

A Study of the Fiscal Viability of an Incorporated Saint Simons and Sea Islands

Prepared by the Strategic Operations and Planning Assistance Division

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FOREWORD

Over the last several years, the Carl Vinson Institute of Government (CVIIOG) 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 what the study seeks to determine is 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 a feasibility study be conducted before a bill of incorporation can be considered and has named the Institute of Government as one of the two university institutions qualified to conduct the study.

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

As the purpose of this report is to assist the public with consideration of municipal incorporation, the reader should note that the assumptions used in this report could potentially not be those that are incorporated into the final legislation.

Estimates given in this report are based on tax levies and service levels for a city not yet created; and, thus, they should not be viewed as certainties. While it is our hope 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 Saint Simons and Sea Island by the Carl Vinson Institute of Government.

SHORT EXECUTIVE SUMMARY

The Institute of Government was asked to study three service level scenarios. The first scenario includes those four services that the proposed city would intend to provide immediately following its incorporation. The second and third scenarios add additional services that the city may consider offering at some time after being incorporated. This report is designed to determine if a proposed new city to be comprised of the current Saint Simons Island and Sea Island would be fiscally viable. In order to be viable in this manner, the expected revenues to be derived from the residents, property owners, and businesses in the area would need to exceed or equal the expected cost of providing the proposed set of services.

To determine available revenues, we have 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. To determine the likely operational expenses associated with services, we looked at two comparison governments in the coastal area, the City of Pooler and the City of Kingsland. In addition, for services that had cost structures that were unique to the nature of the services, Institute of Government faculty employed the most appropriate data sources available.

For the three scenarios studied, we are confident that based on looking at currently available revenues and analyzing comparable government municipal government expenditures that our study reflects a realistic assessment of likely fiscal feasibility. Based on our analysis, we find that likely available revenues exceed likely expenditures for the services identified to be provided, and therefore conclude that a city comprised of the Islands study area is fiscally feasible. This viability was found for all three service provision scenarios, but fiscal viability of the scenario of interest was particularly evident as the data indicated that the new city could provide the desired services without levying any municipal property tax and do so while having an operating surplus.

TABLE 1

Assessment of Fiscal Viability	
Scenario of Interest	Fiscal Viability
Scenario 1: The new city would provide sufficient services to be a certified municipality as well as to meet the requirements of O.C.G.A. § 36-31-7.1: the four services to be provided in this scenario include planning and development, code enforcement, roads & drainage, and solid waste management.	Viable: Can provide City Services with a combination of non-property tax revenue sources at rates similar to those currently in place in Glynn County. These services can be provided without recourse to a City property tax.
Potential Future Scenarios	Fiscal Viability
Scenario 2: The new city would provide the services in Scenario 1, and would also provide fire protection, police protection, and library services.	Viable: Can provide City Services with a combination of non-property tax revenue sources at rates similar to those currently in place in Glynn County. These services can be provided without recourse to additional City property tax beyond the current Special Fire and Police Service District taxes.
Scenario 3: The new city would provide the services in Scenario 1 and Scenario 2, and would also provide recreation services.	Viable: Can provide City Services with a combination of non-property tax revenue sources at rates similar to those currently in place in Glynn County. These services can be provided generally without recourse to additional City property tax beyond the current Special Fire and Police Service District taxes.

It should be recognized that the relationship between the new city's likely revenues and expenditures presented in this report does not include the potential for county tax reductions for study area taxpayers or the potential for county provision of other benefits for study area residents in an effort to address tax equity.

FULL EXECUTIVE SUMMARY

This report is designed to determine if a proposed new city to be comprised of the current Saint Simons Island and Sea Island would be fiscally viable. In order to be viable in this manner, the expected revenues to be derived from the tax base of the proposed city- comprised of residents, property owners and businesses in the area- would need to exceed or equal the expected cost of providing the proposed set of services.

To determine available revenues, we have 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. Revenues were determined using current fees and charge rates used by Glynn County, and estimates of property taxes are based on current exemptions (including Scarlett Williams) provided by Glynn County. To determine the likely operational expenses associated with services, we looked at two comparison governments in the coastal area, the City of Pooler and the City of Kingsland. An effort was made to include fully-loaded expenses including the cost of all retirement and other employee benefits. In addition, for services that had cost structures that were strongly skewed by factors that were community- or location-specific or were unique to the nature of the services, Institute of Government faculty employed the most appropriate data sources available.¹ We are confident that looking at currently available revenues and analyzing comparable municipal government expenditures that our study reflects a realistic assessment of likely fiscal feasibility. Based on our analysis, we find that likely available revenues exceed likely expenditures for the services identified to be provided, and therefore conclude that a city comprised of the Islands study area is fiscally feasible.

The Institute of Government examined three service scenarios; each of which was found to be viable. Scenario 1 was found to be viable without the new city having to levy any property tax.

In this Scenario 1 the new city would provide sufficient services to be a certified municipality as well as to meet the requirements of O.C.G.A. § 36-31-7.1: the four services to be provided include planning and development, code enforcement, solid waste management, and road maintenance.

In order to test for fiscal viability, Institute of Government faculty completed the following tasks:

First, each scenario's expenditures and expected non-property tax revenues were described and identified. Cities in Georgia have the ability to collect certain revenue in their jurisdictions simply because they are an active municipality. However, for other revenue sources (e.g., Local Options Sales Taxes) only cities that provide a certain set of services are allowed to receive these revenues. Similarly,

¹ While Glynn County expenditures on services provided in the study area can potentially be informative to citizens, it is not possible in many cases to accurately allocate expenditures that are provided to the entire county or the entire unincorporated area to specific service areas such as the study area.

the provision of a service is often accompanied with opportunities for collecting certain fees, grants, and charges, e.g., the provision of recreation services comes with the ability to charge for these services. However, if the city does not provide these services, it cannot collect these revenues. Institute of Government faculty utilized Glynn County financial documents and posed queries to Glynn County personnel in order to allocate revenue from various sources to the study area for the potential incorporation in an appropriate manner for the different scenarios.

Expenditure estimates for the study typically include a few components: direct operational expenditures, indirect support service expenditures, contingency fund, and major equipment and facility capital. (Facility capital was estimated using facility lease costs in cases where the facilities currently owned by Glynn County on the Islands may not be transferred to the new city or where the current facilities were not sufficient to meet the needs of the proposed new city.)

Expected revenues and expenditures for each scenario individually are outlined in the following tables. The study methodology assumes that non-property tax revenues will be allocated prior to assessing the need for a particular amount of property tax revenue. For all three Scenarios' there was no need for any property taxes for the new city beyond those currently being collected by Glynn County for the fire district and the additional police that are provided to Sea Island (these two taxes together will be referred to hereafter as the "Special Services Tax").

At the point in time that this study was completed Citizens for Saint Simons and Sea Island, Inc. (the citizens group that commissioned this study) contemplated a proposal for incorporation that would only include the provision of services specified in Scenario 1. Information on the fiscal viability of the study area under the other service scenarios is therefore provided for future consideration only.

TABLE 2

Cityhood Fiscal Viability –Baseline Scenario (Preferred)	
Non-Property Tax Revenues from Scenario 1	\$7,519,095
Expected Direct Service Expenditures	\$4,804,000
Administrative Expenses	\$1,057,554
Contingency (on operational expenditures only)	\$264,871
Total Expected Expenditure	\$6,126,425
Expected Need for Property Tax Revenues	\$0
Surplus	\$1,392,670

As the above table indicates, an Island City providing a minimum set of service could operate with a surplus of revenues over expenditures and could provide the desired services without any municipal property tax. Assuming that property owners on the Islands would continue to pay property taxes to Glynn County at the same rate as is currently the case, the impact of incorporation on the county government would not be a dollar for dollar loss of the revenue cited in the table above. This is the case for a few reasons: first, a substantial portion of the revenues estimated for the study area come from a source, i.e., franchise fee revenue, for which counties are not eligible; second, while the county will lose revenue, it may be able to shed responsibility for the provision of some services to the study area; and third, the new City may elect to purchase some of its services from the County.

Additional Possible Service Scenarios

While new cities may begin providing a limited set of services, such cities over time may choose to provide additional services. This expansion of service delivery responsibility may be the result of a number of factors such as increased capacities, a desire for a higher (or lower) level of service than the county currently provides, or a dissatisfaction with the current manner of service delivery. In addition as Georgia law regarding the service responsibilities of new cities has changed in the last few years, it is prudent to consider the potential for new cities to provide a more complete set of services than those specified in the baseline scenario. As such Institute of Government faculty also analyzed the following additional scenarios for their fiscal viability.

Scenario 2: The new city would provide the services in Scenario 1 and would also provide fire protection, police protection, and library services.

Scenario 3: The new city would provide the services in Scenario 1 and Scenario 2, and would also provide parks and recreation services.

These two additional scenarios were also found to be viable based on the new city receiving the Special Services Tax revenues currently paid to the County by Study Area taxpayers.

Scenarios 2 & 3 are cumulative (e.g., Scenario 3 includes the services and revenues of all three Scenarios) but the cost rate for indirect support-type services is different in Scenario 1 than in Scenarios 2 & 3 (due to economies of scale in the provision of support services). The following tables outline the balance of non-property tax revenues over expenditures and identify the expected need for revenue from

property taxes. The reader should recognize that Island study area taxpayers support municipal services both through the general levy of county taxes as well as through two special taxing districts for fire and police. The surplus/deficit line in these tables represents an estimate of the level of surplus or deficit that would occur if the Special Services Tax revenues currently paid to the County by Island Area taxpayers were credited to the city. The issue of a credit for these special taxing districts revenues is treated in more detail in a later section.

TABLE 3

Scenario 2 Expected Annual Revenues and Expenditures	
Baseline Revenues from Scenario 1	\$7,519,095
Scenario 2 New Revenue from LOST, Fines, Fees, and Charges	\$3,563,916
Total Expected Non-property Tax Revenues	\$11,083,011
Fire and Police Special District Property Taxes Transferred to the New City	\$4,082,934
Total Revenue	\$15,165,945
Scenario 2 Expected Annual Expenditures	
Baseline Expenditures from Scenario 1 (minus Indirect & Contingency)	\$4,804,000
Scenario 2 New Expenditures	\$5,738,792
Expected Direct Expenses Sub-Total	\$10,542,791
Indirect Expenses	\$1,027,883
Contingency (on operational expenditures only)	\$538,773
Total Expected Expenditure	\$12,109,447
Final Surplus	\$3,056,498

TABLE 4

Scenario 3 Expected Annual Revenues and Expenditures	
Total Expected Non-property Tax Revenues Scenario2	\$11,083,011
Scenario 3 New Revenue from Grants, Fees, Charges	\$409,503
Total Expected Non-property Tax Revenues	\$11,492,514
Fire and Police Special District Property Taxes Transferred to the New City	\$4,082,934
Total Revenue	\$15,575,448
Scenario 3 Expected Annual Expenditures	
Baseline Direct Expenditures from Scenario 2	\$10,542,791
Scenario 3 New Direct Expenditures	\$1,760,561
Direct Expenses Sub-Total	\$12,303,352
Indirect Expenses	\$1,203,157
Contingency	\$635,798
Total Expected Expenditures	\$14,179,495
Final Surplus	\$1,395,954

As the tables above indicate, the proposed new city could be viable in the more full service scenarios without Island Area property owners paying any additional city property taxes (above the taxes for the special fire and police districts). What this finding suggests is that it would be possible for an Island Incorporation to have minimal to no impact on Island residents with regard to property taxes assuming that Glynn County also does not change its property tax rate.²

However, as the following discussion outlines, the ‘viability’ of an Islands City is stronger than findings in the above tables suggest. That is, once you take into consideration ‘customary rates of property taxes’ and the potential for a tax equity negotiation to provide additional tax relief for municipal taxpayers, the probable degree of viability of a new Island City would be greater.

Further Understanding of Fiscal Viability

Readers should recognize that the test of fiscal viability outlined in this study--that the study area, if incorporated, would have sufficient revenue to support the expected level of expenditures-- differs somewhat from that used in other studies. In earlier Institute of Government studies, Institute faculty were able to identify with a fair degree of accuracy whether the incorporation of a new city would likely

² While the incorporation of the study area would result in a loss of revenue to Glynn County, it will also result in a reduction in responsibility of service provision to the study area.

lead to an increase, decrease, or no change in ALL taxes and fees to be paid by the study area residents to both the new city and the county (assuming no change in services or service levels). That is, if it could be definitively determined that the study area residents would not pay any additional taxes or fees after incorporation than prior to incorporation to all the local government taxing districts in which they reside, this would underscore a finding of viability. In the cases where Institute of Government faculty were able to make this finding, it was made possible by use of special tax districts comprised of the unincorporated areas of the county for the purpose of delivering municipal-type services to such areas.³ In these cases the county (e.g., DeKalb County) assigned the revenues to the special districts as if the districts were municipalities. The counties then applied these revenues to municipal services expenditures in the special district (the unincorporated area). In the case where additional revenue was needed to support the desired level of services, a property tax could be applied to just the properties in the special district. As a result of this practice, when Institute of Government faculty estimated the revenues needed for a new city, the revenue that was estimated to be collected by a new city could be exclusively traced back to the special district revenue (as the new city would be carved out of this district and would be supplying the same type of municipal-related services as the special district). Along with a special service district the county would maintain a district of the whole county in which a tax levy would be used exclusively to support the county's countywide services (such as the courts, the sheriff's office and jail, the tax commissioner, etc.). This countywide services district would not be impacted by the creation of the new city (e.g., both new city residents and special district residents would continue to pay taxes for countywide services and there would be no need to change the tax rate upon incorporation.) Because incorporation would have no impact on this countywide district a study finding that the new city's revenues were likely to be greater or equal to the service expenditures would also mean that the new city's taxpayers would receive a net

³ O.C.G.A. § 36-70-20. Georgia law requires that counties and cities practice tax equity with regard to funding of municipal-type of services. What this means is that city taxpayers should not be required to pay taxes to their city government for these municipal-type services and also have to pay taxes to the county to support the provision of such services provided only to the unincorporated areas of the county. In order to meet tax equity standards many counties in Georgia have set up special taxing districts comprised of the unincorporated areas of the county. These districts would receive revenues that cities can raise for municipal services and would levy a property tax on just the property of the district to make up the remaining revenue needs. These districts essentially ensure that city taxpayers are not taxed twice for the support of municipal-type services. Currently, Glynn County has not set up a special tax district of this type to cover all potential municipal services. While Georgia law requires that counties follow tax equity, the law does not require the creation of special tax districts. Instead, as long as the county and the cities in the county agree that the financing and service delivery situation is equitable, tax equity is presumed to be satisfied. Hence, in many cases a county might provide a service to a city without payment or provide the cities a larger share of the local option sales taxes or other revenues. However, for the purposed of a fiscal viability study, 'independent agreements' of this type cannot be anticipated or predicted.

benefit from incorporation. This would be the case because these taxpayers, theoretically, would not have to pay ANY additional taxes or fees to the county as a result of the incorporation (since the incorporation would not impact the countywide service district's revenues or expenditures).

In the current study of fiscal viability, because Glynn County does not utilize special tax districts to fund all municipal-type services, it is not possible to determine if the taxpayers in the proposed new city would be impacted by the county government increasing taxes or fees as the result of the proposed incorporation. Such changes would of course impact all county residents. Currently, revenues (and some expenditures) going to support municipal-type services in the unincorporated part of Glynn County are mixed in with revenues (and expenditures) going to support countywide services. In such a case, while this study can point to the amount of revenue lost to Glynn County (essentially the amount of non-franchise fee revenue estimated to be collected by the proposed new city), the study cannot determine how county leaders and decision makers will react to this loss of the revenue or to the potential shedding of some of the municipal-type service workload (i.e., the municipal service workload assumed by the new city).

While Glynn County does not use special taxing districts for all municipal-type services, it does so for fire services and for a higher level of police service provided to Sea Island. Were the proposed new city to fund the services described in each Scenario by only applying the property tax revenue from these limited special service taxing districts, the city would pass a stringent test of fiscal viability. This is the case because one would normally credit a new city with ALL the property taxes that were levied to support the complete set of municipal-type services. If the proposed new city can meet its revenue needs with only the property tax revenue from the limited special service tax districts, its fiscal viability is highly assured.

As the following section shows, the proposed new city would meet this more stringent test of viability. Nevertheless, Institute of Government faculty did attempt to estimate what would be the level of property tax generation were the proposed new city not able to meet the more stringent test of supporting service delivery with only the revenue from the existing special service districts. Since the findings indicate that the proposed new city does meet the more stringent test, the estimate of the level of property taxes allowable under a more customary practice test of viability is presented in Appendix H.

Property Tax in Context and Net Benefit/Cost

While the analysis presented above would suggest that the study area would have more than sufficient revenue to provide the services specified, it does not answer the question of whether these taxes would represent a net increase or decrease in the tax burden borne by the study area taxpayers. As suggested above, a definitive determination of this sort is not feasible in context of Glynn County's tax

equity practices. However, it is possible to achieve further understanding of the potential net cost or benefit.

First, the need for property taxes in both Scenario 2 and Scenario 3 should be understood in the context of the elimination of the two special taxing districts that currently are active in the study area: the Fire Protection District (that serves Saint Simons Island and Sea Island and other parts of unincorporated Glynn) and the Sea Island Police District (that serves Sea Island). In the post-incorporation situation (in Scenarios 2 & 3), it is assumed that the study area would no longer be part of the special districts. In order to understand the net property tax need (over the current property taxes paid by study area taxpayers) in the study area, it is important to credit to study area property owners the taxes they are currently paying into these special districts.

In Scenarios 2 & 3 once the value of the special districts elimination has been accounted for, there is no need for additional property tax revenues over and above what is currently being paid into the special tax districts. Moreover there is estimated to be surpluses even before considering factors such as the decreasing need to finance start-up capital and contingency funds over time. **Assuming no change in Glynn County property countywide tax rates, the study area taxpayers would essentially experience little or no change in total property taxes (i.e., the taxes paid to the new city plus those paid to the county).**

Potential Tax Equity Negotiation Impacts

Under Georgia Law, when a new city is created, the county and the cities in the county must negotiate a service delivery strategy. The key provision of the Service Delivery Strategy Act states that: “The strategy shall ensure that the cost of any service which a county provides primarily for the benefit of the unincorporated area of the county shall be borne by the unincorporated area residents, individuals, and property owners who receive the service.”⁴ This principle of the cost being borne by those who benefit is known as tax equity.

Currently, all Glynn County taxpayers (including taxpayers in the City of Brunswick) pay property taxes that support municipal-type services provided only in the unincorporated area.⁵ If the study area were to incorporate and Glynn County were to continue to tax city taxpayers to support municipal services in the unincorporated area, the cities could request some level of tax equity settlement. Such a settlement can come in many forms (e.g., agreement by the county to assume responsibility for delivering a service, provision of a larger share of LOST dollars, etc.). There is no one

⁴ O.C.G.A. § 36-70-20.

⁵ Brunswick and Glynn County have mutually agreed to a service delivery strategy that identifies which governments are to provide which services to which areas and designates where revenues are collected to fund the same.

way in which tax equity disputes are settled. Multiple unknowns come into play, including such things as the ability to pay, the location of revenue generators, and the desire to not see major disruptions in services or tax levels. Essentially, as long as the parties to the service delivery/tax equity negotiation agree that the strategy is acceptable, tax equity is considered to be met. That said, the ultimate fiscal impacts (i.e., the net benefits/costs to the affected taxpayers) of the incorporation of the study area will be based on the results of a tax equity negotiation. As the foregoing analysis has indicated, were the new city to simply agree to continue paying the same taxes to the County, there would be minimal changes in the benefits and costs to taxpayers in the study area.

However, it should be recognized that the relationship between the new city's likely revenues and expenditures presented in this report does not include the potential for county tax reductions for study area taxpayers or the potential for county provision of other benefits for study area residents in an effort to address tax equity. For example, the scenarios presented here do not take into consideration possible reductions in county millage rates associated with a lessened cost for services for the county due to these services being taken on by the new city.

INTRODUCTION

State Representatives Alex Atwood and Jeff Jones and the Citizens for Saint Simons and Sea Island, Inc. commissioned the Carl Vinson Institute of Government to study an area within unincorporated Glynn County to aid in the consideration of the area's possible incorporation by the citizens in the study area. Saint Simons and Sea Island, or the "study area," as it is referred to in this report, is comprised of the entirety of these two islands off the coast from Brunswick, Georgia. The area begins at the Island end of Fancy Bluff Creek and does not include any of the marsh land on the mainland side of this creek. See *Appendix D* for maps of area.

This report provides estimates of revenues and expenditures that a City that, if incorporated, could anticipate for providing certain municipal services during a single fiscal year. The revenue estimates are primarily based upon actual revenues collected from the unincorporated area by Glynn County in fiscal year (FY) 2014 as well as projections for franchise fees.

To determine available revenues, we have 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. Revenues were determined using current fees and charge rates used by Glynn County, and estimates of property taxes are based on current exemptions (including Scarlett Williams) provided by Glynn County.

The Institute of Government's expenditure estimate methodology generally involves extrapolation from expenditures by comparable governments that provide services similar to those likely to be provided by a city comprised of the study area. However, for services that have a cost structure that is strongly skewed by factors that are community- or location-specific, the use of the comparison governments to estimate costs is not necessarily the best choice. By the Institute of Government's analysis of the study area, fire services and recreation services appear to have cost structures that are community specific. Also, Glynn County's provision of these services has tended to be separate or easily separable from the provision of services on the mainland. Similarly, for some expenditures that are unique (e.g., support service expenditures for cities that only provide a minimal set of services) there may be only one comparable government (i.e., Peachtree Corners). For expenditures that are somewhat unique like the startup of a new police department of a significant size, there may be better comparisons (e.g., the City of Dunwoody) than the selected comparison cities. In these cases, Institute of Government faculty attempted to choose the comparisons that best met the task of providing a conservative estimate of expenses.

Comparison Cities

Expenditure estimates are primarily based on costs for services in the cities of Pooler and Kingsland. For each comparison city, CVIOG faculty examined city budget documents and conducted interviews with city staff so as to properly allocate certain costs and to clarify figures and line items reported in their budgets. An effort was made to include fully-loaded expenses, including the cost of all retirement and other employee benefits.

These cities were selected based on several factors. Both cities are located in the coastal area and are relatively close in population to the study area. While the study area has a higher median income and a lower poverty rate than the comparison cities, these comparison cities were the most wealthy and least impoverished cities of comparable size and location to the study area. Profile data for the study area and the comparison cities is provided in Table 5.

TABLE 5

Demographic Comparison of Study Area and Comparison Cities, 2010			
	Study Area	Pooler	Kingsland
Population	14,720	19,140	15,946
White	95.0	65.4	69.3
Black	2.8	25.4	23.1
Asian/Pacific Island	0.9	3.9	2.5
Other	1.3	5.3	5.1
Hispanic*	2.1	6.6	5.5
Median Household Income	\$84,293	\$68,587	\$54,944
Poverty Rate	4.3%	9.5%	14.7%
Note: The U.S. Census Bureau recognizes Hispanic as an ethnicity and not a race; therefore, the population percentages might sum to greater than 100%.			
Note: figures for populations, median household income, and poverty rate came from the 2010 Census and the American Community Survey, 2007-2011 estimates utilizing 2010 Blocks and 2000 Block groups that approximated the study area for ACS 07 - 11 data.			

The readers should note that the population figures provided above are for the same decennial census, which provides the most accurate figures and the only figures on which to base an estimate of the study area. However, for the purposes of estimating per capita expenditures in the comparison cities, Census population estimates for 2013 were used, i.e. 21,183 for Pooler and 16,241 for Kingsland.

Both of these comparison cities provide municipal services primarily through their own directly employed city staff. Because the comparison cities have been in existence long enough so as to have stabilized their expenditures, the estimates for these cities were calculated by averaging the expenditures for the fiscal years 2013 and 2014 and applying the amounts to the study area on a per capita basis. In some instances, it was not possible to allocate costs to one or more departments because of the ways the comparison cities aggregate their expenditures. To determine how best to interpret the budget and other financial documents when listed items were not clear or where aggregated, faculty from CVIOG interviewed the city manager or finance director of the relevant government.

Service Scenarios

Revenue and expenditure estimates provided in this report are based on tax levies and service levels for a city not yet created. The estimates developed in this report are based on certain assumptions that include:

- That the new city could potentially be created under three service scenarios:
 - Scenario 1: The new city would only provide the minimum number of services needed to be a certified municipality: the four services for this purpose would be, specifically: planning and development, code enforcement, roads and drainage, and solid waste management.
 - Scenario 2: The new city would provide the services in Scenario 1 and would also provide fire protection, police protection, and library services.
 - Scenario 3: The new city would provide the services in Scenario 1 and Scenario 2, and would also provide parks and recreation services.
- That the new city would continue to operate the solid waste management service as an enterprise fund, i.e., a fund based solely on the collection of user fees to support the service.
- That the new city would continue to offer the same tax exemptions to its residents that are currently being offered by Glynn County

Organization of Report

The report is organized as follows:

First, each scenario's expenditures and expected non-property tax revenues are described and identified.

Then for each scenario we test whether and to what degree there is a need to levy a property tax in the study area in order to support the delivery of the services specified in that scenario.

Next, in order to identify the full tax and fee burden that study area residents would experience in a post-incorporation setting, we create a 'virtual' budget for the two taxing districts that study area residents would pay taxes and fees to in this situation: the new city district and a district comprised of the

remaining services that Glynn County would provide countywide. This virtual budget is based on the assumption of strict tax equity practice in which a new taxing district comprised of the remaining unincorporated area would be created, and that this district would provide municipal-type services (e.g., fire, police, planning & zoning, etc.) to this unincorporated area.

Finally, as a test of viability, we identify and compare the total tax and fees paid by study area residents and owners in the pre-incorporation setting with the tax and fees paid by study area residents and owners in the post-incorporation setting. If the fees and revenues in the post-incorporation setting are less or approximately equal to those in the pre-incorporation situation, the study area is considered fiscally viable; if not, then it is considered non-viable.

Things to Keep in Mind

- Incorporation does not impact school property taxes; new city residents will continue to pay these in the same amounts.
- New city residents would also continue to pay general county taxes and repayments towards any existing unincorporated or countywide bonded indebtedness.
- Assessed property values would continue to be set by Glynn County.

Note on Data

Readers who are interested in knowing more about the data used and how it is presented (e.g., all data is presented in rounded figures such that column totals may not exactly match sums if the individual figures are resumed from table rows) should read the ‘Note on Data’ presented in Appendix E.

SCENARIO 1: BASELINE SERVICE SCENARIO (PREFERRED)

Services to be provided:

- planning and development,
- code enforcement, and
- solid waste management
- road maintenance and drainage

TABLE 6

Scenario 1 Expenditures & Revenues	
Operational Expenditures	
<u>Direct Services Expenses</u>	
Community Development	\$390,240
Public Works	\$1,758,786
Tourism	\$1,561,104
Direct Services Expenses Sub-Total	\$3,710,130
<u>Indirect Support Services</u>	
City Council	\$264,052
Administration (City Manager and City Clerk)	\$127,475
Legal Expenses	\$36,064
General Operations/Administrative Services	\$355,782
Support Services Sub-Total	\$783,374
Markup on Support Services ⁶	\$274,180
Total Direct and Indirect Support Services	\$4,767,685
Contingency	\$264,871
Capital	
Start-Up	\$93,379
Annual Lease/Capital for Facilities	\$213,750
Annual Capital for Roads & Drainage	\$786,740
Annual Capital Costs Sub-Total	\$1,093,869
Grand Total Annual Expenditures	\$6,126,425

⁶ This figure is derived from the Peachtree Corners expenses and represents an economy of scale factor of 35% (see discussion below).

Estimated Revenue	
Revenue Source	Study Area Expected Revenue
Occupation Taxes (includes penalty)	\$83,685
Alcoholic Beverage Excise Taxes (Sum of general and by the drink)	\$646,569
Hotel/Motel Taxes ⁷	\$3,902,760
Bank Shares/Financial Services Tax	\$102,870
Development Fund & Zoning and Variance Fees and Permits	\$497,337
Insurance Premiums	\$683,625
Franchise Fees (Cable, Electric, Natural Gas, Phone)	\$1,463,376
Qualifying Fees	\$230
Local Maintenance & Improvement Grant	\$138,643
Total Revenue	\$7,519,095

EXPENDITURES

To determine which services to include for estimating expenditures, Institute of Government faculty employed the limited list of direct services provided by the Citizens for Saint Simons and Sea Island. These services include planning and zoning, code enforcement, solid waste management and road maintenance and drainage. It was also assumed that fire and rescue, Police, E911, and other general countywide services would continue to be provided by the county.⁸ This means that new city residents would continue to pay general county taxes and repayments towards any existing unincorporated or countywide bonded indebtedness just as they are now. It was also assumed that solid waste management would continue to be delivered through an enterprise fund, that is, as a service that is funded entirely by user fees. Because enterprise fund-funded services are, by definition, fiscally viable, no further analysis of this service is needed, except to the degree that the service requires some support services to be effectively managed.

⁷ Some Hotel/Motel Taxes are restricted to the promotion of tourism. In the case of Glynn County this amount is \$1,561,104 (or 2/5th of the total) – See Direct Expenses for “Tourism” above.

⁸ This would also include general county government operations, all health and welfare services, all court and judicial services (except the county recorder’s court - whose function would be supplanted by a municipal court in a newly incorporated city), animal control, public libraries, and the services of the office of the sheriff, the tax commissioner, and the tax assessor.

While the number of direct services to be provided by the proposed new city in Scenario 1 is limited, these direct services, nevertheless, still require an array of governance and administrative support services in order to be effectively delivered. These governance and administrative support services include a city council, city manager, city clerk, and finance, HR, legal and other indirect service providers.⁹

The key difficulty with making accurate expenditure estimates for governance and support services in Scenario 1 is that the straight-forward methodology of identifying service costs in the comparison cities and applying this on a per capita basis to the study area, while appropriate for direct services, may be inappropriate for indirect or administrative and governance services. That is, support service costs are not always directly proportional to direct service costs. Specifically, there are some fairly significant economies of scale in the delivery of support services. Take the example of a single accounts payable clerk who is able to manage the accounts of, say, ten departments providing direct services, with each department taking about a tenth of the staff member's time. Now if we have a government that only has two departments, we would expect or hope that it would 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 a fairly constant on-site presence of a staff member. As such, there is a certain minimum quantity of support staff that needs to be employed if the direct services are to be delivered in a timely and effective manner.¹⁰

Consequently, since the study's comparison cities provide an extensive set of direct services, Institute of Government faculty explored a few different methods to attempt to address the challenge of estimating the cost of support services when there is a limited set of direct services as is the case in Scenario 1.

In the following, we first present an estimate of the direct services costs for the study area based on the average of the expenditure of these services by the two comparison cities. Then we attempt to estimate support expenditures using a combination of methods.

⁹ Unfortunately for the purposes of this study, there is only one existing city in Georgia in the size range of the study area that provides a similarly limited set of direct services—Peachtree Corners. However, as Peachtree Corners is substantially larger than the study area, it may not provide an appropriate reference point for identifying service costs.

¹⁰ For another example, if we assume that planning and zoning only represent 5% of a full service city's expenditures, it would be inadequate to only budget 5% of a comparison city's expenditures on a city council serving the study area. This is the case because there are certain basic costs to a city council (and city manager, etc.) that cannot be avoided. This may be particularly true with planning and zoning as these planning and zoning issues tend to take up a large share of city council members' time.

DIRECT SERVICES ESTIMATES

Planning and zoning, building inspection, and code enforcement, while separate services, are sometimes provided in a single community development department and other times provided in separate units or units that include two of the three services. Because local government budgets are not standardized in terms of the budget categories or the services and staffing provided within each category, Institute of Government faculty attempted to use a variety of methods to standardize expenditures across examples, so as to provide the most detailed accounting by individual service.¹¹

Costs related to planning and zoning, building inspections, and code enforcement are typically ongoing, but it should be recognized that a newly incorporated city will need to develop a 20-year comprehensive plan in its first few years, which might increase the cost of community development services during the initial years of city operations. For ongoing services, the costs are largely volume based and driven by construction, but these costs are at least partially offset by revenue generated permit activities as described earlier.

Institute of Government faculty examined the financial documents of the comparison cities and conducted interviews to address questions that these documents could not answer. The following presents estimates of the cost of the three component services (planning and zoning, code enforcement, and building inspections) based on our analysis of this data. In neither the case of Pooler nor Kingsland did the government categorize services in exactly the same manner. As such, Institute of Government faculty employed standard methods to estimate the unit costs for planning and zoning, code enforcement, and building inspections. For example, in cases where specific service costs were not broken out, the number of staff with job titles that would reasonably fall into the service category was used to estimate the expenditures.

Estimation Methodology: Expected or estimated costs for the study area were determined by averaging the 2013 and 2014 per capita fiscal year expenditures of the cities of Pooler and Kingsland¹². The Kingsland's 2013 figures are actuals and the 2014 are budget-based. The Pooler figures are actuals. While accounting at the service unit level was feasible for the City of Kingsland, it was not as feasible for the City of Pooler as the available budget documents did not provide the level of detail necessary to break out the individual services with sufficient accuracy. As such, for the City of Pooler the expenditure

¹¹ For example, when a department includes a service expenditure element that is not relevant to the budget category of interest, an attempt is made to exclude this expenditure based on factors such as distribution of FTE personnel in the various units.

¹² Support expenditures have been adapted to account for the fact the support departments (Finance, HR, IT, general administration) in Kingsland serve both the general fund services and the enterprise fund services (e.g., water service) that are not part of the proposed services to be provided in the study area.

figures are for the combination of the three services. The population figures used to estimate per capita expenditures are Census estimates for 2013.

Community Development

Planning & Zoning

TABLE 7

City and Fiscal Year Budget	Dept. Budget	Per Capita
Kingsland -FY 2013	\$313,954	\$19.33
Kingsland -FY 2014	\$310,501	\$18.91
Average per capita Expenditure		\$19.12
Study Area Expenditure Estimate	\$281,487	

Code Enforcement

TABLE 8

City and Fiscal Year Budget	Dept. Budget	Per Capita
Kingsland -FY 2013	\$62,791	\$3.87
Kingsland -FY 2014	\$62,100	\$3.78
Average per capita Expenditure		\$3.82
Study Area Expenditure Estimate	\$56,297	

Building Inspection

TABLE 9

City and Fiscal Year Budget	Dept. Budget	Per Capita
Kingsland -FY 2013	\$125,582	\$7.73
Kingsland -FY 2014	\$124,200	\$7.57
Average per capita Expenditure		\$7.65
Study Area Expenditure Estimate	\$112,595	

TABLE 10

Community Development Total Services		
City and Fiscal Year	City Budget	Per Capita
Pooler – FY 2013	\$443,344	\$20.93
Pooler – FY 2014	\$532,277	\$23.92
Kingsland -FY 2013	\$502,327	\$30.93
Kingsland -FY 2014	\$496,801	\$30.26
Average per capita Expenditure	--	\$26.51
Study Area Expenditure Estimate	\$390,240	

Road Maintenance and Drainage--Public Works

To estimate expenditures for road and right of way drainage maintenance, we obtained the number of local road lane miles within the study area and for the cities of Pooler and Kingsland through use of GIS mapping. Using this information, we calculated inflation-adjusted expenditures per lane mile¹³ for fiscal years 2013 and 2014 for both cities. The average between the two cities was then used as the basis for estimating expenditures in the study area based on its lane miles.¹⁴

TABLE 11

City and Fiscal Year	City Budget	Lane Miles	Cost per
			Lane Mile
Pooler – FY 2013	\$1,985,426	240.05	\$8,270.88
Pooler – FY 2014	\$2,055,868	240.05	\$8,564.33
Kingsland -FY 2013 (Actual)	\$1,696,483	217.28	\$7,807.82
Kingsland -FY 2014 (Budgeted)	\$1,738,816	217.28	\$8,002.65
Average Cost Per Lane Mile	--		\$8,161.00
Study Area Expenditure Estimate	\$1,758,786	215.5	

Tourism

Because forty percent (40%) of the hotel/motel tax collected must by state law be expended on the promotion of tourism, and because most jurisdictions that collect this tax spend only the collected amount on this function, the estimated revenue figure for hotel/motel taxes restricted to tourism has been used as the expected expenditure amount. It is assumed that these funds will be used to support the operations of a non-profit organization such as a Convention and Visitors' Bureau designed to promote tourism in the community. As such, no additional direct government expenditures are expected to support facilities for tourism staff.¹⁵

¹³ GDOT total lane mileage, 2009 form 499. The calculation assumes that the new city would maintain all "county" roads.

¹⁴ Institute of Government faculty also estimated road maintenance costs based on the study area's share of Glynn County's lane miles times the County's expenditures on road maintenance and drainage services. This figure was substantially less than the figure derived from the comparison city method. In order to provide a conservative figure, the higher comparison city estimate is used.

¹⁵ O.C.G.A 48-13-51(a)(3): Notwithstanding the provisions of paragraph (1) of this subsection, a county (within the territorial limits of the special district located within the county) or municipality may levy a tax under this Code section at a rate of 5 percent. A county or municipality levying a tax pursuant to this paragraph shall expend (in each fiscal year during which the tax is collected under this paragraph) an amount equal to the amount by which the total taxes collected under this Code section exceed the taxes which would be collected at a rate of 3 percent for the purpose of: (A) promoting tourism, conventions, and trade shows; (B) supporting a facility owned or operated by a state authority for convention and trade show purposes or any other similar or related purposes; (C) supporting a facility owned or operated by a local government or local authority for convention and trade show purposes or any other similar or related purposes, if a written agreement to provide such support was in effect on January 1, 1987, and if such facility is substantially completed and in operation prior to July 1, 1987; (D) supporting a facility

Hotel/Motel Taxes (restricted to tourism)/Expenditures on Tourism: \$1,561,104 (For additional information see discussion of Hotel/Motel taxes in the revenue section of the report, p. 39.)

INDIRECT SERVICES ESTIMATES

As mentioned in the introduction of this section, because in Scenario 1 the proposed new city will only be providing a limited set of direct services, it would be inaccurate to project the expenditure on support services for a comparison city that is a full-service city in terms of direct services. As a consequence of this situation, the following estimation of indirect or support service costs is divided into two parts: 1) an estimation based on support service costs in the City of Peachtree Corners which provides the same limited direct services as the proposed new city, and 2) an estimation based on support service costs in the selected comparison cities which provide a much more extensive set of services. Once these two separate estimates are made, we average the figures to arrive at the final estimate for the study area.

Method 1: Support Services Estimates based on Peachtree Corners

While Peachtree Corners was not selected as a primary comparison city for the study area, it is the only city in Georgia that currently provides a limited set of services that is remarkably similar to the services identified in Scenario 1. However, while Peachtree Corners is similar in terms of demographics and median income to the study area, it is over twice as large in terms of population. As such, the workload for governance and administration should be substantially less for the study area. Nevertheless, as suggested in the discussion above, it is uncertain that the workload decrease would be proportional to the difference in population in the Peachtree Corners and the study area. In the data presented below, Institute of Government faculty first provide a study area expenditure estimate that is based on the application of a per capita share of the Peachtree Corners expenditure and then adjust this estimate based

owned or operated by a local government or local authority for convention and trade show purposes or any other similar or related purposes if construction of such facility is funded or was funded prior to July 1, 1990, in whole or in part by a grant of state funds or is funded on or after July 1, 1990, in whole or substantially by an appropriation of state funds; (E) supporting a facility owned by a local government or local authority for convention and trade show purposes and any other similar or related purposes if construction of such facility is substantially funded or was substantially funded on or after February 28, 1985, by a special county 1 percent sales and use tax authorized by Article 3 of Chapter 8 of this title, as amended and if such facility was substantially completed and in operation prior to December 31, 1993; or (F) for some combination of such purposes. Amounts so expended shall be expended only through a contract or contracts with the state, a department of state government, a state authority, a convention and visitors bureau authority created by local Act of the General Assembly for a municipality, or a private sector nonprofit organization, or through a contract or contracts with some combination of such entities, except that amounts expended for purposes (C) and (D) may be so expended in any otherwise lawful manner.

on an economies of scale factor of 35 percent.¹⁶ That is, in the provision of indirect services such as Finance, HR and Information Technology there is a minimum level of services and staffing that must be provided no matter how small the community and the level of direct services. The use of an economy of scale factor is in the interest of providing a conservative estimate; however, some small or minimal-service local governments in Georgia use service contracting or intergovernmental agreements with larger organizations to address economy of scale issues.

TABLE 12

Peachtree Corner's -Based Support Service Expenditure Estimate	
Support Service Estimate for Study Area	\$783,374
Estimate with Economies of Scale Factor (.35)	\$1,057,554

City Council

This expenditure estimate generally includes costs related to salaries and benefits, education and training, liability insurance, travel, and dues and fees. Council members receive salary amounts specified by city charter. City councils generally require the same level of expenditure no matter what the population. As such, the estimated expenditure for the study area is the same as the Peachtree Corner's expenditure. If the new city were to elect to have a larger or smaller city council, the expenditure estimate would be slightly higher or lower.

TABLE 13

<u>City Council</u>	
City and Fiscal Year	City Budget
Peachtree Corners FY2014	\$264,052
Study Area Expenditure Estimate	\$264,052

Administration (City Manager and City Clerk)

This expenditure estimate generally includes costs related to salaries and benefits, education and training, travel, and miscellaneous supplies.

¹⁶ The economy of scale factor chosen was based on Institute of Government faculty's knowledge of the economies of scale literature and their examination of the ratios of direct services to support services among local governments in Georgia that provide various amounts and types of services.

TABLE 14

<u>City Manager & Clerk</u>		
City and Fiscal Year	City Budget	Per Capita
Peachtree Corners FY2014	\$347,019	\$8.66
Study Area Expenditure Estimate		\$127,475

While the estimate for the cost of the city manager/city clerk role on the surface may appear to be too little to support these roles in a full service city scenario, it is not uncommon for small or minimum service cities to only have a single person fill these responsibilities.

Legal Department

This expenditure estimate is comprised primarily of labor costs, including salaries and benefits. In the first year of incorporation, numerous city ordinances must be implemented, resulting in higher legal costs.¹⁷

TABLE 15

<u>Legal Expenses</u>		
City and Fiscal Year	City Budget	Per Capita
Peachtree Corners FY2014	\$98,148	\$2.45
Study Area Expenditure Estimate		\$36,064

General Operations/Administrative Services

General operations administrative services include finance, general human resources, information technology, public information and marketing, municipal court, and incidental support services. In Peachtree Corners, these services are provided through a general support services contract and as such could not be effectively disaggregated into the more specific components.

Finance

This expenditure estimate includes costs related to traditional finance functions: accounting, purchasing, contract administration, risk management, accounting and payroll. Expenditures include salaries and benefits, copier and office equipment, finance and accounting software, and other utilities and supplies.

¹⁷ Significant litigation could increase legal costs for a new city.

Information Technology

This expenditure estimate generally includes salaries and benefits, website development and maintenance, license fees, and communications hardware. The initial startup for information technology infrastructure, servers, licensing, and software can be much higher than in subsequent years; therefore, additional capital for IT startup is included in the General Start-up portion of capital expenditures later in this report.

Marketing

This expenditure estimate generally includes costs related to advertising in various forms, including web banners along with traditional outlets. This expenditure line is also largely optional for new cities depending on anticipated needs.

Municipal Court & Jail & Bailiff

This expenditure estimate primarily includes salaries and benefits for court personnel who serve on an occasional basis to address code enforcement cases as well as for a few instances where contempt of court citations result in a jail sentence.¹⁸ These costs are reflective of a city that will only be prosecuting municipal ordinance offenses.

Human Resources

This expenditure estimate is comprised primarily of labor costs, including salaries and benefits. We assume with this estimate that the study area will need to employ a human resource manager along with a general administration staff person.

TABLE 16

<u>General Operations</u>		
City and Fiscal Year	City Budget	Per Capita
Peachtree Corners FY2014	\$968,306	\$24.17
Study Area Expenditure Estimate		\$355,782

Contingency Fund

These are funds used by cities to cover unforeseen expenditures. It is highly recommended for cities to maintain some reserve amount for contingencies. Institute of Government faculty calculated a contingency fund equal to approximately two months operating expenditures. The figure presented below represents the annual cost of a contingency fund based on a three year period in which the new city will contribute to a contingency fund so as to have the two months operating expenditures amount at the end of the three years (i.e., 1/18 of the estimated one year operating expenditures).

¹⁸ Peachtree Corners estimates that the municipal court services costs have been in the range of approximately \$10,000 per year.

Note: Because the contingency fund is based on all other operating expenditures, the estimate of a contingency fund for the study area is only calculated after an estimate for all operational expenditures in the study area has been determined.

Method 2: Support Services Estimates based on Small Cities

This method is based on the assumption 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 similar size cities across the state of Georgia. A rationale for this method is that Georgia has numerous small-size 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.

For this method, Institute of Government faculty first summed all of the Part A (Operational) expenditures for all cities with populations less than 5,000 in Georgia using the DCA Local Government Finance Survey data for the most recent year for which there was fairly complete data (2013).¹⁹ Based on this analysis, it was determined that the ratio of direct services to support services expenditures was approximately .3197 to 1 or for every dollar of direct services there was an additional 31.97 cents spent on support services.²⁰ A support services estimate for the study area was calculated using this ratio.

TABLE 17

Comparison Cities-Based Estimate		Per Capita
Direct Study Area Services (Exclusive of Tourism)	\$2,149,026	\$145.99
Study Area Support Services Estimate	\$687,084	\$46.68

In order to provide a conservative estimate of support service expenditures, the higher estimate for these expenditures identified above is used for the purposes of assessing fiscal viability.

ENTERPRISE SERVICE ESTIMATE: SOLID WASTE

¹⁹ The city-size group of cities less than 5,000 in population was chosen based on cities in this category having total budgets that would resemble the total budget of a city that is larger in population but that would only provide a minimal set of services.

²⁰ Institute of Government faculty recognizes that the ratio of support services to direct services for these cities is substantially less than for Peachtree Corners. This could be due in part to the nature of the services Peachtree Corners provides or to other factors such as a desire on the part of the government to provide a high level of service and/or the availability of funds.

It is common practice for cities to provide solid waste or sanitation services. Most cities that provide these services do so primarily for residential customers, leaving commercial customers to arrange with private providers for more customized services. Additionally, cities that operate solid waste service departments themselves (as opposed to providing the service through franchised or regulated private providers) do so via an enterprise fund accounting. An enterprise fund-based service is one that entirely supports the operation of the service through user fees or charges. 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 the service, an enterprise fund-based service does not impact the viability of a new city. Similarly, when a city establishes one or more franchises for sanitation service with private haulers or simply regulates the service being provided by private haulers, the residents and citizens of the city do not experience a potential risk of tax liability increase. Again, with regard to a franchised or regulated solid waste management service provided by private haulers, there is no impact on fiscal viability for a potential new city.

Nevertheless, Institute of Government faculty recently did investigate both the potential for different models of provision of the service as well as the potential for a negative or positive impact on service costs of these models. For informational purposes, the results of this investigation are provided in Appendix F.

CAPITAL-RELATED AND START-UP EXPENSES

While operational expenditures are on-going and typically accounted for in annual budget cycles, capital expenditures and start-up costs are usually accounted for in separate capital budgets. In a traditional city, for example, the city will construct municipal buildings and finance this construction with municipal bonds that amortize the cost over the lifetime of the asset (e.g., 30 years for buildings). These costs are thereby annualized as a payment schedule that includes both principal and interest. Among more recently incorporated cities, however, it has often been the case that the new city will lease office and meeting space through the real estate market. This facility leasing cost essentially represents the annual cost of facility capital that would be found in the capital budget of more traditional cities. For simplicity purposes and because new cities have generally taken the facility leasing route, we only estimate these leasing costs for the study area. As leasing costs also tend to include building maintenance, we have taken care to exclude such costs from the analysis of operational expenditures presented above.

In addition to facility space, new cities will also need to employ start-up capital for items such as furniture, computers, and data center systems. The following assumptions were based on reading the

budgets for the comparison cities as well as additional information provided by the Finance Director of Peachtree Corners related to their startup costs.

Assumptions:

1. The new city will need to lease sufficient meeting and office space to conduct city business.
2. That on average, city staff will use 125-225 square feet of space per staff member.
3. That the city will 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.²¹
4. Each community development program and administrative staff person will have access to a desk, chair, computer, shared copying capability, and work-related software and that these start-up costs can be covered at \$8,000 per staff member. (While these costs are typically included in reported operational costs, operational costs do not fully account for start-up costs. Hence, there is a need to have an amount included as a capital cost so as to ensure adequate costs are calculated). This estimate is roughly based on per staff member start costs in Peachtree Corners.

TABLE 18

Start Up Capital For Staff	
Computer, OS, & Office Software	\$1800
Furniture	\$5000
Major Supplies	\$1200
Total per Staff	\$8000

5. That the total number of program and administrative staff will be 22 which will allow for 7 support and governance services staff (e.g., city manager, city clerk, finance director and staff and general administrative assistants) and 6 direct services staff (e.g., planning director, planner/assistant director/plan review specialist, GIS Technician, 1-2 building inspectors, and 1 code enforcer); and 5 program and administrative staff in public works (roads/drainage).²²

²¹ For records and customer service space, council and meeting space estimates were based on general knowledge and on data collected in prior CVIOG studies. In this regard, the need for council and meeting space was estimated as somewhat smaller than for a full-service local government.

²² The staffing of the proposed planning/code enforcement department is based on an assessment of the current parallel services provided in the City of Peachtree Corners. As some of the services provided in Peachtree Corners are contracted professional services, staff counts are estimated. Similarly, estimates for support services staffing were informed by a reading of the budget documents of the two comparison cities. To adjust for the size differences between the study area and comparison cities, additional staff were added to the “Other General Admin” category. However, in an implemented municipal government such additional staff might be allocated to a different administrative units (e.g., city manager, clerk, finance, etc.) as needed.

TABLE 19

Program and Administrative Staffing	
City Manager & Clerk	3
Finance	4
IT	1
Public Info	1
HR	1
Other Gen. Admin	3
Community Development Staff	4
Public Works Admin & Program	5
Total	22

6. That the new city’s community development department will employ 4 city owned vehicles, and the city will provide a local area client-server network as well as a GIS workstation, and provide laptops for council members. (Note: Vehicle costs in Peachtree Corners are included in contracted professional services expenditures; however, so as to provide a conservative figure, we include a limited number of additional vehicles (4) in the start-up cost estimate.)
7. It is assumed that network cabling would be included in the leased office facility. In interviews conducted for this study, Institute of Government faculty identified IT costs as being a major variable in terms of the potential range of possible expenditures. Newly established cities appear to be able to operate with fairly basic IT services in the short-term but then move on toward more sophisticated, and more costly services and software in the longer term. The start-up cost estimates provided in this report do not directly include the cost of the more sophisticated services and infrastructure; however, some of these costs are indirectly included in the ongoing operational costs identified in the comparison cities. In particular, as the City of Kingsland has been established longer than Peachtree Corners, the cost estimate based on this city tends to include some of these higher level services. Additionally, it should be noted that the new city could potentially save on startup costs for IT server infrastructure by employing cloud based services that can help to address some of security, storage, and scalability issues in IT service delivery. With regard to start-up software for finance, planning and geographic information systems, the estimated costs are based on the use of low cost software options rather than higher cost ones due to the fact that the proposed city will be unlikely to need to manage multiple funds.

8. That short-term capital costs will be amortized over 5 years.
9. That the interest/bond rate will be approximately 2.25%²³

TABLE 20

Start Up Capital Summary	
Total Start Up Per Staff *22 Staff	\$176,000
4 Vehicles @ 30,000 each	\$120,000
Server, Storage, Firewall & Switches	\$45,000
Laptops for Council Members	5,200
Financial & Planning & GIS Software	\$95,000
TOTAL	\$441,200
Interest	\$25,696
Annual Expense (Amortization)	\$93,379

Facility Leases

It is assumed that the study area will lease its facilities. To estimate these expenditures for the study area, we established a range of potential space per staff needs, multiplied these by the estimated number of needed staff, and then added the specific space needs for city council, meeting, records keeping, and customer service needs. Finally, because it is rare that leased space will efficiently accommodate the needs of an organization (as opposed to a custom designed space), we included an accommodation factor.²⁴

²³ Bond rate based on an estimate of municipal borrowing cost provided by the Georgia Municipal Association.

²⁴ An accommodation factor is designed to address uncertainty in the market for leased facilities. That is, the market for appropriate facilities in the study may not be as robust as is the case in more metropolitan areas. As a consequence, the market power of the lessor may be greater than might otherwise be the case.

TABLE 21

Scenario 1: Estimate of Space Needs & costs		
	Low Cost	High Cost
	Space Needs @125 Sq. Ft. per Staff	Space Needs @225 Sq. Ft. per Staff
Space for Staff	1625	2925
Council & Meetings	2500	2500
Storage	300	300
Data Center & GIS	300	300
Customer Service	500	500
Total	5225	6525
Accommodation Factor, inclusive of 25%	6531.25	8156.25
Rental Rate Per Sq. Foot	\$16.25	\$16.25
Annual Lease	\$106,133	\$132,539

In order to report a conservative expenditure estimate, our summary expenditure figures use the highest cost lease estimate. It is expected that this number would include all maintenance costs, given that it is a conservative estimate.

ANNUAL CAPITAL FOR ROAD MAINTENANCE AND DRAINAGE

Institute of Government faculty identified the number of Glynn County Public Works employees working in the road and bridges and drainage units. These staff were then allocated to the study area based on the study area’s proportional share of total county road lane miles. Next, it was assumed that this department would need two general administrative positions and an administrative assistant position.

TABLE 22

Share of Road Miles	
	Lane Mileage
Glynn County	1,086
Study Area	215.5
Study Area %	19.84%

TABLE 23

Glynn County Public Works Staffing	
Drainage	34
Roads & Bridges	19
Total	53
Percent of lane miles in Study Area	19.84%
Estimated Staffing	11
Admin Staffing	3
Sub-Total Staffing	14

The amount of square footage per employee was then calculated. This was calculated using an expected 125 square feet per non-administrative staff and 225 square feet per administrative staff. The smaller square footage for non-administrative staff was used since the typical Public Works employee does not have private office space; rather, he or she tends to share a common meeting space. In addition, to per employee space, it was assumed that the unit would need warehouse space for supplies and equipment storage. An accommodation factor was added to address contingency issues related to the potential lack of appropriate space of the exact size needed. Institute of Government faculty was not able to identify available warehouse-type space at the time of the study's data collection; however, there were several offerings of this type space in Brunswick for the cost of \$7-\$8 per square foot. A \$10 per square foot cost was used in the estimate to account for the potentially higher rental costs on the Islands.

TABLE 24

Estimate of Space Needs & costs (Road Maintenance & Drainage)	
Space for Staff (Space Needs @125 Sq. Ft. per Staff) (13) ²⁵	1625
Office Space for Admin. Staff (@ 225 Sq. Ft. per Staff) (3)	675
Storage	1500
Total	3800
Accommodation Factor of 25%	4750
Rental Rate Per Sq. Foot	\$10.00
Annual Lease	\$47,500

Road Maintenance

These costs represent the on-going capital costs associated with maintaining roads and accompanying drainage (i.e., land, equipment), as well as repairs and alterations to fixed assets. To estimate this cost, inflation-adjusted capital expenditures for roads and drainage reported to the Georgia Department of Community Affairs by cities with populations greater than 10,000 and less than 20,000 for 2007-2011 were averaged on a per capita basis and applied to the study area’s population to estimate expenditures.

TABLE 25

Estimated Road and Drainage Annual Capital Needs		
Average of Per Capita Sum	Population of Study Area	Estimated Road and Drainage Annual Capital
\$50.22	14,720	\$739,240

The figure provided above represents the total expected annual capital cost for roads and drainage—on average. In reality, capital expenses on roads tend to be higher in some years and lower in others based on the timing of road projects. Also, cities will vary in how much they will finance road projects. The estimated annual expenditure presented here is one that could include interest charges, contracting costs (road resurfacing is typically contracted out.), related engineering costs, materials as well as equipment for routine road right of way maintenance. (An accounting of the cost of equipment of this type sufficient to provide this routine maintenance is provided in Appendix G.)

²⁵ An economy of scale factor of two additional staff was added to provide for a total of 13 line staff.

REVENUE

The revenue estimates outlined below include all major revenue sources a city representing the study area would have collected had it existed in FY 2014 and assessed taxes and fees at rates similar to Glynn County in that same year and provided the Scenario 1 array of services. In calculating these estimates, we applied methods used in prior research that have been accepted by stakeholders in several of the most recent incorporation studies produced both by the Carl Vinson Institute of Government and Georgia State University. Table 26 describes the method of estimating each revenue source for the study area.

In estimating revenues, Institute of Government faculty made certain judgments related to the likely availability of certain revenue sources due to either legal or geographic conditions. In this regard, Appendix B provides a list of a number of Glynn County revenue sources that were determined to provide either no or very limited revenue to the proposed new city.

Additionally, in order to provide a conservative estimate of revenue, Institute of Government faculty did not include numerous fees and commissions revenue (e.g., lease income, rent, sales of surplus equipment, etc.) that are dependent on specific resources for which there is no guarantee that a city in the study area would possess.

TABLE 26

Scenario 1: Expected Revenues		
Revenue Source	Computation Method	Study Area Expected Revenue
Occupation Taxes (includes penalty)	Average of the Ratio of assessed value of commercial property in study area to Glynn unincorporated area AND the ratio of the count of occupation licenses in the study area to Glynn unincorporated area	\$83,685
Alcoholic Beverage Excise Taxes (Sum of general and by the drink)	Average of the Ratio of assessed value of commercial property in study area to Glynn unincorporated area AND the ratio of the count of alcohol establishments in the study area to Glynn unincorporated area	\$646,569
Hotel/Motel Taxes ²⁶	Actual amount provided by Glynn County Finance Department	\$3,902,760
Bank Shares/Financial Services Tax	Ratio of assessed value of commercial property in study area to Glynn unincorporated area averaged with the ratio of the number of bank branches in the study area to Glynn unincorporated area.	\$102,870
Development Fund & Zoning and Variance Fees and Permits	Ratio of assessed value of residential & commercial property in study area to Glynn unincorporated area	\$497,337
Insurance Premiums	Ratio of population in study area to Glynn unincorporated area	\$683,625
Franchise Fees (Cable, Electric, Natural Gas, Phone)	Regression with data set of 32 cities	\$1,463,376
Qualifying Fees	Average of Comparison Cities divided by 4 year term of office	\$230
Local Maintenance & Improvement Grant	Georgia Department of Transportation Formula	\$138,643
Total Revenue		\$7,519,095

²⁶ Some Hotel/Motel Taxes are restricted to the promotion of tourism. In the case of Glynn County this amount is \$1,561,104 (or 2/5th of the total).

Methodologies Utilizing Ratios of Assessed Real Property Value

A number of the revenue sources listed in Table 26, which are currently collected in the unincorporated area of Glynn County, are generated solely by residential, industrial, and/or commercial activities. To obtain estimates of how much revenue would be generated by these taxes, a comparison was made between the assessed values of property in the study area and in the unincorporated area of the county. Assuming that the ratio of real property values is a proxy for these activities, these ratios were used as the basis for estimating several revenue sources, as indicated in Table 26 and described below. Table 27 illustrates the ratios of residential, commercial, industrial, utility, and total assessed property value of the study area to the unincorporated area in Glynn County.

TABLE 27

Assessed Values and Ratio of Property in Study Area and Unincorporated Glynn County			
	Study Area*	Unincorporated **	Ratio of Study Area to Unincorporated Glynn
Residential	\$2,282,848,316	3,064,251,576	74.50%
Commercial	\$239,262,511	581,462,826	41.15%
Total Residential & Commercial	\$2,522,110,828	\$3,645,714,402	69.18%
Industrial	\$687,862	467,458,783	0.15%
Agricultural/Other	\$1,715,720	318,586,095	0.54%
Total All Property Classes	\$2,522,798,690	4,431,759,280	56.93%
* Source: Analysis of 2014 data provided by Glynn County Tax Assessor			
**Source: Glynn County 2014 Consolidation and Evaluation Digest, Georgia Department of Revenue (Includes Motor Vehicle for which the study area would not be eligible)			

Alcoholic Beverage Excise Taxes

Alcoholic beverage excise taxes are collected on retail sales of alcoholic beverages. (Glynn County Code: Article I - In General - Sections 2-3-1 - 2-3-37) as well as on Malt Beverages and a per liter tax on Wine.

Excise Tax on Distilled Spirits by the Drink

Glynn County also levies an excise tax on the sale of alcoholic beverages by the drink at a rate of three percent of the charge made by the license dealer. (Glynn County Code: 2-3-31)

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. Glynn County levies a tax of 5% of the nightly room rate. (Glynn County Code 2-14-21 Imposition and Rate of Tax.) 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 non-profit. Thus, some of the funds identified in the table are restricted to this purpose.

Business Occupation Taxes

Occupation taxes are levied on persons and entities engaged in occupations or trades for profit-making purposes. Glynn County levies an occupation tax in the unincorporated area. (Glynn County Code: 2-6-1)

Bank Shares Taxes

Cities and counties are permitted to levy a tax on depository financial institutions having offices located in their respective jurisdictions.

Development Fund

Development Fund fees are charged for permits related to development (e.g., plumbing, electrical, HVAC, and building inspections).

Zoning and Variance Fees and Permits

Zoning and Variance fees and permits are charged to applicants for zoning changes and variances. In Glynn County, financial accounting of these fees and permits include: right of way permits, building permits, mechanical, electrical, and plumbing permits, inspection fees.

Methodologies Utilizing Ratios of Population of the Study Area to the Unincorporated Area

A number of the revenue sources in Table 26 depend more directly upon the number of individuals engaging in certain behaviors such as the purchase of insurance, or subscribing to cable television. For these revenue sources, assumptions were made that these behaviors are fairly constant across the unincorporated population of Glynn County; thus, the ratio of the population of the study area to the entire unincorporated area was used as the basis for estimation. The following tables provides information on this ratio as well as population, poverty, and median income data for the study area and for the current jurisdictions in Glynn County.

TABLE 28

Population Ratio of Study Area to Unincorporated Glynn			
	Study Area	Unincorporated Glynn County	Ratio of Study Area to Unincorporated Glynn
Population	14,720	64,243	22.91%
Source: Population figures for the study area were calculated by Institute of Government faculty using U.S. Census tract-level data; Unincorporated population calculated from study area estimate and Census 2010 figures.			

TABLE 29

Demographics for Study Area and Other Jurisdictions in Glynn			
	Study Area	Glynn County	Brunswick
Population	14,720	79,626	15,383
Median Household Income	\$84,293.42	\$46,407	\$29,106
Poverty Rate	4.3%	19.2%	37.9%
Source: Population figures for the study area were supplied by the Georgia General Assembly Office of Congressional and Legislative Reapportionment; other figures for populations, median household income, and poverty rate came from the 2010 Census and the American Community Survey, 2009-2013 estimates utilizing 2010 Blocks and 2000 Block groups that approximated the study area for ACS 09-13 data.			

Insurance Premiums Tax

Insurance premium 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.

Franchise Fees

Some revenue sources shown in the table of revenue 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 authors utilized a regression model with franchise fees paid to 30 cities in Georgia in 2011 and 2 cities in 2010, which were the latest data available. The data were only available as a total number for franchise fees, and 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 the public rights-of-way. These fees are usually 5% of the revenue derived from cable television services. Because Glynn County collects a cable franchise fee, we can estimate the revenue from this source. However, as this revenue source is included in the regression analysis estimate of all franchise fee revenue, the estimate for cable franchise revenue is presented in a footnote for informational purposes only.²⁷

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 right-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 the city for use and occupancy of public property. The 4% franchise fee for electricity purchased from Georgia Power is split between the city's ratepayers and ratepayers statewide.

Franchise Fee - Natural Gas

With some exceptions, franchise fees paid by natural gas providers to municipal corporations are typically paid out of the rate base of all natural gas customers as a cost of doing business. As such, assuming that Atlanta Gas Light is the primary infrastructure provider in the study area, the impact on study area ratepayers would be negligible.

Franchise Fees – Phone

Since only landline telephone service requires occupancy of the municipal right-of-way, movement away from landline service to internet-based and cell telephone services are making this a diminishing revenue source for municipal corporations. BellSouth assesses 3% of a landline phone bill for franchise fees.

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. We base our estimate of this revenue source for the study area on the average of the qualifying fees for the two comparison cities as follows. The fees are annualized over 4 years due to the election cycle.

²⁷ Estimate of Cable Franchise based on Study Area Percent of Unincorporated Area population: \$223,853

TABLE 30

Qualifying Fees		
	Mayor	Council
Kingsland	\$253.5	\$180.75
Count	1	4
Pooler	\$216	\$108
Count	1	6
TOTAL FEES	\$1840.5	
Average of Comparison Cities	\$920	
Expected Annual Revenue	\$230	

Road Maintenance Revenue

Local Maintenance & Improvement (LMIG) Grant funding

This funding can be used for a variety of transportation-related improvements and repairs, including sidewalks. However, the funding cannot be used for purposes such as landscaping, beautification, lighting or administrative services. The Georgia DOT’s funding guidelines include both a population and a mileage factor. These guidelines also specify that it is the owner of the roads and the jurisdiction with a certified population that is eligible for these funds.²⁸

²⁸ “The amount of your allocation is based on the total centerline road miles for your local road system and the total population of your county or city as compared with the total statewide centerline road miles and total statewide population.” Source: LOCAL MAINTENANCE & IMPROVEMENT GRANT (LMIG) PROGRAM GENERAL GUIDELINES & RULES. Found at: <https://www.dot.ga.gov/localgovernment/FundingPrograms/LMIG/LMIGReportsForms/Guidelines-rules.pdf>

TABLE 31

The Georgia DOT funding formula for the LMIG program is as follows:	
LMIG Formula Factor = (Local Gov. Pop./State Pop.) x 1/3 + (Local Gov. Mileage./Total State Mileage) x 2/3	
LMIG Formula Amount = Formula Factor x 2015 LMIG Allocation	
Calculation Factors	
Grant Total Funding	\$120,000,000.00
Georgia Population	9,992,167
Study Area Population	14,720
Georgia Local Road Miles	107,761
Study Area Local Road Miles	107.38
Population Factor	0.001473154
Mileage Factor	0.000996464
Population Factor * 1/3	0.000491051
Mileage Factor * 2/3	0.00066431
Total Factor	0.001155361
Calculation Results	
Population Revenue Est.	\$58,926.16
Mileage Revenue Est.	\$79,717.15
Total Revenue Est.	\$138,643.31

SCENARIO 1: REVENUE SOURCE LIMITATIONS

Readers of this report should be aware that estimated revenues for sources such as permit and development fees are susceptible to considerable variation based on economic and growth conditions. Moreover, the estimation method used in this report for these revenue sources cannot control for factors such as sub-county geographic variations in growth or the potential for the study area to be in a different stage of development from the remainder of the county. As such, there is no guarantee that a new city comprised of the study area will receive the revenue estimated in the report. This apparent weakness in the report is one that is not of high practical import since the major service delivery responsibility

proposed for the new city (i.e., planning, zoning, and building inspections) is directly tied to these variable fund sources, and when the revenue from these sources declines (or increases) it is indicative that the service responsibility and expected expenditures also decline (or increase).

Readers of this report should be aware that the estimated revenues presented as part of fiscal viability under Scenario 1 do not include a number of revenue sources that are typically collected by cities in Georgia, including common revenue sources such as local option sales taxes, property taxes, personal property taxes, and the Community Development Block Grant as well as less common sources such as the energy excise tax,. These sources are excluded for reasons that relate to either eligibility under state law (e.g., only cities providing a certain set of services qualify to collect local options sales taxes), practicality (e.g., typically communities that receive substantial Community Development Block Grant funding have socioeconomic profiles that are substantially less favorable than the study area and only cities that provide law enforcement service tend to collect fine and forfeiture revenue) , or political viability (e.g., governments that can provide the desired type and amount of service without a property tax will tend to do so). However, some of these revenue sources will be addressed in the other two scenarios.

ESTIMATING INDIRECT (SUPPORT SERVICES) IN EXPANDED AND FULL SERVICE SCENARIOS

The indirect service rate identified in Scenario 1 was developed specifically to address the challenge of a very limited amount of direct service delivery still needing a basic or moderate level of support services. Essentially, the rate of indirect service expenditures was estimated to be fairly high so as to account for the diseconomies of scale when direct service levels are low. In Scenarios 2 and 3, the level of direct service grows substantially such that it approximates the levels experienced by full service cities. Consequently, Institute of Government faculty turned to the comparison cities which support a level of direct services fairly comparable to that assumed in Scenario 3. The budgets for these cities were examined and administrative services were sorted from direct services; SPLOST capital expenditures were deducted so that the indirect rate would apply only to capital supported by more general-type funds. The individual indirect rate for the comparison cities and the average rate for the two are presented below.

TABLE 32

Kingsland	
Total Expenditures	\$23,134,148
Total Admin	\$2,483,855
Expenditures minus Admin.	\$20,650,293
Indirect Rate	12.03%

TABLE 33

Pooler	
Total Expenditures	19,469,885
Total Admin	\$1,353,489
Expenditures minus Admin.	\$18,116,396
Indirect Rate	7.47%

TABLE 34

Average Indirect	9.75%
-------------------------	--------------

The average indirect service rate will be used in the estimation of expenditures on support services in Scenarios 2 and 3—the full service scenarios. However, because expenditures in these scenarios are cumulative—expenditures in Scenario 2 include those in Scenario 1 and expenditures in

Scenario 3 include those in Scenarios 1 and 2--the indirect services for these scenarios is not included in the next two chapters that outline the estimates of expenditures on the **additional** services provided in these scenarios. Instead, these support services costs are included in a later chapter where the expenditures for the full service scenarios are aggregated. Similarly, estimates of contingency fund costs which are dependent on identification of total expenditures on services (direct and indirect) are provided in a later chapter as well.

SCENARIO 2: EXPANDED SERVICE SCENARIO

Services to be provided:

- Planning and development
- Code enforcement
- Solid waste management
- Road maintenance and drainage
- **Police and related services**
- **Fire services**
- **Library services**

Table 35

Scenario 2: Summary of Additional Expenditures & Revenues	
<u>Direct Services</u>	
Police Operations	\$1,961,010
Fire Operations	\$2,644,413
Library	\$157,713
Municipal Court	\$162,837
Jail	\$33,932
Direct Services Expenses Sub-Total	\$4,959,904
<u>Capital</u>	
Police Capital Start-up	\$350,748
Police Capital Facilities	\$151,328
Fire Capital Turn out Start Up	\$16,226
Fire Capital Major Equipment & Facilities	\$260,585
Total Additional Expenditures	\$5,738,792

Scenario 2: New Revenue	
Police	\$34,390
Fire	\$1,330
Library	\$47,129
Municipal Court	\$101,851
LOST	\$3,379,216
Total Additional Revenue	\$3,563,916

EXPENDITURES

Police

Police expenditures tend to be a major part of a city’s budget. The approach to estimating these costs involve two steps: 1) an estimation of the cost per officer; and 2) an estimate of the number of officers needed to serve the study area.

Step 1: Cost per Officer. To estimate the cost per officer, budgeted expenditures on comparison city police departments were collected and an average per officer expenditure was calculated.

TABLE 36

City and Fiscal Year	City Budget	Officers	Cost Per Officer
Pooler – FY 2013	\$3,452,220	39	\$88,518.46
Pooler – FY 2014	\$3,727,568	42	\$88,751.62
Kingsland -FY 2013	\$2,961,066	48	\$61,688.88
Kingsland -FY 2014	\$2,969,671	48	\$61,868.15
Average Per Officer Expenditure	--	--	\$75,207

Step 2: Estimate the Needed Number of Officers. With regard to this step, we employed three different methods. These are an officer per capita method, a workload method, and a method whereby current Glynn county police were distributed to the proposed new city based on population percentage.

- 1) **Officers Per Capita Method.** The first approach derived the average expenditure per officer on a per capita basis to estimate police operational expenditures for the study area. First, CVIOG calculated the number of persons per officer for the comparison cities and used the average persons per officer to determine the likely number of officers needed for the study area.

TABLE 37

Officer Per Capita Comparison Cities Method			
City	Population	Officers	Persons per Officer
Pooler	21,183	42	504
Kingsland	16,241	48	338
Total & Average	37,424	90	416
Study Area	14,720	35	416
Study Area Expenditure Estimate (# of Officers Times Expenditure Estimate from Step 1 Above)			\$2,657,621

2) **Workload methodology.** As an alternative to this methodology, CVIOG faculty employed a staffing workload methodology developed by the International Association of Chiefs of Police (IACP). This methodology uses a call for service count to estimate staffing needs. Institute Faculty estimated likely calls for service in the study area in two ways:

2a) The International Association of Chiefs of Police (IACP) estimates that, in the absence of actual complaint counts, 550 complaints or incidents will occur for every 1,000 residents, or .55 per resident. Using this assumption, the study area would experience 8,096 calls.

TABLE 38

Study Area Population	14,720
Calls per Resident	0.55
Estimated Annual Calls in Study Area	8,096

2b) Institute faculty acquired a dataset of E-9-1-1 calls for law enforcement services in calendar year 2015 from January 1 to July 21 from the E-9-1-1 unit of the Glynn County Police Department. The Department reported 6,007 calls for service in the study area in this period. When extrapolated out to the entire year, it is estimated that the study area would produce approximately **10,854** calls for service in the entire year.

The IACP indicates there is a Police Activity Weighting Scale that should be applied to the time estimate to account for the time needed to handle calls involving more serious crimes. Therefore, we increased the estimated annual number of calls in the study area by 25% to account for this weighting.

Further, based on IACP standards, we employ a national average of time per incident of approximately 45 minutes (or .75 of an hour).

Also, according to studies conducted by the IACP, one third of an officer's time should be spent handling calls for service, one third on preventative patrol, and the other one third used as a buffer time for an effective and efficient patrol force. In addition to responding to calls for service, the methodology also accounts for the time demand placed on officers as they arrest and book alleged suspects.²⁹

The number of hours necessary to staff one basic one-officer patrol unit for one year is 2,920. This equates to 8 hours a day for 365 days. Since no one works every single day, a relief factor was used to account for days an officer would be unavailable due to things such as days off, sick days, vacation days, training days and court days. This relief factor is 1.84. It is based on a review of police department personnel benefits conducted by the IACP.

Finally, the number was adjusted to account for law enforcement officers in supervisory roles. This number of officers was multiplied by the inflation-adjusted average per officer expenditures calculated from the data for the comparison cities. This Workload Analysis yields a number of officers relatively consistent with the number estimated using the ratio of officers to population methodology above.

²⁹ <http://www.theiacp.org/LinkClick.aspx?fileticket=AKL78d4MBw8%3d&tabid=252>

TABLE 39

Workload Analysis		
	Analysis assuming .55 calls per Resident	Analysis based on E-9-1-1 data
Estimated Annual Calls	8,096	10,266
Weighted for more time consuming calls	10,120	12,833
Multiplied by .75 of an hour	7,590	9,625
Multiplied by 3 to account for 1/3 of time spent on calls	22,770	28,874
Divided by 2920 to convert to Officers	8	10
Multiplied by 1.84 to account for days off	14	18
Inflated by 10% for supervisors	16	20
Multiplied by Estimate Cost per Officer (from Step 1 Above)	\$1,186,992	\$1,505,201
Study Area Expenditure Estimate		

3) Population Based Allocation of Glynn County Police Positions. The final method for estimating police service needs

TABLE 40

Glynn County Police Personnel (excludes Animal Control)	
Special Detail	7
Sea Island	6
Vice	1
Crime Control	95
Operations	11
Total	120
Non-Sworn Positions	6
% Non-Sworn	0.05
Study Area Estimate of Positions Based on Population Distribution	26.1
Study Area Expenditure Estimate (# of Officers Times Expenditure Estimate from Step 1 Above)	\$1,961,010

The diversity of estimates of the number of officers needed using the different methodologies is not entirely unusual. Each method looks at the issue from a slightly different angle. However, in terms of actual needs related to citizen calls for service, Institute of Government faculty has the greatest confidence in the IACP method that is based on actual service calls. The other methods are more likely to show the nature of the practice of law enforcement in a particular area, and this practice can be skewed by such things as opportunistic patrolling for speeders on Interstates, the patrol of commercial areas, the crime rate, the availability of local revenue and grant funds, and the like. **Given that the IACP method and the Glynn County population-based allocation are relatively close, for the purposes of this study, we have chosen to use the higher of these two estimates**, i.e., the Glynn County population-based allocation as this estimate would be in line with the principle of the study area residents receiving the same level of service as they did under the Glynn County government.

Final Police Expenditure Estimate: \$1,961,010

Municipal Court

This expenditure estimate primarily includes salaries and benefits for court personnel, judges, solicitors, and public defenders along with court software that links to the ticketing system. Because the

financial statements provided by the City of Pooler did not enable Institute faculty to break out the municipal court expenditures in an accurate manner, the expenditures on the municipal court in the City of St. Marys were used as a substitute comparison.

TABLE 41

Municipal Court		
City and Fiscal Year	City Budget	Per Capita
St. Marys – FY 2013	\$188,214	\$10.99
St. Marys – FY 2014	\$176,296	\$10.30
Kingsland -FY 2013 (B)	\$182,187	\$11.22
Kingsland -FY 2014 (B)	\$192,744	\$11.74
Average Per Capita Expenditure	--	\$11.06
Study Area Expenditure Estimate	\$162,837	

Jail Costs

It should be noted that no jail costs are included in the police and municipal court figures. It was assumed that a new city would not maintain its own jail and that it would use a similar arrangement with the Glynn County Sheriff that Brunswick currently has. Brunswick currently pays \$45 per day per inmate sent in on a municipal court charge as the highest charge. In the last fiscal year Brunswick paid the Sheriff \$35,460. Municipal prisoners would only be those awaiting adjudication or serving a sentence imposed by the city’s municipal court. Because the median income in the study area is much greater than the median income in Brunswick, it is likely that there would be fewer municipal court jail days in the study area per capita at least with regard to days that might be spent due to an inability to pay a fine. However, in order to provide a conservative figure, we assume that jail cost per capita in the study area would be the same as for Brunswick.

TABLE 42

Jail Expenditures	
Brunswick Expenditures	\$35,460
Brunswick Population	15,383
Per capita	\$2.31
Estimated Study Area Expenditure	\$33,932

FIRE SERVICES

Basic Operations

Fire services in Glynn County are funded through special fire service tax districts. The unincorporated county fire services are funded through a separate unincorporated-only fire service tax district. However, the provision of fire services is integrally intertwined with the provision of emergency medical services (EMS). This is the case because EMS service staffs are cross-trained with fire fighters so that each service can call on members of the other service in emergency situations. Additionally, some of the equipment regularly carried by fire services personnel is funded through the EMS budget.

With regard to the potential incorporation of the Island areas, this tight integration of fire and EMS needs to be considered in the development of fiscal impact estimates. While we have assumed, for reasons stated above, that EMS will remain a countywide, county-government-provided service, the current integration of EMS and fire services presents a challenge to the estimation of the expenditures for study area fire service. In one scenario, it could be assumed that the new city would contract with the county for the provision of fire services. In this instance we would only need to estimate the cost of providing fire services to the Islands area as a portion of the total fire-plus- EMS service provision expenditures, and the cost of fire services alone for the new city would be less than the county currently expends on fire-plus- EMS services. However, as much as this scenario would make sense in terms of operational and economic efficiency for both the city and the county, for the purposes of this study we cannot assume that this is what will occur. Instead, we have to assume that the county and the new city may not be able to cooperate on the provision of fire and EMS services in this manner. Therefore, we have to assume that the new Islands City would provide fire services independently of the county. In this scenario, the loss of efficiency (i.e., the cost savings in the fire-plus- EMS operational model) must be taken into consideration.

In previous studies of fire and EMS by the Institute of Government, it was found that the integration of EMS and fire services staffing provides a cost savings in the operation of direct firefighting

services and that pulling out just the dedicated fire fighters would likely cause an increase in the cost of providing fire services of approximately 24%.³⁰ As such, in the following calculation of the cost of fire services in the study area we adjusted the current costs of providing fire services in the fire-plus-EMS model by this factor.

To adjust our estimate of the expenditures needed to operate a fire department, we total the operating expenses for the three fire stations on the Island and add a third of these expenses to arrive at an adjusted total expected direct service expenditure for fire services in the proposed city.

TABLE 43

Calculation of an EMS Adjustment to Expected Fire Expenditures for the Islands City	
Island Fire Station 2-Demere Rd	\$598,825.00
Island Fire Station 4-Fred. Rd	\$582,176.00
Island Fire Station 7-Hampton P	\$423,936.00
Total	\$1,604,937.00
Total with Adjustment for EMS (1.24 times budgeted expenditure amount)	\$1,993,295.30

³⁰ **Fiscal Viability and Treatment of Fire Services:** Fiscal viability may be affected by the choice of the Islands City to provide or not provide fire services. The following table outlines the potential advantages and disadvantages. Our study includes fire services but also accounts for the need to include an EMS cost factor in the analysis.

Possible Advantages of Providing Fire Services	Possible Disadvantages of Providing Fire Services
<p>With the Islands <i>per capita</i> tax base being much greater than that of the remaining unincorporated area, it may be possible to raise the funds needed to provide the current level of fire service at a lower millage rate.</p>	<p>EMS Factor: Without the availability of county-supported EMS workers as backup or co-fire fighters, the real cost of the current level of firefighting service capacity may be a third higher than the nominal cost.</p> <p>Without the higher integrated firefighting capacity represented by a countywide fire department, the fire rating of the Island area may go down resulting in higher fire insurance costs for property owners.</p>

In addition to basic operations, fire services also include fleet maintenance, administration, education, leave, and volunteer coordination costs that are not accounted for in the basic operations budget.

Fire Services—Preventive and Fleet Maintenance Cost

The Fire Department provides both preventive maintenance, which is provided in-house, and fleet maintenance (or more serious repairs) which is provided by the Fleet Maintenance department. The preventive maintenance allocation to the study area is based on the pro rata share of stations times in the study area times the budgeted amount. (See summary table below).

The estimate of fleet maintenance cost is based on the current allocation of major fleet vehicles. Glynn County reports that each fire station is equipped in a fairly equal manner. To arrive at an estimate of fleet maintenance costs for the study area, we first estimate the expenditures on fleet maintenance for fire services by allocating the fleet maintenance budget to fire services based on the proportion of total fleet maintenance staff that are dedicated to repairing fire service engines and other vehicles. Next, we allocate the fire services estimated expenditures to the study area based on the proportion of the total number of fire stations that are in the study area, i.e., 3/8th.

TABLE 44

Fleet Maintenance Public Works Allocation	
Fleet Maintenance Public Works	\$2,552,635
Fleet Maintenance Staffing Total	10
Staffing for Fire	2
Allocation to Fire	\$510,527
Fleet Maintenance in Public Works (Pro rata share of stations times budgeted amount)	\$191,448

Sick leave/Vacation

For accounting simplicity purposes, all sick leave and vacation time in the county is allocated to an uncompensated absences fund. In order to identify the amount of estimated sick leave and vacation costs that is needed to insure that study area fire stations can continue to be staffed at the expected levels,

we need to identify the cost per FTE staff and then multiply this cost to the fire staff employed in the study area. In accounting for uncompensated absences, the Glynn County budget notes both additions and reductions to the uncompensated absences fund. Reductions occur as staff use their leave. Hence, the net cost is the additions minus the reductions.

TABLE 45

Calculation of Cost of Uncompensated Absences	
Addition	\$1,830,538.00
Reduction	\$1,599,720.00
Net	\$230,818.00
FTE Staff in County ³¹	792.88
Cost per Staff	\$291.11
Cost for Fire Staff @ 15 Staff	\$4,366.70

Office of the Fire Chief

The Office of the Fire Chief includes all administrative costs for the fire department as well as the indirect cost for general county administration and support. It is assumed that the Office of the Fire Chiefs expenditures on the study area would be roughly equivalent to the proportion of fire stations that are on the Islands, or 37.5% (3/8th).

Fire Education

The Fire Department provides fire education services throughout the county to schools and civic groups. The Island area allocation is estimated to be equivalent to the *per capita* pro-rated share of this amount of this expenditure.

Volunteer Service Education

The Fire Department provides volunteer fire education services in two places: the islands and the mainland. The Island area allocation of this service is estimated to be equivalent to 50% of the total cost.

³¹ FTE estimate provided by Glynn County.

Summary

TABLE 46

Summary Calculation of Fire Operational Cost ³²	
Fire Protection fund Total	\$6,753,502
Study Area Expenditure as % of Total	23.76%
Office of the Chief	\$1,294,260
Allocation of Admin to Study Area (Share of total expenditures represented by Island Stations times budgeted amount)	\$307,575
Allocation of Volunteer Exp. To Study Area (.5 times budgeted amount)	\$11,235
Preventive Maintenance Allocation to Study Area (Pro rata share of stations times budgeted amount)	\$136,423
Fire Education (Share of the unincorporated pop. times budgeted amount)	\$71
Vacation/Sick Leave (Share of FTE staff in the study area)	\$4,367
Fleet Maintenance in Public Works (Pro rata share of stations times budgeted amount)	\$191,448
Basic Operations in Study Area	\$1,993,295
Total Est. Expenditures in Study Area	\$2,644,413

LIBRARY SERVICES

Library services in Georgia are primarily provided by county governments. This is the case in some measure by the fact that the State of Georgia Library System rules restrict state funding for libraries to either county libraries or regional libraries. That is, the library itself must at least be operated at a county level in order to receive state funding. This does not necessarily mean, however, that a city cannot “provide” for library services through a county (or regional) library system.³³ That is, all state-recognized libraries in Georgia are operated as state-authorized entities and governed by independent

³² Expenditure figures source: Glynn County budget, FY 2013-14 Actuals

³³ §36-34-5.1. Lease agreements for providing library services:

Notwithstanding any provision of law to the contrary, each municipal corporation of this state is authorized, in the discretion of its governing authority, to enter into valid and binding lease agreements with nonprofit corporations, classified as public foundations (not private foundations) under the United States Internal Revenue Code, for the stated purpose of providing library services for any period of time not to exceed 15 years.

library boards. State law, however, does recognize that local government bodies that provide regular, on-going funding to the county or regional library will receive representation on the library governing board. Consequently, the study area could potentially “provide” for library service through the current Marshes of Glynn library system and, thereby, benefit from the state funding and other state services such as Pines and Galileo.

Based on FY 2014 budget documents supplied by the Marshes of Glynn Library, Institute of Government faculty were able to identify the expenditures needed to support the Island unit of the library. This amount was: **\$157,713**.

CAPITAL

Additional facility costs for Scenario 2 would be fairly minimal due to the low cost availability of fire stations and the assumption that library services would continue to be provided through the current library facility which is currently part of Neptune Park and would be conveyed under the assumptions related to parks and park facilities.

POLICE CAPITAL

Start Up Expenses

These expenditure estimates represent costs associated with equipping a city police department as well as some general non-police specific citywide start-up costs. Most of these estimates represent costs related to beginning the operation of a police department due to the large amount of equipment and vehicles needed to provide police services. For purposes of calculating this figure, it was assumed, based on the recent experience of Dunwoody, that lease-purchase agreements would be used to acquire the needed vehicles and equipment, pursuant to a five-year lease at an interest rate of 2.25%.³⁴ To estimate these expenditures, it was assumed that there would be 26.1 police officers in the study area’s department, based on the methodology detailed above. The cost of equipping each Dunwoody police officer with a vehicle, computer, furniture, radio, firearm and other basic equipment was determined on a per officer basis and used to estimate total police officer capital startup costs for the study area based upon the expected number of police officers needed for the area.

³⁴ The use of 2.25% interest rate was based on discussion with the Georgia Municipal Association.

TABLE 47

Start-Up Costs		
	Budget	Cost Per Officer
Dunwoody – FY 2009 Police Start-Up	\$2,674,000	\$58,130
Inflation-Adjusted Cost per Officer		\$63,444
Number of Officers Assumed for study area = 26.1 x \$63,444 per officer	\$1,657,209	
Study Area Expenditure Estimate		
Interest	\$96,517	
Total Expense	\$1,753,726	
Annual Amortized Expense	\$350,748	

Police Facility³⁵

Police facility costs area estimated using a facility lease method that allocates space based on functional needs. In this method, we hypothesize that patrol officers will need only fairly minimal space per officer as most of the time these officers will be on patrol. We then allocate larger space for administrative and investigative staff, some meeting space, space for storage and evidence, data equipment, and customer service. Finally, an accommodation factor is included to account for the fact that lease space does not always come in the size that exactly meets one’s needs. The square foot cost is based on an average of office space costs that were available for rent on Saint Simons Island during the data collection phase of this study.

³⁵ It should be noted that the study area has a police substation space in a fire service facility that would be purchased in this Scenario that can accommodate up 3 officers/staff. However, in order to provide a conservative estimate of costs and needed resources, this space is assumed to be used in the future by additional fire services staff.

TABLE 48

Scenario 2: Estimate of Space Needs & costs (Police)	
Space for Staff (Space Needs @125 Sq. Ft. per Staff)(20)	2500
Office Space for Admin. & Investigator Staff @ 225 Sq. Ft. per Staff) (6)	1350
Meeting Space	2500
Storage/Evidence	300
Data Center	300
Customer Service	500
Total	7450
Accommodation Factor of 25%	9312.5
Rental Rate Per Sq. Foot	\$16.25
Annual Lease	\$151,328

FIRE CAPITAL

Capital for fire protection services is comprised of fire stations and major fire equipment and vehicles.

Fire Stations

While state law provides that a newly created qualified municipality in the metropolitan Atlanta area served by public transportation can purchase county owned fire stations that serve the new municipality for a set price of \$5000, the provisions of this statute do not apply to the counties outside of this area.³⁶ As such, while the a new city on the Islands would need to purchase the three existing fire stations from Glynn County, there is no **explicit** legal standard for identifying the purchase amount of the fire stations. However, the Georgia General Assembly has in other incorporation situations set a specific price which represented their opinion as what would be fair. The rationale for such a price was that the

³⁶ Source: **O.C.G.A. §36-31-11.1(k)(1)** "...if a qualified municipality elects to purchase a fire station that serves only territory wholly within the qualified municipality, the purchase price shall be \$5,000.00 for each such fire station." O.C.G.A. § 36-31-11.1(a) (2) "Fire station" means any property or facility that is located wholly within the territory of a qualified municipality, owned by the county or subject to a lease-purchase or installment sale arrangement by the county, and used by the county as of the date immediately prior to the date the local Act incorporating a qualified municipality became law to provide fire protection services authorized by Article IX, Section II, Paragraph III(a)(1) of the Constitution. Such term shall include any buildings, fixtures, or other improvements on such property or in such facilities.

It should be noted that these provisions only apply to counties defined as follows:

(1) "County" means a county in which a tax is being levied and collected for purposes of a metropolitan area system of public transportation and in which a public safety and judicial facilities authority has been activated by the county pursuant to Chapter 75 of this title.

taxpayers in the new city had already paid (through their county taxes) for the facilities that were designed to serve them.

While the county could potentially hold out for a higher purchase price, it is unlikely that the residents of a new city would agree to pay the full market price of the assets. Moreover, the negotiation position of the new city, while not impregnable, could be strong in that city and the county would need to be in agreement on their Service Delivery Strategy in order for the governments to qualify for a number of revenue sources.

Given that there is no guiding law in this matter, the Institute of Government’s estimate of the purchase price is based on the only advice provided by the Georgia General Assembly. Were the county to follow the principles of the law that applies to the Atlanta metro counties, the new Island cities would need to pay \$15,000 for the three fire stations.

Fire Equipment

Fire equipment is divided into two categories: start-up equipment and related costs that are amortized over a 7 year period and major equipment such as fire engines that are amortized over an 18 year period. Because the purchase cost of the fire stations has a relatively low estimated price, it is included in the fire start-up costs.

TABLE 49

Fire Start Up Capital	
Estimated Cost per Fire Fighter for Turn-out equipment	\$3,000
Other Start-up (furniture, computer, etc.)	\$3,000
Total	\$6,000
Estimated Number of Fire Fighters in Study Area (12 Firefighters +3 supervisors)	15
Sub-total for per Staff Costs	\$90,000
Fire Station Purchase Cost	\$15,000
Total Est. Cost	\$105,000
Monthly Amortized Cost over 7 years	\$1,352.19
Total Est. Expenditures in Study Area	\$16,226

The following table outlines the major capital equipment items used in the Islands area, their estimated replacement cost, and estimated yearly capital cost based on specified replacement cycles.

TABLE 50

Major Fire Equipment Amortized Annual Cost over 18 Yrs.			
Type	Count	Replacement Cost per Unit	Cost
Engines	3	\$418,000	\$1,254,000
Ladder Truck	1	\$850,000	\$850,000
Pumpers	1	\$1,750,000	\$1,750,000
TOTAL COST			\$3,854,000
Amortized Annual Cost over 18 Yrs.			\$260,585

REVENUE

TABLE 51

Scenario 2: Summary of New Revenue	
Police	\$34,390
Fire	\$1,330
Library	\$47,129
Municipal Court	\$101,851
LOST	\$3,379,216
Total	\$3,563,916

Additional Revenues Sources

TABLE 52

Revenue Source	Services Delivery or Other Changes Required
<p><u>Traffic Fines –Municipal Court</u></p> <p>Traffic offenses and certain misdemeanor offenses may be adjudicated in county level (recorders) and city level (municipal) courts, and fine revenue from these offenses is retained by the local government with jurisdiction. As the proposed new city is not expected to provide police services and as code enforcement typically provides very little net revenue, the Institute of Government does not estimate any revenue from this source.</p>	Law Enforcement
<p><u>Background Checks/Business Licenses-Police</u></p> <p>These fees are generated by background checks required to obtain licenses for various locally-regulated activities (e.g. alcoholic beverage pouring permits, taxicab licenses, etc.). Since the proposed new city does not plan to offer law enforcement services, no revenue is expected from this revenue source.</p>	Law Enforcement
<p><u>Service Reimbursements/Sale of Printed Material-Police</u></p> <p>Police departments are able to charge fees for copies of police reports, incident reports, motor vehicle accident reports and other miscellaneous materials. It is assumed that there would be some demand for the same types of documents from a municipality. As the proposed new city is not expected to provide police services, the Institute of Government does not estimate any revenue from this source.</p>	Law Enforcement
<p><u>Confiscated Monies</u></p> <p>This fund represents revenues received from money confiscated in drug cases. An assumption was made that police seizure of money from illegal drug trafficking would be proportionate to population. As the proposed new city is not expected to provide police services, the Institute of Government does not estimate any revenue from this source.</p>	Law Enforcement

Fines and Forfeitures

Municipalities in Georgia can operate municipal courts that have specific rights and powers.³⁷ Unfortunately for the purposes of this study, the corresponding court in Glynn County (the Glynn County State Court) that hears cases related to offenses that can be heard in municipal court also hears cases that a municipal court cannot (e.g., DUI cases where the defendant invokes a right to a jury trial). Institute of Government faculty worked with the Clerk of the State Court to develop an estimation methodology³⁸ along with a sample of citation data provided by the Glynn County Police Department so as to provide an estimate of the potential fine and forfeiture revenue that a city comprised of the study area would likely receive.³⁹ It should be noted that, while we believe that this estimate is the best possible, it is not possible to predict the exact amount of revenue that a municipal court will generate.

Estimated Revenue from Municipal Court: **\$101,851**

Law Enforcement-related Revenue

To identify the other law enforcement-related revenue, Institute of Government faculty examined Glynn County budget documents and identified charges and fee revenue related to the Police Department. These amounts are presented in the following table. Because the Glynn County Police Department does not patrol Jekyll Island, the allocations of revenue to the study area are based on the area's pro rata share of the unincorporated area population minus the population of Jekyll Island.

³⁷ See O.C.G.A. §40-13-21(a): The probate courts and **municipal courts** of the incorporated towns and cities of this state, acting by and through the judges or presiding officers thereof, shall have the right and power to conduct trials, receive pleas of guilty, and impose sentence, in the manner required by law, upon defendants violating **any and all criminal laws of this state relating to traffic** upon the public roads, streets, and highways of this state where the penalty **for the offense does not exceed that of the grade of misdemeanor**.

³⁸ The methodology involved examining a year's worth of fines paid, assessed, and 'collected to go' based on the citations issued in the study area.

³⁹ The estimate is based on traffic citation data from April, May, and June of 2014 for the study area. Each citation was individually tracked by the Clerk of the State Court and the amounts paid to the county, collected but not yet paid to the county, and assessed monies adjusted for an estimate of the percentage eventually paid (80%) were identified and tabulated. Finally, the three months of data were extrapolated to generate an annual estimate. It should be noted that the estimate is conservative in that there are some additional but not frequent charges that could be heard in municipal court that were not tracked. However, the Clerk noted that the mainland most likely accounted for a larger share of citations due to the activities of state agencies that were active there (e.g., DNR, DOT, and GSP). Also, it should be noted that Glynn County's rate of fines and forfeitures (on a per capita basis) is substantially less than nearby jurisdictions that may be using the Interstate more aggressively to generate fines.

TABLE 53

Law Enforcement Related Revenue		
	Estimated Study Area Revenue	Collected in Unincorporated Area
Police reports	\$287.26	\$1,238
Fingerprinting	\$1,808.96	\$7,796
Expungements of Records-Police	\$379.38	1,635
Evidence fees	\$3.48	\$15
Service Reimbursement	\$1,403.83	\$6,050
Background Check	\$3,480.56	\$15,000
Police Seizure Fund	\$27,026.58	\$116,475
TOTAL	\$34,390.06	\$148,209.00

Institute of Government faculty also identified two minor sources of revenue related to the provision of fire services. Because Jekyll Island provides for its own fire service, these funds were allocated to the study area based on the study area’s pro rata share of the unincorporated area population minus the population of Jekyll Island.

TABLE 54

Fire Related Revenue		
	Estimated Study Area Revenue	Collected in Unincorporated Area
Fire Inspection Fees	\$720	\$3,101
Contributions	\$610	\$2,630

Library Revenues

The Marshes of Glynn library has three major sources of revenue: 1) a state grant allocation;⁴⁰ 2) fines and donations; and 3) support from Glynn County.

Currently, the Marshes of Glynn library maintains an allocation of the state funding as follows:

⁴⁰ Assumes that the new city provides for library service through the current county library board.

TABLE 55

Allocation of State Grant Funds to Study Area		
State Grant Type	Amount	Island Share
Systems	\$28,112.00	\$7,028.00
Materials	\$8,006.54	\$2,401.96
Director	\$49,110.60	\$24,555.30
Total	\$85,229.14	\$33,985.26

In addition, the Marshes of Glynn library on the Island specifically assesses fines and receives donations as follows.

TABLE 56

Expected Study Area Revenue from Library Services	
State Grant	\$33,985.26
Library Fines, Fees & Donations	\$13,143.63
Total Revenue	\$47,128.89

Local Option Sales Tax (LOST) ⁴¹

Like most counties in Georgia, Glynn County has approved a Local Option Sales Tax. While the tax represents a single countywide levy on retail sales, the proceeds from the tax are distributed to both the county government and to the municipal governments within the county. When it comes to LOST funding, a city is required to provide at least three of the following services (Source: O.C.G.A §48-8-80):

- Water
- Sewage
- Garbage collection
- Police protection
- Fire protection
- Library

Georgia law provides for Local Option Sales Tax (LOST) distributions being determined through local negotiations among existing local governments (i.e., the county government and all the cities within the county). However, when a new city is established, there is a negative fiscal impact on the existing governments, since the same sales tax revenues must be distributed among a larger group of local governments. Georgia law establishes that the parties to the LOST negotiations include qualified municipalities whose combined populations represent at least one-half of the total qualified municipal population in the county.

⁴¹ Legal Basis for Negotiated LOST Distributions: It is always difficult to deconstruct the underlying theory of a negotiated agreement. This is the case because Georgia law provides that local officials may consider eight major factors in deciding on a negotiated distribution of LOST revenue.

1. The service delivery responsibilities of each political subdivision to the population served by the political jurisdiction and served during normal business hours, conventions, trade shows, athletic events and the inherent value to the community of a central business district and the unincorporated areas of the county and the obligation of all residents of the county for the maintenance and prosperity of the central business district and the unincorporated areas of the county; 2. The service delivery responsibilities of each political subdivision to the resident population of the subdivision; 3. The existing service delivery responsibility of each political subdivision; 4. The effect of a change in sales tax distribution on the ability of each political subdivision to meet its short-term and long-term debt; 5. The point of sale and use which generates the tax to be apportioned; 6. The existence of intergovernmental agreements among and between the political subdivisions; 7. The use by any political subdivision of property taxes and other revenues from some taxpayers to subsidize the cost of services provided to other taxpayers of the levying subdivision; and 8. Any coordinated plan of county and municipal service delivery and financing.

Because of the breadth of these major factors (such as the existence of intergovernmental agreements), there is really no limit to the number and types of issues that can be resolved through the chosen LOST distribution. For example, it is evident that a number of local governments use LOST distributions to address such issues as tax equity (e.g., some taxpayers subsidizing the cost of services provided to other taxpayers) or fee inequity (e.g., when some residents pay fees that benefit residents of other jurisdictions) or unequal tax roll-backs (e.g., when some residents receive a property tax roll-back that is disproportionate to the amount or percentage of property taxes paid). Moreover, the encouragement to consider the “service delivery responsibilities of each political subdivision to the resident population of the subdivision,” suggests that a LOST distribution can potentially be used to help out poorer jurisdictions that may not have the resources to address their service responsibilities.

Under O.C.G.A. § 48-8-89.1 (2015), when a new municipality is created and it qualifies for LOST, the “qualified municipality may request the commissioner to give notice of the qualified municipality's existence” and then within 30 days the Commissioner will give written notice of the qualified municipality's existence to the county.

Then “Within 60 days after the effective date of the notice ..., a new distribution certificate shall be filed with the commissioner for the special district or, within 30 days after the last day of the 60 day alternative dispute resolution period required by paragraph (3) of subsection (d) of Code Section 48-8-89.”

The new certificate can be the result of a new negotiation. However, based on the absent municipality provisions in the law only the qualified municipalities comprising over 50% of the incorporated population would be involved in the negotiations and the agreement about LOST distribution. As such, since the population of the study area would be less than 50% of the population of the qualified municipalities, the new Island City would not necessarily be able to participate in the negotiations. However, O.C.G.A. § 48-8-89.1 specifies that the absent municipalities will receive at least a population based share of the share provided to the qualified municipalities as a whole. For example, if Brunswick (the city that would still account for more than 50% of the population of qualified municipalities after an Island area incorporation) were to negotiate a 50% share for all municipalities in the county, and the population of the Islands City were roughly 50% of the total qualified municipal population, the Islands City would receive roughly half of the half that would go to all cities in the county.

Currently, Brunswick receives 27 percent of the LOST revenue and the county receives 73 percent. Brunswick's share is substantially greater than its share of the county's population (19%). However, most LOST distributions in Georgia tend to approximate population share distributions.

Because there is no certainty with regard to the amount of LOST funds the study area⁴² would receive upon incorporation, we have chosen to provide three potential distributions: 1) a low estimate distribution in which the study area would be in the role of the absent municipality and the City of Brunswick was only able to negotiate their current share of LOST to be shared among the cities in the county; 2) a moderate estimate distribution based on the proportion of the Glynn population represented by the study area; and 3) a high estimate distribution in which the study area would be in the role of the absent municipality but the City of Brunswick was able to negotiate an agreement for the cities in Glynn

⁴² It should be recognized that there is no certainty that the local option sales tax will continue to be approved in Glynn County. However, as a resort area and a regional retail center (pulling in customers from surrounding counties), the benefits of LOST to the county are much greater than the costs, and, therefore, it is expected that LOST will continue.

County that would provide the other cities (i.e., the study area receives an allocation that is equal to the allocated percent (on a per capita basis)) that the City of Brunswick currently receives.

These estimates and an average of the three areas presented below.

TABLE 57

Glynn County LOST Revenue Impacts: Low Estimate: Study Area Gets Absent Municipality Share of Total Municipal Share					
Place	Percent of Total Pop. (excluding Study Area)	Percent of Total Per Pop. (including Study Area)	Current LOST Distribution	Est. LOST Received 2014 were Study Area Incorporated	Projected Gain/Loss
Unincorporated County	80.68%	62.19%	\$12,864,721	\$12,864,721	\$0
Brunswick	19.32%	19.32%	\$4,758,184	\$2,431,490	(\$2,326,694)
Study Area		18.49%		\$2,326,694	\$2,326,694

TABLE 58

Glynn County LOST Revenue Impacts: Moderate Estimate: Population Share Distribution					
Place	Percent of Total Pop. (excluding Study Area)	Percent of Total Per Pop. (including Study Area)	Current LOST Distribution	Est. LOST Received 2014 were Study Area Incorporated	Projected Gain/Loss
Unincorporated County	80.68%	62.19%	\$12,864,721	\$10,960,480	(\$1,904,241)
Brunswick	19.32%	19.32%	\$4,758,184	\$3,404,581	(\$1,353,604)
Study Area		18.49%		\$3,257,845	\$3,257,845

Table 59

Glynn County LOST Revenue Impacts: High Estimate: Study Area Gets Same Per Capita Share as Brunswick					
Place	Percent of Total Pop. (excluding Study Area)	Percent of Total Per Pop. (including Study Area)	Current LOST Distribution	Est. LOST Received 2014 were Study Area Incorporated	Projected Gain/Loss
Unincorporated County	80.68%	62.19%	\$12,864,721	\$8,311,612	(\$4,553,109)
Brunswick	19.32%	19.32%	\$4,758,184	\$4,758,184	\$0
Study Area		18.49%		\$4,553,109	\$4,553,109

Table 60

Average of High, Medium & Low Estimates	\$3,379,216
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For the purposes of this study, we assume that the study area would receive benefits that are consistent with the benefits it would receive under the population-proportion distribution of the Local Option Sales Tax or \$3,257,845.

Special Local Option Sales Tax (SPLOST)

Special Local Option Sales Tax is collected countywide for the purposes of capital improvements at a rate of 1 percent. The qualified municipalities must enter into an agreement with the county regarding the nature and distribution of the projects to be funded. In addition the tax must be approved by the voters in a referendum. In order to qualify for SPLOST, a city must provide three of the following services, including: law enforcement, fire protection, solid waste management, water supply or distribution, electric or gas utility services, building code enforcement, planning and zoning, recreational facilities, libraries, wastewater treatment, road and street construction, and storm water collection.

Because the Special Local Option Sales Tax can only be used for capital projects which the majority of county voters have agreed to support, it is uncertain that a municipality in the study area could depend on these to support its capital needs in any particular period. However, over the long run, cities tend to receive a share of benefits of the SPLOST.

Energy Excise Tax

During the 2012 Legislative Session, the General Assembly passed Tax Reform legislation, HB 386, which included an exemption on energy used in agriculture production and manufacturing. The legislation also included the option for local governments to levy an excise tax to recover the local portion of sales tax on energy that would otherwise be exempt.⁴³

While the energy excise tax is essentially a county tax, the county must meet and confer with the cities. If a city declines to participate, it will be collected countywide but the city gets no proceeds. If cities choose to participate, they will get a share based upon the same split they get through the two underlying local sales & use taxes. In the case of Glynn County, this would be the combination of the LOST and SPLOST taxes.⁴⁴

In order to qualify of this tax the city must collect either LOST or SPLOST.

⁴³ See more at: <http://www.accg.org/content.asp?contentid=1949#sthash.4nTamoCT.dpuf>

⁴⁴ See more at: <http://www.accg.org/content.asp?contentid=1937#sthash.giMSnTus.dpuf>

Because Glynn County currently does not levy an Energy Excise Tax, and because there is no certainty that the county will choose to levy such a tax in the future, for the purposes of this analysis it is assumed that the study area would not receive any revenue from this source.

SCENARIO 3: FULL SERVICE SCENARIO

Services to be provided:

- Planning and development,
- Code enforcement
- Solid waste management.
- Road maintenance and drainage
- Police and related services
- Fire services
- Library services
- **Recreation and park services**

TABLE 61

Scenario 3: Summary of Additional Expenditures & Revenue	
<u>Direct Services</u>	
Parks & Recreation Operations	\$1,746,453
<u>Capital</u>	
Parks & Recreation Capital	\$14,108
Parks & Recreation Maintenance Facilities	\$37,188
Total Additional Expenditures	\$1,797,748

Summary of New Scenario 3 Revenue	
Recreation Fees	\$409,503
Total Additional Revenue	\$409,503

EXPENDITURES

Parks

The study area is comprised of a number of recreational-type parks that include facilities and more passive parks which are sometimes comprised of small neighborhood parks. The following table

outlines the recreational parks in the study area and their facilities. A list of all parks is provided in the capital section of this Scenario, and a list of the facilities at each major park is provided in Appendix I.

To estimate these expenditures for the study area, Institute of Government faculty first examined the recreation programs in the comparison cities. It was discovered that the City of Kingsland did not provide for its own recreation services; rather, this service was provided by the Camden County government. While the City of Pooler does provide for recreation, it does so at a much lower level of service than is currently the case in Glynn County. Also, while the Institute in the past has been able to estimate some of these costs based on per acre expenditures for parks, the Island area parks include areas (e.g., the beach) and facilities (e.g., miniature golf) that are not typical for cities in Georgia. Consequently, the Institute of Government used data and information about the existing parks and recreations services and budgets to estimate the potential expenditures for this service in the study area.

Given that the study area population comprises about 22.9% of the unincorporated area population, one might expect that parks and recreation expenditures in the study area would be somewhat in the same proportion to the total parks and recreation expenditures made by Glynn County for the unincorporated. However, upon analysis of the parks and recreation budget this did not appear to be the case.

To estimate the current parks and recreation expenditures in the study area, Institute of Government faculty took the following steps:⁴⁵

1. Identified the proportion of direct service FTE parks and recreation staff that were identified as serving the study area, the unincorporated area and the City of Brunswick. (Glynn County provides parks and recreation services countywide).

TABLE 62

Parks and Recreation FTE Staffing		
Administration	4	Percent of Dept. Direct Serv.
Islands Direct Service	31.91	40%
Unincorporated Area Direct Service (not including Islands)	35.96	46%
Brunswick Direct Service	11.15	14%
Tot. Direct Service Dept.	79.02	
Tot. Direct Service for Unincorporated Glynn	67.87	
Island Percent of Direct Service for Unincorporated Glynn	47.02%	

⁴⁵ Expenditure figures are based on the FY 2014 budgeted amounts.

2. Allocated the expenditure of the administrative division of the Department in proportion to the direct service staffing proportions so as to identify the administrative expenditures for the unincorporated area only.

TABLE 63

Allocation of Recreation Admin Cost	
Admin Cost For Department	\$360,616
City Portion of Admin	\$50,884
Uninc. Admin.	\$309,732

3. Sum the direct services expenditures for all the units in the Recreation and Parks Department except for the unit that serves the City of Brunswick. Then allocate both the administrative and direct services costs to the study area based on the proportion of the FTE serving the unincorporated area represented by the FTE staff serving the study area.

TABLE 64

Study Area Expenditure Estimate		
	Island Estimate	Glynn County Unincorporated Total
Administration	\$145,625	\$309,732
Direct Service	\$1,600,828	\$3,404,833
Total	\$1,746,453	\$3,714,565

CAPITAL

Capital for Park Acquisition

Aside from park maintenance, the study area is expected to face a one-time capital cost to acquire the parks in its jurisdiction from Glynn County. Currently, Georgia law (O.C.G.A. § 36-31-11.1) specifies the cost at which parks are to be sold to a new municipality in a metropolitan County that provides public transportation within its borders. The terms outlined in this law call for the purchase of County park assets within the borders of a new municipality at \$100 per acre.⁴⁶ As there is no established generalized

⁴⁶ (3) O.C.G.A. § 36-31-11.1 (2015) (a) As used in this Code section, the term:

(1) "County" means a county in which a tax is being levied and collected for purposes of a metropolitan area system of public

legal standard setting the sale price of property owned by one local government but sold to another government that will thenceforth provide services to the same area and the same taxpayers who paid for the property, Institute of Government faculty followed the only ‘advice’ available, that found in O.C.G.A. § 36-31-11.1 and applied it to those assets listed in the table below. It should be noted that while the principles outlined in O.C.G.A. § 36-31-11.1 would allow a new city to assume ownership of parks for a price lower than either market or assessed value, i.e., \$100/acre, the law also specifies a principle of fair and equal public use of the property by all county residents.⁴⁷

transportation and in which a public safety and judicial facilities authority has been activated by the county pursuant to Chapter 75 of this title. "Park" means any property or facility that is 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, owned by the county, or subject to a lease-purchase or installment sale arrangement by the county and used by the county as of the date immediately prior to the date the local Act incorporating a qualified municipality became law 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. Such term shall include any buildings, fixtures, or other improvements on such property or in such facilities.

⁴⁷O.C.G.A. § 36-31-11.1 h) “ In the event a park is transferred by a county to a municipality under this Code section, the municipality shall be prohibited from imposing or collecting user fees from residents of the county in excess of the amount of such fees imposed or collected from residents of the municipality.”

TABLE 65

Park Properties in Study Area		
	Address	Acres
PARK OGLETHORPE PARK	94 STEWART AV 13000	0.6
PARK WESLEY OAKS	506 WESLEY OAK CIR 13000	1.45
PK & ST S BOAT MARIN	1010 HAMILTON RD	27
PARK EPWORTH ACRES	108 LADY HUNTINGDON ST 1	4.5
PARK OGLETHORPE PARK	105 MCINTOSH AV 13000	0.63
PARK OGLETHORPE	104 MCINTOSH AV 13000	0.44
PARK RIVERVIEW	500 LONGVIEW RD 13000	2.25
PARK HIGHLAND ACRES	115 SIMMONS AV 13000	0.98
MASSENGALE PARK	1350 OCEAN BLVD	7.46
MARSH PARK	1801 EAST BEACH CSWY 13000	0.29
PARK OCEAN VUE	600 BROWN DR 13000	0.12
PARK AREA OCEAN BREEZE	1173 COLLEGE ST 13000	0.07
TR PARK	419 MYRTLE ST 13000	1.03
PARK KINGS TERRACE	14 PERTH CT 13000	0.52
PARK ISLAND RETREAT	700 PAGE CT 13000	0.66
PARK IN LINCOLM FLD	950 MALLERY ST 13000	0.25
PARK MALLORY PARK	6 BLACKBEARD CV 21000	0.51
ISLAND RET REC PARK	601 MALLERY ST	6.66
PARK ST S PARK	518 MALLERY ST 13000	2.16
PARK VW S/D & MALLOR	602 MALLERY ST 13000	6.69
PARK ST S PARK	540 PARK ST 13000	1.82
NEPTUNE PARK	550 BEACHVIEW DR 2	9.02
NEPTUNE PARK	101 TWELFTH ST	1.38
PARK	200 ANGUILLA AV 13000	1.05
PARK VILLAGE BLUFF		0.72
REC AREA BUTLER MEWS	401 BUTLER AV	0.46
3.9 AC BEHIND COAST GUARD STATION	4100 FIRST ST 32000	3.9
PARK SEA PALMS	109 GREAT OAK PL	0.18
20.110 AC FREDERICA PARK AT FREDERICA TOWNSHIP	2201 LAWRENCE RD	20.11
3.9 AC BEHIND COAST GUARD STATION	4100 FIRST ST 32000	3.9
34.272 AC EAST BEACH (Coast Guard Beach)	4150 FIRST ST	34.27
TOTAL		141.08
Cost @ \$100 per Acre		\$14,108

FACILITIES FOR STAFF

Parks and Recreation

As with the facilities in Scenario 2, it is assumed that the study area will purchase existing facilities to support recreation services staff and will lease additional facilities as needed. Information provided by the Glynn County administration indicates that the current recreation facilities would be adequate for all of the recreation staff with the exception of the 10 staff who provide maintenance services and who now work out of the Public Work unit and facility on Saint Simons Island. An estimate for facility costs for these staff is provided below.

TABLE 66

Scenario 3: Estimate of Space Needs & Cost for Park Maintenance	
Space for Staff (Space Needs @125 Sq. Ft. per Staff) (10)	1250
Office Space for Admin. Staff @ 225 Sq. Ft. per Staff) (1)	225
Storage	1500
Total	2975
Accommodation Factor of 25%	3718.75
Rental Rate Per Sq. Foot	\$10.00
Annual Lease	\$37,188

REVENUE

TABLE 67

Summary of New Scenario 3 Revenue	
Recreation Fees	\$409,503
Total	\$409,503

Recreation Revenue

Institute of Government faculty interviewed the Glynn County Finance Director to identify the likely revenue that the study area would receive if it were to be incorporated. Recreation Department revenue were divided into three groups: 1) revenue derived from study area facilities and programs tied to

those facilities (e.g., swimming, concessions, etc.); 2) revenue derived from facilities not in the study area (e.g., Blyth Island Recreation Center); and 3) revenue derived from programs (e.g., football, softball, etc.) where residents from across the county could and do participate. All of the revenue in the first category would be allocated to the study area, none of the revenue in the second category would be allocated to the study area, and a per capita pro rata share of the revenue from the third category would be allocated to the study area.

Expected Island Revenues from Facility-Based Sources: \$364,335

Expected Island Revenues from Program-Based Sources: \$45,168⁴⁸

Total Expected Revenue: \$409,503

⁴⁸ Total countywide revenue of \$244,333 times study area percent of county population (18.49%).

PROPERTY TAXES & VIABILITY

This section begins by outlining the property and related taxes that a new city comprised of the study area would be eligible for and those that it would be unlikely to receive. After this description is presented, we outline the steps involved in the test of fiscal viability, and how these steps play out in the analysis.

DESCRIPTION OF PROPERTY RELATED TAX REVENUE SOURCES AVAILABLE TO A NEW CITY

Real & Personal Property Taxes

Personal Property Taxes

Personal property taxes are levied on personal property owned by commercial businesses. Hence, in order to estimate this potential revenue we first identify the portion of the commercial property in the county that is within the study area. We then apply this percentage to the personal property revenue collected by the county in its general fund to estimate the amount of personal property the study area would collect were the new city to apply the same personal property tax millage rate as the county currently levies.

Penalties

To estimate the amount of tax penalty revenue the study area could expect, we first calculated the proportion that property tax penalties were of the property tax revenues collected by the county in the unincorporated area. This proportion was then applied to the estimated property taxes to be collected in the study area.

Mobile Home Taxes

While Glynn County does collect some mobile home property taxes, it is the opinion of the County Finance Director that the vast majority of these taxes are for property that is located in mobile home parks outside of the study area. While there may be a few scattered mobile homes in the study area, in order to maintain a conservative revenue estimate, the Institute of Government does not project any revenue from this source for the new city.

Intangible and Real Estate Transfer Taxes

With certain exceptions, a real estate transfer tax is imposed at the rate of \$1 on the first \$1,000 and 10 cents on each additional \$10 on any conveyance of real property when the value of the interest transferred exceeds \$100. The clerk of superior court collects the tax and distributes it among the state and the local governments where the property is located in proportion to the millage rate levied by each taxing jurisdiction or district. Similarly, the intangible tax is applied to long-term real estate notes and is collected and distributed in a similar manner. Because the receipt of a share of the intangible and real estate transfer taxes is based on the share of the total millage rate applied to property in the county, if the proposed new city does not levy a property tax, it will not receive any intangible or real estate transfer revenue. Because it is uncertain how the various local governments in the county will react to the incorporation of a new city (e.g., by adjusting millage rates up or down) or to what degree the new city will levy a property tax, it is not possible to accurately estimate the likely revenue from the intangible and real estate transfer taxes. However, were the new city to levy a property tax, it would receive some revenue from these sources.

Tax Collection Expenditures

O.C.G.A § 48-5-359.1(2)(B) allows for the billing and collecting of municipal taxes by the Tax Commissioner. This service is initiated upon a contractual agreement between the county governing authority and the municipality. The contract must specify an amount the municipality will pay to the county, but this amount needs to “substantially approximate the cost to the county of providing the service to the municipality.” While the code section does not specify a method for establishing the amount a city must pay for these services or the approximate cost of the service for estimation purposes, communication with the Glynn Tax Commissioner’s Office suggests that this cost would be 1.75 % of the bill for taxes on the parcels.

Based on the estimated real property taxes, we estimate a cost for the tax collection services needed.⁴⁹

TABLE 68

Property Tax and Related Revenue Methods for Estimating	
Intangible & Transfer (Includes Commissions & Penalties & Interest)*	Pro rata share of study area millage rate among millage rates of governments eligible for distribution of the taxes
Personal Property Taxes	Ratio of assessed value of commercial property in study area to Glynn unincorporated area times the personal property taxes collected in the unincorporated area.
Real Property Taxes	Millage rate * 2014 Actual Net Taxable for Study Area as Supplied by Tax Commissioner
Real Property Taxes - Penalties	Property tax penalties in Unincorporated area as a percent of Unincorporated Tax revenue times estimated Study Area Property Tax revenue

⁴⁹ O.C.G.A. § 48-5-359.1

(2) (A) This paragraph shall apply to any county which has 50,000 or more tax parcels within such county.
 (B) Any county and any municipality wholly or partially located within such county may contract for the tax commissioner to prepare the tax digest for such municipality; to assess and collect municipal taxes in the same manner as county taxes; and, for the purpose of collecting such municipal taxes, to invoke any remedy permitted for collection of municipal taxes. Any contract authorized by this subsection between the county governing authority and a municipality shall specify an amount to be paid by the municipality to the county which amount will substantially approximate the cost to the county of providing the service to the municipality. Notwithstanding the provisions of any other law, the tax commissioner is authorized to accept, receive, and retain compensation from the county for such additional duties and responsibilities in addition to that compensation provided by law to be paid to the tax commissioner by the county.

PROPERTY TAXES FOR WHICH A NEW CITY WILL NOT BE ELIGIBLE

TABLE 69

<p><u>Motor Vehicle-related revenue</u></p> <p>Motor vehicles are subject to an ad valorem tax levied on their assessed value. On a going-forward basis, however, the study area should expect its revenue from this source to decrease significantly. O.C.G.A. § 48-5C-1(c)(3) provides for a two-step distribution of Local Title Ad Valorem Tax Fee (“TAVT”) proceeds on a monthly basis. Over time, as annual ad valorem taxes phase out, the first step distribution will gradually increase, eventually comprising the majority of motor vehicle property taxes. Under the statutory structure, cities formed on or after January 1, 2013 will not receive a first-step distribution.⁵⁰</p> <p>Motor vehicles purchased and titled in Georgia prior to March 1, 2013 are generally subject to annual ad valorem taxes pursuant to Chapter 5 of Title 48. Vehicles purchased on or after March 1, 2013 are subject to TAVT and are exempt from annual ad valorem tax. Thus, as Georgia taxpayers purchase new motor vehicles, the annual ad valorem tax revenue collected will decrease gradually each year.⁵¹</p> <p>The first step distribution of TAVT proceeds were calculated by comparing the 2012 annual ad valorem taxes collected in a given month to the amount collected in the same month of the current year. For a “new city” which collected no annual ad valorem tax in a given month during 2012, there is no figure or record available upon which to compare subsequent year annual ad valorem tax revenue. Thus, the reduction-offset amount will always be zero, and the first step distribution to such “new” city will also be zero.⁵² <i>The Georgia Department of Revenue Title Ad Valorem Tax Fee Local Distribution Guidance letter is included in Appendix A.</i></p>	<p>Eligibility for this revenue will require a change in Georgia law. See Appendix A for Guidance Letter</p>
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Estimating a Property Tax Rate

The application of a property tax will also trigger the potential to receive revenue from Intangible and Real Estate Transfer taxes as well as from delinquent tax penalties, but it will also result in Tax Commissioner fees. Unfortunately, because Intangible and Real Estate Transfer taxes are based on the millage rates of all the local governments in the county, it is impossible to accurately estimate these revenues without knowing the likely millage rates for all these governments in a post-incorporation situation. However, because the new city would likely receive some revenues of these types and this revenue would provide some offset to the Tax Commissioner’s fees, it is likely that the final property tax millage rate for the study area would approximate the rate that would be needed in real property taxes alone to generate the figure identified as the “Property Tax Revenue Needed” in the tables below.

⁵⁰ Georgia Department of Revenue Title Ad Valorem Tax Fee Local Distribution Guidance, October 30, 2013.

⁵¹ Id.

⁵² Id.

STEPS IN THE TEST OF FISCAL VIABILITY

Our test of viability involves a six-step process with regard to balancing expected expenditures on service responsibilities with expected revenue that the new government can generate:

- Step 1. Identify the amount of expenditures that need to be balanced with a revenue credit. For summary purposes, we have combined operating expenditures and an estimate of the annual cost of acquiring the capital needed to provide the identified level of services.
- Step 2. Credit the new government with the non-property tax revenue that the new city is likely to be able to generate.
- Step 3. Identify the remaining expenditures that need to be supported with property tax revenue. It is assumed that property taxes are the last tax that is levied in support of services. That is, if non-property tax revenues, fees, fines and service charges are sufficient to provide the requisite services, no property tax will be levied.
- Step 4. Identify the total property tax that the study area property owners currently pay to support general government services. (School taxes are not general government taxes, and school taxes will not change as a result of incorporation)
- Step 5. Identify the municipal-services property tax that the study area property owners would likely pay in a post-incorporation scenario
- Step 6 Compare the total property taxes in the pre- and post-incorporation scenarios.

NEED FOR PROPERTY TAXES

The following tables specify the degree to which the non-property tax revenues that are available to support the scenario-specified services are adequate to meet the expected expenditures on these services. If these revenues are adequate, no additional property tax is needed. If the revenues are more than adequate, there is a potential for a fiscal surplus which could be used to increase the level of service or reduce charges or fees. A positive total in the tables below indicates such a fiscal surplus. As is evident from these tables, while Scenario 1 would not require any property tax revenue to balance the estimated expenditures, Scenarios 2 & 3 would require that the property tax revenue currently collected

by the County for additional police on Sea Island and for the fire district will need to be transferred to the new city to meet the expected service needs.⁵³

TABLE 70

Scenario 1 Expected Need for Property Taxes	
Non-Property Tax Revenues from Scenario 1	\$7,519,095
Expected Direct Service Expenditures	\$4,804,000
Indirect	\$1,057,554
Contingency (on operational expenditures only)	\$264,871
Total Expected Expenditure	\$6,126,425
Expected Need for Property Tax Revenues	\$0
Surplus or (Deficit) in non-property tax context	\$1,392,670

TABLE 71

Scenario 2 Expected Annual Revenues Prior to Special Services Tax	
Baseline Revenues from Scenario 1	\$7,519,095
Scenario 2 New Revenue from LOST, Fines, Fees, and Charges	\$3,563,916
Total Expected Non-property Tax Revenues	\$11,083,011
Scenario 2 Expected Annual Expenditures	
Baseline Expenditures from Scenario 1 (minus Indirect & Contingency)	\$4,804,000
Scenario 2 New Expenditures	\$5,738,792
Sub-Total Direct Expected Expenditure	\$10,542,791
Indirect	\$1,027,883
Contingency (on operational expenditures only)	\$538,773
Total Expected Expenditure	\$12,109,447
Expected Need for Property Tax Revenues	\$1,026,436
Surplus or (Deficit) in non-property tax context	-\$1,026,436

⁵³ It should be noted that because of the methodology for estimating indirect costs in Scenarios 2 & 3 differs from that in Scenario 1. In Scenarios 2 & 3 indirect cost calculated using the indirect rate against the total of operational and capital costs. However, the rate for a contingency fund is the same in all scenarios and is base only on annual operational expenditures.

TABLE 72

Scenario 3 Expected Annual Revenues Prior to Property Tax Levy	
Total Expected Non-property Tax Revenues Scenario 1 & 2	\$11,083,011
Scenario 3 New Revenue from Grants, Fees, Charges	\$409,503
Total Expected Non-property Tax Revenues	\$11,492,514
Scenario 3 Expected Annual Expenditures	
Baseline Direct Expenditures from Scenario 1 & 2	\$10,542,791
Scenario 3 New Direct Expenditures	\$1,760,561
Sub-Total Direct Expected Expenditure	\$12,303,352
Indirect	\$1,203,157
Contingency	\$635,798
Total Expected Expenditures	\$14,179,495
Expected Need for Property Tax Revenues	\$2,686,980
Surplus or (Deficit) in non-property tax context	-\$2,686,980

CURRENT TAX STUDY AREA TAXES FOR GENERAL LOCAL GOVERNMENT

In order to determine the pre-incorporation taxes paid by Island residents (Step 6 above), it is necessary to: 1) refine the property tax information provided in the introduction to this report to account for the exemptions provided to the taxpayers in the districts that are the focus of this study; 2) add the taxes that are paid for fire and special police services.

The table below provides data on the amount of exemptions and the adjusted assessed property values to which a millage rate is applied in order to generate revenue for a government. Note: The adjusted assessed values for the study area which include motor vehicle taxes for the new city would not be eligible.

TABLE 73

Table: Current County Taxes Paid by Study Area Property Owners (Source: Tax Commissioner)					
	Total	Exemptions	Taxable w/Motor Veh.	Taxable w/o Motor Veh.	Taxes Paid @ 5.673 mills
District 4	\$1,778,322,051	\$180,745,816	\$1,597,576,235	\$1,541,196,585	\$9,063,050
District 5	\$752,957,530	\$16,638,528	\$736,319,002	\$731,948,152	\$4,177,138
TOTAL	\$2,531,279,581	\$197,384,344	\$2,333,895,237	\$2,273,144,737	\$13,240,188

Revenue from Sea Island Police District

In addition to accounting for the basic revenue generated by the Islands City area, Sea Island has a special tax district to support additional police services desired by Island residents. The millage rate for this service is .220. Applying this millage rate to the Sea Island adjusted assessed property values results in estimated revenue of **\$161,990.18**.

Note: Because the new city will assume the current service level responsibilities, it is assumed, for the purposes of this study, that revenue for the added law enforcement services currently provided to Sea Island will be transferred to the new city. Obviously, upon incorporation, the Islands City may choose to recreate the special service district in order to provide a desired higher level of service.

Revenue from the Fire District

Fire services for the Islands are currently funded through a special fire district. While this district is larger than the area of the two islands, it does not comprise the remainder of the unincorporated part of the county, as it excludes Jekyll, which provides its own fires services, and it excludes the most rural part of unincorporated Glynn County. Based on the current millage rate for the fire district, the following table presents an estimate of the amount of revenue currently generated by property in the study area.

TABLE 74

Table : Estimated Study Area Fire District Tax Revenues Based on Millage Rate of 1.680		
Study Area	Adjusted Assessed Property Values (Amt. To Apply Millage Rate To)	County Revenue Generated at Current Millage Rate
St. Simons & Sea Island	\$2,333,895,237.00	\$3,920,944.00

Inclusive Summary of Property Tax Revenue

When one adds the county property taxes that are generated from Island area properties paying the property taxes at their respective rates (general, fire, Sea Island Police), the total amount of property tax generated is:

TABLE 75

Inclusive Summary of Island Area Property Taxes Paid to the County – For ALL Services	
General Property Taxes 5.673 mills	\$13,240,188
Sea Island Police (Special District .220 mills)	\$161,990
Fire District (Special District 1.680 mills)	\$3,920,944
Sub-Total of Special Districts	\$4,082,934
Total Islands Area Property Taxes	\$17,323,122

While the total amount of county and special service district property taxes paid is quite substantial, the reader should note that these revenues are used in support of all the county’s services (excluding enterprise fund services), including those that will remain county-only or countywide services such as the various courts, the District Attorney, and the Jail, as well as those that will be transferred to the study area under incorporation.

As discussed above, Institute of Government faculty are not able to determine the potential actions that the Glynn County government would take with regard to property taxes in the post incorporation situation. However, it can be assumed that once the proposed new city begins providing fire and police services (in Scenarios 2 and 3) that the current taxes being paid by study area taxpayers into the Fire Protection and Sea Island Police special service districts would cease to be necessary and would therefore be eliminated. For the purposes of this fiscal viability study, we can add the ‘value’ of this tax elimination to the revenue side of the ledger of revenues and expenditures.⁵⁴

⁵⁴ However, because the new city would be expected to receive only very minimal motor vehicle taxes in the future, the estimate of the value of this property tax elimination has been revised to account for this factor.

Potential Study Area Property Tax Revenue Under Scenario 2 & 3 (Without Motor Vehicles)		
Sea Island Police		\$161,029
Fire District		\$3,818,883
Potential Study Area Property Taxes Revenue		\$3,979,912

BASIC NEED FOR PROPERTY TAXES

Readers should recognize that the test of fiscal viability outlined in this study--that the incorporated study area would have sufficient revenue to support the expected level of expenditures--is not the only or the toughest test of fiscal viability. In earlier Institute of Government studies, Institute faculty were able to identify with a fair degree of accuracy whether the incorporation of a new city would likely lead to an increase, decrease, or no change in ALL taxes and fees to be paid by the study area residents to both the new city and the county. That is, if it could be definitively determined that the study area residents would not pay any additional taxes or fees after incorporation than prior to incorporation to all the local government taxing districts in which they reside, this would indicate a stronger level of viability. In the cases where Institute of Government faculty were able to make this finding, it was made possible by the use of special tax districts for all municipal services by the county government.⁵⁵ In these cases the county assigned the revenues to the special districts as if the districts were municipalities. The counties then applied these revenues to municipal services expenditures in the special district (the unincorporated area). In the case where additional revenue was needed to support the desired level of services, a property tax was applied to just the properties in the special district. As a result of this practice, when Institute of Government faculty estimated the revenues needed for a new city, the revenue that was estimated to be collected by a new city could be exclusively traced back to the special district revenue (as the new city would be carved out of this district and would be supplying the same type of municipal-related services as the special district). Along with a special service district the county would maintain a district of the whole county in which a tax levy would be used exclusively to support the county's countywide services (such as the courts, the sheriff's office and jail, the tax commissioner, etc.). This countywide services district would not be impacted by the creation of the new city (e.g., both new

⁵⁵ Georgia law requires that counties practice tax equity with regard to funding of municipal-type of services. What this means is that city taxpayers should not be required to pay taxes to their city government for these municipal-type services and also have to pay taxes to the county to support the provision of these services to the unincorporated areas of the county. In order to meet tax equity standards many counties in Georgia have set up special taxing districts comprised of the unincorporated areas of the county. These districts would receive revenues that cities can raise for municipal services and would levy a property tax on just the property of the district to make up the remaining revenue needs. These districts essentially ensure that city taxpayers are not taxed twice for the support of municipal-type services. Currently, Glynn County has not set up a special tax district of this type. While Georgia law requires that counties follow tax equity, the law does not require the creation of special tax districts. Instead, as long as the county and the cities in the county agree that the financing and service delivery situation is equitable, tax equity is presumed to be satisfied. Hence, in many cases a county might provide a service to a city without payment or provide the cities a larger share of the local option sales taxes or other revenues. However, for the purposed of a fiscal viability study, 'independent agreements' of this type cannot be anticipated or predicted.

city residents and special district residents would continue to pay taxes for countywide services and there would be no need to change the tax rate upon incorporation. Because incorporation would have no impact on this countywide district a study finding that the new city's revenues were likely to be greater or equal to the service expenditures would also mean that the new city's taxpayers would receive a net benefit from incorporation. This would be the case because these taxpayers would not have to pay ANY additional taxes or fees to the county as a result of the incorporation (since the incorporation would not impact the countywide service district's revenues or expenditures).

In the current study of fiscal viability, because Glynn County does not use special tax districts for all municipal services it is not possible to determine if the taxpayers in the proposed new city would be impacted by the county government increasing taxes or fees as the result of the proposed incorporation. Currently, revenues (and some expenditures) going to support municipal-type services in the unincorporated part of Glynn County are mixed in with revenues (and expenditures) going to support countywide services. In such a case, while this study can point to the amount of revenue lost to Glynn County (essentially the amount of non-franchise fee revenue estimated to be collected by the proposed new city), the study cannot determine how county leaders and decision makers will react to this loss of the revenue or to the potential shedding of some of the municipal-type service workload (i.e., the municipal service workload assumed by the new city).⁵⁶

While Glynn County does not use special taxing districts for all municipal-type services, it does so for fire services and for a higher level of police service provided to Sea Island. Were the proposed new city to fund the defined services by only applying the property tax revenue from these limited special service taxing districts, the city would pass a stringent test of fiscal viability. This is the case because one would normally credit a new city with ALL the property taxes that were levied to support the complete set of municipal-type services. If the proposed new city can meet its revenue needs with only the property tax revenue from the limited special service tax districts, its fiscal viability is highly assured.

As the following section shows, the proposed new city would meet this more stringent test of viability. Nevertheless, Institute of Government faculty did attempt to estimate what would be the level of property tax generation were the proposed new city not able to meet the more stringent test of supporting service delivery with only the revenue from the existing special service districts. Since the findings indicate that the proposed new city does meet the more stringent test, the estimate of level of property taxes allowed under a more customary practice test of viability is presented in Appendix H.

⁵⁶ The Institute of Government works with cities and counties to establish a consensus methodology for analyzing tax equity and providing a test of the more stringent level of fiscal viability.

Property Tax in Context of Current Special Service Districts and Net Benefit/Cost

While the analysis presented above would suggest that the study area would have more than sufficient revenue to provide the services specified, it does not answer the question of whether these taxes would represent a net increase or decrease in the tax burden borne by the study area taxpayers. As suggested above, a definitive determination of this sort is not feasible in context of Glynn County’s tax practices. However, it is possible to achieve further understanding of the potential net cost or benefit.

First, the need for property taxes in both Scenario 2 and Scenario 3 should be understood in the context of the elimination of the two special taxing districts that currently are active in the study area: the Fire Protection District (that serves Saint Simons Island and Sea Island and other parts of unincorporated Glynn) and the Sea Island Police District (that serves Sea Island). In the post-incorporation situation (in Scenarios 2 &3), it is assumed that the County would eliminate these districts with regard to the study area taxpayers. In order to understand the net property tax need (over the current property taxes paid by study area taxpayers) in the study area, it is important to credit to study area property owners the taxes they are currently paying into these special districts.

TABLE 76

Scenario 2 Expected Revenues and Expenditures Considering Special Services Taxes	
Total Expected Non-property Tax Revenues	\$11,083,011
Fire and Police Special District Property Taxes Transferred to the New City	\$4,082,934
Total Revenue	\$15,165,945
Total Expected Expenditure	\$12,109,447
Final Surplus	\$3,056,498

TABLE 77

Scenario 3 Expected Revenues and Expenditures Considering Special Services Taxes	
Total Expected Non-property Tax Revenues	\$11,492,514
Fire and Police Special District Property Taxes Transferred to the New City	\$4,082,934
Total Revenues	\$15,575,448
Total Expected Expenditures	\$14,179,495
Final Surplus	\$1,395,954

In Scenarios 2 &3 once the value of the special districts elimination has been accounted for, there is no need for additional property tax revenues over and above what is currently being paid into the

special tax districts. Moreover there is estimated to be substantial surpluses even before considering factors such as the decreasing need to finance start-up capital and contingency funds over time.

Assuming no change in Glynn County property countywide tax rates, the study area taxpayers would essentially experience little or no change in total property taxes (i.e., the taxes paid to the new city plus those paid to the county).

Potential Tax Equity Negotiation Impacts

Under Georgia Law, when a new city is created, the county and the cities in the county must negotiate a service delivery strategy. The key provision of the Service Delivery Strategy Acts states that: “The strategy shall ensure that the cost of any service which a county provides primarily for the benefit of the unincorporated area of the county shall be borne by the unincorporated area residents, individuals, and property owners who receive the service. “ This principle of the cost being borne by those who benefit is known as tax equity.

Currently, all Glynn County taxpayers (including taxpayers in the City of Brunswick) pay property taxes that support municipal-type services provided only in the unincorporated area. If the study area were to incorporate and Glynn County were to continue to tax city taxpayers to support municipal services in the unincorporated area, the cities could request some level of tax equity settlement. Such a settlement can come in many forms (e.g., agreement by the county to assume responsibility for delivering a service, provision of a larger share of LOST dollars, etc.). There is no one way in which tax equity disputes are settled, multiple unknowns come into play, including such things as the ability to pay, the location of revenue generators, and the desire to not see major disruptions in services or tax levels. Essentially, as long as the parties to the service delivery/tax equity negotiation agree that the strategy is acceptable, tax equity is considered to be met. That said, the ultimate fiscal impacts (i.e., the net benefits/costs to the affected taxpayers) of the incorporation of the study area will be based on the results of a tax equity negotiation. As the foregoing analysis has indicated, were the new city to simply agree to continue paying the same taxes to the County, the fiscal impact in terms of changes in the benefits and costs to taxpayers would be minimal.

However, it should be recognized that the relationship between the new city's likely revenues and expenditures presented in this report does not include the potential for county tax reductions for study area taxpayers or the potential for county provision of other benefits for study area residents in an effort to address tax equity. For example, the scenarios presented here do not take into consideration possible reductions in county millage rates associated with a lessened cost for services for the county due to these services being taken on by the new city.

While it is not known what would be the exact amount of tax relief in dollar terms (or the nature and amount of other benefits that the county might provide to the study area), the Institute of Government's preliminary assessment is that if the issues of tax and service equity were jointly explored and resolved by the new city and the county, the new city's fiscal viability would be more than assured for all scenarios.

CONCLUSIONS

This report was designed to determine if a proposed new city to be comprised of the current Saint Simons Island and Sea Island would be fiscally viable. In order to be viable in this manner, the expected revenues to be derived from the residents and property owners in the area would need to exceed or equal the expected cost of providing the proposed set of services.

To determine available revenues, we have looked at the amounts of revenue being paid to the county government currently providing services to the area under study and any revenue streams available to municipalities such as franchise fees and insurance premium tax distributions. To determine the likely operational expenses associated with services, we looked at two comparison governments in the coastal area, the City of Pooler and the City of Kingsland. In addition, for services that had cost structures that were strongly skewed by factors that were community- or location-specific or were unique to the nature of the services, Institute of Government faculty employed the most appropriate data sources available.

We are confident that looking at currently available revenues and analyzing comparable government municipal government expenditures that our study reflects a realistic assessment of likely fiscal feasibility. Based on our analysis, we find that likely available revenues exceed likely expenditures for the services identified to be provided, and therefore conclude that a city comprised of the Islands study area is fiscally feasible. This viability was found for all three service provision scenarios.

TABLE 78

Assessment of Fiscal Viability	
Scenario	Fiscal Viability
Scenario 1: The new city would only provide the minimum number of services needed to be a certified municipality: the four services for this purpose would be, specifically: planning and development, code enforcement, roads & drainage, and solid waste management.	Viable: Can provide City Services with a combination of non-property tax taxes and fees at rates similar to those currently in place in Glynn County. These services can be provided without recourse to a City property tax.
Scenario 2: The new city would provide the services in Scenario 1, but would also provide fire protection, police protection, and library services.	Viable: Can provide City Services with a combination of non-property tax taxes and fees at rates similar to those currently in place in Glynn County. These services can be provided without recourse to additional City property tax beyond the current Special Service District taxes.
Scenario 3: The new city would provide the services in Scenario 1 and Scenario 2, but would also provide recreation services.	Viable: Can provide City Services with a combination of non-property tax taxes and fees at rates similar to those currently in place in Glynn County. These services can be provided generally without recourse to additional City property tax beyond the current Special Service District taxes.

However, it should be recognized that the relationship between the new city's likely revenues and expenditures presented in this report does not include the potential for county tax reductions for study area taxpayers or the potential for county provision of other benefits for study area residents in an effort to address tax equity. For example, the scenarios presented here do not take into consideration possible

reductions in county millage rates associated with a lessened cost for services for the county due to these services being taken on by the new city.

While it is not known what would be the exact amount of tax relief in dollar terms (or the nature and amount of other benefits that the county might provide to the study area), the Institute of Government's preliminary assessment is that if the issues of tax and service equity were jointly explored and resolved by the new city and the county, the new city's fiscal viability would be more than assured for all scenarios.

TIMELINE FOR THE COLLECTION OF REVENUES IN A NEW CITY

When a new city is created, it has the right to assess and levy taxes and fees and collect certain other revenues. In this section, we address what a new city would need to do to collect these revenues and when they could expect to receive the funds associated with a revenue source.

List of Revenues

Occupation Taxes & Licenses: A new city must pass an ordinance levying these taxes and fees. At this point the tax can be collected. However, the historical practice has been to honor the county certificate through the end of the calendar year and then start collecting with the new calendar year. Similarly, licenses (e.g., alcohol licenses) that are good for a year are typically honored. : (In Glynn County alcohol licenses must be renewed by the first of November each year for the next year.)

Alcoholic Beverage Excise Taxes. A new city must pass an ordinance levying this tax and at that time, the revenue can be collected. (Note: these taxes are typically paid monthly, which is the case in Glynn County, so the County collection can cease and the new city collection can begin almost immediately.)

Hotel/Motel Taxes. A new city must pass an ordinance levying this tax and at that time, the revenue can be collected. (Note: these taxes are typically paid monthly, which is the case in Glynn County, so the County collection can cease and the new city collection can begin almost immediately.)

Bank Shares/Financial Services Tax: A new city must pass an ordinance levying this tax.

Georgia law states that “A depository financial institution's Georgia gross receipts shall be allocated among each taxing jurisdiction in which such institution has an office as of December 31 of the year in which gross receipts are measured...” O.C.G.A. §48-6-93(d).

“Every depository financial institution subject to the tax authorized by this Code section shall file a return of its gross receipts with each applicable jurisdiction levying such tax by March 1 of the year following the year in which such gross receipts are measured...” O.C.G.A. §48-6-93(c).

Example: A new city is created Jan 1, 2017. The city passes in that month an ordinance levying the financial institutions tax. The tax is applicable to the offices in the new city’s jurisdiction as of December 31, 2017. The financial institutions file their gross receipts return in March 1, 2018.

Insurance Premium: To receive the Insurance Premium tax revenue, the new city **must**:

- Pass an ordinance levying the tax.
- Receive a certified population count from the Georgia Office of Planning and Budget.

- Provide notice of the levying of the tax and the certified population count to the Office of Insurance and Fire Safety Fire Commissioner by Jan 1 of the year the tax will be levied. If the notice is not provided to the Commissioner by Jan 1, the tax will not be applied until the following year.

Once the tax has been applied, Insurance companies file a return at the end of the first year of the tax. They actually have until March of the next year to complete the filing. Then the Office of Insurance and Fire Safety Fire Commissioner makes a distribution of the tax funds to the local government the following October. Example: If the new city were to get their notice/application into the Office of Insurance and Fire Safety Fire Commissioner by Jan 1, 2017, they would receive the funds from the tax on or before October 15, 2018. (see O.C.G.A. §33-8-8.1).

Franchise Fees (Cable, Electric, Natural Gas, Phone): Franchise fees are paid as result of a contract between the utility providers and the local government providing the relevant right of ways. These can be collected immediately once the franchise agreements are executed.

Development Fees & Building Permits: In order for a new city to charge fees for such activities as plan reviews and building permits, the city must pass a zoning ordinance and an ordinance outlining the fee rate for the various development and regulatory services that are to be provided. These can be collected immediately once the ordinances are in place.

Property taxes:

In order to collect property taxes for any particular calendar year, the following is necessary:

- The new city must be in existence on January 1 of that year. Taxes are legally due on that date but are not typically billed and collected until much later in the year. (If the new city was not established until March, it would not be able to collect taxes until the following year.)
- The new city would need to levy a property tax and establish a millage rate such that the tax digest can be sent to the state by August 1st.⁵⁷

While theoretically the new city could establish this levy and rate up until the time when the tax commissioner sends out the tax bill, there are both practical and legal hurdles to this process. On the practical side, the Tax Commissioner would need time to program the computer system and print the

⁵⁷ See: <http://dor.georgia.gov/documents/tax-digest-submission-package-cover-memo>. Tax Digest Submission Package Cover Memo, 2015.

bills. On the legal side, local governments must comply with Georgia Department of Revenue rules related to advertising the digest and then need for public hearing of increase in taxes.

Georgia law requires each county levying and recommending authority to provide certain disclosures to taxpayers prior to the establishment of the annual millage rate for ad valorem tax purposes.⁵⁸

- The first disclosure, referenced in O.C.G.A. §48-5-32, requires each levying and recommending authority to annually publish the assessed taxable value of all property, by class and in total, the proposed millage rate for the levying and recommending authorities' purposes for the current calendar year, and the assessed taxable values and millage rates for each of the immediately preceding five calendar years. The advertisement must also indicate the percentage increase and total dollar increase for each year advertised.
- The second disclosure, referenced in O.C.G.A. §48-5-32.1, requires each levying and recommending authority to compute a "rollback" millage rate, which is the previous year's millage rate minus the millage equivalent of the total net assessed value added by reassessments of existing real property. The law further provides that, if the levying and recommending authority proposes to levy a millage rate in excess of the computed "rollback" rate, certain advertisements and public hearings must be held before the adoption of the final millage rate.

Note: "Although cities and independent school systems fall under this same requirement, the state does not require that a copy of the "Current Tax Digest and Five Year History" for cities or independent school systems be submitted at the time of digest submission." (p. 5 of Compliance Guide...).

O.C.G.A. §48-5-32. Publication by county of ad valorem tax rate.

"Levying authority" means a county, a municipality, or a consolidated city-county governing authority..."

(b) Each levying authority and each recommending authority shall cause a report to be published in a newspaper of general circulation throughout the county:

(2) At least two weeks prior to the establishment by each levying authority of the millage rates for ad valorem taxes

(3) The date, time, and place where the levying or recommending authority will be setting its millage rate for such authority's purposes.

⁵⁸ Source: COMPLIANCE GUIDE FOR ADVERTISING DIGEST HISTORY AND PUBLIC HEARINGS OF INCREASE IN TAXES, Georgia Department of Revenue, 2015.

Georgia DOR guidance states that: “Make sure the meeting is held at the date, time and place advertised; If not, the levying or recommending authority may have to begin the process anew. This determination is made by the Department and based on the impact of the infraction;”

Note: there are a number of requirements related to proper compliance in advertising the digest that are not included here.

Senate Bill 177, Act 431, passed during the 1999 legislative session, signed by the Governor on April 30, 1999, effective January 1, 2000, established the “Taxpayer Bill of Rights.” One of the main thrusts of this legislation was the prevention of indirect tax increases resulting from increases to existing property values in a county due to inflation.

Each year there are two types of value increases made to a county tax digest: 1. Increases due to inflation; and 2. Increases due to new or improved properties. The “Taxpayer Bill of Rights” imposed no additional requirements if the levying and recommending authorities rolled back the millage rate each year to offset any inflationary increases in the digests. However, if the millage rate is not rolled back, the levying and recommending authorities must notify the public that taxes are being increased.”⁵⁹

The rules in this regard are as follows:

“Notification of Tax Increase with Three Public Hearings: The levying and recommending authorities must hold three public hearings allowing the public input into the proposed increase in taxes. Two of the public hearings may coincide with other required hearings associated with the millage rate process, such as the public hearing required by O.C.G.A. §36-81-5 when the budget is advertised, and the public hearing required by O.C.G.A. §48-5-32 when the millage rate is finalized. One of the three public hearings must begin between 6:00 PM and 7:00 PM in the evening.

Publish Notice in Paper One Week before each Hearing: The levying authority must publish a notice in the paper and on their official website - one week in advance of each of these three public hearings.”⁶⁰

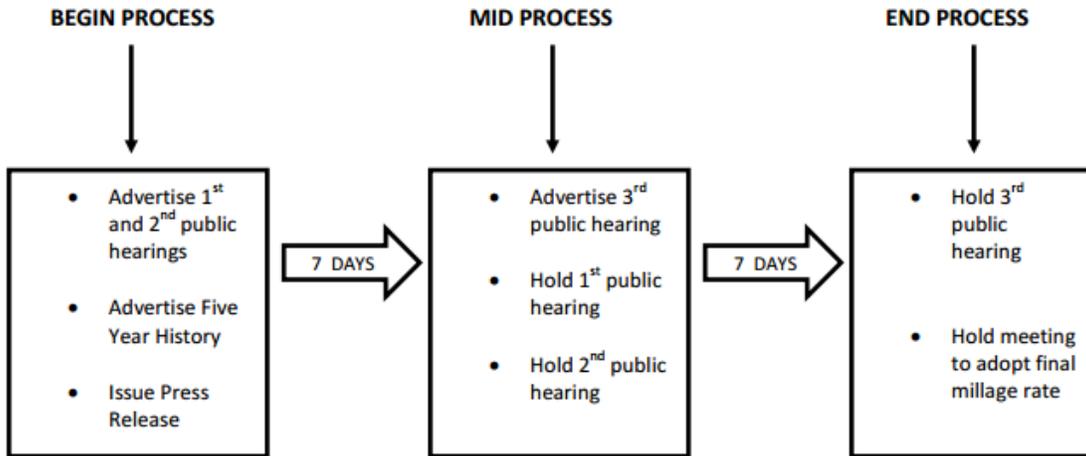
While it is unclear if the Georgia DOR would assume that the new city’s first property tax levy would be considered a millage increase, for the purposes of this analysis we assume that it would be. In this case, if we assume that the development of a new budget would take at least a month, that the quickest process for adopting a millage rate would be an additional two weeks (see DOR Diagram

⁵⁹ Id.

⁶⁰ Id.

below), and the due date for establishing the digest is August 1, the new city would need to start its budget process in June.

Time Line Example For Completing Advertisements, Holding Public Hearings And Meeting To Adopt The Final Millage Rate Or Levy Within Two Weeks



Mobile Homes: Taxpayers locating a mobile home in Glynn County must apply to the Tax Commissioner for a location permit:

- within 30 days of permanent placement of the home in the County and
 - annually thereafter between January 1 and May 1
- Personal Property Tax Returns:** Individuals, partnerships, corporations, etc. doing business or residing in Glynn County must file a personal property return by April 1 each year with the personal property section of the Tax Assessors Office.

Real Property: In Glynn County, Property Tax bills are mailed on or about September 15th of each year and payment is due November 15 of each year.

Release from the Existing County Special Services Districts

The fiscal viability assessment for Scenarios 2 & 3 in this report depends in part on the assumption that the County will cease to employ the Fire Protection Special Services District and the Sea Island Police Special Services District. The Georgia Constitution requires an agreement between a county and a city in order for a county to provide municipal services inside a city limit (Article 9, Section

2, Paragraph 3). These districts were created by a county ordinance.⁶¹ While county governments have broad authority to create these special taxing districts even in areas that contain a municipality, counties must also comply with the Service Delivery Strategy Act. This act requires that the county and the cities in the county agree on which government will provide what services in the distinct areas of the county with the purpose of the agreement being the improvement in efficiency of service delivery and the elimination of duplication of service delivery in any particular area.

In general, the principles of the Service Delivery Strategy Act (SDS) would suggest that were the new Islands city to provide fire and police service to the study area that Glynn County would either cease to collect revenue from the special service districts or would turn over the revenue collected in the study area to the new city. The principle on which this interpretation is based is specified in the law as follows:

(3)(A) The strategy shall ensure that the cost of any service which a county provides primarily for the benefit of the unincorporated area of the county shall be borne by the unincorporated area residents, individuals, and property owners who receive the service. Further, when the county and one or more municipalities jointly fund a county-wide service, the county share of such funding shall be borne by the unincorporated residents, individuals, and property owners that receive the service. (O.C.G.A. §36-70-24. Criteria for service delivery strategy).⁶²

Timing of the SDS Review

⁶¹ Glynn County Ordinances. CHAPTER 2-9 IMPROVEMENT DISTRICTS (Ordinance of 12-4-75; Amended 11-6-80, 12-15-83; 5-4-00, 10-18-12, 4/17/14) 2-9-1 Special improvement districts - Established; authority. There is hereby established in the county, certain improvement districts, under authority of an amendment to the state constitution, ratified November 4, 1930, for the purpose of providing sanitation, fire protection, and police protection therein, and to build and improve the roads and streets therein, which shall be known as "Glynn County Special Improvement Districts", and under authority of an amendment to the state constitution, ratified November 7, 1972 and found in Georgia Law 1972, Page 1552, and generally known as Amendment 19. 2-9-2 Special improvement fire protection district. a. Official Map. The Board of Commissioners hereby establishes an official map entitled Glynn County Special Improvement Fire Protection District Map", dated December 15, 1983, which shall be filed in the Office of the Board of Commissioners of Glynn County, in the Courthouse at Brunswick, Georgia. b. Fire Protection Division. All areas of the unincorporated area of Glynn County lying within the boundary lines delineated in green on the official map shall constitute the Glynn County Fire Protection District. 2-9-3 Special Police Protection District. Sea Island: Beginning at a point where the low water mark of the Hampton River intersects the low water mark of the Atlantic Ocean; thence along the low water mark of the Atlantic Ocean that joins Sea Island to a point where Black Banks River intersects the Atlantic Ocean that joins Sea Island to a point where Black Banks River intersects the Black Banks River; thence in a northeasterly direction along Village Creek to a point where Village Creek intersects the Hampton River; thence along the western bank of Hampton River to the point of beginning. For further identification reference is made to the map of said county identified as county index map and county tax maps on file in the office of the county tax assessor.

⁶² For entire act:
<http://www.dca.state.ga.us/development/PlanningQualityGrowth/DOCUMENTS/Laws.Rules.Guidelines.Etc/ServiceDeliveryAct.pdf>

The SDS Act calls for a review and potential revision of the strategy “in the event of the creation, abolition, or consolidation of local governments;”⁶³ While the SDS Act requires the review, the timeline for this review is not clearly specified. The Act does lay out a timeline for notice of the initial meeting when the Act was first passed (“The notice shall be sent not more than 45 and not less than 15 days prior to the meeting date.”) and for a possible extension to the initial deadline (“.. extended to a date certain no later than 120 days following the date otherwise specified in Code Section 36-70-21...”), but the Act does not specify a set timeframe for the review process. Rather, it only specifies that “in the event that a county or an affected municipality located within the county refuses to review and revise, if necessary, a strategy,” then any of the parties may use the alternative dispute resolution and appeal procedures set forth in subsection (d) of O.C.G.A. §36-70-25.1. The Act does not specify the length of time available to the parties in the alternative dispute resolution process, only that if this process is unsuccessful that “the county or any affected municipality located within the county may file a petition in superior court of the county seeking mandatory mediation.” The Act further states that “at the conclusion of the mediation, any aggrieved party may petition the superior court and seek resolution of the items remaining in dispute.”

Currently, there are few court precedents with regard to SDS disputes, and while these precedents do suggest that Glynn County would not be successful in using the special service district funding to support only services in the remaining unincorporated area, the timing of these cases from strategy negotiation to final order suggests that the new city would not be able definitively to rely on the release from the special service district taxation (or the provision of their share of the funding) in any set short period of time.⁶⁴

Local Option Sales Tax

Georgia law specifies the following procedure and timeline for the allocation of LOST revenue upon the creation of a new qualified municipality:

48-8-89.1.

Procedure for certifying additional qualified municipalities; issuance of new distribution certificate; cessation of authority to collect tax ceases upon failure to file new certificate.

(a) If there exists within any special district in which the tax authorized by this article is imposed a qualified municipality which was not a qualified municipality on the date of filing with the commissioner of the most recently filed certificate under Code Section 48-8-89, such qualified municipality may request the commissioner to give notice of the qualified municipality’s existence

⁶³ O.C.G.A. §36-70-28. "Affected municipality" defined; review and revision of strategy

⁶⁴ See: Gwinnett County v. City of Auburn, Civil Action File No. 09A01923-9. Final Order.

as provided in this subsection. Upon receipt of such a request, the commissioner shall, unless he determines that the requesting entity is not a qualified municipality, within 30 days give written notice of the qualified municipality's existence to the county which is conterminous with the special district in which the qualified municipality is located and to each other qualified municipality within the special district. Such written notice shall include the name of the new qualified municipality, the effective date of the notice, and a statement of the provisions of this Code section.

(b) Within 60 days after the effective date of the notice referred to in subsection (a) of this Code section, a new distribution certificate shall be filed with the commissioner for the special district or, within 30 days, after the last day of the 60 day alternative dispute resolution period required by paragraph (3) of subsection (d) of Code Section 48-8-89, the county, any qualified municipality located wholly or partially within the special district, or any new qualified municipality as specified under subsection (a) of this Code section located wholly or partially within the special district may file a petition in superior court seeking resolution of the items remaining in dispute pursuant to the procedure set forth in paragraph (4) of subsection (d) of Code section 48-8-89. In the event such a petition is filed, a new qualified municipality as specified under subsection (a) of this Code section located wholly or partially within the special district shall be subject to the same requirements applicable to qualified municipalities located wholly or partially within the special district under paragraph (4) of subsection (d) of Code Section 48-8-89. This distribution certificate shall specify by percentage what portion of the proceeds of the tax available for distribution within the special district shall be received by the county in which the special district is located and by each qualified municipality located wholly or partially within the special district, including the new qualified municipality. No distribution certificate may contain a total of specified percentages in excess of 100 percent.

(c) Except as otherwise provided in this subsection, a distribution certificate required by this Code section must be executed by the governing authorities of the county within which the special district is located and each qualified municipality located wholly or partially within the special district, including the new qualified municipality. Notwithstanding the fact that a certificate shall not contain an execution in behalf of one or more qualified municipalities within the special district, if the combined total of the populations of all such absent municipalities is less than one-half of the aggregate population of all qualified municipalities located within the special district, the submitting political subdivisions shall, in behalf of the absent municipalities, specify a percentage of that portion of the remaining proceeds which each such municipality shall receive, which percentage shall not be less than that proportion which each absent municipality's population bears to the total population of all qualified municipalities within the special district multiplied by that portion of the remaining proceeds which are received by all qualified municipalities within the special district. For the purpose of determining the population of the absent municipalities, only that portion of the population of each such municipality which is located within the special district shall be computed.

(d) If a new certificate is not filed for any special district as required by this Code section, the authority to impose the tax authorized by Code Section 48-8-82 within that special district shall cease on the first day of January of the year following the year in which the required distribution certificate could last have been timely filed. In any special district in which the authority to impose the tax is terminated pursuant to this subsection, the tax may thereafter be reimposed only pursuant to the procedures specified in Code Sections 48-8-84 through 48-8-86.

(e) If a new certificate is filed as required by this Code section, the commissioner shall begin to distribute the proceeds as specified in the new certificate on the first day of January of the first calendar year which begins more than 60 days after the effective date of the notice referred to in subsection (b) of this Code section. The commissioner shall continue to distribute the proceeds of the tax according to the new certificate until a subsequent certificate is filed and becomes effective as provided in Code Section 48-8-89.

(f) (1) As used in this subsection, the term: (A) "New qualified municipality" means a municipal corporation which has been chartered by local Act since the date of filing with the commissioner of the most recently filed certificate under Code Section 48-8-89 within a county which has a special district for the provision of local government services consisting of the unincorporated area of the county where the population of the unincorporated area of the county, after removal of the population of the new municipality from the unincorporated area, constitutes less than 20 percent of the population of the county according to the most recent decennial census. (B) "Newly expanded qualified municipality" means a municipal corporation which since the date of filing with the commissioner of the most recently filed certificate under Code Section 48-8-89 has increased its population by more than 15 percent through one or more annexations and is located in the same county as a new qualified municipality

(2) Notwithstanding any other provision of this Code section, if there exists within any special district in which the tax authorized by this article is imposed a new qualified municipality or a newly expanded qualified municipality or both, such qualified municipality or municipalities may request the commissioner to give notice of the qualified municipality's or municipalities' existence and status as a new qualified municipality or newly expanded qualified municipality as provided in this subsection. Upon receipt of such a request, the commissioner shall, unless he or she determines that the requesting entity is not a new qualified municipality or newly expanded qualified municipality, within 30 days give written notice of the qualified municipality's existence and status to the county which is conterminous with the special district in which the qualified municipality is located and to each other qualified municipality within the special district. Such written notice shall include the name of the new qualified municipality or newly expanded qualified municipality, the effective date of the notice, and a statement of the provisions of this subsection. (3) Within 60 days after the effective date of the notice referred to in paragraph (2) of this subsection, a new distribution certificate shall be filed with the commissioner for the special district or, within 30 days after the last day of the 60 day alternative dispute resolution period required by paragraph

(3) of subsection (d) of Code Section 48-8-89, the county, any qualified municipality located wholly or partially within the special district, or any new qualified municipality or newly expanded qualified municipality located wholly or partially within the special district may file a petition in superior court seeking resolution of the items remaining in dispute pursuant to the procedure set forth in paragraph (4) of subsection (d) of Code Section 48-8-89. The new distribution certificate shall address only the proceeds of the tax available for distribution from the percentage allocated to the county in the current distribution certificate and shall specify as a percentage of the total proceeds of the tax what portion of the proceeds shall be received by the county in which the special district is located and by the new qualified municipality and newly expanded qualified municipality located wholly or partially within the special district, if any.

(4) Except as otherwise provided in this paragraph, a distribution certificate required by this subsection must be executed by the governing authorities of the county within which the special district is located each new qualified municipality located wholly or partially within the special district, and each newly expanded qualified municipality, if any. If a new certificate is not filed within 60 days as required by paragraph (3) of this subsection, the commissioner shall distribute the proceeds of the tax available for distribution from the percentage allocated to the county in the current distribution 27 certificate such that:

(A) The new qualified municipality receives an allocation equal on a per capita basis to the average per capita allocation to the other qualified municipalities in the county (according to population), to be expended as provided in paragraph (2) of subsection (a) of Code Section 48-8-89; and

(B) Any newly expanded qualified municipality receives a total allocation of tax proceeds (including any amount previously allocated) equal on a per capita basis to the average per capita allocation to the other qualified municipalities in the county (according to population), to be expended as provided in paragraph (2) of subsection (a) of Code Section 48-8-89. Every other qualified municipality shall continue to receive the share provided by the existing distribution certificate or otherwise provided by law. The county shall receive the remaining proceeds of the tax, to be expended as provided in paragraph (2) of subsection (a) of Code Section 48-8-89. For the purpose of determining the population of qualified municipalities, only that portion of the population of each such municipality which is located within the special district shall be computed. For the purpose of determining population under this Code section, all calculations of population shall be according to the most recent decennial census, including the census data from such census applicable to any annexed territory.

(5) The commissioner shall begin to distribute the proceeds as specified in the newly filed certificate or, if such a certificate is not filed, as specified in paragraph (4) of this subsection on the first day of the first month which begins more than 60 days after the effective date of the notice referred to in paragraph (2) of this subsection. The commissioner shall continue to distribute the proceeds of the tax according to the existing certificate and the certificate applicable to the county and the new qualified municipality or, if such a certificate is not filed, as specified in paragraph (4) of this subsection until a subsequent certificate is filed and becomes effective as provided in Code Section 48-8-89.

APPENDIX A: GEORGIA DEPARTMENT OF REVENUE TITLE AD VALOREM TAX FEE LOCAL DISTRIBUTION GUIDANCE LETTER



Georgia Department of Revenue Title Ad Valorem Tax Fee Local Distribution Guidance

October 30, 2013

Summary

Georgia code section 48-5C-1(c)(3) provides for a two-step distribution of Local Title Ad Valorem Tax Fee (“TAVT”) proceeds on a monthly basis. Over time, as annual ad valorem taxes phase out, the first step distribution will gradually increase, eventually comprising the majority of motor vehicle property taxes.

Under the statutory structure, cities formed on or after January 1, 2013 will not receive a first step distribution. Further, cities formed during 2012 will not receive first step distributions for months during which no annual ad valorem tax was collected by such cities in 2012.

Shift from Annual Ad Valorem Tax to TAVT

Motor vehicles purchased and titled in Georgia prior to March 1, 2013 are generally subject to annual ad valorem taxes pursuant to Chapter 5 of Title 48.¹ Vehicles purchased on or after March 1, 2013 are subject to TAVT and are exempt from annual ad valorem tax. Thus, as Georgia taxpayers purchase new motor vehicles, the annual ad valorem tax revenue collected will decrease gradually each year.

Collection of Annual Ad Valorem Tax and Distribution of TAVT

In the initial years of TAVT, a significant percentage of motor vehicle tax revenue will still derive from annual ad valorem taxes. Accordingly, it is important to note that both taxes are in effect and funding local governments at this time. But, because people trade-in or otherwise dispose of their “annual ad valorem tax vehicles” in exchange for a “TAVT vehicle,” the total amount of annual ad valorem tax collected by counties and cities will steadily decrease each year.

The first step distribution of TAVT proceeds, distributed on a monthly basis, is designed to offset the reduction in annual ad valorem taxes collected in subsequent years. This reduction offset amount is calculated by comparing the 2012 annual ad valorem taxes collected in a given month to the amount collected in the same month of the current year.² In other words, the first step distribution is designed to ensure that a city (or county) is made whole as to the annual ad valorem tax it collected in 2012.

The first step distribution, referred to above as the “reduction offset amount,” is made to four subcategories within a jurisdiction: (1) the county governing authority, (2) the cities, (3) the county

¹ Vehicles purchased between January 1, 2012 and February 28, 2013 are eligible to “opt-in,” in which case those vehicles are exempt from annual ad valorem tax. O.C.G.A. § 48-5C-1(b)(1)(A).

² O.C.G.A. § 48-5C-1(c)(3)(A)

board of education, and (4) the independent school districts (“Distributees”).³ The second and fourth distributee categories could have multiple distribution sources because more than one city or independent school district may exist within a particular county.

The Issue

For a “new” city which collected no annual ad valorem tax in a given month during 2012, there is no figure or record available upon which to compare subsequent year annual ad valorem tax revenue. Thus, the reduction offset amount will always be zero, and the first step distribution to such “new” city will also be zero.

This issue could also affect a city formed during 2012. For example, a city formed in July of 2012 would not have a record of annual ad valorem taxes collected in January through June of 2012. Thus, no reduction offset amount could be determined for January through June of subsequent years, and such city would not receive a first step distribution of local TAVT proceeds in those months of future years.

First Step Distribution Shortfall⁴

Compounding this issue is the circumstance where the TAVT proceeds available in a current month are insufficient to fully offset the reduction in annual ad valorem tax proceeds made to the *eligible* distributees during the first step distribution.

In this case, a pro rata allocation is made to the eligible distributees. The remaining deficit from the first step distribution is carried over to the next month. In that next month, the TAVT proceeds are first used to satisfy the prior month deficit. Only after satisfying the prior month deficit is the next month’s first step distribution made. Accordingly, in the case of a first step distribution shortfall, cities formed after January 1, 2013 will not receive any TAVT revenue for that month.

The Second Step Distribution⁵

The second step distribution is made only if local TAVT proceeds remain after making the first step distribution. All distributees would be eligible to receive funds, if any remain, in the second step distribution. The distribution methodology for the second step distribution is set by statute.⁶

Conclusion

Under the statutory structure of O.C.G.A. § 48-5C-1(c)(3)(A), cities formed on or after January 1, 2013 will not receive a first step distribution. Further, cities formed during 2012 will not receive first step distributions for months during which no annual ad valorem tax was collected by such cities in 2012.

³ O.C.G.A. § 48-5C-1(c)(3)(A)

⁴ *Id.*

⁵ O.C.G.A. § 48-5C-1(c)(3)(B)

⁶ *See Id.*

APPENDIX B: GLYNN COUNTY REVENUE SOURCES FOR WHICH THE STUDY AREA WOULD BE UNLIKELY TO RECEIVE SUBSTANTIAL REVENUE

Forest Land Protection Act—This act allows tax exemption for forest land used for commercial purposes that is over 200 acres, but allows for some application and penalty fees. While Glynn County did collect approximately 20 thousand dollars of revenue in FY 2013 and FY2014, property of this type is predominately on the mainland and the County government project no revenue for FY2015.

Heavy Duty Equipment Tax—The County has typically only collected \$100 or less from this source, and it is likely that the primary equipment of this type is not located in the study area.

Timber Tax—As with the Forest Land Protection revenue, the limited amount of revenue from this source and its likely location suggests that it would be improbable for the study area to receive revenue from this source.

Soil Erosion Permit Revenue-- As with other agriculture-related revenue, the limited amount of revenue from this source and its likely location suggests that it would be improbable for the study area to receive revenue from this source.

Taxicab Driver Permits and Licenses, and Wrecker Permits-- the limited amount of revenue from these sources and their likely location of these businesses suggest that it would be improbable for the study area to receive revenue from this source.

Grants—Glynn County receives a variety of grants related to justice services and other services that are not of a municipal nature and for which the study area would not be eligible.

TABLE 79

<p><u>Community Development Block Grant</u></p> <p>Community Development Block Grants (CDBG) are awarded by the federal and state governments to local governments meeting certain criteria. Typically, the cities that receive CDBG funds have a substantial population in poverty. Communities, particularly new cities, with low poverty rates (e.g., Sea Island) have traditionally not received any CDBG funds in the years immediately after their incorporation. Consequently, the Institute of Government concludes that it would not be prudent to rely on an expectation of any revenue from this source.</p>	<p>A change in the socio-demographics of the community would be needed for the study area to be eligible for substantial CDBG funding.</p>
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APPENDIX C: REGRESSION MODEL FOR FRANCHISE FEE ESTIMATION

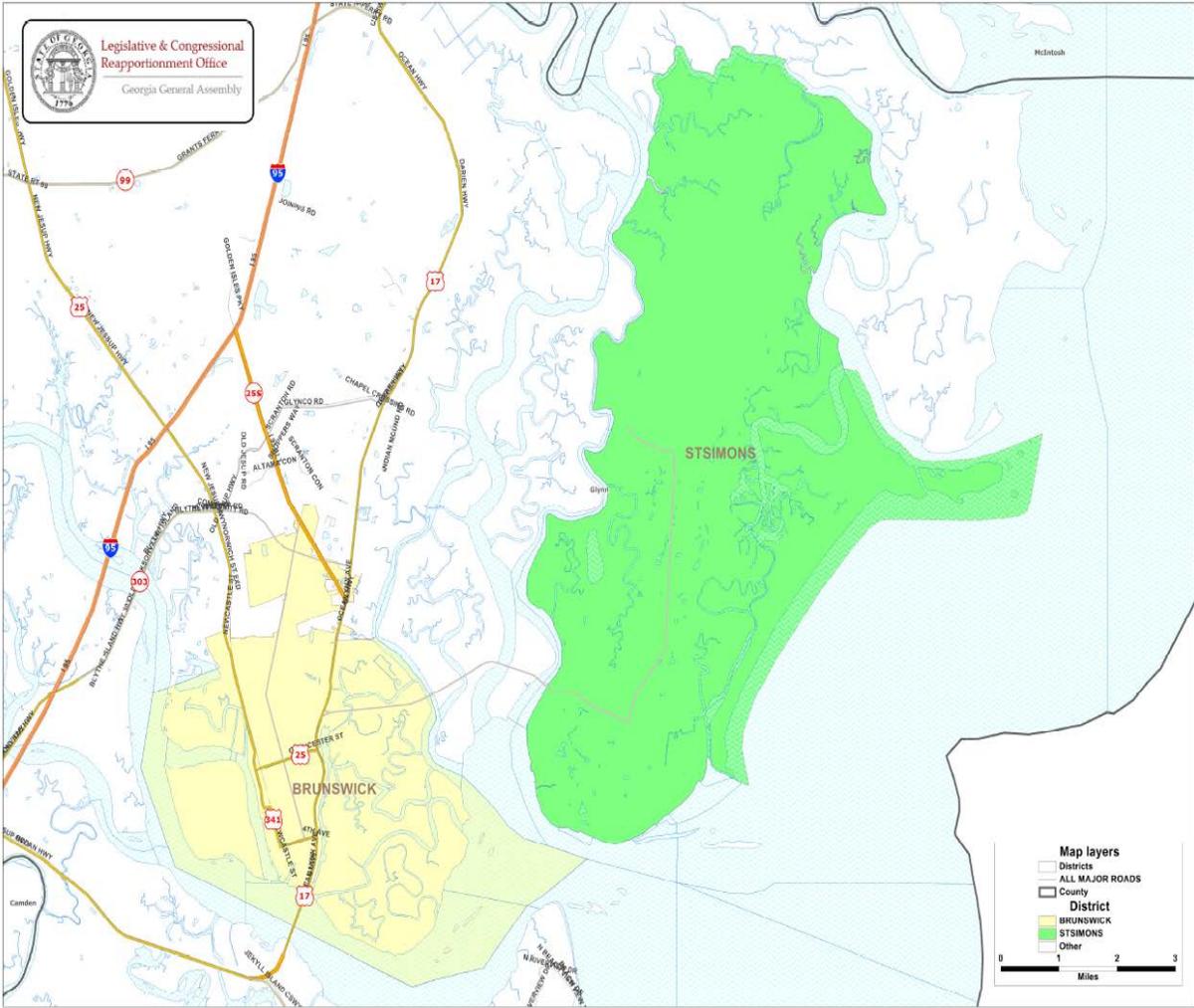
The regression model with the highest explanatory power expressed franchise fees as a function of population, assessed value of residential property, assessed value of commercial property, and had dummy variables for Augusta, Savannah, and Athens-Clarke County. The adjusted R^2 for this model was .9987.

TABLE 80

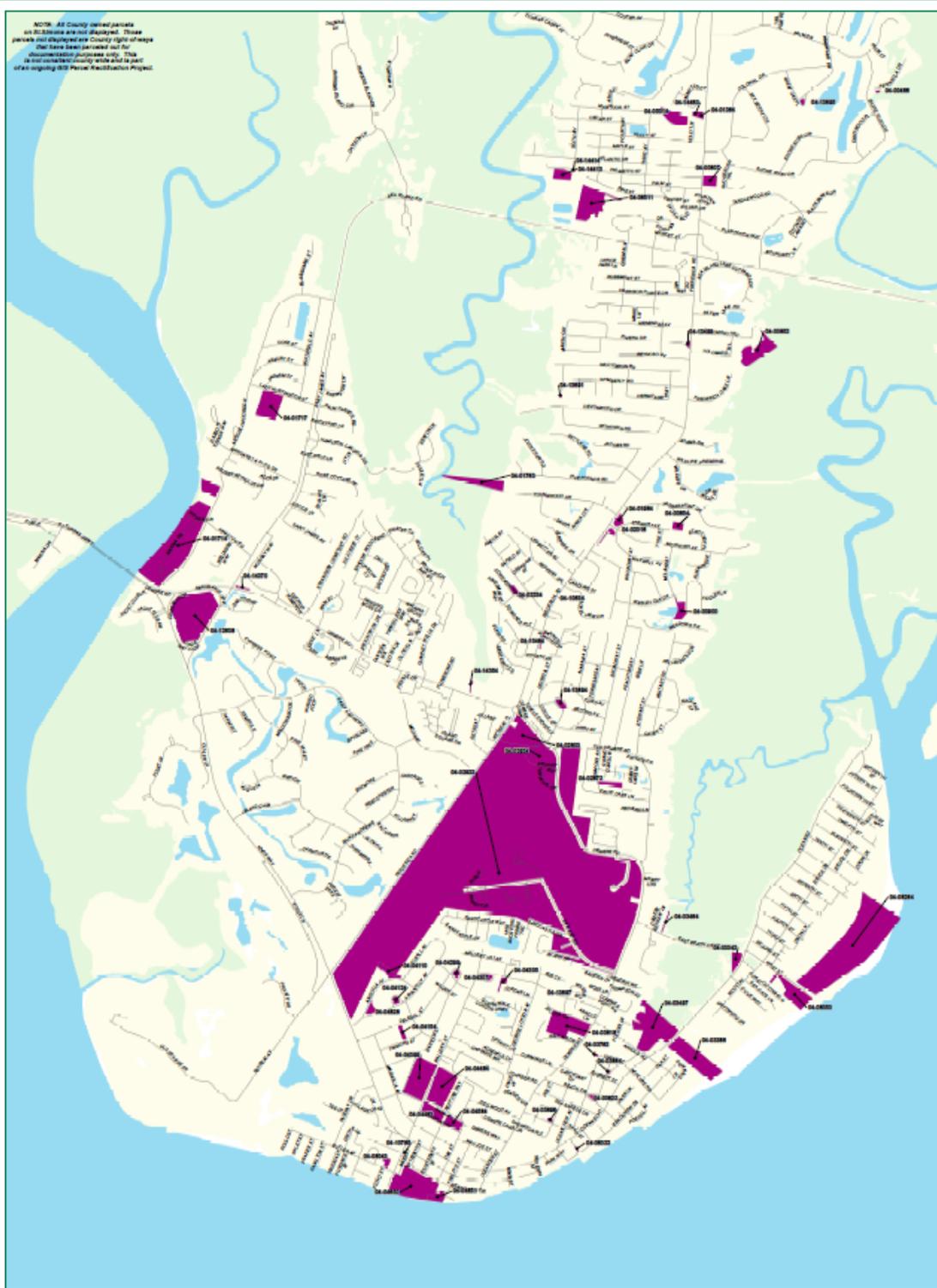
Regression Output						
Independent Variable	Coefficient	Std. Error	t	P > t	95% Conf. Interval	
Intercept	-661,585	214,047.1	-3.09084	0.005158	-1,104,375.161	-218,795
Population	84.61366	6.310315	13.40879	2.33883E-12	71.55978282	97.66754666
Assessed Value of Residential Property	-0.00087	0.000222	-3.90906	0.000704906	-0.001325365	-0.000408049
Assessed Value of Commercial Property	0.001691	0.0003	5.635392	9.78528E-06	0.001070071	0.002311324
Augusta dummy	28034644	2571780	10.90087	1.4657E-10	22714512.3	33354776.01
Savannah dummy	55730806	1229529	45.32695	5.32906E-24	53187331.68	58274281.31
Athens-Clarke County dummy	16701590	707438.3	23.60855	1.26399E-17	15238142.62	18165038.03

APPENDIX D: MAPS OF STUDY AREA

City of Brunswick (yellow) & Area of St. Simons Island (green)



NOTE: All County owned parcels on St. Simons are not displayed. Those parcels not displayed are County right of ways that have been purchased out for development purposes only. This is not intended to be used as part of an ongoing GIS Parcel Acquisition Project.



Legend

- County Owned Parcels
- Roads
- Marsh
- Upland
- Water



**Glynn County Owned Parcels
St. Simons Island
(Area South of Sea Island Rd)**



www.glynncounty.org

July 20, 2012

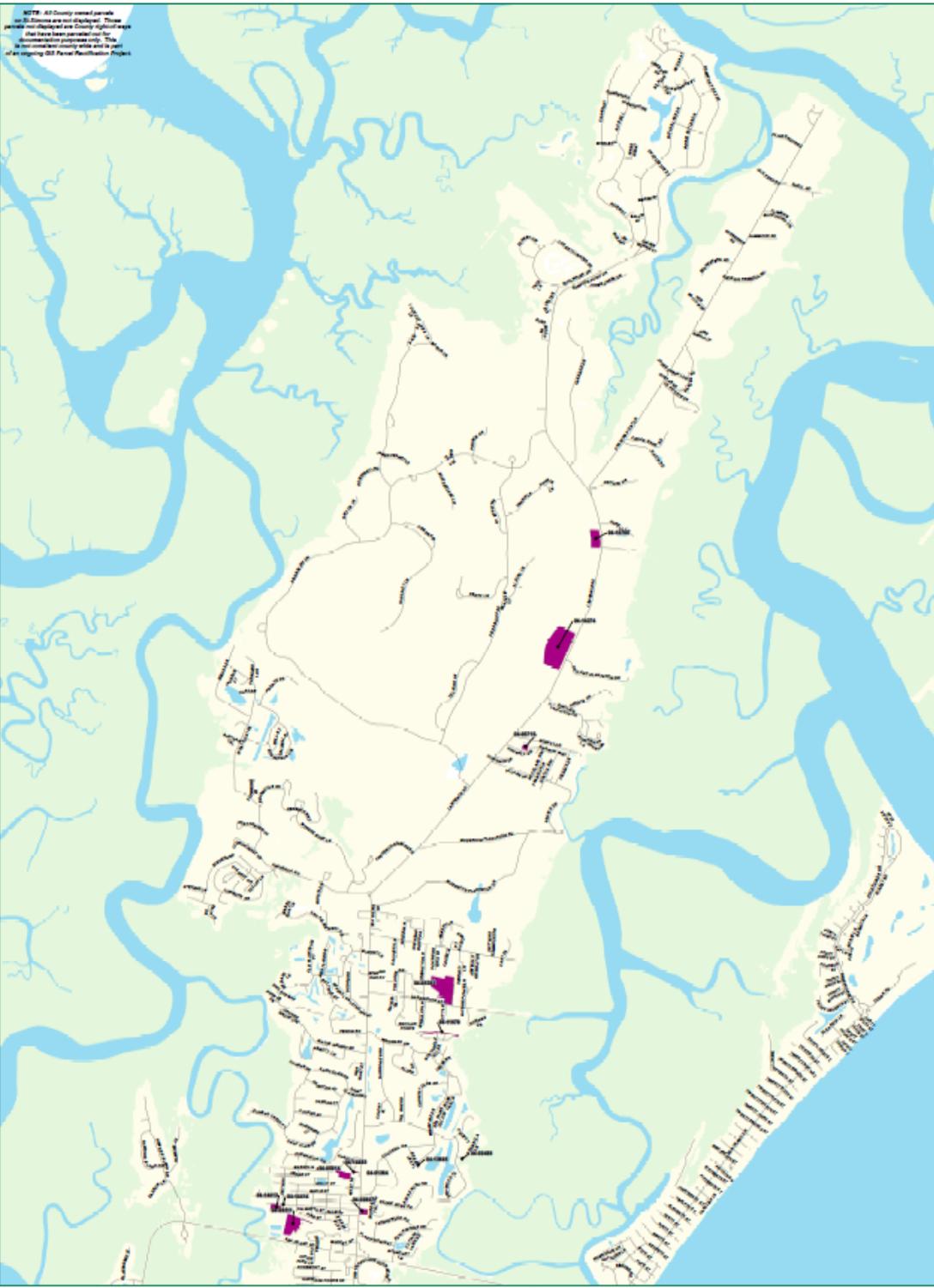
Glynn County GIS Department
Phone: 912-254-7418
Email: GIS@glynncounty.ga.gov

This map is a product of Glynn County Geographic Information System (GIS). The GIS expressly disclaims any liability that may result from the use of these maps.

Author: BJK

Document Name: GIS\County\OwnedParcels_20120720.mxd

NOTE: All County owned parcels on St. Simons are not displayed. Those parcels not displayed are County right-of-way that have been transferred for administrative purposes only. They do not constitute a conveyance and are part of an ongoing GIS Parcel Rectification Project.



- Legend**
- County Owned Parcels
 - Roads
 - Marsh
 - Upland
 - Water



Glynn County Owned Parcels St. Simons Island (Area North of Sea Island Rd)



July 20, 2015
Glynn County GIS Department
Phone: 912-252-7418
Email: GIS@glynncounty-ga.gov

This map is a product of Glynn County Geographic Information System (GCIS). The GCIS expressly disclaims any liability that may result from the use of these maps.

Author: BJA
Document Name: GISCountyOwnedParcels_StSimons_Island.mxd

APPENDIX E: NOTE ON DATA

Institute of Government faculty have attempted to use the most current data sources available for the level and type of data needed to conduct the analysis. It was not possible in all cases to collect data that were perfectly parallel. In some cases, for example, it was possible to collect FY2014 data for some elements but only less current data for others. Similarly, while it is ideal to have only fully audited data, this was not always possible to collect at the level of detail needed to conduct the necessary analysis. In these instances, Institute of Government faculty have relied on their own judgment and that of finance officials in the County and in the comparison governments.

In most cases actual expenditures in fiscal years of 2013 and 2014 were used from the comparison cities and Glynn County to estimate study area costs. However, in some cases budgeted expenditures were used either because actual expenditures for the fiscal year were not available or because the actuals were skewed by factors such as unusual amounts of turnover or an inability to fill budgeted positions in a timely manner.

In some cases, Institute of Government faculty chose to use data sources that provided both a higher level of accuracy and were likely to produce a more conservative estimate of fiscal viability.

Finally, it should be noted that dollar figures have been rounded to the nearest dollar. However, dollar sums include the cents values that are not displayed in the report (but exist in the underlying spreadsheet). Consequently, there may be instances where table totals do not exactly match the sum of the detailed figures that are displayed in the table.

APPENDIX F: MODELS OF PROVISION OF SOLID WASTE SERVICES

Regulatory Model

City of Milton

The City of Milton does not provide trash collection, but does require solid waste haulers to be approved by the city and to follow a set of regulations that include minimum services (e.g., recycling) and customer service provisions (e.g., a local phone number and methods of payment). In addition, private haulers must follow certain service practices and are encouraged to use multiple media and communications channels in addressing customer needs.⁶⁵

City of Johns Creek

The City of Johns Creek also does not provide trash collection, but does require solid waste haulers to register and enter into a contract with the City in order to operate within the City. Among other things, waste haulers are required to provide a minimum level of service and submit their base rates for posting. The intent of publishing the fees is to encourage competition and help the public know when they are being treated fairly.

Minimum Residential service standards include: Weekly curbside collection of 90 gallon rolling waste cart, 30 gallon rolling recycling cart, yard trimmings, and once per month bulk waste collection. Posted minimum monthly fees for residential services range from \$11 to \$20 per month.

Franchise Model

Gwinnett County

For solid waste management services, Gwinnett County is divided into five service zones. Each zone is serviced by an individual private hauler that is designated as the exclusive waste hauler for the assigned service area. The service is regulated through a solid waste ordinance which makes solid waste a mandatory service⁶⁶ as well as a rate provision that has special discounts for seniors. The actual fees for services are collected through the property tax bill and then remitted to the private haulers. A key benefit of the exclusive franchise model, according to Gwinnett County, has been its ability to address residents' concerns about multiple pickup operations (from different providers) throughout the week and excessive truck traffic. The mandatory nature of Gwinnett's solid waste plan was at first contested, but Superior

⁶⁵ The entire sanitation ordinance can be found at:
<http://www.cityofmiltonga.org/ORDINANCE%20NO%2013%2012%20191.pdf>

⁶⁶ The Gwinnett County Solid Waste and Recovered Materials program is mandatory for all residents. However, if your property is vacant and you have a current, valid vacant property or boarding up structure permit from the Department of Planning and Development, you will automatically receive an exemption from the solid waste service fee during the permitted period.

Court Judge Michael Clark issued an order that declared that Gwinnett County fees for solid waste and stormwater services are legal and constitutional, and that the County has the authority to contract with private companies to provide those services, to charge the fees on the property tax bill, and to collect the fees as far in advance as is reasonably necessary.⁶⁷

Residential basic service includes weekly collection of one 95-gallon cart of solid waste and an unlimited volume of recyclables. Basic service also includes collection of bulky items and white goods. The cost for residential basic service is \$19.07 per month, but a senior discount is available to those who qualify.

As with Johns Creek and Milton, haulers in Gwinnett County must meet certain standards. For example, “all haulers must collect household garbage and recyclables once a week. They must meet service level agreements that include professionalism, qualified and trained staff, a call center that is adequately staffed and maintained from 8:00am to 5:00pm Monday through Friday, all of which are subject to liquidated damages if not met.”⁶⁸

An additional advantage of the Gwinnett Model of multiple franchisers is that it potentially becomes easier in cases where there are frequent complaints from residents for the county to replace an unsatisfactory hauler with one of the other franchise haulers that does meet or exceed standards.

Sugar Hill

The City of Sugar Hill also provides solid waste through a franchise. However, in the case of Sugar Hill, the city only contracts with a single private hauler. While residents of the city do not have a choice of haulers, the city has helped to manage the array of available services so as to provide residents with some choice. Specifically, residents can choose among three services:

- A “Pay as You Throw” Special Bag System with each box of 20 bags costing \$25.00.
- 95-gallon cart collection, including the cost of recycling: \$34.50 (billed quarterly)
- 65-gallon cart collection, including the cost of recycling: \$30.00 (billed quarterly)

No matter which service offer is chosen, recycling is a free service for all customers.

Costs

Institute of Government faculty contacted multiple providers who service both Forsyth County and other comparison service areas and asked for cost information on residential curbside service. Faculty also attempted to analyze the variations in service costs across service models. Findings from these interviews and analyses include:

⁶⁷ Source: <http://www.gwinnettcountry.com/portal/gwinnett/Home/NLNView/SolidWasteCourt>

⁶⁸ Source: <http://www.gwinnettcountry.com/portal/gwinnett/Services/SolidWasteDisposal/FrequentlyAskedQuestions>

Quoted prices for service can vary depending on whether the hauler has a large or small customer base in the neighborhood and whether the residence is in an established neighborhood where density can lower the cost of service provision.

- Quoted prices for service can vary depending on whether the hauler provides recycling, bulk item pickup and yard trimmings pickup.
- Quoted prices for service for residential curbside pickup in Forsyth that includes both recycling and yard debris ranged from \$16 to \$20 per month, with an average of \$17.87.
- The business market for residential haulers in Forsyth appears to be somewhat unstable in that some of the haulers listed on the County website no longer provide service in the county.
- Some haulers have a much wider range of services and price differentials (e.g., for larger and smaller capacity bins, etc.)
- None of the haulers listed as providing service in Forsyth County provided a price quote on their web sites.
- The cost of service in Johns Creek, which has a set of minimum service standards and requires a posted price for residents, appears to have more price competition than is the case in Forsyth County.
- The costs of service in Sugar Hill which provides an exclusive franchise appears to be substantially lower than in the other areas studied.

Conclusion

Based on a review of the costs for solid waste management services in Forsyth and comparison communities, and assuming that the proposed new city provides a regulatory structure that resembles that of other communities in the area, it appears unlikely that residents would experience any substantial increase in the cost of the delivery of solid waste management services. Moreover, there is evidence to suggest that the community could receive benefits in terms of reduction in truck traffic, standards of service and customer response, and pricing.

APPENDIX G: ROUTINE ROAD MAINTENANCE EQUIPMENT

Institute of Government faculty acquired a list of equipment used to provide routine maintenance of Island area rights of way and the associated purchase price of this equipment. In addition, costs of equipment borrowed from the mainland were pro-rated based on the number of weeks the equipment was used in the study area. An annualized cost of purchasing this equipment based on an expected 10-year lifespan was calculated.

TABLE 81

Study Area Public Works Equipment Needs	
3-F150 Trucks	\$58,284
F 150 4x4	\$24,892
F350 mini excavator & Swa-car	\$29,747
F750 Dump truck	\$50,388
Mercedes-Benz Dual Axle Dump Truck	\$104,617
Scag Mowers / Tractor	\$96,636
Cat Mini Excavator	\$41,588
Cat Front End loader	\$130,000
Sidewalk Sweeper	\$31,145
Kubota ATV – Sidewalk cleaning, special events, litter collection	\$9,868
Trailers	\$19,000
<u>Assistance from Mainland</u>	
Sidearm Tractor Mower	\$9,846
Midsized and Large Excavator	\$22,430
Street Sweeper	\$27,143
Motor Grader	\$28,846
TOTAL	\$626,146
Annual Cost @ 2.25% over 10 years	\$69,981.12

APPENDIX H: AMOUNT OF ALLOWABLE PROPERTY TAX REVENUE RELATED TO FISCAL VIABILITY

Institute of Government faculty attempted to identify an amount of property tax revenue that a new city comprised of the study area could generate under a hypothetical test of fiscal viability. In a situation where the county provides all municipal type services through the use of special taxing districts, this amount would be determined by applying millage rate used in these districts to the property tax base of the study area. Because this is not possible in the current Glynn County situation, Institute of Government faculty created a methodology that would allow one to approximate what would be a customary allowable amount of property tax revenue for a city in Georgia. This methodology involves the following:

1. An assumption that governments that provide a full set of services tend to apply a property tax **in proportion to the collection of other non-property tax revenues in the jurisdiction**. This is likely to be the case, in part, because it is traditional wisdom and practice in local government fiscal management is to structure revenues such that there is a wide and stable base of revenue sources. In this respect, property taxes are one of the most stable revenue sources available as they are not impacted as much by immediate or short-term economic downturns. Also, the amount of non-property tax revenue is a good proxy for the level of service responsibility that a local government has, e.g., if a city receives a larger than average amount of accommodation and sales taxes, it is also likely to have a proportionally greater demand for policing and community development services.
2. Based on this assumption of a traditional and prudent ratio of property tax revenue to non-property tax revenue, Institute of Government faculty analyzed revenue data from Glynn County (adjusted for the likelihood that the study area would not receive certain types of taxes) and identified a ratio of .494 property tax dollars for every 1 non- property tax dollar. Institute of Government faculty conducted a separate analysis for cities in Georgia that provide the same key services as are assumed to be provided in the study area in Scenario 3. In this case the ratio identified was .493 property tax dollars for every 1 non- property tax dollar. Based on this latter ratio an amount of property tax that the study area could generate under the traditional financial practice assumption would be over \$5.6 million.

Assuming that the new city would continue to use the current special fire and police service taxing districts, the amount of additional property tax revenue that the new city could levy and still meet the fiscal viability test can be calculated as follows:

TABLE 82

Additional Property Tax Revenue that the Study Area Could Generate and Still Meet the Fiscal Viability Test	
Property Tax Available Under Traditional Practice Assumption	\$5,661,637
Property Tax Generated by Special Districts	\$4,082,934
Additional Allowable Property Tax Revenue	\$1,578,703

