	\$ 283,843
Finance	32.35	32.35	2,813	90,995
Public Buildings	16.36	16.36	2,813	46,018
Building Inspection	14.92	14.92	2,813	41,961
Municipal Court	12.00	12.00	2,813	33,746
Police	174.13	218.61	2,813	614,950
Jail	9.26	9.26	2,813	26,061
Fire	52.51	157.53	2,813	443,132
Highways and Streets	76.92	76.92	2,813	216,366
Total Expense				1,797,071
Surplus (Loss)				\$ 207,895

Expenses are more amenable to administrative control than are revenues. Here, the assumption of average per capita performance is maintained as a working assumption except in the case of fire and police services. Other jurisdictions contiguous to the South Fulton SSD area have fire service per capita costs close to the state average. For some reason, Fulton County SSD fire service costs are extremely high. We assume this cost can be reduced in Chattahoochee Hills, but (to be conservative) not to the state average. We cut the current SSD per capita allocation to \$157.53 per capita; this is still three times the state average and much higher than neighboring jurisdictions. If we were to increase the fire expense to four times the state average, to \$210.04 per capita, the reserve for the City of Chattahoochee Hills falls to 3% of total revenues or \$60,180. The expense for police is held at the current costs in the Fulton County SSD. This police expense is about 25% higher than the state average per capita.

As noted, this estimated budget produces a 10.37% surplus assuming fire costs at three times the state average or 3% if fire costs are raised to four times the state average. The estimates do not include the capital costs for the assets of parks. This is due to the current valuation of the park land which we have requested from Fulton County. Since parks are an unknown valued asset, Chattahoochee Hills need to take the costs of these assets into consideration which would reduce the reserves of the new city. We assume that a bond would be issued for the purchase of these assets.

If Chattahoochee Hills was to incorporate, leaders and administrators may wish to consider:

- Hold the current 2006 SSD budget millage rate to build a 12% to 15% “rainy day” fund. If the decision was to give consideration to a small millage rate increase, a half mill increase, for example, would add about \$60,000 or about 3% to the estimated one-year surplus.
- Develop a complete incorporation plan for starting up a new city over a reasonable transition period. Major issues can be addressed and initial administrative procedures established. The issue of fire service standards and costs is an important issue; as well police services levels and costs. Importantly, we would recommend the new city give consideration to a fire risk analysis and plan their fire services based on the results of that analysis.
- With the growth of the Chattahoochee Hill Country, consideration should be given to an increase in our estimated License & Permit revenues. This could potentially offset the capital costs associated with the park land assets.