

East Cobb Feasibility Study Research

Prepared by:
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Background

On March 25, 2022, I submitted an open records request to Georgia State University (GSU) for communications related to a feasibility study created by GSU's Center for State and Local Finance (CSLF) for the Proposed City of East Cobb. I received back 247 pages of emails and 10 attachments, with 4 attachments yet to be provided. In reviewing this material, I discovered the following:

- On June 1, 2021, Dr. Peter Bluestone of the CSLF sent an email to Joe Gavalis (of the East Cobb Cityhood Committee) confirming his request to update the East Cobb Feasibility Study (original study was completed December 2018) with the following three services: parks and recreation, community development (libraries), and code enforcement. In several emails exchanged between June 1 and June 4, Dr. Bluestone and the cityhood committee agreed on four services to be included in the revised feasibility study:
 - parks and recreation
 - planning and zoning
 - code enforcement
 - road construction and maintenance.

See email exchanges here: <https://drive.google.com/file/d/1-ysj0l1UwGJIcaZysaWuU9lKknS28iDW/view?usp=sharing>

- On June 4, 2021, Dr. Bluestone sent the cityhood committee a project proposal confirming these same four services. Note the project proposal identifies the due date of the draft feasibility study as October 8, 2021. Cindy Cooperman (of the cityhood committee) responded that they would review internally and with Matt Dollar to assure the timeline reflected met the requirements for submission (to the Georgia Legislature).

See email exchanges here:

<https://drive.google.com/file/d/1q8fzmaEbHqAjZVWg0S7LTTx5p3fZF31Z/view?usp=sharing>

See project proposal here:

<https://drive.google.com/file/d/1VPZG2KKqUqUc4JuoSsatmbQYcfjsK4Ow/view?usp=sharing>

- On October 4, 2021, Dr. Bluestone sent an email to the cityhood committee indicating that they were nearing completion of the draft feasibility study, alerting the committee that some of the revenue available in the initial feasibility study (again, the December 2018 study) would not be available to the city, and requesting a time to discuss the "implications" of this before delivery of the draft (on October 8). Scott Hausman (of the cityhood committee) responded they could get together when one of the other members (Craig Chapin) came back into town.

See email exchanges here: https://drive.google.com/file/d/17fu820PyF-VvOF_bAHlK4bckggxTlKf9/view?usp=sharing

- On October 8, 2021, Dr. Bluestone sent a draft of the study (as an attachment) along with a fairly lengthy email providing alternative services that could be considered for the city, including

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public safety (police and fire), and library as a potential less costly potential substitute for parks and recreation. Dr. Bluestone also provided a range of revised due dates in November for the final study depending on what final services were decided. Craig Chapin (of the cityhood committee) responded requesting time to discuss the additional services and a few questions. Based on the emails provided by GSU, that meeting occurred on October 12, 2021. Multiple meetings occurred and draft documents exchanged between October 12, 2021, and November 12, 2021.

See email exchanges here:

<https://drive.google.com/file/d/1A0cmbdRGfcvxAvc9segvquJmkmqQTmA/view?usp=sharing>

See draft feasibility study here:

<https://drive.google.com/file/d/10kS2jA8uMNG9DaN20yb4qghLj6VG2rjX/view?usp=sharing>

See final feasibility study here:

<https://drive.google.com/file/d/1y2F9o1XzsYaBcFJilQsELfV4A2y5hCXc/view?usp=sharing>

Feasibility Study Comparison

Draft Feasibility Study, Summary of Financial Analysis, Page 4

Table Ex-1. Summary of Financial Analysis

REVENUE CATEGORY	AMOUNT	EXPENDITURE CATEGORY	AMOUNT
Property Tax	\$785,423	Mayor/City Council	\$278,839
Alcoholic Beverages	\$917,035	Other Administration	\$6,917,517
Insurance Premium	\$2,741,745	Parks and Recreation	\$2,598,492
Franchise Fees	\$3,328,941	Code Enforcement, Planning and Zoning	\$1,835,984
Licenses and Permits	\$1,758,704	Facility Leasing	\$600,000
Intergovernmental Revenues	\$624,176	Startup Expenditures	\$715,000
Planning and Development	\$53,015	Contingency	\$969,236
Parks and Recreation	\$172,453		
Total Revenue	\$10,381,492	Total Expenditures	\$13,915,06
Revenue in Excess of Expenditures	-\$3,533,576		-

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Final Feasibility Study, Summary of Financial Analysis, Page 4

Table Ex-1. Summary of Financial Analysis

REVENUE CATEGORY	AMOUNT	EXPENDITURE CATEGORY	AMOUNT
Property Tax	\$15,658,168	Mayor/City Council	\$278,839
Alcoholic Beverages	\$917,035	Other Administration	\$5,976,194
Insurance Premium	\$2,741,745	Code Enforcement, Planning and Zoning	\$1,247,003
Franchise Fees	\$3,328,941	Public Safety	\$14,343,561
Licenses and Permits	\$1,758,704	Facility Leasing	\$0
Intergovernmental Revenues	\$624,176	Startup Expenditures	\$984,325
Public Safety Services	\$2,636,869	Contingency	\$1,820,466
Other Services	\$53,015		
Total Revenue	\$27,718,653	Total Expenditures	\$24,650,388
Revenue in Excess of Expenditures	\$3,068,264		

Summary comparison of the October 8 draft feasibility study vs. the November 12 final feasibility study (revised by GSU and East Cobb Cityhood Committee) shows:

- Overall, the Proposed City of East Cobb was deemed not feasible in the draft feasibility study, with a revenue deficit of \$3.5 million annually. This could be overcome by levying a 1 mill property tax increase per HB841. See “Additional Services and Supplemental Revenue” in the draft feasibility study.
- After revisions, the revenue increased in the final feasibility study due to the following:
 - **Property Tax** revenue increased by \$14,872,745 by adding the 2.86 mills Fire Fund and a portion of Personal Property Taxes, Intangible Personal Property Taxes and Real Estate Transfer Taxes from Cobb County. Note Dr. Bluestone clarified in his October 8 email above that East Cobb would be required to offer both police and fire to take the Fire Fund and portions of other taxes.
 - **Parks and Recreation** revenue of \$172,452 was eliminated. Note Parks and Recreation remains in HB841.
 - **Public Safety** revenue of \$2,636,869 was added (E911 calls are mentioned, no other public safety services revenues are mentioned).
- After revisions, the expenses decreased in the final feasibility study due to the following:
 - **Other Administration Expenses** were reduced by \$941,323. Dr. Bluestone mentions in his October 8 email that this expense category along with Code Enforcement, Planning, and Zoning Expenses were still under review and sometimes comingled in the comparison cities. Two questions are important here:
 - How would administration expenses be reduced from the draft feasibility study given the incremental government load of adding the municipal court, jail,

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police, fire and E911? Additional services would normally equate to additional administration costs.

- Comparing the per capita sum of the two expense categories with the December 2018 feasibility study (which includes these additional services), why is the per capita spend lower for a smaller city? Generally, we would expect a smaller city to have higher per capita costs due to lower economies of scale.
 - **Parks and Recreation Expenses** of \$2,598,492 were eliminated, even though this service remains included in HB841.
 - **Code Enforcement, Planning and Zoning Expenses** were reduced by \$588,981. See Other Administration Expenses above.
 - **Facility Leasing Expenses** of \$600,000 were eliminated because it was assuming that East Cobb would have access to the Cobb County East Cobb Government Center for the city’s administrative offices, municipal court, jail, and police precinct, free of charge. This is a ridiculous assumption given the East Cobb Government Center is completely utilized today.
- Both feasibility studies omitted Road Maintenance Expenses but acknowledge that road maintenance is required by law. Both studies note: “In 2015, OCGA 36-31-7.1 was enacted and requires that: ‘any new city created must assume the ownership, control, care and maintenance of county road rights of way located within the area incorporated unless the municipality and the county agree otherwise by joint resolution.’ The city of East Cobb hopes to reach an agreement with Cobb County that maintains the status quo in terms of road maintenance.” This is an interesting and aggressive assumption given all other cities in Cobb County maintain their own roads, which is easily confirmed by Cobb County and those cities’ annual budgets.

Adding all these eliminated and reduced expenses to the final feasibility study would yield an annual deficit of approximately \$8.3 million, assuming the estimates for public safety expenses are accurate (not a good assumption, see next paragraph below). In addition, both feasibility studies omit startup costs for fire and E911. Amortization of these costs over 5 years would likely increase this deficit by \$1 million annually.

City of East Cobb - Feasibility Study Key Differences

	Draft		Final		Difference
Other Administration Expenses	\$ 6,917,517	\$	5,976,194	\$	(941,323)
Parks & Recreation Expenses	\$ 2,598,492	\$	-	\$	(2,598,492)
Code Enforcement, Planning and Zoning Expenses	\$ 1,835,984	\$	1,247,003	\$	(588,981)
Facility Leasing Expenses	\$ 600,000	\$	-	\$	(600,000)
Road Maintenance Expenses	\$ -	\$	-	\$	(6,600,000)
Less Reported Feasibility Study Surplus	\$ -	\$	3,068,264	\$	3,068,264
Total				\$	(8,260,532)

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Are the estimates for police and fire expenses accurate? Comparing the Proposed City of East Cobb to all the comparison cities in the feasibility study, and all the remaining cities in Cobb County, one can see that police and fire are significantly underfunded, on a total and per capita basis.

City of East Cobb - Public Safety Budget Comparisons

	Population	Square Miles	Police Budget	Fire Budget	Fire Stations	ISO Rating	Police Budget Per Capita	Fire Budget Per Capita
Brookhaven	55,554	11.8	\$ 17,451,224				\$ 314.13	
Dunwoody	49,356	12.9	\$ 10,721,201				\$ 217.22	
Johns Creek	84,579	30.7	\$ 13,157,351	\$ 12,146,705	3	2	\$ 155.56	\$ 143.61
Marietta	60,867	23.5	\$ 18,222,755	\$ 13,912,574	6	1	\$ 299.39	\$ 228.57
Smyrna	56,666	15.6	\$ 8,824,452	\$ 6,324,655	5	2	\$ 155.73	\$ 111.61
East Cobb	59,664	25.2	\$ 7,363,752	\$ 5,701,119	2	?	\$ 123.42	\$ 95.55
Austell	7,446	6.0	\$ 2,405,368	\$ 2,392,968	2	4	\$ 323.04	\$ 321.38
Acworth	23,373	9.8	\$ 5,832,573				\$ 249.54	
Kennesaw	33,984	9.8	\$ 8,421,673				\$ 247.81	
Powder Springs	15,163	7.4	\$ 2,725,949				\$ 179.78	

Summary

Based on the historical information received from the open records request, comparison of the draft feasibility study to the final feasibility study, and comparison of projected public safety expenses to comparison cities in the feasibility study and all other cities in Cobb County, it is clear the feasibility study for the Proposed City of East Cobb is completely contrived, underfunding public safety to use those dollars for the city's general fund. This is further evidenced by back-and-forth emails between GSU and the cityhood committee during November 2021, where the cityhood committee provided multiple wording changes and even guidance regarding accounting treatment for startup expenses.

Instead of simply admitting that a new city would result in increased taxes, the feasibility study was manipulated to make the city look feasible, to support the outright fabrications that your public safety services will not suffer, and your taxes will not go up. Your public safety services WILL suffer, and your taxes WILL go up. One might even ask if this level of public manipulation could constitute fraud.