

JULY 31, 2019



THE
CENTER
FOR
STATE
AND
LOCAL
FINANCE

Fiscal Impact Study of Proposed Smyrna Annexations

PROPOSAL

Table of Contents

Project Overview	3
Data Requirements	4
Budget and Payment Schedule	4
Project Deliverables and Timeline	5
Key Project Members	5
Prior Incorporation Studies	7
About the Center for State and Local Finance	8
Legal Disclaimer	8

Project Overview

The Center for State and Local Finance (CSLF) team wishes to provide a series of revenue and expenditure estimates detailing the fiscal impact on the City of Smyrna of the proposed annexation of various nearby areas. CSLF will utilize a methodology similar to that employed in our previous fiscal impact studies; however, additional steps will be taken to show how the potential revenues raised and services undertaken in these new individual areas will affect Smyrna revenues and service provision costs. The project's goal is to issue a report to the city that will assist citizens and policymakers as they evaluate the potential annexations of these surrounding areas.

TASK 1 – BACKGROUND AND DEMOGRAPHIC PROFILE OF THE CITY OF SMYRNA AND THE TARGETED ANNEXATION STUDY AREAS

CSLF will review the circumstances leading the City of Smyrna to undertake this fiscal analysis of possible annexation areas. In addition, the demographics of Smyrna will be documented as well as the targeted study annexation areas. The demographic information will include estimates of resident average age, average income, racial composition and other relevant factors.

TASK 2 – REVENUE EFFECT ON SMYRNA AND THE TARGETED ANNEXATION STUDY AREAS

The potential annexation of the study areas would provide Smyrna with additional revenue. These sources are the same as those currently funding the city's operations (e.g., property taxes, business taxes, alcohol excise taxes, etc.). However, some of these revenues would not have been previously collected in these unincorporated areas, including utility franchise fees that are available only to municipalities. (Note that revenue from the study areas flowing to Smyrna would not be available to the county.) CSLF will also estimate general fund revenues, revenues attributable to service departments, and a summary of revenues.

TASK 3 – EXPENDITURE EFFECT ON SMYRNA AND THE TARGETED ANNEXATION STUDY AREAS

The city will also face a fiscal impact due to the provision of services to the study areas. The analysis will provide cost estimates of services based on the current services provided by Smyrna. These services include general government services, city administration, public safety (fire and police), parks, public works, a municipal court and other relevant services. The estimates will include a per capita departmental cost (or other relevant unit). In addition, the key components of these departmental costs will be identified and any variation in the study areas will be noted. These estimates and cost components will be informed using a case study approach, including interviews with city staff combined with cost projections from other relevant jurisdictions to create an overall estimate of fiscal impact.

TASK 4 – SUMMARY AND COMPARISON OF EXPENDITURE METHODS

The potential annexation of the study areas will have revenue and expenditure implications for the City of Smyrna. Using the estimates generated for changes in revenues and expenditures for services, CSLF will estimate a net fiscal impact. The net fiscal impact of the various relevant study areas will also be identified. The impact of alternative assumptions and methods of estimation will also be discussed.

Data Requirements

The primary sources of revenue data needed are the parcel-level property tax files from the Cobb County State Certified Tax Digest for FY 2018 and the most recent year of county business license data. Additional data from the city's various departments, such as public safety, will also be required. A machine-readable mapping file of the proposed boundary of the areas of annexation, often referred to as a Geographical Information System (GIS) shape file, will also be required. The parcel-level and fiscal data collected from Cobb County or the City of Smyrna will be used under alternative assumptions regarding expenditure requirements for the proposed areas of annexation to establish the fiscal impact these areas could have on Smyrna.

Finally, due to the size of the areas of study relative to the existing City of Smyrna, it may be necessary to compare the proposed larger City of Smyrna with other similarly sized cities in the state. For this task, we will rely on the Georgia Department of Community Affairs (DCA) annual Report on Local Government Finances. The data collected by DCA is used to estimate expenditures by function and revenues by source for cities in Georgia.

Budget and Payment Schedule

Total Cost: \$45,000

This will be a fixed-price contract. The first 50 percent or \$22,500 will be due upon signature of the contract. The remaining 50 percent or \$22,500 will be due upon receipt of the final deliverable.

Project Deliverables and Timeline

CSLF will provide the estimates described above with data sources, methodology, and a discussion of the limitations of the data and analysis in a PDF report format.

The timeline below is only an estimate. Timing can be affected by a number of issues, such as the availability of data and the extent to which the required data must be cleaned and put into a usable format. The CSLF team will advise the city if a revision of this timeline is necessary. A contract must also be established prior to work beginning; CSLF will provide a contract for review.

- August 19, 2019: Project start date
- November 22, 2019: Complete draft report due to Smyrna
- December 9, 2019: Feedback and questions from Smyrna due to CSLF
- December 20, 2019: Complete final report due to Smyrna

CSLF will send the draft report to Smyrna for comment by C.O.B. on November 22, 2019. All comments are due back to CSLF by C.O.B. on December 9, 2019. The final report will be submitted by the CSLF team to Smyrna by C.O.B. on December 20, 2019.

Key Project Members

Project Director: Peter Bluestone, PhD, senior research associate

- Responsible for project administration and communication

CSLF has many years of experience with state and local revenues, fiscal analysis, and issues related to municipal incorporations and annexations. The research team has been heavily involved for years in the preparation of fiscal notes for the Georgia General Assembly and has worked on many municipal incorporation fiscal impact studies, including recent studies for the incorporation of Tucker and East Cobb, as well as the fiscal impact of the incorporation of Sharon Springs in Forsyth County. The team also provided analysis to DeKalb County regarding the impact of city incorporations and annexations. See below for more information on the key researchers.



Peter Bluestone is a senior research associate with the Center for State and Local Finance. His research spans urban economics, static and dynamic economic impact modeling, and state and local fiscal policy. His recent publications include reports on the effects of charter schools on property values and the property tax base available for a group of Georgia cities interested in funding a regional transit system. His expertise also includes modeling state and local impacts of policy changes and economic development using various economic models, including IMPLAN and Regional Economics Models Incorporated (REMI). Dr. Bluestone currently serves on the technical advisory committee for the Atlanta Regional Commission. He received his doctorate in economics from Georgia State University. 404-413-0264 | pbluestone@gsu.edu



Laura Wheeler is a senior research associate at the Fiscal Research Center and Center for State and Local Finance at Georgia State University. During her time at Georgia State University, Wheeler has worked on many issues related to state and local governments, such as forecasting revenue effects of proposed legislation, local government structure and finances, and forecasting local government revenues. She received her doctorate in economics from the Maxwell School at Syracuse University. Previously, she worked for several years with the Joint Committee on Taxation for Congress and as an independent tax policy consultant. Wheeler's other research interests include state and local taxation, corporate taxation and welfare policy. 404-413-0258 | lwheeler2@gsu.edu



Chris Thayer is a research associate with the Center for State and Local Finance and the Fiscal Research Center. Prior to joining Georgia State University, they interned at the Federal Reserve Bank of Atlanta and served as graduate research assistant at the Center for Urban Innovation at Georgia Tech. Chris received a master's degree in public policy and a master's degree in city and regional planning, both from the Georgia Institute of Technology, and bachelor's degrees in business administration and English from Otterbein University. Their research interests including housing, open/public data, and the operation of policy mechanisms. 404-413-0050 | cthayer2@gsu.edu



Alex Hathaway is a research associate with the Center for State and Local Finance and the Fiscal Research Center, specializing in fiscal health. He is the principal investigator on the center's multi-state evaluation of budgeting and financial management practices for the Volcker Alliance's Truth and Integrity in Government Finance project. He holds a master's degree in public policy from Georgia State University, a professional doctorate in chiropractic medicine from Life University, and bachelor's degrees from the University of Georgia. His other research interests include healthcare systems and finance, aging policy and program evaluation. 404-413-0086 | nhathaway2@gsu.edu

Prior Incorporation Studies

The Andrew Young School of Policy Studies is one of two schools authorized by the Georgia General Assembly to provide city incorporation feasibility studies. CSLF faculty and research associates have extensive experience with these analyzes as well as economic impact modeling using various modeling software such as IMPLAN and LOCI.

Incorporation feasibility studies provide a detailed analysis of the expected revenues and expenditures for the proposed city using generally accepted methodologies. The main purpose of the analysis is to estimate the ability of the proposed city to meet its expenditures with available revenue sources. CSLF's experience with incorporation feasibility studies includes:

- [The Proposed City of East Cobb](#), 2018
- [The Proposed City of Sharon Springs in Forsyth County](#), 2018
- [The Proposed City of Eagles Landing](#), 2017
- [The Proposed City of Skidaway Island](#), 2015
- The Proposed City of Tucker (two versions, [2013 Report](#) and [2015 Report](#))
- The Proposed City of South Fulton (two versions, [2007 Report](#) and [2014 Report](#))
- [Creating a New Milton County: The Legal Impacts of Creating Milton County](#), 2009
- [The Proposed City of Chattahoochee Hill Country](#), 2007

Other related research:

- [Revenue Estimate of Adding Multi-Family Residential Properties to Community Improvement Districts](#), 2017
 - The focus of this paper is the tax treatment of residential property that lies within the boundaries of Georgia's community improvement districts (CIDs) and the potential benefits of CID investment.

About the Center for State and Local Finance

The Center for State and Local Finance's (CSLF) mission is to develop the people and ideas for next generation public finance by bringing together the Andrew Young School's nationally-ranked faculty and the broader public finance community. CSLF conducts innovative, nonpartisan research on tax policy and reform, budget and financial management, education finance, and economic development and urban policy. Additionally, it provides premier executive education in public finance for state and local finance officials and works with local and state partners on technical assistance projects on fiscal and economic policy.

Unlike many competitors, CSLF brings together the strengths of cutting-edge technical expertise, extensive real-world policy experience, and the backing and resources of a renowned research institution. CSLF has at its disposal a powerful analytical capacity and a variety of leading experts in economics and public policy who have authored books, published in major academic and technical journals, and provided rigorous analyses for all levels of government.

Additionally, the Center has had extensive experience in property taxation and education finance. More specifically, our team has done research on the effect that senior homestead exemptions have had on seniors' migration patterns and on the finances of school districts, and on how school issues effect home values generally. Our recent research has also examined the economic impacts of various school and educational issues like early education and start-up charter schools. Below is an extensive list of relevant projects that highlight our relevant experience for this assignment.

Legal Disclaimer

Georgia State University, acting through CSLF, reserves the right to use the results of all services provided by it under this proposal for its own teaching, research and publication purposes. Further, nothing in this proposal shall be construed to limit the freedom of Georgia State University or its researchers who are participants under this proposal from engaging in similar research made under other grants, contracts or agreements with parties other than the City of Smyrna. The City of Smyrna expressly understands and agrees that any research or publications provided by CSLF are subject to the Georgia Open Records Act, unless otherwise expressly exempted by the Act.

For more information on the Center for State and Local Finance, visit our website: cslf.gsu.edu.