



INTER-OFFICE MEMORANDUM

TO: Commissioner Edwards

THRU: Thomas Andrews, County Manager

FROM: Patrick O' Connor, Finance Director
Patrick O' Connor

DATE: August 28, 2007

SUBJECT: Review of Report on the City of South Fulton Potential Revenues and Expenditures

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As you requested, my staff and I have reviewed the report prepared by Andrew Young School of Policy Studies Fiscal Research Center on the proposed City of South Fulton potential revenues and expenditures for 2008. In our review, we observed the following which we present for your information.

- In the Executive Summary section, Fulton County assets were valued at \$1,460,700. We do not know what basis they used to arrive at this amount. Nor is there a schedule detailing the assets.
- We estimate the revenues to be about **\$7.4 million** less than the amount indicated in the report when compared to the South Fulton Tax District 2007 revenue projections. Because of the ongoing downturn in the real estate market, our projection for Licenses and Permits in the district is **\$6.6 million** compared to **\$9.3 million** projected in the report. This is a **\$2.7 million** gap that needs to be reflected in the potential City of South Fulton budget for 2008. Furthermore, the "All Other" revenue category of the report anticipates a collection amount of **\$10.0 million** for the year. We disagreed with this amount because this category includes **\$5.6 million** of Insurance Premium Tax which will not be available to the potential City of South Fulton in the first year of incorporation. The State requirements for filing Insurance Premium Tax applications by newly incorporated Cities make it impossible for the potential City of South Fulton to be eligible for this revenue in 2008. Just as the City of Johns Creek and City of Milton were not eligible for the premium tax in 2007 because they are newly incorporated and could not meet the application submission schedule, the potential City of South Fulton will be in the same situation in 2008. In addition, the recurring amount apportioned to the potential City of South Fulton in 2009 when it becomes eligible to receive the tax as a City will be about **\$3.1 million** less than the **\$5.6 million** projected in 2007. The **\$3.1 million** is the insurance premium tax the City of Johns Creek and City of Milton lost in their first year of incorporation but will be eligible to begin receiving in 2008.
- The Fiscal Research Center report does not address the potential loss of revenues that might result from the possibility of Fulton Industrial remaining unincorporated. As you know, the likelihood of Fulton Industrial being made part of the potential City of South Fulton is contingent upon the approval of the countywide referendum that will be triggered by incorporation of City of South Fulton. Based on recent information provided by GIS using the 2007 digest we estimate the South Fulton Tax District receives approximately \$2.5 million from the FIB area.