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An Assessment of Consolidation Feasibility for Stephens County and the Cities of Avalon, Martin, and Toccoa Georgia

Photo: Ed Jackson

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Chapter 1
Introduction

The governments of Stephens County and the City of Toccoa, Avalon and Martin created the Community Committee to assess the feasibility of consolidation of their governments. This committee contacted the Carl Vinson Institute of Government to assess the feasibility of consolidating Stephens County and the Cities of Toccoa, Martin, and Avalon.

To develop the feasibility report, the Institute interviewed several department heads and representatives of Stephens County, Toccoa, and Martin, held two focus group meetings, and met with the Community Committee. The interviews with department directors and the focus groups provided different perspectives on consolidation and identified the pros, cons, and obstacles associated with such a change in their local governance structure. To help the Community Committee with their work, the Institute brought five persons who are very knowledgeable about governmental consolidation to speak with and answer questions from the Committee. Through the speakers, the Committee explored how other governments have successfully consolidated. The information collected on consolidation by the Committee is incorporated into this document as Appendix A.

This report is a summary of our research. It begins (Chapter 2) with an overview of functional and governmental consolidation, reviewing prior research on consolidations' purposes, benefits, and limitations. In order to set the context for the feasibility of consolidation, Chapter 3 gives a brief overview on the demographic and economic characteristics of Stephens and Toccoa as well as basics about both governments. The following chapter provides a brief fiscal assessment for Toccoa and Stephens in order to determine whether there exist financial disparities that might hinder consolidation. Chapter 5 discusses current and previous consolidation efforts by the governments and makes suggestions for services which might benefit from consolidation. Chapter 6 summarizes the major opportunities and barriers to consolidation as presented to us by the interviewees. This chapter represents the heart of the challenge to governmental consolidation. Please note that the viewpoints in Chapter 6 represent those of the interviewees, and not those of the Institute of Government. Furthermore, these statements do not reflect a consensus viewpoint or opinion, but are points that might need to be addressed for a successful consolidation effort.

Chapter 2
Overview of Consolidation

Forms and Degrees of Consolidation

While the term “consolidation” typically is used to denote the merging of two governments into one (i.e., full governmental consolidation), the term can also be used to describe a more partial merging of services or departments, which is more accurately described as “functional consolidation.” Functional consolidation is a strategy that can successfully be used to overcome some of the major economic disadvantages of having two or more small-scale governments. In particular, it can make good economic sense to consolidate functions such as utility services where there are large economies of scale that can be captured. Typically services that can be delivered cheaper in the larger quantities that consolidation affords are ones that have a large capital component or that have a function (e.g., billing) that can be applied across a number of existing services.

Functional consolidation can be used as a strategy to achieve economies without changing the basic governance structure that people are accustomed to. This can be particularly important when the citizens of the respective jurisdictions have different views on issues such as planning and zoning or quality of life ordinances. Additionally, functional consolidation does not involve a change in the boundaries for the areas where property tax revenues will be drawn. This property boundary issue can be a factor in cases where there is a large discrepancy between the property wealth of one jurisdiction and that of the other(s). In these instances, a full governmental consolidation could potentially have a positive fiscal impact on some taxpayers while having a negative impact on others. It should be recognized, however, that this differential impact can be mitigated through strategies such as special taxing and service districts.

Another key feature of functional consolidation is its temporary nature. Functional consolidation typically requires on-going approval by the elected officials of the participating governments. This requirement can make the consolidation highly vulnerable to inter-governmental disputes (whether or not the dispute concerns the function that is consolidated or not). Similarly, with a change in commission or council members or a change in circumstances, an agreement regarding a consolidated function may come to seem less fair than it was when first negotiated. In contrast, full governmental consolidation generally precludes any return to the status quo.

Also, functional consolidation does not eliminate the costs of the consolidated department managers and staff having to be accountable to two or more governments. The additional costs of maintaining multiple records and costs accounts and providing reports in different venues and formats means that taxpayers typically will not receive the same level of savings from functional consolidation that they would from full governmental consolidation.

It is generally recognized that not all public services have the same cost structure.[1] Consequently, not all will achieve economies of scale from consolidation. A potential implication of this finding is that public officials can achieve many of the economies that are thought to result from consolidation from selective functional consolidation. Moreover, by choosing wisely the function one wants to consolidate, one can avoid the diseconomies that may occur as a result of a full governmental consolidation (i.e., where one consolidates functions that may have diseconomies of scale at the level of consolidation that is proposed).

Finally, functional consolidation of a complex service can sometimes increase some of the administrative costs associated with the service. For example, a casual review of the contract between Chatham County and the City of Savannah for the provision of a unified law enforcement service suggests that these governments felt that it was necessary to establish a much more elaborate accounting system related to this service than had been in place prior to the agreement. Specifically, new special accounts were needed to track spending and staff allocation in the respective districts as well as the cost of ownership and uses of facilities and major equipment by the two governments.

General Research Findings on Consolidation

Over the course of the last few decades, faculty at the Carl Vinson Institute of Government have had requests for information and assistance from counties, cities, and citizen groups representing over a third of the population of the state regarding a desire to change the core nature of local government. Typically, these requests have come in the form of exploring the potential for consolidating one or more city and county governments. More recently, we have been asked to assess the fiscal impacts of incorporating new cities. In a few cases, we have been asked to look at both a new incorporation and consolidation in the same community. Conceptually, incorporation and consolidation are reforms that are diametrically opposed to each other.

While consolidation has been of perennial interest to communities across Georgia, creating new cities in the unincorporated areas of a county has only recently been a matter of strong interest. The diverse interest of citizens in fundamentally changing governance is mirrored in the political science literature where a debate has been raging for decades between "consolidationists" and "localist" (or pro-incorporation or "fragmentationists") points of view about local government (see Table 1).[2]

[1] Carr, Jered B. and Feiock, Richard C., editors (2004). *City-County Consolidation and Its Alternatives: Reshaping the Local Government Landscape.* Armonk,NY: M.E. Sharpe.

[2] Opposing views about the appropriate size and division of functions have structured debate on local and metropolitan governance (e.g. Dowding, John, and Biggs 1994; Foster 1997; Lowery 2000). An influential starting point is Tiebout's 1956 article, which establishes the claim that competition among multiple local jurisdictions leads to more efficient provision of local public services. Flexible governance arrangements and overlapping, polycentric, jurisdictions have constituted the central research agenda of the Indiana Workshop for several decades (McGinnis 1999a, 1999b, 2000; Ostrom, Bish, and Ostrom 1988). The benefits of 'the competitive city' (Schneider 1989) are challenged by consolidationists who argue that efficiency and

Table 1
Consolidation versus Further Incorporation

a) Arguments for Consolidation

i) Reduces the chances that different jurisdictions will engage in fratricidal competition for economic development (e.g., by engaging in a business subsidy bidding war).

ii) Multiple governments create confusion and less transparency among citizens. By improving these factors as well as accountability (through professional management), consolidation would lead to greater citizen satisfaction and participation.

iii) Corruption in the form of waste, fraud and abuse is more likely to thrive in a system that is less transparent.

iv) Consolidation prevents the suburban areas from abandoning the inner city.

v) Consolidation allows the city to expand its tax base to more of those who enjoy the benefits of the city, but who currently do not contribute to its fiscal health.

vi) Consolidation reduces intra-metropolitan inequalities and racial and income-based segregation.

vii) Economies of scale and reductions in duplication can reduce cost of service delivery.

viii) External transaction costs (e.g., the cost of coordination and bargains with other jurisdictions) are reduced.

ix) Will provide greater consideration of regional issues and needs (e.g., particularly economic development, urban sprawl and environmental externalities such as pollution). Because fragmentation promotes competition in a number of areas, the ability to cooperate in other areas is thought to be lessened when there are more governments.

x) Is typically associated with calls for a greater role for professional management.

xi) Reduces information costs for citizens, businesses and developers (e.g., developers do not need to coordinate their efforts with multiple governments).

xii) Jurisdictional multiplication results in the favored quarter of the population capturing the largest share of the region's public infrastructure investments and the largest share of its job growth. Through retention of local powers, the favored quarter is able to avoid taking on any of the region's social service burdens (Cashin, 1999).

xiii) Consolidation supports the ability to create a public interest that is larger than special local or ward interests. Consolidation as another form of the “at-large” election reform, i.e., the Progressive Era reform that helped to undermine corrupt ward-based politics.

b) Argument for Further Incorporation (or at least against further consolidation)

i) Greater allocative efficiency. Citizens have more choice about the mix of services to be provided and the amount of taxes to be collected. Citizens choose to live in the areas that best suit their needs and desires, thereby maximizing citizen satisfaction (Tiebout’s model of local public economies).

ii) More chances for representation and access to elected officials. With smaller districts citizens have a chance of being heard by a representative.

iii) The economies of scale that exist are only in a small number of capital-intensive areas; for most service functions (e.g., fire, police, recreation, etc.) economies of scale do not exist above the size of a fairly small government entity. Most economies of scale

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redistribution are better served by amalgamating numerous, overlapping, jurisdictions into a limited number of municipal governments (Downs 1994; Lyons and Lowery 1989; Frug 1999).

are typically captured through normal intergovernmental coordination and agreements.

iv) Decentralized local governments motivated by efficiency gains can correct inter-jurisdictional externalities (inefficiencies) by themselves through inter-local cooperation, thereby making consolidation for efficiency purposes unnecessary (Shrestha, 2005).

v) The large public bureaucracies that are created through consolidation make for high internal coordination costs that do not exist in smaller governments.

vi) Greater chances for minority representation and power.

vii) Having more governments means that there are more options with regard to the production of a service (e.g., one government may choose to have another government provide the service or to have a private entity produce the service). With large governments, both the scale of operations and the tendency to produce services in house work against multiple producers of services and the competition they bring.

viii) Small districts can more easily take collective action on small-scale collective problems.

ix) Greater ability to achieve self-determination.

x) Metropolitan or regional issue can be addressed through a metropolitan civil society (i.e., a web of voluntary agreements and associations).

c) The evidence on the debate is mixed:

i) Citizens' satisfaction does not vary by type of government (DeHoog, Lowery and Lyons 1990).

ii) Reported efficiency gains from consolidation tend to be small (Bloomquest and Parks 1995).

iii) Non-consolidated government costs less. Non-consolidated governments tend to have lower taxes and spending compared to consolidated ones (Benton and Gamble 1984). This finding needs to be understood in light of the finding that professionally managed governments tend to have higher expenditures, perhaps as a result of a realization by these managers of service needs as well as a greater ability to make the case for those needs.

iv) Multiple special-purpose governments in an area (i.e., jurisdictional overlap) appears to be strongly related to the size of the local public sectors (whether measured in revenues or expenditures), after controlling for other relevant variables (Berry, 2002).

v) Citizen participation is greater in non-consolidated governments (Oliver, 2001).

vi) Little or no evidence of a link between consolidation and economic development. (Carr and Feiock 1999).

vii) Jurisdictional multiplication does appear to exacerbate segregation by income and race.

viii) Jurisdictional multiplication reduces efforts to address affordable housing issues (Basolo 2003).

ix) Some scholars suggest that inter-local agreements and a web of relationships across a metropolitan area can act to mitigate the effects of jurisdiction competition on the ability to address regional problems (Oakerson 1999).

What Makes for a Successful Consolidation?

Functional

Successful functional consolidation is based on two processes: 1) choosing services to consolidate (or share); and 2) managing the service delivery with regard to expectations. The choice of services to functionally consolidate should begin by examining the opportunities for achieving economies of scale that are not otherwise possible. However, the choice also needs to consider a number of other factors such as:

- Whether the activity is critical to the government
- Whether in-house management of the activity is critical
- Whether immediate responsiveness to elected officials is critical
- Whether the operation can acquire new skills, equipment, or facilities as a result of a unified operation
- Whether other functions depend on the service
- Whether the functional consolidation will reduce service costs

Once the decision has been made to provide services in a consolidated manner, the participating governments will then likely want to:
Clearly define the scope of the service and realistic performance targets.
Create a governance regime that meets the expectations for control and oversight by the participating governments. This governance regime will need to address some key issues such as:

How the service will be priced or funded?
What expectations there are for growth and change?
What is the operational or management philosophy?
What should the new organizational culture be?
What is the exit strategy if the consolidation goes sour?
What are the expectations regarding transparency and communications?

Full Governmental

Whereas functional consolidation of a single department tends to involve small costs that are on-going, full governmental consolidation involves larger initial costs that typically disappear after a few years of operations. The key challenge of full governmental consolidation involves resolving most of the issues outlined above regarding the consolidation of single service, but additionally requires management of multiple demands at one time, including the following:

- The choosing and integration of new leadership
- The management of staff morale and the potential clash of organizational cultures
- The implementation of a new employee benefit package
- The reconciliation of differences in ordinances
- The implementation of common enforcement practices
- The adoption of a single information system and the transfer of data to this system
- The potential renegotiation of contracts and on-going partnerships (e.g., with the non-profit sector of the community)

- The adoption of a common set of standard operating procedures (e.g., for purchasing, accounting, and human resources)
- The management of potential changes in service levels to citizens
- The optimization of facility allocation and management
- The emergence of new political alliances due to changes in election districts and new issue coalitions
- Managing and funding the extension of services to areas (e.g., the unincorporated area) that previously did not receive the service or the same level of service
- The development of new understandings and workable relationships with respect to the roles of key public officials (e.g., a consolidated government will typically have a new charter that may define the roles of the commission/council, mayor/chair, and manager/administrator in ways that differ from either of the former governments).
- Managing the expectations of different groups of citizens. Research suggests that it may be nearly impossible to achieve the "promise" of consolidation due in part to the fact that some of the goals of consolidation may contradict each other (e.g., it is difficult to increase efficiency without risking equity).[3]

As this list of challenges suggests, successful consolidation places a great deal of stress on the stakeholders in this process. It is not atypical for a good portion of the local government employees and citizens to be dissatisfied with the process in the years immediately after consolidation. However, this dissatisfaction appears to decline after that time. In particular, dissatisfaction tends to be concentrated among employees more than among citizens.[4]

Successful consolidation efforts generally are led by highly effective leaders "who can rally the political elite, build upon a theme that resonates in the community (specifically, economic development/growth).[5]

Successful consolidation efforts also tend to be ones where the leadership is able to parley the excitement about a new larger government and its potential for improvement into increased funding from outside sources. For example, the Unigov government of the City/County of Indianapolis was able to attract substantial federal, state and private investment to the downtown area (i.e., for every $1 spent by Unigov, $5.82 came in from other sources).[6]

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[3] See Burt Swanson's case study of Jacksonville in Savitch, H.V. and Vogel, Ronald, editors (1996). *Regional Politics: America in a Post-City Age*. Thousand Oaks, CA: Sage Publications.

[4] Durning, Dan and Nobbie, Patricia D. (2000). "Post-Transition Employee Perceptions of City-County Unification: The Case of Athens-Clarke County." *Public Administration Quarterly*, Volume 24, Number 2, pp. 140-68.

[5] Lowery, David (2001). "Metropolitan Governance Structures from a Neoprogressive Perspective." *Swiss Political Science Review*.

[6] Rosentraub, Mark (2000). "City-county Consolidation and the Rebuilding of Image: The Fiscal Lessons from Indianapolis's Unigov Program." *State and Local Government Review*, Volume 32, Number 3, pp. 198-212.

Consolidation Experience of selected communities in Georgia

As a means to provide a more interactive learning experience on governmental consolidation, the Institute of government brought several practitioners to speak with the 2005 Consolidation Committee of Toccoa Martin Avalon and Stephens County. Below is a summary of their primary points and experiences about consolidation.

Speaker Topics as Presented to the Toccoa Stephens Consolidation Committee

October 24, 2005
Bob Snipes – Deputy Manager, Athens-Clarke County Unified Government
Mr. Snipes covered the history of the Athens-Clarke consolidation process. His experience in the community dates to pre-consolidation as he served as the County Traffic Engineer and the City Public Works Director before consolidation. He now works as the Deputy Manager for the Unified Government. He covered some of the political and practical issues in Athens-Clarke's unification as well as describing how the current government works. He noted that the tax rate had not increased since unification, and in fact has decreased slightly. Furthermore, the number of employees per capita had not increased since unification, resulting in greater efficiencies.

October 31, 2005
Joseph (Jack) Lumpkin – Police Chief, Athens-Clarke County Unified Government, former police Chief in Toccoa.
Chief Lumpkin gave an overview of the police versus Sheriff functions in Athens-Clarke County. He noted that prior to consolidation both Athens and Clarke County had police departments and the Sheriff focused on the constitutional functions dealing with the Jail, the Courthouse and the court system. As part of the discussion, Chief Lumpkin explained how he limited transition costs and how department integrated two prior police department cultures.

November 7, 2005
John Culpepper – Finance Director, Athens-Clarke County Unified Government
Mr. Culpepper's experiences in the Finance Department prior to consolidation as well as his current responsibilities as the Finance Director, gave the Study Committee an opportunity to learn the historical perspective on the fiscal issues in Athens and Clarke County. He explained the budget process and the use of special taxing and service districts that enable the government to provide differing levels and kinds of service to different areas of the community while assuring that the cost is appropriately apportioned to the recipients of the service.

November 16, 2005
Doug Westbery – Manager, Cusseta – Chattahoochee County Consolidated Government

Mr. Westbery provided a detailed account of the events and processes that led up to the most recent consolidation in Georgia: Cusseta and Chattahoochee County. He described how the existing debt of the city was handled and the benefits that have accrued to the new government since unification.

November 28, 2005
Harry Franklin – Reporter, Columbus Ledger Enquirer – Columbus Georgia
Mr. Franklin provided the background on the movement for consolidation in Cusseta Chattahoochee County. He has followed several consolidation efforts around the state and gave his views of the benefits associated with this form of government.

Chapter 3
Overview of the City of Toccoa and Stephens County

As a means of better understanding the opportunities and barriers to consolidation, it is important to first understand the community itself. As part of that, this chapter provides a brief overview of one, the demographic and economic characteristics of the county and two, the operations of the City of Toccoa and Stephens County.

Demographics

As Table 2 indicates, approximately 40 percent of the population of Stephens County lives in the three cities in the county, with the remaining half living in the unincorporated area. Based on the difference between the 1990 and the 2000 census, the growth in population (with the exception of Avalon and Martin) appears to be slightly greater in the unincorporated part of the county than in the incorporated part.

Table 2: Population of Stephens County and the Cities in Stephens County

	Population			Growth (%)	
Community	1980	1990	2000	1980-90	1990-00
Stephens County	21,761	23,436	25,435	7.7%	8.5%
Avalon	200	159	278	-20.5%	74.8%
Martin	305	243	311	-20.3%	28.%
Toccoa	9,104	8,720	9,323	-4.2%	6.9%

The following three tables show the population growth for the three counties surrounding Stephens County (Banks, Franklin, and Habersham). Each of these counties has experienced growth that is significantly greater population growth than Stephens County.

Table 3: Banks County Population Growth

	Population			Growth (%)	
Community	1980	1990	2000	1980-90	1990-00
Banks County	8,702	10,308	14,422	18.5%	39.9%
Homer	734	742	950	1.1%	28.%
Maysville	619	728	1,247	17.6%	71.3%

Table 4: Franklin County Population Growth

	Population			Growth (%)	
Community	1980	1990	2000	1980-90	1990-00
Franklin County	**15,185**	**16,650**	**20,285**	**9.6%**	**21.8%**
Canon	704	737	755	4.7%	2.4%
Carnesville	465	514	541	10.5%	5.3%
Franklin Springs	797	700	762	-12.2%	8.9%
Lavonia	2,024	1,840	1,827	-9.1%	-.7%
Royston	2,404	2,563	2,493	6.6%	-2.7%

Table 5: Habersham County Population Growth

	Population			Growth (%)	
Community	1980	1990	2000	1980-90	1990-00
Habersham County	**25,020**	**27,622**	**35,902**	**10.4%**	**30.%**
Alto	618	651	876	5.3%	34.6%
Baldwin	1,080	1,439	2,425	33.2%	68.5%
Clarkesville	1,348	1,151	1,248	-14.6%	8.4%
Cornelia	3,203	3,219	3,674	.5%	14.1%
Demorest	1,130	1,088	1,465	-3.7%	34.7%
Mount Airy	670	543	604	-19.%	11.2%
Tallulah Falls	162	147	164	-9.3%	11.6%

Race

Stephens County, both countywide and in the cities, is less racially diverse than the statewide population. According to the 2000 Census, across all of Stephens County, 85.7 percent of the residents were White and 12.0 percent were Black. Hispanics, who can be identified as either White or Black in the Census data, made up 1.0 percent of the county's population. Toccoa has a larger minority population with 75.5 percent of the residents identifying themselves as White and 21.5 percent as Black, according to 2000 Census. Hispanics, who may be identified as either White or Black, represented 1.4 percent of the city's residents. The town of Avalon has a population that is 91.7 percent White and 7.9 percent Black or African-American, while the Town of Martin is 72.0 percent White and 26.4 percent Black or African-American. Statewide, 65.1 percent of residents were White, 28.7 percent were Black, and 5.3 percent were Hispanic.

Age

The population across Stephens County is slightly older than the state as a whole. Countywide, 23.5 percent of Stephens County residents were age 18 or younger, while 15.6 percent were age 65 or older. Similarly, 22.4 percent of Toccoa's residents were age 18 or younger, while 20.7 percent were age 65 or older. Statewide, 26.5 percent were age 18 or younger and only 9.6 percent were age 65 or older. Looked at another way, according to the U.S. 2000 Census, the median ages for Stephens County (countywide), Toccoa, Avalon, and Martin were 37.5, 39.2, 36.5, and 37.5, respectively while the median age statewide was few years younger at 33.4.

Female Headed Households

Countywide, there are fewer households with children headed by females (6.2 percent) than the statewide average of 8.6 percent.[7] In Toccoa, the percentage of households with children headed by women closely resembled the state average at 8.8 percent.

The average older age of residents in Stephens can be seen in the total number of households with children under 18 as well. Thirty percent (30.5) of all households in the county included children under the age of 18 compared to the statewide average of 35.0 percent. Furthermore, 16.4 percent of the heads of households in Toccoa were 65 years or older in age, compared with the statewide figure of just 7 percent.

Economics

In Stephens County, manufacturing is the largest employment sector providing 35.0 percent of the jobs. The other predominant employment sectors are services and retail trade. Statewide, the service industry is the largest employment sector, contributing 25.6 percent of the state's jobs. The relatively greater emphasis on manufacturing in the county suggests that the economic base of the community may be more vulnerable than average. That is, were Stephens more like the rest of the state, i.e., with a greater preponderance of service jobs than manufacturing jobs, it would be less susceptible to the national trend of an export of manufacturing jobs to low cost areas of the world.

During 1997, 16.5 percent of the county's population lived below the poverty level, compared with Georgia's rate of 14.7 percent and the national rate of 13.3 percent. In addition, 26.2 percent of the children under the age of 18 lived below the poverty level in Stephens County.

Stephens County (countywide) median family income, according to the 2000 Census, was $35,660. The Median Family Income for Toccoa equaled $31,912. For Avalon, median family income was 35,625 and Martin's was somewhat higher at $43,750.

[7] U.S. Census Bureau. 2000. www.factfinder.census.gov

Government

The following table outlines how the governments of Stephens County arrange for the provision of services to their citizens. The data are drawn from the County and Cities' 2004 Service Delivery Strategy Agreement. As one can see, Stephens County and Toccoa have little overlap and therefore little duplication in service provision. This coordination and assignment of primary responsibility permits more efficient service delivery. The cost of these services and the revenues generated to provide them are discussed in Chapter 4, Financial Condition. The Cities of Avalon and Martin are not analyzed because these communities do not provide financial information to the Georgia Department of Community Affairs.

Table 6
Services Provided by Stephens County and the City of Toccoa

Community	Animal Control	Building Inspections	Building Permits	Construction and Code Enforcement	Emergency Medical Services	E911	Fire Protection
Stephens	Joint with Toccoa	Direct Government Provision	In house, joint with Toccoa	Direct Government Provision	Local Government Authority Provision	Partial	Direct Government Provision
Toccoa	In house, joint with Stephens	Direct Government Provision	Direct Government Provision	Direct Government Provision	Available, but not through local government	Partial	Direct Government Provision
Avalon		Agreement with Other Local Government	Agreement with Other Local Government	Agreement with Other Local Government	Available, but not through local government	Available, but not through local government	Agreement with Other Local Government
Martin		Agreement with Other Local Government	Agreement with Other Local Government	Agreement with Other Local Government	Available, but not through local government	Available, but not through local government	Joint, with Stephens

Table 6 Continued								
Community	Health Screening	Jail	Law Enforcement	Planning	Public Hospital	Public Transit	Senior Citizen Programs
Stephens	Local Government Authority Provision	Direct Government Provision	Direct Government Provision	Not Provided	Local Government Authority Provision	Not Provided	Direct Government Provision
Toccoa	Available, but not through local government	Joint, with Stephens	Direct Government Provision	Direct Government Provision	Available, but not through local government	Not Provided	Available, but not through local government
Avalon	Available, but not through local government	Agreement with Other Local Government	Agreement with Other Local Government	Direct Government Provision	Available, but not through local government	Not Provided	Available, but not through local government
Martin	Available, but not through local government	Agreement with Other Local Government	Agreement with Other Local Government	Direct Government Provision	Available, but not through local government	Not Provided	Available, but not through local government

Stephens	Not Provided	Not Provided	Agreement with Other Local Governments	Agreement with Other Local Governments	Agreement with Other Local Governments
Toccoa	Direct Government Provision	Direct Government Provision	Direct Government Provision	Direct Government Provision	Direct Government Provision
Avalon	Not Provided	Not Provided	Agreement with Other Local Governments	Agreement with Other Local Governments	Agreement with Other Local Governments
Martin	Not Provided	Not Provided	Direct Government Provision	Direct Government Provision	Direct Government Provision

Though small, the Cities of Avalon and Martin are considered "active cities" under state law and therefore have the same rights and privileges of any other municipality in the state. The citizens of these communities could choose to consolidate with Stephens County or not. For example, the City of Winterville chose not to consolidate with Athens-Clarke County and still exists as an independent local government. Of course, if Stephens and Toccoa consolidated all unincorporated land would be eliminated and the remaining cities would be unable to annex additional land. Cities choosing not to consolidate with the county likely benefit from boundary agreements with Stephens County.

Human Resources

The largest category of expense for essentially all governments is personnel. As such, how a governmental consolidation might impact personnel expenditures is particularly important. Personnel expenditures extend beyond salaries and include health benefits, retirement benefits, wellness programs, and even pay and sick leave. The last benefit is important to consider because the more generous the benefit, the more employees will be needed to meet service demands. Below is a brief overview of the kinds of personnel benefits Stephens County and Toccoa offer their employees.[8]

Stephens County

Stephens County offers health, dental, and retirement benefits, paid days for sick and annual leave, civil and military leave pay, tuition reimbursement, uniforms for employees within particular departments, life insurance ($10,000 with employee co-pay), and wellness programs. Employees can purchase long-term disability insurance and higher levels of life insurance if they so choose.

The retirement benefit is a defined-contribution plan which means the county agrees to pay a defined amount of money to the employee which is then invested on the employee's behalf. The county does not have any liability to the employee beyond that regular contribution. After vesting with the government, if the employee leaves the organization, he or she may "take" his or her retirement earnings to the new job. This type of retirement plan is most used in the private sector and is often referred to as 401K plans. Currently, the county agrees to contribute 10 percent of each employee's gross salary for retirement and employees are vested with the organization after five years of service.

The health benefit package represents a standard, government package in that the government pays 100 percent of the employee's health insurance premiums and an employee contributes to have dependents included on their health insurance.

Annual leave is calculated based on length of service with the organization, thereby rewarding employees who remain with Stephens County while the sick leave benefit is the same for all employees, regardless of length of tenure.

Annual leave:

1 year of service:	3.33 hours per month = 5 days annually
2 – 10 years of service	6.67 hours per month = 10 days annually
10 years and higher	10 hours per month = 15 days annually

Sick leave is acquired at 4 hours per month, equaling 6 days per year for all employees.

City of Toccoa

Toccoa offers health, dental, and retirement benefits, paid days for sick and annual leave, civil and military leave pay, uniforms for employees within particular departments, and

[8] Because of the City of Martin has one employee, transition costs with consolidation would be minimal.

life insurance (equal to employee's salary). Employees can purchase long-term disability insurance and higher levels of life insurance if they so choose.

The City's offers its employees a defined-benefit retirement plan. Under this type of plan, the organization agrees to pay an employee a set amount of money each month at retirement, once the employee has vested with the organization. For the City, employees vest with the organization after five years. The amount of money the employee is entitled to is typically based on a formula involving years of service and salary at time of retirement. In the case of Toccoa, the formula is years of service multiplied by the average of the worker's five highest paying consecutive years of service. To ensure that the organization has sufficient revenue to pay the employee when he or she retires, the organization will set aside money into a retirement fund. The amount set aside is based upon actuarial assumptions of when the employee will retire, future salaries of the employee, and interest earnings on the investment. The Georgia Municipal Association manages Toccoa's retirement plan.

The health benefit package represents a relatively generous government package in that the government pays 100 percent of the employee's and his or her dependents' health and dental insurance premiums.

Both annual and sick leave are calculated based on length of service with the organization, thereby rewarding employees who remain with the City of Toccoa.
Annual leave:

1 – 5 years of service:	10 days annually
6 – 10 years of service:	12 days annually
11 - 15 years of service:	15 days annually
16 years and higher:	18 days annually

Sick leave:

1 year of service:	6 days
2 years of service:	9 days
3 years and higher:	12 days

In sum, both organizations provide their employees with a comprehensive benefit package. This study did not examine salaries and therefore cannot make comparisons on this foundational governmental expenditure. To the extent that services between the two governments differ (i.e., only one government provides water service), equalization of salaries becomes less of an issue in governmental consolidation. However, if a consolidation was to occur, all salaries and benefits should be reviewed for fairness and to ensure employee support of the consolidation.

Chapter 4
Financial Condition

In governmental consolidation, the two governments combine their finances, making an understanding of these entities' financial condition particularly important. All assets and liabilities are combined and transferred to the new, single government. Below is a brief overview of the fiscal status of the City of Toccoa and Stephens County. Because these governments provide different services, their financial conditions should not be directly compared. For example, Stephens County's budget includes all the constitutional officers who serve the entire county and the City of Toccoa's budget includes two large utilities (natural gas and water services).

Using data from the University of Georgia's Tax and Expenditure Data Center (TED Center) and the governments' budgets and Consolidated Annual Financial Reports (CAFR), the analysis includes both cross-sectional (annual) and trend data to see changes over time. In order to appropriately compare dollars over time, we convert current or annual dollars to real dollars. In doing so, we remove monetary increases due to inflation. Population data come from the U.S. Census Bureau for the years 2000 through 2004. Please note this analysis is not meant to be a definitive statement on the financial condition of either community but simply provides some insights into questions that public officials and the public may want to consider when evaluating the merits of consolidation.

Based on U.S. Census estimates, the populations of the City of Toccoa and Stephens County have been steady to slowly declining for the past five years. This change may become an issue to the extent population loss results in excess capacity for services with high fixed costs and/or that cannot be easily reduced, such as the water system. Furthermore, a smaller population may lead to a smaller tax base as well but not necessarily if commercial enterprises increase and attract customers from outside the area. If excess housing stock increases, supply will increase and may reduce housing values. These lower values in turn decrease the tax digest, requiring the government to either raise millage rates or reduce services. However, the governments may not want to enter a cycle of increasing tax rates on a shrinking population which can encourage further county/city emigration.

Budget Format

Stephens County and the City of Toccoa utilize traditional, line-item budget formats for their annual operating budgets. This type of budget is relatively easy to understand and increases fiscal accountability. For both governments, the budgets are clear and concise as well. The governments have the same fiscal year (July 1st through June 30th), which should make a transition to a consolidated government easier. However, the governments use different financial management software systems and the transition for one government to another system or developing a new financial system could be an expensive one-time cost.

Adhering to GASB (Governmental Accounting Standards Board) accounting standards, Stephens County and the City of Toccoa utilize governmental and enterprise funds for financial management. Enterprise funds segregate the finances of government services that are expected to pay their own way or as some say, "run like a business" (e.g., water, natural gas). As such, customers pay the full cost of the benefit they receive through user charges and fees. These services are accounted for separately from general government services, like fire and police where individual benefit and cost cannot be closely matched. Stephens County has enterprise funds for its solid waste system and telephone/EMS system. Toccoa has several enterprise funds for its utilities including natural gas, solid waste, and water and wastewater plus an enterprise fund for the golf course. Stephens County does not have a separate fund for unincorporated services because nearly all the services funded from the general fund are countywide.[9]

It appears that neither government has fiduciary funds for employee pensions. As discussed previously, Toccoa relies on the Georgia Municipal Association to manage its defined-benefit pension fund and Stephens County provides a defined-contribution retirement benefit. In terms of fiscal solvency, Stephens County's pension plan is fully funded (100%) and the City of Toccoa's pension obligation is funded at 94.9 percent of actuarial liability (FY 2004).

Revenues for Governmental Activities

Both governments rely on a variety of revenue sources, stabilizing their tax bases and limiting steep fluctuations. For Toccoa, the largest revenue sources are the charges from utilities, property taxes, and sales taxes but of course, the charges for utilities are spent to run the utilities. The county relies primarily on property taxes and sales taxes to run governmental operations.

Property Taxes

Property taxes, although one of the least popular taxes, are a critical source of revenue for local governments. Property taxes also have the benefit of being very stable from year to year because one, assessed values do not rapidly change (typically) and two, collection rates are very high.

Millage rates represent the tax rate on the assessed value of real and personal property. It is the multiplication of the millage rate by the assessed value of property which determines property tax revenues. If property values increase and millage rates stay the same then tax revenue increases, and vice versa. Table 7 lists the millage rates for the four governments in Stephens County over the last ten years. The millage rates show the variance in responsibilities and access to revenue sources across the four governments. From the table, one can surmise that Avalon and Martin rely on their portion of the local option sales tax to provide limited services. The changes in millage rates for Stephens County and Toccoa are discussed in more depth later.

[9] The two exceptions appear to be animal control which the county jointly provides with Toccoa and the volunteer fire department.

Table 7 Millage Rates 1995 - 2004				
Year	**Stephens County**	**City of Toccoa**	**City of Avalon**	**City of Martin**
2004	10.62	7.65	0.00	0.50
2003	10.62	7.65	0.00	0.00
2002	9.90	7.66	0.00	0.50
2001	9.90	4.66	0.00	0.50
2000	7.10	4.05	0.00	0.50
1999	7.54	4.30	0.00	0.50
1998	7.73	4.30	0.00	0.50
1997	8.73	4.30	0.00	0.50
1996	9.23	4.30	0.00	0.50
1995	9.23	4.30	0.00	0.50

Source: Georgia Department of Revenue.

Table 8 Gross Tax Digest 2000-2004						
Year	**Stephens County**	**Annual Growth**	**City of Toccoa**	**Annual Growth**	**Pct Countywide Digest[1]**	
					Toccoa	**Unincorporated**
2004	654,578,648	1.85%	174,936,326	0.15%	26.73%	72.08%
2003	642,667,408	0.56%	174,680,292	1.48%	27.18%	71.61%
2002	639,059,140	1.03%	172,134,935	0.89%	26.94%	71.82%
2001	632,556,741	6.53%	170,612,680	4.35%	26.97%	71.77%
2000	593,801,206		163,494,924		27.53%	71.13%

Source: Georgia Department of Revenue.
1. The remaining digest is within the Cities of Avalon and Martin.

For both the County and the City, increases in the tax digest have been modest for the past five years. Stephens and Toccoa saw the largest annual increase in their tax digest in 2001, with the County's digest increasing by 6.5 percent and the City's by 4.4 percent. A majority of the growth in the County's digest is occurring outside Toccoa but because development has been limited, the percent of the countywide digest in Toccoa has remained relatively unchanged for the past five years. To the extent that growth in the unincorporated area continues, the county may experience pressure to provide more urban-type services, making consolidation a more attractive option.

City of Toccoa
Toccoa's reliance on property taxes is fairly low, particularly when compared to other cities across the state. As a percent of total operating revenues (governmental and enterprise), less than 4 percent of Toccoa's revenues come from real property taxes while

the average of cities across Georgia is over 9 percent.[10] In 2002, the city needed to raise its millage rate by 3 mills but the tax rate has remained stable since that time (see Table 7), increasing the per capita tax revenue by $30 in real dollars.[11] The rate increase appears to coincide with the city's limited ability to transfer revenues from the natural gas fund. The delay between the higher millage rate in 2002 and property tax revenues is because property taxes reflect the prior year's assessment. The relatively large increase in property tax revenue as a percent of all revenue in 2003 is due to lower LOST revenues for that year (see below). However, increased reliance on the property tax is not a negative fiscal sign because of that tax's overall stability.

Table 9
City of Toccoa Property Taxes
2000 - 2004

Fiscal Year	Real Property Taxes (per capita real dollars)	Pct. Property to Operating Revenues
2004	$68.81	16.63%
2003	$74.51	25.7%
2002	$42.53	14.8%
2001	$36.60	14.3%
2000	$38.73	15.2%

Source: Georgia Department of Revenue, Georgia Department of Community Affairs. CPI index: Bureau of Labor Statistics, Southern States: 1 = 1984.
1. Total operating revenues less charges for utilities (e.g., solid waste, telephone), resulting in operating revenues for governmental activities.

Stephens County

With property taxes constituting approximately one-third of governmental revenues, Stephens County relies on this tax in amounts similar to other Georgia counties.[12] Like Toccoa, the county has found it necessary to raise millage rates (3.52 mills) to fund governmental services; however, the current tax rate is similar to that from the mid-1990s (see Table 7). In other words, the rate has remained stable over time. The largest per capita property tax collection occurred in 2002, when sales tax collections decreased. Although per capita property taxes have increased, expenditures per capita have decreased over the same time period. This means that another revenue source has decreased, forcing the county to look to property taxes to balance the budget.

[10] Carl Vinson Institute of Government Tax and Expenditure Dataset (TED). www.cviog.uga.edu
[11] The term, "real dollars," removes increases in revenues or expenditures that are due to inflation. By converting figures to real dollars we can accurately make comparisons across time. The base line from which inflation is measured in 1984, meaning that current dollars are what they would have equaled in 1984's purchasing power.
[12] Carl Vinson Institute of Government Tax and Expenditure Dataset (TED). www.cviog.uga.edu

Table 10 Stephens County Property Taxes 2000 - 2004			
Fiscal Year	**Millage Rate**	**Real Property Taxes (per capita real dollars)**	**Pct. Property to Operating Revenues**
2004	10.62	$112.72	36.0%
2003	10.62	$118.09	45.5%
2002	9.90	$128.56	45.0%
2001	9.90	$77.57	29.1%
2000	7.10	$89.79	35.0%

Source: Georgia Department of Revenue, Georgia Department of Community Affairs, Stephens County Annual Financial Report, 2004.
CPI index: Bureau of Labor Statistics, Southern States: 1 = 1984.
1. Total operating revenues less charges for utilities (e.g., gas, water, golf course, solid waste), resulting in operating revenues for governmental activities.

Sales and Use Taxes

Best practices typically advise governments not to rely too heavily on elastic tax sources (e.g., general sales and use taxes), which can decrease rapidly during economic downturns and cause fiscal stress. However, this elasticity also provides for increasing revenues during times of economic growth. Additionally, sales and excise taxes are typically regressive when measured with annual income and therefore may have additional policy concerns.

The governments levy a sales tax with rate totaling two percent with one percent going toward general operations (i.e., LOST) and one percent for infrastructure projects (i.e., SPLOST). Because SPLOST only funds capital projects, it does not directly impact general operating revenues, making it less of a concern for fiscal health. More importantly, these projects are within the unincorporated and incorporated areas and would be unaffected by consolidation. Therefore, this analysis focuses on LOST.

Table 11 "LOST" Revenue for Stephens County 2000 - 2004				
Fiscal Year	**LOST Revenue (current dollars)**	**LOST Revenue (real dollars)**	**Per Capita (real dollars)**	**Pct. Sales to Operating Revenues[1]**
2004	$1,874,459	$1,046,307	$41.87	13.4%
2003	$1,792,026	$1,021,097	$40.49	15.6%
2002	$1,688,075	$982,296	$38.47	13.5%
2001	$1,758,203	$1,036,676	$40.58	15.2%
2000	$1,522,796	$925,149	$36.37	14.2%

Source: UGA TED Center, Stephens County Annual Financial Report, 2004.
CPI index: Bureau of Labor Statistics, Southern States: 1 = 1984.
1. Total operating revenues less charges for utilities (e.g., solid waste, telephone), resulting in operating revenues for governmental activities

As a percentage of its operating revenues, Stephens County does not rely heavily on general sales and use taxes, making it relatively immune to economic fluctuations. Revenues have increased some but not substantially over the last five years ($5.50 per capita) when measured in real dollars. The 2002 fiscal year showed a decrease in LOST revenue of over $50,000 from 2001 which may be the result of the national recession.

Table 12 "LOST" Revenue for City of Toccoa 2000 - 2004				
Fiscal Year	**LOST Revenue (current dollars)**	**LOST Revenue (real dollars)**	**Per Capita (real dollars)**	**Pct. Sales to Operating Revenues[1]**
2004	$1,023,249	$571,169	$61.92	14.96%
2003	$1,092,106	$622,283	$66.70	23.01%
2002	$1,259,218	$732,743	$77.95	27.12%
2001	$1,213,605	$757,611	$80.69	31.5%
2000	$1,213,605	$737,306	$79.08	31.1%

Source: UGA TED Center
CPI index: Bureau of Labor Statistics, Southern States: 1 = 1984.
1. Total operating revenues less charges for utilities and "other" from DCA data (e.g., solid waste, water, gas), resulting in operating revenues for governmental activities.

Toccoa relies more heavily on sales and use taxes, as measured by sales tax revenue as a percent of governmental operating revenues, which may put the government at risk of fiscal stress during economic downturns. However, that percentage is decreasing which is positive. Like Stephens, revenues have fluctuated but still increased $17 per capita (real dollars) over the last five years.

Interfund Transfers

As part of their financial management systems, governments regularly transfer revenues between funds. The most frequent kind of transfer is from an enterprise fund to the general fund, which occurs for many reasons. The most common justification is to adjust for operating expenditures incurred within the general fund on behalf of the enterprise fund such as for billing costs or time spent by the finance or personnel offices in managing the enterprise.[13] A second justification for transfers is that the transfer is a payment in lieu of taxes (PILTs) and/or franchise fees. Under this justification, local officials argue that if the enterprise were privately owned, such as a private golf course, the government would receive property tax revenues from the golf course owner. A third justification posited by government officials is that as owners of the enterprise, the city is entitled to a "profit" or compensation for exposing the city and her taxpayers to the risk of an enterprise. Those revenues in excess of expenditures are transferred to the general fund for miscellaneous expenditures.

The consequences of transferring revenues from enterprise funds to general fund are to reduce reliance on general taxes, like property taxes, and shift payment to customers of the enterprise. To the extent that customers live outside the jurisdiction, the government has effectively exported some tax burden.

Transfers from the general fund to enterprise funds subsidize that service. The justification is that the service has benefits that extend beyond the individual customer to the wider community. For example, local governments often subsidize community pools so children have a safe place to play during the summer.

Historically, Toccoa has transferred revenue from enterprise funds to the general fund in order to keep property taxes as low as possible. Until the last few years, the majority of these revenues came from the natural gas fund. However, expansion of the natural gas pipeline into North Carolina required significant borrowing and until the customer base expands, surplus revenues will not be available for transference to the general fund for several more years into the future. It is important to note that the natural gas fund is self-funded and does not receive money from the general fund. Currently, two other of Toccoa's enterprise funds transfer revenue to the general fund: water and solid waste. Combined, these two funds have transferred between $2.04 and $2.13 million dollars annually over each of the last four fiscal years.

Stephens County transferred $144,371 from the general fund to the solid waste fund but there were no transfers into the general fund from the enterprise fund.

[13] Notably, one of the significant changes in reporting procedures under GASB 34 is how these operating procedures are captured. Historically, money was often transferred between funds. Now these operating expenditures may be listed as a reduction in expenditure in the general fund instead of transferring revenues for operating expenditures to the general fund.

Expenditures

The City of Toccoa and Stephens County provide different services to their citizens, reflecting the traditional roles of cities and counties and making budget comparisons inappropriate.

Stephens County provides funding for traditional countywide services such as the four constitutional officers, health and welfare, state courts, library, a landfill, and a recreation department. Other county services include a senior center, airport authority, and economic development program. The Public Works Department focuses its attention on unincorporated roads but these roads serve the entire county and therefore the county considers this a countywide service. Animal control, another "typical" county service is jointly provided with Toccoa. Within the general fund, the county funds one service which primarily serves the unincorporated areas: the volunteer fire department at levels ranging from $125,000 to $150,000 a year.

When measured in real dollars, county spending for operations has decreased by $738,268 or 10.6 percent. In 2002, the county significantly decreased its spending in response to the drop in sales tax revenues. When sales tax revenues rebounded in 2003, spending went up accordingly but at a level much smaller than that in 2001. Overall, the county has increased operational efficiencies over the last five years. Continued spending reductions may impact service quality however and the impact of which should be considered when evaluating future spending plans.

Toccoa offers its citizens the traditional municipal services such as police, professional fire service, public works, zoning and planning, and solid waste. The city also provides utilities (e.g., water, gas) countywide through enterprise funds. The larger per capita expenditures reflect the cost of these additional services, particularly utilities. It is important to note that the per capita spending figures may be a bit misleading because they include utilities which have customers well beyond the city limits. In fact, the growth in the Toccoa budget is due to the enterprise funds, particularly the gas fund, which has increased approximately 80 percent over the last five years.

Table 13 Expenditures 2000 – 2004				
	City of Toccoa		Stephens County	
Fiscal Year	Total Operating Expenditures[1] (real dollars)	Per Capita Expenditures (real dollars)	Total Operating Expenditures[1] (real dollars)	Per Capita Expenditures (real dollars)
2004	$13,558,876	$1,469.80	$6,227,985	$249.24
2003	$14,008,660	$1,501.63	$6,543,637	$259.50
2002	$13,246,264	$1,409.18	$4,817,050	$188.65
2001	$13,626,065	$1,451.28	$7,329,333	$286.91
2000	$10,317,747	$1,106.70	$6,966,253	$273.88

Source: UGA TED Center, Stephens County Annual Financial Report, 2004 and City of Toccoa Annual Financial Report, 2004.
CPI index: Bureau of Labor Statistics, Southern States: 1 = 1984.
1. Includes governmental operating activities and enterprise funds.

Debt

Simply stated, public debt is money owed by a government to another entity. Debt can be long-term, which means it will be repaid over several years or short-term, which will be repaid in less than one or two years. Debt is neither good nor bad, but rather it is important to know how the money was spent and whether the government has sufficient funds to repay the debt without incurring undue hardship on taxpayers or customers.

General government debts are obligations that should be repaid using general taxes, such as property taxes. Both Toccoa and Stephens County have long-term debt to be repaid from the general their funds. In Toccoa, the total debt in 2004 equaled $1,292,574, which is for fire and police activities. Stephens County's long-term debt comes from lease-purchase agreements and totaled $467,067 in FY 2004 (excludes uncompensated absences). However, neither government has any general obligation debt. In sum, the governmental debts are relatively low for both jurisdictions, removing this concern for governmental consolidation.

As mentioned earlier, enterprise funds manage the finances of business-type activities, like utilities. Therefore, enterprise debt is repaid from the service itself through user charges and not from general taxes. In other words, the liability resides with the enterprise. The public, as represented by the government, has not promised the lender to repay the debt and so the government has not pledged its full faith and credit (and therefore taxing authority). Instead, the enterprise must raise sufficient revenue to repay its debt, which can translate into higher user charges. In the case of Toccoa, customers of the natural gas and water utilities and the golf course (who reside beyond the city limits) repay the debt and not only the residents of Toccoa. Toccoa property taxes do not repay debt from the utilities. The enterprise funds in Toccoa do have a significant amount of debt however (see table below) with the natural gas fund holding the largest amount of debt. The debts from the water and sewer and natural gas funds comprise equipment leases, notes, authority bonds, and revenue bonds.

Table 14 Outstanding Debt from Business-Type Activities City of Toccoa		
	2003	**2004**
Water and Sewer Fund	$15,587,896	$14,759,877
Toccoa Natural Gas	$26,886,949	$26,221,127
Golf Fund	$72,677	$50,312
Total Outstanding Debt	*$42,547,522*	*$41,031,315*

Source: Toccoa Consolidated Annual Financial Report, 2004. pg. 9

Stephens County also has a small amount of business-type debt from capital leases and closure/post closures costs associated with the landfill (solid waste fund). This debt totaled $1,242,244 in 2004.

Cash Management

Cash management involves the prudent management of the government's resources so that revenues are available to pay liabilities on a timely basis while maximizing the government's investment opportunities. Because the influx of revenues and the payments of liabilities typically mismatch, governments maintain cash balances. If sufficient cash is unavailable, the government may need to borrow money on a short-term basis. Although typically repaid within the same fiscal year, interest is paid on the loan creating an additional cost to the government. In contrast when governments have a healthy cash balance, finance officers will invest it, earning money for the community. Revenues from these investments are an indication of the government's cash balance. There is no exact dollar amount that governments should have available as cash but a standard fiscal policy would ensure enough cash to minimize short-term borrowing or tax anticipation notes. In determining the appropriate balances for funds, particularly the general fund, public officials will often think in terms of days of cash on hand or the balance being a percent of the general operating budget.

Toccoa appears to have had a very small cash balance over the last few fiscal years. Earnings from their investments were less than $1,000 in each of the 2002, 2003, and 2004 fiscal years. Furthermore, in 2004 the city borrowed $400,000 through a short-term loan which was repaid that year.

Although much larger than Toccoa's, Stephens County's investment earnings have been decreasing. In 2001, the County earned over $150,000 from investments which has decreased to just over $34,000 in 2004. In 2001, the County paid over $710,000 in short-term loans and interest but this cash short-fall appears to have been remedied.

Chapter 5
Opportunities for Functional Consolidation

Functional consolidation is the merging of a single type of service provided by two or more governments. Both governments retain some level of financial responsibility for the service but only one government produces the service. Functional consolidation can increase operational efficiency by reducing overhead and administrative costs. Furthermore, citizens can benefit from a higher level of service that neither of the governments individually could provide. Finally, having one government produce the service (i.e., implement it) it can reduce confusion and increase accountability to residents.

As mentioned earlier, Stephens County and the City of Toccoa offer services traditionally associated with their own form of government. To the degree that the County and City provide different services, there is less need for functional consolidation and there should be fewer problems or disruptions with full governmental consolidation. Additionally, by already having a single-service provider there are fewer opportunities to capture cost savings from governmental consolidation.

Services with a Single Producer

Toccoa and Stephens County have been and continue to be very successful in maximizing efficiencies and economies of scale by selecting a single service provider for several countywide governmental services. In particular, a single provider offers natural gas (city), water (city), library (county), senior services (county) as well as the "traditional" services such as courts, tax assessor, EMA, and the coroner. In the beginning of 2006, the County will also provide all E-911 services, including police dispatch. Because there is only one provider for the entire county, functional consolidation is a moot point and governmental consolidation should not significantly impact these services either in increasing or reducing management costs.

The governments have chosen to jointly support animal control and the airport authority. The city and county recently renegotiated the animal control funding agreement based on activities within the jurisdictions. Currently, the county contributes 70 percent of the program cost and Toccoa pays the remaining 30 percent. Savings may be realized in the animal control program if the Humane Society decided to open a facility in the county. Currently, Toccoa both picks up and keeps the animals. In many other communities across the state, governmental animal control costs are offset because the Humane Society will keep the animals and can do so less expensively by soliciting donations and retaining volunteers to help implement their programs. Because both the city and the county contribute resources to animal control, we would consider this service to be functionally consolidated. In contrast, the airport is managed by an authority in which both Stephens and Toccoa appoint members to the airport's board.

Previous Functional Consolidation Efforts

Toccoa and Stephens have functionally consolidated other services but these agreements are no longer in existence. For example, Toccoa used to provide some building inspection services in the unincorporated part of the county and in return, the city would keep all the building inspection fees. This arrangement has since ended leaving the unincorporated area without a building inspection program; however, growth in the area has been minimal, making the need less critical. As the entire community begins a more rapid pace of development, both Stephens County and Toccoa may want to consider jointly hiring a full-time building inspector.

Opportunities for Functional Consolidation

There may exist some cost savings and convenience to property owners by consolidating tax collection services between the Tax Commissioner and the City. Toccoa collects its own property taxes using the established billing infrastructure needed by the utilities within the City Finance Office. Under functional consolidation, the Tax Commissioner would send Toccoa residents a combined city-county property tax bill. Of course, the Commissioner would charge the city for this service but it should be less than what the city currently pays to biannually send tax bills to approximately 7,600 owners (2004 property tax parcels). Agreements between the City and the Tax Commissioner would also have to be made regarding the tax payment process and penalties for late payment of city tax bills.

The other service that might be amenable to functional consolidation is recreation. Prior to their Service Delivery Agreement in 2000 the city and county had a consolidated department but the governments declined to continue that relationship. Currently, the County provides the majority of recreation services for the community including children's programs (e.g., football, basketball, art) and adult programs (e.g., swim lessons). Only minimal funding is given to the City Public Works Department to maintain city parks ($13,669 in FY 2003) and the government leases its facilities to the YMCA in order to provide swimming, gymnastics, and soccer among other activities for residents. The city also has a nine-hole golf course managed by the Public Works Department through an enterprise fund.

Stephens County and the City of Toccoa have been very successful in reducing functional overlap by having only one government provide a service such as utilities, library services, senior services, etc. Before embarking on further functional consolidation, the governments may benefit from further understanding and resolving the issues that resulted in the dissolution of prior consolidation efforts. We believe that future functional consolidations could be beneficial and result in higher levels of services for citizens but success is highly dependent on strong support from elected officials, senior management, and the effected departmental staffs.

Chapter 6
Opportunities and Barriers to Governmental Consolidation

In researching the opportunities and barriers to governmental consolidation, the Institute of Government met with approximately sixteen community members in two focus group sessions and individually interviewed twelve county representatives (sheriff, tax commissioner, county administrator, department heads, county attorney, and development authority director) and ten city representatives (city manager, department heads, and city attorney). The interviewees offered many interesting and astute ideas regarding the opportunities and barriers to governmental consolidation as well as what steps would need to be undertaken for the public to support governmental consolidation. See Appendix C for a complete list of interviewees.

Public Perceptions and Community Culture

All consolidations require public support. As part of that, public officials and interested persons in a community can gauge the likelihood of a successful consolidation effort by the level of public interest. Therefore, a frank discussion of our interviewees' perceptions about consolidation is particularly important in understanding the opportunities and barriers to governmental consolidation.

Public perceptions and community culture are extremely powerful forces for change. To the extent the community supports consolidation, such efforts can be successful and vice versa. The Toccoa-Stephens community's culture appears to favor the stability and familiarity that come from living in a small, rural area. Additionally, based on comments from interviewees, it seems that individuals do not feel empowered to affect change in government even though several interviewees expressed frustration with perceived acrimony among county and city officials. The combined attitudes of resistance to change, lack of empowerment, and dissatisfaction with the status quo can result in a negative cycle of apathy and frustration that will stagnate a community and encourage younger members to look elsewhere. These outcomes are reflected in comments by focus group members such as "there is nothing for young people here," and "my children have left."

Creating a new form of government does involve some risk and there are no guarantees that the new government will be better than the existing situation. What consolidation does offer is an opportunity. In other communities, perceptions of acrimony among elected officials have been a means for encouraging governmental consolidation at the grassroots level. In other words, the public views consolidation as a fresh start, where public officials can work together to build a new government. However, without empowerment and a belief that positive change can be achieved and a willingness to take risks, that public effort will not occur. From the comments of the interviewees, it appears that in Toccoa and Stephens County the public's will for change and risk acceptance is not strong enough to create and maintain a community-based consolidation movement.

Interviewees also discussed identity differences between city and unincorporated residents. They said that the public does not see itself as one community but rather as two distinct groups "Toccoa" and "County." Some interviewees believe that city residents would have nothing to gain from consolidation. Ultimately, for governmental consolidation to have public support these separate identities would have to lessen and a communitywide identity would need to develop.

A couple of interviewees expressed real concern that consolidation would further politically marginalize the African-American community. In other words, anxiety exists that the gains African-Americans had achieved through representation in Toccoa would be lost with consolidation because of the lack of representation at the county level. To the extent that any minority group is under-represented, a consolidated government should carefully develop election districts that address this issue. To help ensure that occurs, U.S. Department of Justice must approve the consolidated government's charter (like any new charter) under the Voting Rights Act before it can take effect.

One interviewee stated that consolidation was unnecessary because individuals or businesses who want city services can simply annex into the city. The necessity of consolidation is an important point. If unincorporated residents do not want municipal services and they are satisfied with the current political situation, then consolidation may not be appropriate. However, simply stating that all persons wanting to be within the city can annex into it may not be a completely accurate statement and does not fully appreciate the limitations that can be imposed on residents and businesses from the contiguity requirement.

Perceptual concerns are very real barriers to governmental consolidation. To overcome them takes considerable time, energy and resources. While dissatisfaction with the status quo can be an opportunity for governmental consolidation, it must be accompanied with a willingness to accept risk and empowerment. Creating these latter two conditions would likely require substantial time and resources. Furthermore, other key issues of ensuring political enfranchisement and creating a sense of community "one-ness" are also critical issues in consolidation.

City and County Finances

City and county finances as a barrier to consolidation for the City of Toccoa and Stephens County largely appears to be a matter of perception rather than a true fiscal impediment. The primary basis for this argument is that neither government has general obligation debt. Furthermore, each entity's total governmental debt is relatively small. The revenue bond and other "business" debt owed by the City will be repaid by customers and not just city taxpayers. In fact, consolidation could financially benefit unincorporated residents in this regard. Currently, unincorporated residents partly repay the natural gas utility's debt from their utility bill (i.e., by being a customer); yet, they will not receive the benefits of relatively lower taxes and/or additional services that come from the interfund transfers to the general fund when the utility's customer base grows over the next 10 years. This assumption that the city will rely on interfund transfers from enterprises to the general fund comes from the City's historic and current financial practices.

Service Expansion and Start-Up Costs

The ability of a new government to expand municipal-type services countywide was mentioned by several interviewees as a barrier to consolidation. Currently, the city's fire department and the sewer system do not have the capacity to provide services countywide and to do so immediately would require substantial financial commitments. Interviewees expressed beliefs that unincorporated residents would expect these services immediately in order to support consolidation. Similarly, city and unincorporated residents may desire maintenance of the current solid waste disposal systems, where the former have a governmental service and the latter rely on drop off centers with per bag fees. To the extent these comments are reflective of the larger community, then these are serious attitudinal barriers to consolidation.

However, governmental consolidation does not require all services be provided countywide. A taxing district could be created to maintain the current solid waste disposal systems. Furthermore, the city residents could be within a special taxing district to fund the professional fire service and sewer system and over time, the government could expand the taxing district and these services to the wider population. Because these expansions require infrastructure improvements, they could be financed with long-term debt, which would help promote financial equity geographically and across time (generationally).[14]

Zoning and Economic Development

Many unincorporated residents prefer the independence allowed by living outside a city. In particular, they do not want zoning laws that may inhibit how they use their property. Traditionally, cities have needed higher levels of zoning and planning due to building and population densities. To address unincorporated residents concerns, a consolidated government could create different zoning districts (one urban and one rural) with different kinds and levels of ordinances. Unincorporated residents would have to trust that the consolidated government's elected officials would respect the intent of these districts and not unduly expand zoning requirements in rural areas. Without such trust, many unincorporated residents may be very uncomfortable with consolidation.

Other interviewees discussed the growth that will come to the Toccoa-Stephens area with roadway expansion underway. With population growth (either from residents or tourists), the need for planning and zoning naturally increases. To mitigate, or more beneficially, prevent negative impacts, current and future public officials should consider how to plan for this growth, which may affect all county residents. A consolidated government can be beneficial when growth is an issue because with one government, coordination is not needed and competition does not exist. For example, developers only have to work with one government rather than two. For growth to work for the community, the public

[14] Generational equity refers to current users of a benefit paying for that benefit. Because fire stations and sewer systems have long life spans (i.e., decades), future residents who use these services would help pay for them through debt repayment.

should decide on the kind of development it wants and how the development should occur.

Governmental Practices and Culture

The departmental officials overall expressed satisfaction with their government and particularly, with their employees. The culture of both governments appears to be congenial in that within a government, departments will share resources. In Toccoa, the Public Works Department will assist the Gas Department with some projects when needed and vice versa. The Public Works Department and the Planning Department are co-located which can assist customers who need building permits, inspections, etc. Toccoa's Executive Director of Downtown Development, Connie Tabor, has also begun working with the County's Development Authority Executive Director, Mitch Griggs. Coordination and joint efforts in this area are particularly important and have the potential for significant synergies.

One issue that was not fully discussed in the focus group but was brought up by a few department heads was integrating city and county departments. Although several services will not be affected under consolidation, a few key departments/services would be. These include: administration, finance, human resources, public works, and public safety (both the Sheriff/Police Department and the City Fire Department/County Volunteer Fire Department). Integrating administrative or staff services are a primary means of reducing costs in consolidation. To the degree that both the County and City have already reduced positions in these areas do to budget cuts, costs savings will be minimal because departments cannot take on more work without additional staff. For example, each government has only one person staffing the Human Resources Department. One person cannot manage the personnel needs of a consolidated government so both employees would stay. Similarly, direct service personnel, like police officers, cannot be significantly reduced because the land area to be patrolled remains the same.[15] Saving may be achieved over time due to economies of scale in service distribution. Furthermore, as a constitutional officer, the Sheriff's position and constitutional responsibilities cannot end with consolidation. The new government would need to decide if the Sheriff should continue to offer police services or whether that would transfer to a countywide police department. As for fire protection, the current situation could remain in place but perhaps with different leadership patterns. Therefore, the service delivery mechanisms in Toccoa and Stephens provide opportunities because there would be relatively fewer departmental changes needed and therefore, less conflict and harm to existing employees. However, that also means less potential for immediate cost savings by eliminating service duplication.

Considered a positive sign from a managerial standpoint, both governments benefit from little employee turnover. However this lack of turnover can make governmental consolidation more challenging. Governmental consolidation, legally, involves dissolving

[15] This is not to say the levels of service between the city and county public safety officers are the same. Due to different mandates and priorities, Police and Sheriff Departments provide different services (i.e., the latter serve warrants) and similar services at different levels.

existing departments and creating new ones. Establishing effective, new departments can be particularly challenging when combining two existing departments. The departmental cultures of the two prior governments will naturally differ and often clash when consolidated. The longer an employee has worked for an organization, the more comfortable and therefore wedded to its culture he or she is, making the transition to a new department more difficult. Furthermore, because turnover is low the opportunity to have new employees without an affiliation or loyalty to a prior government occurs less frequently, resulting in a longer time frame for transitioning to a new organizational culture. With several of Stephens County's employees readying themselves for retirement in the next few years, the opportunity to consolidate may be improved with a newer workforce less invested in the current situation.

The employee benefits package can result in costly transition costs for a consolidated government. However, the extent to which the two existing governments offer similar levels of benefits, these costs decrease. As discussed earlier, Toccoa and Stephens County offer employee benefits that are roughly similar with the City of Toccoa providing a more generous health benefits package to their employees. Based on conversations with department directors, city employees would not support having their health benefit package decreased, requiring current county employees to have a higher benefit level if consolidation were to occur. Covering more employees under Toccoa's health package will result in higher personnel costs for a consolidated government. The two governments do offer very different retirement packages but since both fund their pension plans equal or close to 100 percent, governmental consolidation would not impose much of a financial burden on either government. Current employees could choose to either be grandfathered under their current plan or switch to a new one. Research would need to be done to equalize the two plans for all future liabilities as well. In sum, there will likely be some transitional human resources costs with consolidation but not overwhelmingly so.

Currently, the City and County Finance Departments use different accounting software. As part of a consolidation, one government would either have to switch to the other's system or the government could purchase new software and have both governments switch over. In either case there would be some transitional costs for the software itself and for personnel due to training and moving the data. This type of transitional cost is nearly unavoidable but can be minimized with careful planning.

Chapter Summary

The conversations with the interviewees indicate that overall, a wellspring of support for consolidation does not exist. This desire for positive change is a foundational issue that must be addressed before consolidation efforts can proceed. The more mechanical issues: debt, personnel policies, integrating financial systems, etc., can be worked out with time. Even the more difficult issue of combining departments and their cultures should be minimized since the County and City only provide a few of the same services. The central issue then is public perception and attitudes toward consolidation

As discussed by several department directors, a successful consolidation effort would require a significant amount of public involvement and education so that every citizen understands the issues. This effort would entail public meetings, not only at public offices, but more importantly in the community such as at churches and schools. The outreach efforts should include multiple outlets like the newspaper and radio as well. Consolidation is a complex idea with many competing issues to consider and information may be an opportunity to offer solutions to concerns and resolve misunderstandings. With greater information, public perceptions toward consolidation may change, removing the most visible and direct barrier.

Chapter 7
Conclusion

This report provided an overview of the benefits and challenges with functional and governmental consolidation and from that context, discussed the opportunities and challenges the governments of Stephens County and the City of Toccoa might face if they were to consolidate. The major points of the study were as follows:

- The County's population has not significantly changed over the last several years, particularly when considering the growth of neighboring counties. To the extent there is growth in Stephens, it has primarily been in the unincorporated portion of the County.
- Both governments are fiscally conservative. Neither government has a significant level of governmental debt, making governmental consolidation easier.
- Toccoa's loss of revenues from the natural gas fund resulted in higher property taxes and a significant reduction in cash reserves. However, the natural gas fund is meeting its revenue bond obligations.
- Combined, the two governments offer a wide array of services to the community. However, each government has chosen to be the single provider for several services, limiting service duplication. Two areas where functional consolidation might be worth further consideration are:
    - Tax Collection
    - Parks and Recreation
- The lack of service overlap results in both opportunities and challenges to governmental consolidation:
    - Consolidation is easier because fewer governments need to be combined.
    - Fewer employees will risk losing their jobs because there is less overlap in responsibilities.
    - Less potential cost savings because of fewer opportunities to gain operational efficiencies.
    - Consolidation will need more public support for consolidation because an important argument, costs savings, is secondary.
- Attitudes and perceptions appear to be the strongest barrier to governmental consolidation. The following statements represent perceptions brought forth by interviewees during focus groups and interviews:
    - Residents favor stability and would expect some guarantee of benefits before supporting governmental consolidation.
    - Residents do not see themselves as one community. Rather they are divided into two groups: "city" (Toccoa) and "county" (unincorporated area).
    - Many unincorporated residents would expect to immediately begin receiving municipal services (i.e., professional fire, waste water) to support consolidation. Consolidation does not require all residents receive the same services. Residents receiving additional or higher levels of service can pay for them through special taxing districts.

    - Unincorporated residents would not want zoning laws that may inhibit how they use their property. However, a consolidated government could create different zoning districts to permit greater latitude in land use in rural areas.
- Both Toccoa and Stephens have employees with long tenure. This lack of employee turnover fosters institutional knowledge and creates strong organizational cultures. When consolidating governments and bringing together two organizations, these cultures can clash and can hinder effectiveness. Additional work by management would be needed to promote an effective integration of employees and promote the support for the new government.
- There would be some governmental start-up costs with consolidation, specifically equalizing pay and employee benefits and computer software. Fortunately, benefits between the two governments are similar which reduces transition costs.

Because attitudes and perceptions are a critical component to a successful consolidation effort, they all require a strong desire by the community. This support for consolidation typically develops over time and in many communities has required multiple referenda before for the majority of voters give their approval. A first step toward this outcome would be to educate the residents about the realities of consolidation in order to dispel misconceptions as well as answer questions on this complex but important form of government.

Appendix A

2005 CONSOLIDATION STUDY COMMITTEE

Toccoa Martin Avalon Stephens County

Background

An issue assessment on consolidation

- An organized assessment of the most important issues that could arise from such a change
- Can shed light on the ability of the community to address the issues related to consolidation taking into account current political and social conditions Generally best led by a joint city-county study committee, whose findings pave the way for city and county commissioners to make a decision on consolidation and to proceed by creating a charter commission.

Typical sequence of events

- **Study Committee**
  - Issue Assessment
  - Generate a report to listing the advantages and disadvantages of consolidation
  - Present facts only – no recommendation
- **Legislation (Charter)**
- **Justice Department Approval**
- **Referendum**
- **Transition begins**
- **Qualifying**
- **Election**
- **Implementation**

BACKGROUND

Commissioners appointed committee

- **4 From city**
  - Jim Shurley
  - Philip Teasley
  - Clark Randall
  - Jack Webb
- 1 Joint (City & **County)**
  - Chad Herron
- 1 Martin
  - John Thurmond
- 1 **Avalon**
  - Linda Dean
- **4 County**
  - Harold Andrews
  - Michelle Jamerson
  - Mrs. Russell Paxton
  - L. J. Harrison

Committee officers and resources

- Chairman Jim Shurley
- Vice Chairman Mrs. Russell Paxton
- Secretary Michelle Jamieson
- Chaplin Philip Teasley
- Resources
  - City Manager
  - County Manager
  - Institute of Government UGA

Mission Statement

- The consolidation committee will study the advantages and disadvantages of consolidation of governments of Stephens County. Generate a report for the four groups of Commissioners that enable them to make a decision on consolidation.
- The committee will provide information on the advantages and disadvantages of consolidation to the commissioners.
- The committee **will not** make a recommendation —just provide information so the commissioners can may the decision.

GOVERNMENT

General Purpose Local Government

- **City Government**
  - Boundaries not static
  - Representation from within boundary, typically overlaps county.
- **County Government**
  - A piece of the Nation-wide "Quilt" of local government, static boundaries
  - Representation from within boundary, typically include incorporated (city) areas.
- **Functions of local government**
  - As extensions of the State (usually the County)
  - As service providers

    Basic levels (Counties)
    - » Courts
    - » Health
    - » Roads and revenue

    - Urban Services higher level of services (Cities)
    - » Planning
    - » Parks and Recreation
    - » Police
    - » Utilities
      - Water
      - Sewer
      - Natural Gas
      - Garbage pickup

GOVERNMENT

Elective	
– Tax Commissioner	SC
– Clerk of Superior	SC
– Legislative	
Commissioners	SC, Toccoa, Martin, Avalon
– Court	
Superior Court Judge	SC
– District Attorney	SC
Indigent defense	
– State Court Judge	SC
State Court	
– Probate Judge	SC
Probate Court	
– Magistrate	SC
Small claims court	
– Sheriff	SC
County Jail	
– Magistrate	SC
– Coroner	SC
Appointed	
– County Administrator/City /Mgr.	SC, Toccoa
– County/City Clerk	SC, Toccoa, Martin, Avalon
– County/City Attorney	SC, Toccoa, Martin, Avalon
– Chaplain	Toccoa
– Departments	
Tax Assessor	SC
Registrar	SC
– Elections and voter registration	
- Finance Director	SC, Toccoa
- Road/ Public Works	SC, Toccoa
- Emergency Management	SC
- E-911 Director	SC
- Natural Gas	Toccoa
- Public Relations & Marketing	Toccoa
- Water	Toccoa, Martin, Avalon
- Wastewater	SC, Toccoa
- Human Resources	Toccoa

Government

• Recreation/Parks	SC
• Senior Center	SC
• Landfill	SC
– Solid waste collection and disposal	SC, Toccoa
• Police protection	
– Public Safety	Toccoa
– City Recorder	Toccoa
– Marshall	SC, Toccoa
- Animal Control	SC, Toccoa
_ Probation	SC
Supplemental Services	
• Fire protection	SC, Toccoa, Martin, Avalon
• Public health facilities and services	SC
• Libraries	SC
– Code enforcement	SC, Toccoa
• Building	
• Housing	
• Plumbing	
• Electrical	
Boards & Authorities	
– Board of Tax Assessors	SC
– Hospital Authority	SC
• Indigent Health Care	
– Airport Authority	SC, Toccoa
– Recreation Dept. Advisory Board	SC
– Senior Center Advisory Board	SC

GOVERNMENT

- **Local Governments increasingly crossing paths**
  - Local comprehensive plans must address intergovernmental coordination.
  - Service delivery strategy act mandates coordination of services, funding, and land use.
  - LOST revenue distribution agreements and SPLOST project coordination affirm the need to coordinate funding services
  - Citizens increasingly demand more efficient and higher levels of service. - Continuing economic stress
- **Outcomes**
  - Non-Governance outcomes
    - Tax Equity Analysis
    - Annexation
    - Functional Consolidation of services
      - Consolidation of services
      - Existing governments remain
  - Governance Reaction
    - Full Governmental Consolidation
      - All services combine
      - Special service and taxing districts may be used to segregate specific services
      - New elected body replacing city and county

Consolidated Governments in Georgia

- **Consolidated Governments in Georgia**
  - Columbus - Muscogee in 1971
  - Athens - Clarke in 1991
  - Augusta - Richmond in 1995
  - Cusseta - Chattahoochee in 2003

- **Governmental Consolidation initiatives in Georgia in 2005**
  - Albany-Dougherty County
  - Rome-Floyd County
  - Lakeland-Lanier County
  - Georgetown-Quitman County
  - Evans-Columbia County

  _ Toccoa, Avalon, Martin – Stephens County

Advantages of Consolidaton

- **One stop for economic development**

– Utilities that will be needed
– Tax arrangements
– Land use protection
– Buildings and space requirements
– Any funding needed
– One set of elective officials to deal with
– Good communications

- **Benefits from economy of scale**

  – Merge and eliminate duplication of departments
    - Administration (managers)
    - Clerks to commissioners
    - Finance
    - Human Resources
    - Employee benefits standardization
    - Employee salary standardization
    - Public Safety
    - Fire
    - Road/Street
    - Attorney
    - Utilities
    - Solid waste collection and distribution

- **Additional revenue sources**

– From franchise fees
– Business licenses
– Building and code enforcement fees
–

- **Being both a city and a county**

– **One set of elected officials for the best interest of the citizens**
– **Communication between elected officials and citizens a must to be effective**
– **Increased professional management**
– **Control growth**
– **Regaining the leadership position we enjoyed for many years**

- **Efficiency by eliminating the time and effort devoted to city/county coordination**

Disadvantages of Consolidation

Bigger is not always better

- Becoming bigger will bring on many problems
- More crime
- New business
- New people who will want to change things

Dealing with the known is better than the unknown

- Don't like change
- Know who to talk to now about a problem
- Don't want to have to learn a lot of new way to get something accomplished

Cost associated with transition

- Pay too much in taxes now, how much more will this cost?
- What's in it for me?

Competition between local governments is good

- With separate governments, they keep each other on the right track

Possible changes to the existing economic advantages of one government

- Don't want to assume the debts of the other governments
- We are managed ok now, why change,

If it's not broke don't fix it.

Exploring Consolidation

If we could start from "scratch" would we create what we have today?

Change your thoughts and you change your world

The consolidation committee has presented some facts about consolidation of services or governments.

- We are not making a recommendation
- We are sharing with you what we have been discussing
- This information should help you form your own opinion about consolidation

Appendix B

Does Consolidation Lead to More or Less Spending than would otherwise be the Case?

In communities such as Stephens County that potentially view consolidation as part a strategy for addressing fiscal stress and the challenges of economic development, the question of the relationship between government spending and consolidation is of considerable importance.

To answer this question we examined local government expenditures of the governments in Athens-Clarke County using two methods: a time-series method and a comparison group method.

The time-series method attempts to project what the combined budgets for the City of Athens and Clarke County would have been if the two governments had remained separate (i.e., projected per capita expenditures). This projected expenditure level is then compared with the actual expenditures of the consolidated government. If the projected expenditures are lower than the actual expenditures, the data would suggest that the consolidation led to higher than expected expenditures. If the projected expenditures are higher than the actual expenditures, the data would suggest that the consolidation led to lower than expected spending by the government.

In the comparison group method, we identify a comparison group of counties and then identify the aggregate expenditures for the respective county governments and the cities in these counties. We then compare the rate of change or growth in the expenditures by these governments with the rate of change or growth in expenditures by the Athens-Clarke government.

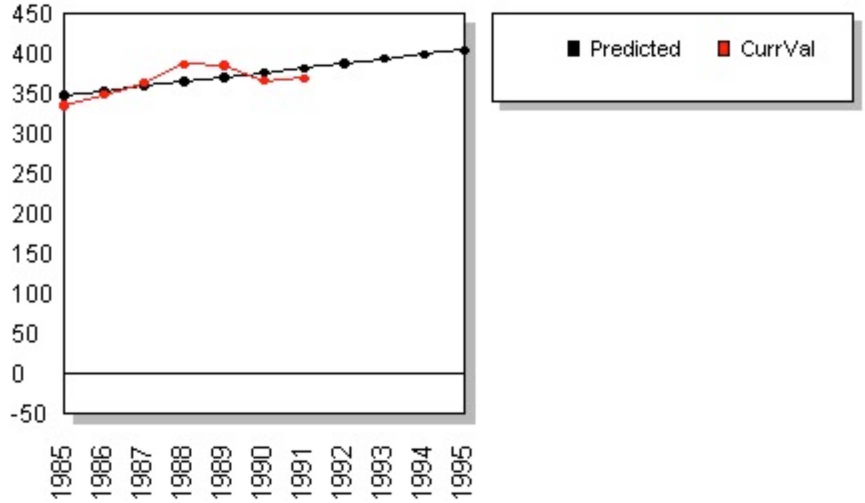
The findings of these two methods suggest that the Athens-Clarke consolidation (after a short period of higher than expected expenditures found only in the time-series method) led to lower expenditures than would otherwise have been the case. The finding of lower expenditures by a consolidated government was particularly strong when looking across the longer term and when the comparison group method was used.

Time-Series Method

This method compares the expenditures that one would have predicted based on pre-consolidation expenditure trends with the actual post-consolidation expenditures for the fiscal years 1985 through 1995.

Short-Term

Regression Trend Chart for CPI Adjusted Per Capita Expenditures

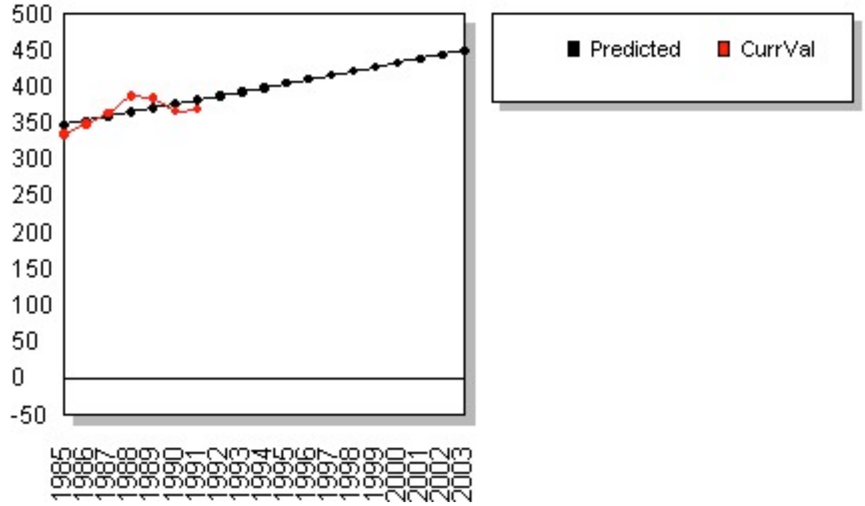


The projected non-consolidated per capita expenditure in Athens and Clarke County for the 1995 fiscal year was $404,402.

The Actual per capita expenditure was: $453.81

Long-Term

Regression Trend Chart for CPI Adjusted Per Capita Expenditures



The Projected per capita expenditure for the 2003 fiscal year was: $449.58

The Actual per capita expenditure was: $435.98

Summary of Findings of the Time-Series Method: consolidation appears to lead to higher than expected expenditure growth in the short term, but lower than expected growth in the long term.

Comparison Group Method

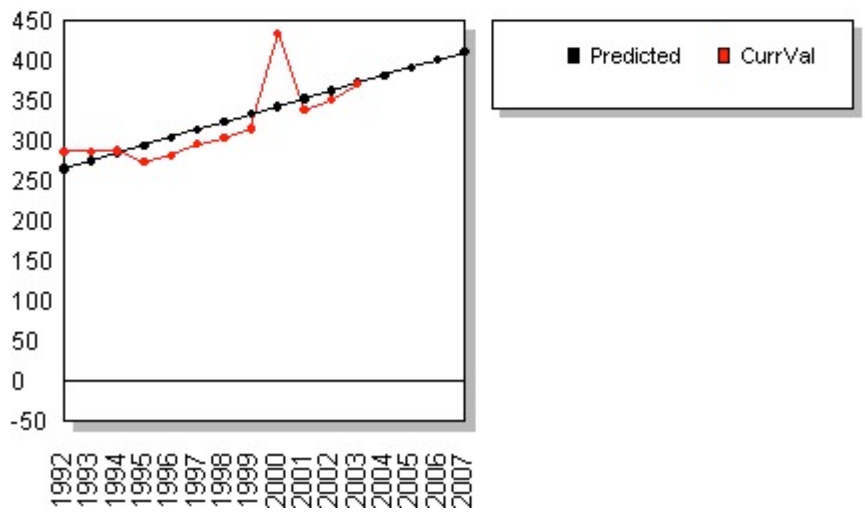
This method compares the expenditure growth rates of the Athens-Clarke consolidated government with those of comparable communities. The method looks at the change in per capita expenditures in the comparison communities (i.e., the rate of growth in expenditures) and compares them to the change per capita expenditures in Athens-Clarke, after adjusting for inflation with Consumer Price Index (CPI). In order to make the comparisons equivalent, in both cases the expenditures are for all the local governments in the county. The study period is for the years since the Athens-Clarke consolidation or fiscal years 1992 to 2003. The comparison group governments were chosen based on a 10 percent variation in population and a 10 percent variation in poverty rates.

Regression analysis was used to identify the rate of change in Athens-Clarke and the comparison communities. The percent change in expenditures for the comparison communities during this period was 29.4 percent for the comparison communities and only 11.92 percent for Athens-Clarke.

Summary of Findings of the Time-Series Method: Consolidation appears to lead to lower than expected growth in expenditures. (See charts below).

Change in Comparison Communities 1992-2003:

Regression Trend Chart for Inflation-Adjusted Per Capita Expenditures in Comparison Communities

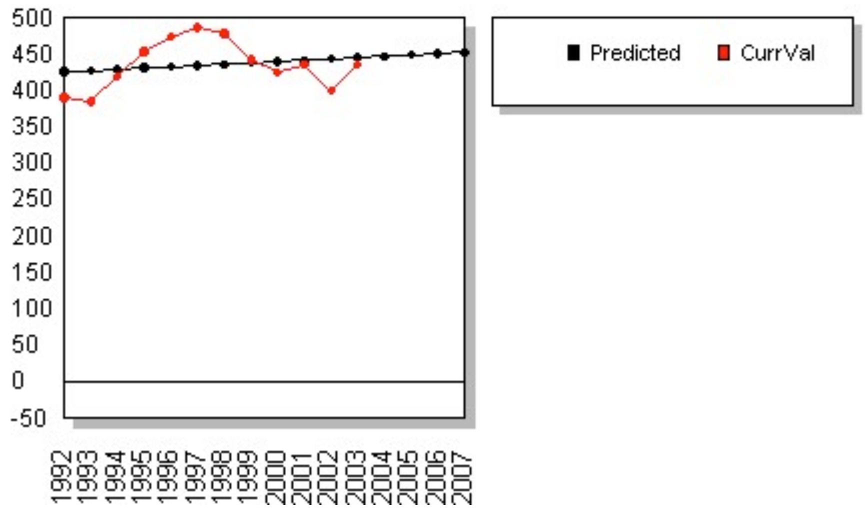


Percent Change in CPI-Standardized Per Capita Exp. 29.4%

Change in Clarke County (Consolidated) 1992-2003:

Percent Change in CPI-Standardized Per Capita Exp. 11.92%

Regression Trend Chart for Inflation-Adjusted Per Capita Expenditures



Appendix C
Interview List

Governmental Officials

Stephens County Officials and Representatives by Department
County Administrator
County Attorney
Development Authority Executive Director
E-911 Director
Emergency Management Director
Finance Director
Volunteer Fire Department Coordinator
Human Resources Director
Recreation Director
Road Superintendent
Sheriff
Tax Commissioner

City of Toccoa Officials and Representatives by Department
City Attorney
City Manager
Finance Director
Fire Chief
Human Resources Director
Planning and Downtown Development Director
Police Chief
Public Works Director
Toccoa Natural Gas Director
Toccoa Water/Wastewater Utility Director

City of Martin
City Councilwoman, Sandy Stovall
City Clerk

Focus Group Participants

Tracy Burt
Elliot Caudell
Hoss Chastain
Joe Ferguson
Bill Good
Phil Hobbs
Luis Mendez
David Neal
James Neal
Aaron Plaisted
George Sanders
Janey Sanders
Jack Stovall
Benny Turner
Morris Wheeler
Willie Woodruff