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THE
CENTER
FOR
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LOCAL
FINANCE

Feasibility Study for the Proposed City of Tucker, 2015



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Table of Contents

Executive Summary	1
Introduction	3
Economic and Demographic Characteristics	3
Revenue Analysis	4
Expenditure Analysis	13
Conclusion	19
About the Center for State and Local Finance	20

Executive Summary

The Center for State and Local Finance (CSLF), Andrew Young School of Policy Studies, Georgia State University was contacted by Tucker 2015 to update the fiscal feasibility study, as amended in 2014, for a newly incorporated city of Tucker. This study provides a detailed analysis of the expected revenue and expenditures for the proposed city using generally accepted methodologies that the CSLF has used for similar studies. The main purpose of the analysis is to estimate the ability of a proposed city of Tucker to meet its expenditures with available revenue sources. Based on this analysis, the proposed city of Tucker should expect annual revenue of approximately \$10.6 million and annual expenditures of approximately \$9.8 million (see Table Ex-1). This analysis suggests that the proposed city will generate a surplus of approximately \$800,000, which may be used to provide additional contingency funds, reduce the millage rate, or expand the level of expenditures. *Based on these estimates and given the assumptions that are detailed in this report, we find that the proposed city of Tucker is financially feasible.*

The revenue from the various sources depends on the tax rate or fee structure. For some of the revenue sources, the proposed city of Tucker will have no say as to what the rates are. For the other taxes and fees, it is assumed that the rates will be the same as those that DeKalb County is currently imposing. To the extent that the proposed city of Tucker might adopt different tax rates or fee structures, the revenues will differ from the estimated revenue. To produce the estimates of expenditures for the proposed city of Tucker, we relied on Tucker 2015 to list the expenditures the proposed city of Tucker will provide. We also relied heavily on the budgets of several other cities in Georgia with similar populations, including Kennesaw, East Point, Milton, Peachtree City, Douglasville, and Peachtree Corners. In both the revenue and expenditure analysis we have taken a conservative approach to the estimation, as detailed in the report. The analysis provides the best estimate given available data and information from Tucker 2015 regarding the proposed city's expenditures and assumes no "shocks" such as unanticipated capital expenses or a major economic downturn.

Table Ex-1. Summary of Financial Analysis

REVENUE CATEGORY	AMOUNT	EXPENDITURE CATEGORY	AMOUNT (BEST EST.)
Property Tax	\$408,865	Mayor/City Council	\$275,342
Franchise Fees	\$2,536,313	Other Administration	\$3,994,380
Parks and Recreation	\$139,796	Parks and Recreation (includes purchase of park facilities and land)	\$1,809,758
Life and Property and Casualty Insurance	\$1,585,941	Code Enforcement, Planning and Zoning	\$672,359
Mixed Drink Tax	\$30,203	Facility Leasing	\$600,000
Business Licenses	\$3,405,329	Startup Expenditures	\$1,812,000
Bank Share Tax	\$158,293	Contingency	\$614,398
Building, Development and Zoning Fees	\$589,435		
HOST	\$1,496,780		
CDBG	\$215,307		
Qualifying Fees	\$8,640		
Total Revenue	\$10,574,902	Total Expenditures	\$9,778,237
Revenue in Excess of Expenditures	\$796,665		

Introduction

The Center for State and Local Finance (CSLF), Andrew Young School of Policy Studies, Georgia State University was contacted by Tucker 2015 to update the fiscal feasibility study, as amended in 2014, for a newly incorporated proposed city of Tucker.¹ This study provides a detailed analysis of the expected revenue and expenditures for the proposed city using generally accepted methodologies that the CSLF has used for similar studies. The main purpose of the analysis is to estimate the ability of a proposed city of Tucker to meet its expenditures with available revenue sources. Based on this analysis, the proposed city of Tucker should expect annual revenue of approximately \$10.6 million (Table 3) and annual expenditures of approximately \$9.8 million (Table 10). *Based on these estimates and given the assumptions that are detailed in this report, we find that the proposed city of Tucker is financially feasible.*

The purpose of the study is to provide, in as much detail as possible, an estimate of the revenues and expenditures of the proposed city. Tucker 2015 provided a list of services that it envisions the proposed city undertaking; other services and activities as required by law were included in the analysis. The proposed city has a limited prescribed set of revenues that are analyzed in this report. Where there is discretion regarding an item, an important limitation regarding data, or assumptions made to develop the estimate, those are noted in the text.

The first section of this study provides a summary of economic and demographic characteristics of the proposed city of Tucker and a selected group of comparison cities in the metro area with populations similar to the proposed city of Tucker. The second section provides detail regarding the revenue analysis. The third section provides the expenditure analysis followed by the conclusion.

Economic and Demographic Characteristics

The proposed city of Tucker analyzed in this report is comprised of land area in DeKalb County. The land area (just over 20 square miles) is similar to that of Peachtree City and Douglasville. Based on data from the U.S. Census and other governmental agencies, the population of the proposed city of Tucker is 35,136. This is on par with cities including Kennesaw, East Point, Milton, Peachtree City, Douglasville, and Peachtree Corners.

The socioeconomic characteristics of the proposed city of Tucker and comparison cities are summarized in Table 1. In general, the population of the proposed city of Tucker is older (12.3 percent) than the average of the comparison cities (9.1 percent). However, Tucker is similar in this demographic to Peachtree City. Tucker's per capita income is \$32,216, which is 96 percent of

¹ The 2013 feasibility study was produced by CSLF's sister organization, the Fiscal Research Center.

the average of the comparison cities (\$33,572). Median house values in Tucker are \$270,519, while the average median house values of the comparison cities is \$234,550.

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

	TUCKER	KENNESAW	EAST POINT	MILTON	PEACHTREE CITY	DOUGLAS -VILLE	PEACHTREE CORNERS
Population	35,136	32,001	35,512	35,907	34,893	31,890	40,059
Land Area (sq. miles)	20.22	9.4	14.7	38.5	24.5	22.5	16.6
Percentage of Population 65 or older	12.3%	9.3%	9.4%	6.7%	13.8%	8.0%	7.5%
Number of Households	15,886	11,815	12,631	11,726	12,518	11,737	14,595
Per Capita Income	\$32,216	\$29,427	\$19,589	\$53,614	\$38,425	\$24,246	\$36,130
Median House Value	\$270,519	\$158,800	\$105,100	\$439,100	\$274,900	\$150,800	\$278,600
Number of Businesses (2007)	3,709*	5,214	2,643	2,172	4,297	4,535	N/A

Sources: U.S. Census Bureau, Census Quickfacts, U.S. Department of Commerce (2011), Number of Businesses Georgia Department of Labor/Fiscal Research Center

*Computed from U.S. Census Bureau Census Quickfacts for the Census designated place.

In terms of land area and population Tucker is most similar to the cities of Douglasville and Peachtree City, while the socioeconomic characteristics including age and household income are more like Kennesaw, Peachtree City and Peachtree Corners. These comparisons are helpful for understanding the landscape of Tucker and for developing reasonable estimates of the expenditure side of Tucker's expected budget.

Revenue Analysis

This section presents the revenue estimates for the proposed city of Tucker. Table 3 contains the revenue estimates by source. The section also contains a discussion of how each of the revenue estimates was developed.

The revenue from the various sources depends on the tax rate or fee structure. For some of the revenue sources included in this analysis, the city of Tucker will have no say as to what the rates are. For other taxes and fees, we assumed the rates will be the same as those that DeKalb County is currently imposing. To the extent that the city of Tucker might adopt different tax rates or fee structures, the revenues will differ from the revenue estimated herein.

For the property tax we assume a millage rate of 0.32 mills. This is the current property tax rate that DeKalb County imposes on the unincorporated area for the services that are proposed to be offered by the city of Tucker.

PROPERTY TAXES

To estimate property tax revenue, we estimated the revenue for individual components of the property tax base. For real property taxes, we used the property tax base data for the proposed city of Tucker provided by the DeKalb County Tax Commissioner's office. For the other components, we allocated a portion of the property tax base for the unincorporated area to the proposed city of Tucker. In all cases we assumed a millage rate of 0.32 mills. We assumed a collection rate of 92 percent, which is a typical collection rate; a large percentage of the delinquent property tax liability that is not collected in the first year will be collected in subsequent years.

Real Property Tax Revenue

The real property tax base for 2013 for the proposed city of Tucker was provided by the DeKalb Tax Commissioner's office. We provided a digital map of the proposed city of Tucker to the DeKalb County Tax Commissioner, who returned consolidated real property tax base data. These data include the taxable values for residential, commercial, industrial, agricultural, and conservation properties. Because of limitations with the Commissioner's property tax information program, data for personal property, automobiles, and utility property were not included in the data provided. The revenue from these sources had to be estimated separately.

Table 2. Proposed City of Tucker Real Property Taxable Value

	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AGRICULTURE CONSERVATION	TOTAL	M&O EXEMPTIONS	NET TAXABLE
Total	\$715,346,261	\$279,096,139	\$198,198,375	\$315,000	\$1,192,955,775	\$98,906,152	\$1,094,049,623

Table 2 shows the assessed values by major property class as well as the net taxable value after exemptions. The estimated real property tax revenue from a levy of 0.32 mills and a 92 percent collection rate is \$322,088.

Utility Property Taxes

The property tax records obtained from DeKalb County did not contain information on utility property. We first estimated the utility tax base for the proposed city of Tucker by allocating a share of the utility property for the unincorporated area, using the consolidation sheet from the Georgia Department of Revenue, by the population share. We then multiplied the estimated utility tax base by the proposed millage rate of 0.32 mills for the proposed city of Tucker and a collection rate of 92 percent.

Personal Property Taxes

The property tax records obtained from DeKalb County did not contain information on personal property. As reported on the property tax consolidation sheet for the unincorporated area, most (99.6 percent) of the personal property tax base for the unincorporated area is in the commercial and industrial property categories. Using the consolidation sheet for the unincorporated area, we

calculated the share of personal property of the total property for the commercial and industrial categories. We used these shares and the value of commercial real property and industrial real property for the proposed city of Tucker to estimate the personal property tax base for the proposed city of Tucker. We multiplied this base by the proposed millage rate (0.32 mills) for the proposed city of Tucker and the assumed collection rate (92 percent).

Mobile Home Property Taxes

The property tax records obtained from DeKalb County did not contain information on mobile home property. Using Census data we calculated the share of mobile homes in the unincorporated area that are in the proposed city of Tucker. We multiplied the mobile home property tax base for the unincorporated area by this share to estimate the mobile home tax base in the proposed city of Tucker. We multiplied this amount by the proposed millage rate (0.32 mills) for the proposed city of Tucker and the assumed collection rate (92 percent).

Motor Vehicles Property Taxes

The property tax records obtained from DeKalb County did not contain information on motor vehicle property. Motor vehicles can be either commercial or non-commercial. The Census provides an estimate of the number of non-commercial vehicles in the unincorporated area. Dividing this number by the number of vehicles as reported on the property tax consolidation sheet from the Georgia Department of Revenue gives us an estimate of the percentage of vehicles in the unincorporated area that are non-commercial. We multiplied the vehicle property value as reported on the consolidation sheet by this percentage to obtain the non-commercial vehicle property tax base for the unincorporated area. We allocated a share of the non-commercial vehicle property tax base to the proposed city of Tucker using Census data to estimate the share of vehicles owned by residents of the unincorporated that are in the proposed city of Tucker. We then allocated the commercial vehicle property tax value using the ratio of commercial and industrial property in the proposed city of Tucker to that of the unincorporated area. We summed these two amounts and then multiplied the sum by the proposed millage rate (0.32 mills) for the proposed city of Tucker and the assumed collection rate (92 percent).

Beginning in 2013, the state of Georgia changed how motor vehicles are taxed. When a motor vehicle is sold, the buyer pays a Title Ad Valorem Tax Fee when the vehicle is registered. The revenue from this fee is allocated to local jurisdictions that were in existence on January 1, 2013. Thus, the city of Tucker should not expect any revenue from this new fee. Furthermore, under this law, new vehicles will not become part of the property tax base, and when a used motor vehicle is sold it will cease to be part of the property tax base. Thus, over time, the value of the motor vehicle property tax base will decline.

Intangible Property Taxes

There are two intangible property taxes. A tax is levied on the value of real estate when it is transferred and a tax is levied on the value of real estate mortgages. Revenue from these taxes are divided among all taxing jurisdictions according to the proportion that the millage rate levied by the jurisdiction bears to the total millage rate levied on that property. To estimate the intangible tax revenue for the proposed city of Tucker, we allocated the intangible tax revenue reported for the unincorporated area. There were two steps to this allocation. In the first step, we divided the reported revenue from the unincorporated area to the area associated with the proposed city of Tucker and the rest of the current unincorporated area. This allocation was based on the ratio of the sum of the residential plus commercial property tax base for the proposed city of Tucker to that for the unincorporated area. This revenue amount equals the total intangible tax levied times the ratio of the current unincorporated area tax rate to the total property tax rate applied to the unincorporated area. For the second step, note that the percentage of this allocated revenue that would be allocated to the proposed city of Tucker would equal the ratio of the millage rate for the proposed city of Tucker to the millage rate for the unincorporated area.

FRANCHISE FEES

Municipalities are allowed to impose fees on utilities for the use of the municipality's right-of-way and related costs. Other than for cable, county governments do not collect franchise fees. The fee is some percentage of the receipts for specified services collected by the utility within the municipality. Franchise fees are collected from cable operators, natural gas providers, electricity companies, and telephone companies. We estimated the revenue that the city of Tucker might expect for each of these franchise fees.

For electricity, which generates the largest amount of the franchise fee revenue, we used data provided by Georgia Power. For the other franchise fees, we used franchise fee revenues for various cities and adjusted for differences in population and employment. The following provides some details of the estimating procedures for each franchise fee.

Electricity

We provided Georgia Power with a map of the proposed city of Tucker. Georgia Power used that map to determine which of their meters were likely to be located in the proposed city of Tucker and then calculated the franchise fee revenue that would be generated from these meters assuming a 4 percent fee rate. This process produces an estimate, but not a completely accurate one, of the likely franchise fee revenue of \$1.58 million. There are several reasons why the estimate may not be accurate. For example, meters near the border of the proposed city of Tucker could be incorrectly assigned or not assigned to the proposed city of Tucker using the map and geo-coding of the locations of meters. It would require a much closer inspection of the boundaries and location of the electrical consumer to develop an accurate measure of franchise fee revenue. In addition, revenues vary from year to year. For example, revenues for the past

year are probably lower than normal given the cooler summer the area experienced. In addition, the opening and closing of large businesses will affect the revenue.

Cable

For cable franchise revenue we started with the revenues for Alpharetta, Dunwoody, Marietta, Smyrna, and unincorporated DeKalb. The revenue per capita differs a little across these five areas. The average for the area is \$14.40 per capita. Cable franchise fee revenue per capita for Smyrna is \$12.20 per capita. Since Smyrna is more similar to the proposed city of Tucker than the other cities, we used Smyrna's revenue per capita to estimate cable franchise fee revenue for the proposed city of Tucker. The estimate is \$481,761.

Natural Gas

For natural gas we started with franchise fee revenue for Alpharetta, Dunwoody, Johns Creek, Marietta, and Smyrna. Using the revenue per capita for the total of these cities generates an estimate for the proposed city of Tucker of \$259,260, while using revenue per capita for Smyrna generates an estimated revenue for the city of Tucker of \$226,149. Since natural gas is also used by businesses, we divided franchise fee revenue by weighted population and employment for the cities of Alpharetta, Dunwoody, Johns Creek, Marietta, and Smyrna. We selected the weights to minimize the differences across the cities in the weighted average. Using the resulting weighted average of population and employment yields an estimated revenue for the proposed city of Tucker of \$246,187. To be conservative, we used the revenue estimate based on revenues per capita for Smyrna.

Telephone

Franchise fee revenue for telephone services depends on both population and employment. Since employment per capita for the proposed Tucker is about equal to employment per capita for Marietta, we used revenue per capita for Marietta to estimate the revenue for the proposed city of Tucker.

PARKS AND RECREATION FEE REVENUE

Revenue is generated from fees charged for the use of recreation facilities and organized activities. We allocated a share of the current revenue of the unincorporated service district for parks and recreation using a variety of allocation factors. These revenue data were provided by the DeKalb County Department of Revenue. The basis for the allocation depends on the specific nature of the revenue source. For park rental and summer program revenues, we used the share of the unincorporated park acreage that is in the proposed city of Tucker. For swimming fees we used the share of swimming pools in the unincorporated area that is in the proposed city of Tucker. There are no tennis centers or golf courses in the proposed city of Tucker, so none of that revenue was allocated. Revenue associated with the Tucker recreation center was allocated 100 percent to the proposed city of Tucker. The revenue from adult softball was allocated based on

the number of ball fields in the proposed city of Tucker relative to the number in the unincorporated area. Youth sports revenue was allocated using the share of five to 17 year olds in the unincorporated area that are in the proposed city of Tucker. Allocation of the revenue from the therapeutic programs was based on the population 18 years of age and over, while the senior program revenue was allocated based on population over 64 years of age.

LIFE, PROPERTY AND CASUALTY INSURANCE

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

MIXED DRINK TAX

We allocated the current mixed drink tax revenue for the unincorporated area using the proposed city of Tucker's share of the commercial property tax base for the unincorporated area.

BUSINESS LICENSE

There are several categories of business licenses, which we combined into two categories: general business licenses (sometimes called the occupation tax) and licenses for liquor. The latter includes licenses for package liquor stores, stores that sell beer and wine, establishments that sell liquor by the drink, and adult entertainment establishments. DeKalb County provided a list of addresses for holders of general business licenses and liquor licenses, along with the fee charged. We were able to geo-code most of the addresses.² Using the addresses we could geo-code, we calculated the business license revenue collected from businesses located in the proposed city of Tucker as a share of the revenue collected in the entire unincorporated area. The business license revenue reported in the financial data file provided by the county is larger than the sum of the fees in the file of business licenses. To be conservative, we took the total fee revenue from the business license file and allocated a share to the proposed city of Tucker based on its share of revenue using the geo-coded data.

BANK SHARE TAX

Bank share tax is imposed on banks based on the gross receipts of banks, including savings and loan offices. We allocated a share of the unincorporated revenue, as reported by the DeKalb County Department of Finance, from this tax to the proposed city of Tucker based on the relative employment in the banking industry.

² Some addresses could not be geo-coded because they were post office boxes or the addresses contained errors.

BUILDING, DEVELOPMENT AND ZONING FEES

Building, development and zoning fee revenue comes from registration, permits, and inspection fees associated with construction and renovations, including installation of plumbing, electrical, and HVAC systems. The revenue also includes sign permits, zoning variance permits and certificates of occupancy. A share of the revenues from these activities, as reported by the DeKalb County Department of Finance, was allocated to the proposed city of Tucker based on its share of the unincorporated area's residential, commercial, and industrial property tax base.

HOMESTEAD OPTION SALES TAX

The proposed city of Tucker will be eligible to receive part of the Homestead Option Sales Tax (HOST) revenue. The allocation is determined through a formula set out in Georgia code. The HOST allocation is determined by OCGA §48-8-104, and each year it is calculated by the Georgia Department of Revenue using data provided by the county (the appendix contains that information). There are two calculations. The following are the steps for the first calculation:

1. The county sets the capital factor, which is the share of HOST revenue that can be used for capital expenditures. This has been set at 20 percent each year and is expected to be set at 20 percent in the future.
2. The homestead factor is the result of multiplying the HOST revenue by one minus the capital factor, and then dividing by the amount of taxes levied for county purposes.
3. Next, the county millage rate applicable to the proposed city of Tucker is subtracted from the unincorporated county millage rate. This result is then multiplied by the homestead factor.
4. This millage rate is then multiplied by the net homestead digest for the proposed city of Tucker.

Since the sum of the estimated equalization allocations to all jurisdictions including Tucker is less than the product of the capital factor (0.20) and HOST revenue, municipalities will receive an additional allocation. The following are the steps for the second calculation.

1. Subtract the equalization allocations to all jurisdictions from the product of the capital factor and the HOST revenue.
2. Divide the net homestead digest for the proposed city of Tucker by the total net homestead digest for all municipalities.³
3. Multiply the results of the two steps to get the allocation.

³ There appears to be some confusion regarding the calculation of this ratio. Some people believe the ratio should be based on the total net homestead digest for the county, including the unincorporated area. However, the state code says to use the total homestead digest for municipalities, which was confirmed by an official at the Georgia Department of Revenue. Using the total homestead digest for the county produces a revenue estimate that is \$712,215 smaller than the alternate calculation.

COMMUNITY DEVELOPMENT BLOCK GRANT

The proposed city of Tucker will be eligible for a federal Community Development Block Grant (CDBG). The size of the grant is determined by a formula, but to use the formula it is necessary to determine the value of the variables in the formula for all eligible cities in the United States. Instead, to estimate the revenue we used the amount of CDBG revenue that cities in Georgia received, as reported by the U.S. Department of Urban Development. We first ran a regression using the log of the grant as the dependent variable and the logs of the cities' population and the number of poor as explanatory variables. We used the coefficients from this regression and the population and number of poor in the proposed city of Tucker. The resulting revenue estimate is \$234,181. The city of Smyrna received a grant of \$322,629, but Smyrna has a slightly larger population than the proposed city of Tucker. Using the per capita grant for Smyrna, yields a revenue estimate for the proposed city of Tucker \$215,307. To be conservative we use the revenue estimate for \$215,307.

QUALIFYING FEES

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

REVENUE SOURCES THAT ARE NOT APPLICABLE TO TUCKER

There are several potential revenue sources that we assume are not applicable to the proposed city of Tucker.

Investment Income

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

Hotel/Motel Taxes

We assume that the proposed city of Tucker will not have a promotion office. Thus, we assume that the proposed city of Tucker will not impose a hotel-motel tax. If the proposed city decides to have such a function, at least 40 percent of the hotel/motel tax revenue must be earmarked for that purpose. The other 60 percent could be used to fund the general operations of the city. Using employment in hotels, motels, and inns, it is estimated that a hotel/motel tax would generate \$256,571 in revenue.

Municipal Court

Revenue from the operation of a municipal court is largely from traffic fines. Since traffic fine revenue is associated with police services, which will remain with the unincorporated area, we assume there will be no revenue from traffic fines. We assume that there is a small amount of revenue associated with violation of municipal ordinances. Other than revenue from housing and

building code violations, the enforcement of municipal ordinances will largely be handled by the police and thus will not be revenue for the proposed city of Tucker. Thus, what revenue might be generated from enforcement of municipal ordinances is likely to be very small. We assume no revenue will be generated from a municipal court for the proposed city of Tucker.

Storm Water Fees

Currently, DeKalb County imposes a storm water utility fee to cover the cost of handling storm water. We assume that the proposed city of Tucker will not be responsible for handling storm water and thus will not impose this fee. Since this would be an enterprise fund, if the proposed city of Tucker was to be responsible for storm water, this revenue would be earmarked for this activity.

REVENUE SUMMARY

Table 3 contains the estimates for all of the revenue items discussed above for which we developed revenue estimates. Based on the estimates, the estimated revenue for the city of Tucker is \$10,574,902.

Table 3. Revenue Estimates

REVENUE CATEGORY	TUCKER REVENUE	REVENUE CATEGORY	TUCKER REVENUE
Property Tax:		Life, Property and Casualty Insurance	\$1,585,941
Real Property	\$322,088	Mixed Drink Tax	\$30,203
Utilities	\$5,336	Business Licenses:	
Personal Property	\$43,167	General	\$2,886,174
Motor Vehicles	\$38,100	Liquor	\$519,155
Mobile Homes	\$6	Bank Share Tax	\$158,293
Intangible Property	\$168	Building, Development and Zoning Fees	\$589,435
Franchise Fees:		HOST	\$1,496,780
Electricity	\$1,580,000	CDBG	\$215,307
Cable	\$481,761	Qualifying Fees	\$8,640
Natural Gas	\$226,149	Total	\$10,574,902
Telephone	\$248,403		
Parks and Recreation:			
Park Rental	\$3,302		
Summer Programs	\$9,311		
Swimming Pool Admissions	\$35,437		
Tucker Rec Center	\$74,807		
Swim Lessons	\$3,477		
Adult Softball	\$1,494		
Youth Sports	\$5,234		
Therapeutic Programs	\$6,673		
Senior Programs	\$61		

Expenditure Analysis

To produce the estimates of expenditures for the proposed city of Tucker, we relied heavily on the budgets of several other cities in Georgia with similar populations. These include Kennesaw in Cobb County, East Point and Milton in Fulton County, Peachtree City in Fayette County, Douglasville in Douglas County, and Peachtree Corners in Gwinnett County. While the population of the proposed city of Tucker is expected to be in line with all of these cities, several of these cities are older and have more established municipal governments that offer a larger array of government services than is initially expected of the proposed city of Tucker. We also include the cities of Milton and Peachtree Corners, which are newer and leaner with respect to the provision

of governmental services. Several of the comparison cities also offer police and road and storm water management services, which will not be offered, at least initially, by the proposed city of Tucker.⁴

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

GOVERNANCE

The governance of the city includes the position of mayor and members of the city council. Average council sizes of the comparison cities ranged from four members in Peachtree City to eight members in East Point. Peachtree City council members serve an average of 8,723 persons, while those in East Point serve 4,439. On average, council members in the comparison cities serve 6,130 persons each. Data from the 2014 Department of Community Affairs Municipal Wage and Salary survey for elected officials show that compensation for council members in our comparison cities ranges from \$12,000 in Kennesaw and Peachtree City to \$12,900 in Douglasville.⁵ Compensation for the position of mayor ranges from \$18,000 in Peachtree City to \$39,600 in Douglasville.

Table 4. Governance Estimate

	EP-D-K	PTCY-M-PTCR	BEST ESTIMATE
Mayor/City Council	\$390,278	\$116,483	\$275,342

Average expenditures over the 2011-2014 period for the mayor and city council department range from almost \$87,000 in Peachtree City to just under \$500,000 in Kennesaw.⁶ Based on budget data from 2011 through 2014, we compute the per capita expenditures associated with this department for each of the comparison cities. From these per capita figures, we compute the average ratio for the cities of East Point, Douglasville and Kennesaw (EP-D-K) and the average ratio for Peachtree City, Milton and Peachtree Corners (PTCY-M-PTCR). These average per capita expenditures ratios are then applied to the anticipated population of the proposed city of Tucker to determine the estimates presented in Table 4. To compute the “best estimate,” all the per capita ratios are arranged from low to high and the lowest and highest are dropped. The remaining per capita ratios are averaged and the resulting per capita average is applied to the

⁴ It is assumed that DeKalb County will continue to collect the appropriate storm water fees on behalf of Tucker.

⁵ The data for the cities of East Point, Milton and Peachtree Corners were not included in this survey.

⁶ Only 2014 budget figures were available for Douglasville and Peachtree Corners.

anticipated population for Tucker. Based on this methodology, we estimate an expenditure for governance for the incorporated area of Tucker between \$390,278 and \$116,483 with a best estimate of \$275,342 as shown in Table 4.

CITY ADMINISTRATION

For the purposes of this analysis, city administration is defined as the departments of city manager, finance, general administration, legal, and city clerk. Average administrative expenditures over the 2011-2014 period for our comparison cities ranged from a low of \$2.8 million in Milton to a high of \$6.4 million in East Point.

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

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

Table 5. Administration Estimate

DEPARTMENTS	EP-D-K	PTCY-M-PTCR	BEST ESTIMATE
City Manager	\$535,868	\$277,005	\$444,391
Finance	\$549,129	\$308,183	\$509,433
General Administration	\$3,278,624	\$1,914,132	\$2,546,311
Legal	\$765,787	\$190,500	\$276,733
City Clerk*	\$239,084	\$216,864	\$217,512
Total—All Admin	\$5,368,492	\$2,906,684	\$3,994,380

*Estimate does not include amount for Kennesaw.

We employ the same methodology to estimate the expected administrative expenditures that is used to estimate the expenditures for mayor and city council. Table 5 shows the estimated expenditures based on the average per capita expenditure ratios over the 2011-2014 period for

East Point, Douglasville, and Kennesaw (EP-D-K), Peachtree City, Milton, and Peachtree Corners (PTCY-M-PTCR), and the best estimate for the proposed city of Tucker.

PARKS AND RECREATION

To estimate the expenditures associated with operating the existing parks and recreation programs in the proposed city of Tucker, we rely on the expenditure experience of the comparison cities of Kennesaw, East Point, Milton, Peachtree City and Douglasville.⁷ While the comparison cities used in the study all have populations similar to that of the proposed city of Tucker, they tend to have different acreage of parkland and offer a varying array of recreational facilities. Of the comparison cities, Peachtree City has the most acreage of parkland at 416 acres. Milton has the smallest acreage of parkland at 57 acres. Average parks and recreation budgets of the comparison cities over the 2011-2014 period ranged from \$0.6 million in Milton to \$2.5 million in Peachtree City.

The proposed city of Tucker is expected to have 261 acres of parkland. Table 6 lists the parks that are included in the analysis. By law the cost of parkland is \$100 per acre plus \$5,000 for each facility. The cost of purchasing the parkland and park facilities is determined by multiplying the 261 acres by \$100 per acre and including the acquisition cost of the Tucker recreation center, a structure at Henderson Park, and the swimming pool at the Kelley C. Cofer park.

Table 6. List of Proposed City of Tucker Park Facilities

PARK	STATUS	ACRES	LIST OF FACILITIES
Kelley C. Cofer	Community Park	20	ball fields, swimming pool, trail
Henderson Park	Community Park	120.7	ball fields, playground, recreation center
John's Homestead	Undeveloped	54.9	lake and 1828 farmhouse
Lake Ivanhoe	Undeveloped	1	lake
Montreal Park	Neighborhood Park	9	nature preserve
Peters	Neighborhood Park	4	multi use field, basketball court, playground
Smoke Rise (formerly Hugh Howell)	Undeveloped	18.3	
Smoke Rise II	Linear Park and Greenway	5.69	
Tucker Park	Future Neighborhood Park	15	
Tucker Recreation Center	Community Park	12	basketball court, multi-use court, playground, recreation center
Total		260.59	

We apply the same methodology used to construct the administrative expenditures to construct the estimated expenditures for park and recreation but use a different grouping of comparison cities. Instead of allocating this expense by population, as is done for the administration and governance estimate, this expense is computed on a per-acre basis. The estimated expenditures

⁷ The city of Peachtree Corners does not provide park and recreation services.

associated of the parks are recreation department for the proposed city of Tucker, inclusive of the cost of parkland and facility acquisition, are shown in Table 7.

Table 7. Parks and Recreation Estimate

DEPARTMENTS	K-M	PTCY-EP-D	BEST ESTIMATE
Parks & Recreation	\$4,230,858	\$1,338,502	\$1,809,758

TOURISM

For this analysis, we assume Tucker will not undertake this function. A minimum of 40 percent of hotel-motel taxes must be set aside for tourism. If they decide to do so, the expenditures in this category would be at least \$102,628 and are paid for exclusively by the revenue from the hotel/motel tax.⁸

CODE ENFORCEMENT AND COMPREHENSIVE PLANNING AND ZONING

The proposed city of Tucker will be responsible for developing a comprehensive strategic plan and for enforcing all zoning decisions and ordinances. In addition, the estimate below includes the cost of administering business licenses and providing building inspections. The estimated expenditures for code enforcement and planning and zoning are shown in Table 8 and are based on per capita calculation of expenditures of code enforcement in the comparison cities. Based on budget data from fiscal year 2013, Kennesaw and Milton each had two code enforcement officers and Peachtree City had four.⁹ In addition, these cities employed additional personnel to address issues of planning and zoning.

Table 8. Code Enforcement and Comprehensive Planning and Zoning Estimate

DEPARTMENTS	EP-M-PTCY	D-PTCR-K	BEST ESTIMATE
Code Enforcement/Planning & Zoning	\$958,237	\$596,709	\$672,359

FACILITY LEASING AND MANAGEMENT

To account for office space and equipment, we use the same information that was used in the Tucker feasibility study from 2013. This information is based on the facilities costs of Dunwoody and Brookhaven. The required amount of office space is less sensitive to changes in population; therefore, it is assumed that this estimate would not be reduced to reflect the reduction in the population of the 2015 proposed city of Tucker. At the time of the prior study, Dunwoody leased 24,000 square feet. Because commercial leasing rates for Dunwoody would not be representative of the proposed city of Tucker commercial leasing market, we use a value of advertised leasing for the Tucker area of \$25 per square foot per year and assume that the proposed city of Tucker

⁸ This expenditure level is equal to 40 percent of the anticipated revenue from the hotel/motel tax.

⁹ Information on the number of code enforcement officers was not available for all comparison cities.

would lease approximately 24,000 square feet of space. Expenditures for utilities are already accounted for in the estimates for the various departments and are not included in this estimate for leasing expenditures. The estimated expenditures for facility leasing are shown in Table 9.

Table 9. Other Estimated Expenditures

EXPENDITURES	BEST ESTIMATE
Facility Leasing	\$600,000
Startup Expenditures	\$1,812,000
Contingency	\$614,398

STARTUP EXPENDITURES

To account for the general startup expenditures of furniture and office equipment, software, computer servers, communication equipment and GIS equipment, we assume an amount of \$1,750,000 initially. This category of expenditures also includes the continuation of the Georgia Department of Transportation project that is currently being funded by the county in the Tucker area. It is anticipated that the proposed city of Tucker will contribute approximately \$750,000 of its HOST revenues toward the continuation of this project.

The overall startup costs will vary if the city leases equipment instead of purchasing equipment and also depends on the number of employees initially hired. In addition, to cover the initial costs incurred before the first property tax collection, the city can offer a one-year bond, called a Tax Anticipation Note (TAN). Assuming the city floats a one-year bond for \$10,000,000 at the current LIBOR one-year interest rate of 0.62 percent, interest on this note would be \$62,000 for the first year. Table 9 provides the estimates for interest expense associated with the TAN and other estimated startup expenditures.

CONTINGENCY

To account for unforeseen expenses and deviations from an original plan, we have included a contingency budget equal to one month of expenditures, excluding one-time expenditures such as the purchase of parkland and startup expenditures. This amount is shown in Table 9.

Table 10 provides a summary of all the estimated expenditures associated with the proposed city of Tucker.

Table 10. Summary of All Expense Estimates

DEPARTMENTS	HIGH	LOW	BEST ESTIMATE
Mayor/City Council	\$390,278	\$116,483	\$275,342
City Manager	\$535,868	\$277,005	\$444,391
Finance	\$549,129	\$308,183	\$509,433
General Administration	\$3,278,624	\$1,914,132	\$2,546,311
Legal	\$765,787	\$190,500	\$276,733
City Clerk	\$239,084	\$216,864	\$217,512
<i>Sub Total Administration</i>	<i>\$5,758,770</i>	<i>\$3,023,168</i>	<i>\$4,269,722</i>
Parks and Recreation (including purchase of park facilities and land)	\$4,230,858	\$1,338,502	\$1,809,758
Code Enforcement/Planning & Zoning	\$958,237	\$596,709	\$672,359
Facility Leasing	\$600,000	\$600,000	\$600,000
Startup Expenditures	\$1,812,000	\$1,812,000	\$1,812,000
Contingency	\$964,067	\$464,943	\$614,398
Total – All Expenditures	\$14,323,932	\$7,835,322	\$9,778,237

Conclusion

Total estimated revenues and total estimated expenditures for the proposed city of Tucker are shown in Table 11. The proposed city can anticipate \$0.8 million of revenue in excess of expenditures under the assumptions made in this report including the data we have been able to develop and the list of expenditures that Tucker 2015 anticipates undertaking.

Table 11. Total Estimated Revenues and Expenditures

	ESTIMATE
Revenues	\$10,574,902
Expenditures	\$9,778,237

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