

# City of East Cobb Could Deliver Tax Cut While Enhancing Services

## *Independent Group Finds Financial Rationale for Cityhood*

The Independent Finance Group (IFG) has reviewed the Georgia State University *Feasibility Study for the Proposed City of East Cobb*. The IFG formed because its members were dubious of claims put forward both by cityhood advocates and by detractors; consequently, team members believed an objective review was necessary. The IFG is a team of finance and legal professionals that is neither affiliated with the Committee for Cityhood in East Cobb, nor with the East Cobb Alliance. All members reside within the proposed City's boundaries. These are the IFG (4-1) majority's key findings:

- We concur with the GSU *Study's* overall conclusion that the proposed City is financially viable.
- New taxes, including new franchise fees, are not needed as a revenue source. The proposed City would be viable without them.
- The GSU *Study* cannot serve, unmodified, as a realistic blueprint for a new City. Preparation of a more detailed strawman budget is necessary to facilitate public debate.
- The GSU *Study* assumes three City services: Police, Fire, Community Development. We recommend the City not implement a new Police Department until an equitable revenue-shifting agreement is reached with Cobb County. (The *Study* lacks sufficient funding for police protection and does not assume an equitable agreement.) Such an agreement should eliminate double-taxation in compliance with the Service Delivery Strategy Act of 1997. The same caution applies to taking on contemplated future services (e.g., Culture & Recreation, Road Maintenance) currently provided by the County.
- We evaluated several scenarios in addition to reviewing the GSU *Study*. The most-likely near-term scenario (that postpones a new Police Department) yields a recurring surplus of \$12 million, or 30 % of revenues. (See *Review of the Feasibility Study* Addenda 1 and 2.)
- The anticipated surpluses would enable a rapid build-up of reserves and/or a property tax cut.
- A meaningful tax cut is possible because the County taxes currently generated by East Cobb taxpayers far exceed the expenditures made by the County for services benefitting East Cobb. The opportunity to mitigate this current imbalance is what makes a future City of East Cobb compelling from a purely financial standpoint.

## Team members:

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**Bill Green**, Master of Business Administration, UC Berkeley

**Russ Morrisett**, Master of Business Administration, University of Hartford

**Ken Pollock**, *Juris* Doctor, University of Georgia

The fifth, dissenting member prefers to remain anonymous.