

CITY OF STONE MOUNTAIN

**875 Main Street
Stone Mountain, Georgia 30083**



ANNEXATION STUDY 2016

Presented by the Annexation Study Committee

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INTRODUCTION

The Annexation Study Committee recommends the adoption of a resolution by the Mayor and City Council of the City of Stone Mountain for the annexation of areas abutting the city boundary. The resolution would request local legislation by the Georgia General Assembly to provide for a referendum by the voters in the areas selected for annexation.

This annexation study covers the area shown on the map on page 2. The geographic area of the city would add 1.635 square miles to the existing 1.869 square miles. The population of the city would increase by 3,216, from 6,109 to 9,235.

Estimated expenditures for Police and Municipal Court services are 43.05% of total General Fund expenditures. Currently the City employs one patrol officer for every 509 residents. The study recommends employing an additional ten patrol officers to attain a ratio of one officer for every 424 residents. Governmental services provided by the City of Stone Mountain are listed in the discussion of the various funds supporting operations of the City.

The violent crime rate in the City for 2016 is 3.44 per 1,000 population as of August 31, 2016. The FBI Uniform Crime Report for 2014 cites 3.66 violent crimes per 1,000 population nationally and 3.77 for the state of Georgia. The violent crime rate for DeKalb County is 4.37 per 1,000 population based upon the 2015 Census Bureau population estimate.

The study estimates a property tax rate of 13.923 mils to attain the level of service currently provided to the businesses and citizens of Stone Mountain and the increased level of police patrol. Taxes would increase by \$263 for every \$100,000 of assessed fair market value for property owners in the area proposed for annexation and decrease by \$334 for property owners in the City.

An additional 0.85 mils would be required in the first year to fund start-up costs estimated at \$156,479. Taxes would increase by \$34 for every \$100,000 of assessed fair market value for all property owners.

Total General Fund revenues are estimated at \$5,356,184. Total General Fund expenditures are estimated at \$5,197,503, leaving a surplus of \$158,718 for contingencies (2.96%).

Annexation would improve the real property tax digest by increasing the commercial and industrial base from 20% to 36%.

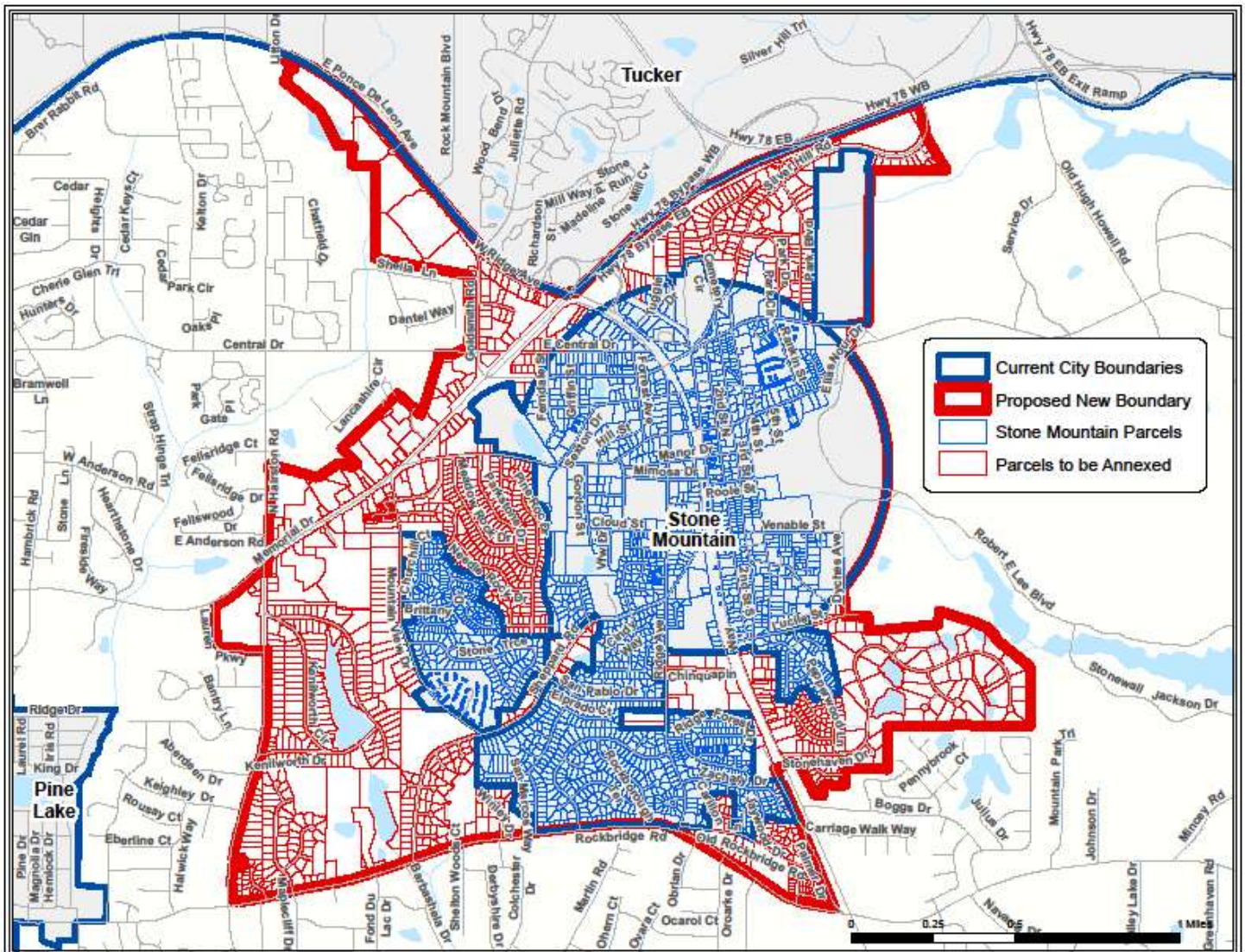
Services will be improved for businesses and residents in the area proposed for annexation:

- Police patrol and response times
- Code enforcement for property maintenance
- Building permits

The governing body consists of the Mayor and six council members. The Mayor is elected at large and council members are elected at large to specific posts. All elected offices serve four year terms. Three members of council are elected every two years. The next municipal election will be on November 7, 2017. The City Council appoints a City Manager who has the executive powers of enforcement and administration of the City government.

GEOGRAPHICAL MAP OF PROPOSED ANNEXATION

The geographic area proposed for annexation is 1.635 square miles. The City of Stone Mountain has an area of 1.869 square miles. The total area of the City after annexation would equal 3.504 square miles.



POPULATION

Table 1 shows the increase in population that would result from annexation. The estimated 2015 population for the study area assumes the same rate of growth (3.61%) as the United States Census Bureau estimate for the City.

**TABLE 1
POPULATION**

Census	City	Annexation	Total	% Increase	Annexation % of Total
2010	5,899	3,105	9,004		
2015	6,109	3,216	9,325	52.64%	34.48%

The population of the study area was determined by the summation of census tract data obtained from the United States Census Bureau. The methodology, citations and census tract data can be found in Appendix A.

FUND ACCOUNTING

The City has eight separate funds for the operation of governmental services. Each fund will be discussed separately. Table 2 is a summary of revenues and expenditures for all funds except capital improvements. A surplus of \$158,718 is budgeted for contingencies and equals 2.96% of estimated expenditures after adjustments for General Fund transfers. The City's independent financial audit for the year ending December 31, 2015 reported a fund balance of \$288,024 that may also be used for expenditures.

**TABLE 2
SUMMARY OF FUNDS**

Fund	Estimated Revenue	From General Fund	Estimated Expenditures	Expenditure Contingency Funding
General Fund	5,356,184		5,197,503	158,681
Hotel/Motel Tax Fund	23,799	31,377	53,158	2,018
Cemetery Fund	9,200	8,252	17,452	
Solid Waste Management Fund	1,006,586		988,472	18,114
Police Asset Forfeiture Fund	3,100		3,100	
Capital Improvement Fund				
Storm Water Management Fund	298,171		246,152	52,019
Downtown Development Authority	22,400	141,582	156,196	7,786
Totals	6,719,440	181,211	6,662,033	238,618

GENERAL FUND SERVICES

The General Fund is the primary fund for the operations of the City. The primary services provided through the General Fund are:

- Administration
- Police services
- Municipal court
- Planning & zoning
- Code compliance including property maintenance enforcement
- Street and road maintenance including right of way
- Street lights
- Parks & recreation
- Building permits & plan review
- Fire safety inspections & fire plan review
- Economic development

GENERAL FUND REVENUES

Total General Fund revenue is estimated at \$5,356,184. Table 3 summarizes the estimated revenue for the General Fund after annexation. Appendix C contains the methods used to estimate General Fund Revenues.

**TABLE 3
REVENUES BY INCOME CLASSIFICATION**

Revenue	2016 Estimate	Percentage of Total
Taxes	3,939,727	73.55%
Licenses & Permits	132,296	2.47%
Government Grants	113,900	2.13%
Charges for Services	13,830	0.26%
Fines & Forfeitures	1,156,431	21.59%
Investment Income	0	0.00%
Contributions	0	0.00%
Miscellaneous Revenue	0	0.00%
Other Financing Sources	0	0.00%
Adjustment for round off		
Total Revenue	5,356,184	100.00%

The top twenty sources of General Fund revenue account for ninety-nine percent (99%) of total General Fund revenue in the study. Table 4 shows the revenue and percentage of total revenue for these twenty sources. A detailed discussion of General Fund revenues can be found in Appendix C.

**TABLE 4
GENERAL FUND REVENUE SOURCES IN RANK ORDER**

Revenue Source	Revenue Estimate	% of Total Revenue
Real Property Tax	2,098,823	39.19%
Municipal Fines & Fees	1,156,431	21.59%
Insurance Premium Tax	552,765	10.32%
Business Property Tax	321,991	6.01%
Electric Franchise Tax	238,621	4.46%
HOST Tax	144,674	2.70%
Local Road Maintenance Grant	113,900	2.13%
Utilities Property Tax	108,345	2.02%
Building Structure Permits	94,896	1.77%
Business & Occupation Tax	73,280	1.37%
Motor Vehicle Sales Tax	57,735	1.08%
Beer & Wine Tax	56,116	1.05%
Television Cable Franchise Tax	48,910	0.91%
Gas Franchise Tax	48,014	0.90%
Real Estate Transfer Tax	47,727	0.89%
Motor Vehicle Property Tax	36,169	0.68%
Intangibles Tax	38,309	0.72%
Sanitation Franchise Tax	22,892	0.43%
Real Property Penalty & Interest	22,176	0.41%
Insurance License	19,700	0.37%
Sub-total	5,301,474	99.00%
All Other Revenue	54,710	1.02%
Adjustment for round off		-0.02%
Total General Fund Revenue	5,356,184	100.00%

Table 5 compares property tax rates between the City and DeKalb County¹. The City tax rate used for this study is estimated at 13.923 mils. All other tax rates are those adopted in 2016 by DeKalb County and the City of Stone Mountain.

**TABLE 5
COMPARISON OF PROPERTY TAX RATES**

	County General Fund	County Hospital	County Police Services	Roads	Fire Services	County Debt	Estimated City	Total
DeKalb	9.240	0.740	5.950	2.300	2.570	0.010		20.810
Stone Mtn.	9.240	0.740	0.376	0.528	2.570		13.923	27.377
Rate increase annexation area based on 13.923 mils								6.567
Rate decrease for city based on 22.27 mils in 2016								8.347
Tax increase per \$100K of fair market value for annexed property								\$263
Tax decrease per \$100K of fair market value for City property								\$334

¹ Schedule E, Resolution to Levy Taxes for the Year 2016, DeKalb County Board of Commissioners, July 19, 2016.

GENERAL FUND EXPENDITURES

Table 6 summarizes the estimated expenditures for the General Fund after annexation. Expenditures include \$158,718 for contingencies. Expenditures by line item with detail can be found in Appendix D.

**TABLE 6
EXPENDITURES BY DEPARTMENTAL CLASSIFICATION**

Department	Expenditure Estimate	Department Percentage	Contingency Funding	Contingency Percentage
Elected Officials	39,591	0.74%	0	0.00%
Administration	683,175	12.75%	23,614	3.58%
Buildings	96,843	1.81%	14,140	17.10%
Gen. Government	606,580	11.32%	18,683	3.18%
Municipal Court	302,789	5.65%	7,073	2.39%
Public Safety	2,003,341	37.40%	43,704	2.23%
Public Works	1,056,923	19.73%	40,692	4.00%
Parks	170,295	3.18%	10,776	6.76%
Debt Service	396,647	7.41%	0	0.00%
Adjustment for round-off		0.01%		
Total General Fund	5,356,184	100.00%	158,681	2.96%

Table 7 shows current employment and new employment for the area proposed for annexation. Expenditures for personnel include compensation, payroll taxes, employee benefits, training, uniforms, and workers compensation insurance. Expenditures for personnel would equal sixty-three percent (63%) of the total expenditures in the General Fund. Some personnel listed in Table 7 perform services in funds other than the General Fund. The allocation of expense for these services for other funds can be found in Appendix D.

**TABLE 7
CITY EMPLOYMENT**

Summary by Department	Current Full Time	New Full Time	Current Part Time	New Part Time
Administration	4	5	1	0
Police Administration	4	1	0	0
Police Patrol	12	10	1	0
Investigations	2	1	0	0
Municipal Court	2	2	3	2
Public Works	5	5	5	5
Visitors Center	0	1	2	(1)
Economic Development	1	1	0	0
Totals	30	26	12	6

OTHER FUNDS

Hotel/Motel Tax Fund

The Hotel/Motel Tax Fund was established to account for revenue and expenditures related to tourism. By state law all tax revenue derived from sales of accommodations at hotels and motels must be expended for tourism. The Visitors Center operates from this fund.

Total tax revenue is estimated at \$5,702 and is based upon city receipts in 2016. The expenditure budget of \$55,176 is funded by grants from the DeKalb Convention and Visitors Bureau, the Stone Mountain Memorial Association, and the city's General Fund. Budget details can be found in Appendix F.

Cemetery Fund

The Cemetery Fund was established to account for revenue and expenditures related to the city's public cemeteries. By ordinance all revenues derived from sales of cemetery lots must be expended for the maintenance of the cemeteries. The two city cemeteries are located on East Ponce de Leon Avenue and next to Leila Mason Park in the Shermantown district. The Cemetery Fund is supported primarily by the General Fund. The total budget is estimated at \$17,452 and is unchanged by annexation. Budget details can be found in Appendix F.

Police Asset Forfeiture Fund

The Police Asset Forfeiture Fund was established to account for revenue and expenditures related to the acquisition of money or property confiscated from individuals convicted of certain crimes. By state law revenues derived from asset forfeiture must be expended for capital equipment for the exclusive use by the police department. The budget is set by the unreserved fund balance since there is no method to estimate revenues. The total budget is \$3,100 and is unchanged by annexation. Budget details can be found in Appendix F.

Downtown Development Authority

The Downtown Development Authority (DDA) is an agency established by the Mayor and City Council to promote economic development in the district that encompasses most of the city's commercial properties. One example of DDA activity is the acquisition and renovation of the property abutting the Sue Kellogg Library. This investment was made to bring the Georgia Military College (GMC) to the city. GMC occupies the building and pays rent to the DDA.

One full time employee is included in the budget to work on economic development in the commercial areas in the annexation. The DDA Fund is supported primarily by the General Fund. The total budget is estimated at \$163,982. Budget details can be found in Appendix F.

Capital Projects

Funding for capital infrastructure repairs and improvements is a problem for DeKalb County and DeKalb municipalities. The city has a backlog of road and storm water drainage projects due to a lack of funding. Other counties and cities have implemented the collection of a one cent sales tax to fund this type of work. Another funding source used by cities is the sale of General Obligation Bonds.

In 2015 the Georgia General Assembly adopted legislation to alter the Homestead Option Sales Tax (HOST) and allow a referendum in DeKalb County for a one cent Special Local Option Sales Tax (SPLOST). In 2016 an effort was taken by DeKalb County and DeKalb municipalities to fund repairs to roads, storm water infrastructure and new capital projects with a SPLOST. It was discovered that the legislation did not properly address the effect that SPLOST would have on the assessment of property values frozen under existing law. As a result the call was not made for a referendum.

An effort is underway to correct the legislation in the next session of the General Assembly. The question is whether or not an intergovernmental agreement with DeKalb County for SPLOST could allow for an effective date that would include the annexation population in the city. In other words, if both referendums pass at the same time would the city's revenue from SPLOST increase due to the increase in population?

The city made preparations for participation in the SPLOST in 2016. Revenue to the city was estimated at \$5,684,110 over six years. The following expenditures were projected:

Funding Target	Expenditures
Road Maintenance	2,292,939
Storm Water Infrastructure	2,308,648
Public Facilities	459,018
Parks	457,755
Public Safety Equipment	165,750
Total	5,684,110

SPLOST revenue would increase by \$2,992,327 if the population from annexation is included. The committee recommends the allocation of the additional SPLOST funds for expenditure in the area proposed for annexation.

General obligation (GO) bonds are a form of long term borrowing. A referendum is required to authorize the issuance of GO bonds. This form of financing is the alternative to funding capital infrastructure repairs and improvements if a SPLOST is not implemented. The municipal bond calculator published by the National League of Cities (NLC) provides an estimate of \$2,509,354 in interest payments over twenty-five years on municipal bonds totaling \$5,000,000 at 3.5% interest. The NLC estimator does not include an amortization schedule. A rough estimate of the cost in year one would be approximately \$300,000. The equivalent property tax rate on the current estimated digest would be 1.63 mils. No estimate of transaction costs has been made.

The link to the NLC estimator is: <http://www.nlc.org/influence-federal-policy/advocacy/federal-advocacy-priorities/protect-municipal-bonds/municipal-bonds-interest-calculator>.

There are currently no capital projects budgeted in the annexation study.

Solid Waste Management Fund

The Solid Waste Management Fund was established to account for revenue and expenditures related to the collection and disposal of garbage and limited disposal for bulk items and yard debris. The city contracts with Advanced Disposal for residential and commercial sanitation services. Recycling services are also contracted through Advanced Disposal. The city's public works department also provides sanitation services.

Residential service for single family dwellings in DeKalb County is \$265.00 annually. Residential service for single family dwellings in the city is \$207.00 annually for the following services:

Service	Quantity	Frequency
Curbside Garbage Collection	95 gallons	Once a week
Curbside Recycling Collection	18 gallons	Once a week
Curbside Yard Waste Collection	See below	Once a week

Yard waste is collected once a week but is limited by weight and volume similar to DeKalb County services. A limit of two appliances per year is included in the annual service fee. Bulk items are collected by paying a fee and scheduling service through City Hall.

Budget details can be found in Appendix F.

Storm Water Utility Fund

The Storm Water Utility was created for the maintenance of infrastructure to control storm water run-off, improvements to alleviate storm water damage and enforcement of codes to protect water quality.

The Storm Water Utility Fund accounts for revenue and expenditures related to the operations of the Storm Water Utility. The Metropolitan North Georgia Water Planning District mandates the standards required to operate a municipal storm water system. The annual fee to fund the city's storm water system is identical to the fee assessed by DeKalb County. The fee is based upon a residential unit of 3,000 square feet of impervious surface (ERU). Each owner of a single family dwellings pays \$48.00 per year. All other owners of property pay \$48.00 for each ERU unit and fractions of units. The fee has not changed since its establishment in 2004.

Budget details can be found in Appendix F.

Start-up Costs

Table 8 shows the start-up costs by department. The committee recommends establishing an office for public services and a police precinct on Memorial Drive. The Public Works Department would relocate to industrial space. Court Services would remain at City Hall with additional office space.

Rental costs are included in the operating budget. The cost of buildout would be funded in the first year after annexation.

Items qualifying for capital lease purchases are also included in the operating budget for a period of five years. The detail of items included in the start-up costs can be found in Appendix F.

Description	Admin	Police	Public Works	Court Services	Economic Development	Total
Space in square feet	800	1,120	6,400	400		
Cost per square foot for build-out	30	30		40		
Cost of build-out	24,000	33,600		16,000		73,600
Security fencing			8,000			
Furnishings, equipment & misc.	1,885	22,928	6,917	1,369	377	33,476
IT assessment	8,000					
Information technology - server	3,200					3,200
Communications	1,200					1,200
Security monitoring equipment	400	400	800			1,600
Contingency						27,403
Totals	38,685	56,928	15,717	17,369	377	156,479
Revenue per mil						184,093
Start-up cost measured in mils						0.85
Cost per \$100,000 appraised value for all taxpayers						\$34