

CREDIT OPINION

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City of Brookhaven, GA

Update to credit analysis

Summary

The City of Brookhaven, GA's (Aaa) exceptional credit quality is underpinned by a track record of strong financial performance, robust economic growth, and major ongoing new development that will help extend these trends moving forward. Brookhaven's favorable ESG Credit Impact Score (CIS-1) reflects positive exposure to governance and social considerations, which support the city's credit rating. These strengths mitigate the city's average long-term liabilities ratio and above average fixed-costs ratio.

On February 5, 2024, Moody's assigned a Aaa rating to the \$50 million General Obligation Sales Tax Bonds, Series 2024.

Credit strengths

- » Exceptionally strong financial position supported by healthy revenue growth and prudent budget management
- » Favorable debt structure with individually dedicated cash flow for each debt series
- » Strong tax base and economic growth supported by competitive location within the Atlanta MSA

Credit challenges

- » Long-term liabilities ratio and fixed-costs ratio is manageable but above other Aaa-rated cities

Rating outlook

Outlooks are not assigned to local government credits with this amount of debt outstanding.

Factors that could lead to an upgrade

- » N/A

Factors that could lead to a downgrade

- » Material decline in reserves due to operating deficits or one-time uses
- » Growth in long-term liabilities ratio or fixed-costs ratio beyond that expected in 2024

Key indicators

Exhibit 1

Brookhaven (City of) GA

	2019	2020	2021	2022	Aaa Medians
Economy					
Resident income ratio (%)	150.3%	158.3%	154.2%	N/A	173.0%
Full Value (\$000)	\$9,097,890	\$9,656,759	\$9,914,141	\$11,650,926	\$8,668,233
Population	53,819	54,727	54,902	N/A	35,992
Full value per capita (\$)	\$169,046	\$176,453	\$180,579	N/A	\$225,444
Annual Growth in Real GDP	4.1%	-3.5%	6.7%	2.9%	N/A
Financial Performance					
Revenue (\$000)	\$49,483	\$58,790	\$59,828	\$66,341	\$101,177
Available fund balance (\$000)	\$31,477	\$40,639	\$45,588	\$39,862	\$58,570
Net unrestricted cash (\$000)	\$85,132	\$92,346	\$84,934	\$70,918	\$82,803
Available fund balance ratio (%)	63.6%	69.1%	76.2%	60.1%	61.7%
Liquidity ratio (%)	172.0%	157.1%	142.0%	106.9%	88.4%
Leverage					
Debt (\$000)	\$65,759	\$77,587	\$70,650	\$63,837	\$71,733
Adjusted net pension liabilities (\$000)	\$0	\$0	\$0	\$0	\$120,941
Adjusted net OPEB liabilities (\$000)	\$0	\$0	\$0	\$0	\$14,374
Other long-term liabilities (\$000)	\$880	\$1,045	\$2,049	\$1,764	\$3,750
Long-term liabilities ratio (%)	134.7%	133.8%	121.5%	98.9%	263.2%
Fixed costs					
Implied debt service (\$000)	\$2,171	\$4,794	\$5,556	\$4,955	\$4,989
Pension tread water contribution (\$000)	\$0	\$0	\$0	\$0	\$3,389
OPEB contributions (\$000)	\$0	\$0	\$0	\$0	\$523
Implied cost of other long-term liabilities (\$000)	\$49	\$64	\$75	\$144	\$245
Fixed-costs ratio (%)	4.5%	8.3%	9.4%	7.7%	11.6%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the Atlanta-Sandy Springs-Alpharetta, GA Metropolitan Statistical Area [issuer specific] Metropolitan Statistical Area.

Sources: US Census Bureau, Brookhaven's financial statements and Moody's Investors Service, US Bureau of Economic Analysis

Profile

The city is centrally located within the [Atlanta](#) (Aa1 stable) MSA, and it provides routine municipal services like public safety, parks and recreation, housing and development, and other general governmental functions. Most of the city's operations are governmental in nature, though it has a relatively small stormwater fund that is reported as a proprietary fund.

Detailed credit considerations

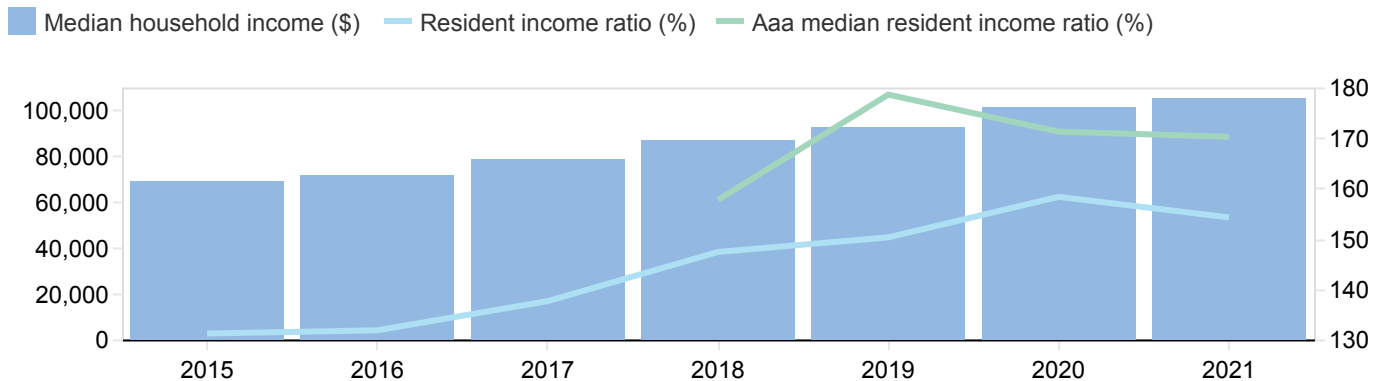
Economy

Brookhaven's economy and tax base will continue to benefit from a central location within the growing Atlanta MSA, major ongoing development within Brookhaven's city limits, and desirable housing stock. The construction of Children's Healthcare of Atlanta's campus in the city has had spill over effects in the southern portion of the city, and resulted in a growing number of commercial office space and mixed-use developments. New commercial and residential development activity throughout the city is fueling the growth, but appreciating home values have also supported the trend. The city's median home value has grown by nearly 30% over the last five years. The city's population grew by 7% in the past five years while resident income ratio grew to 154% in 2022 from 147% in 2018.

Brookhaven residents have access to employment opportunities throughout the Atlanta MSA, whose economy is growing notably faster than the nation. In the five years through 2022, the MSA's real GDP grew at a compound annual rate of 2.7%, compared to the nation's growth rate of 2.2% over the same period.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

Exhibit 2

Resident Income

Source: Moody's Investors Service

Financial operations

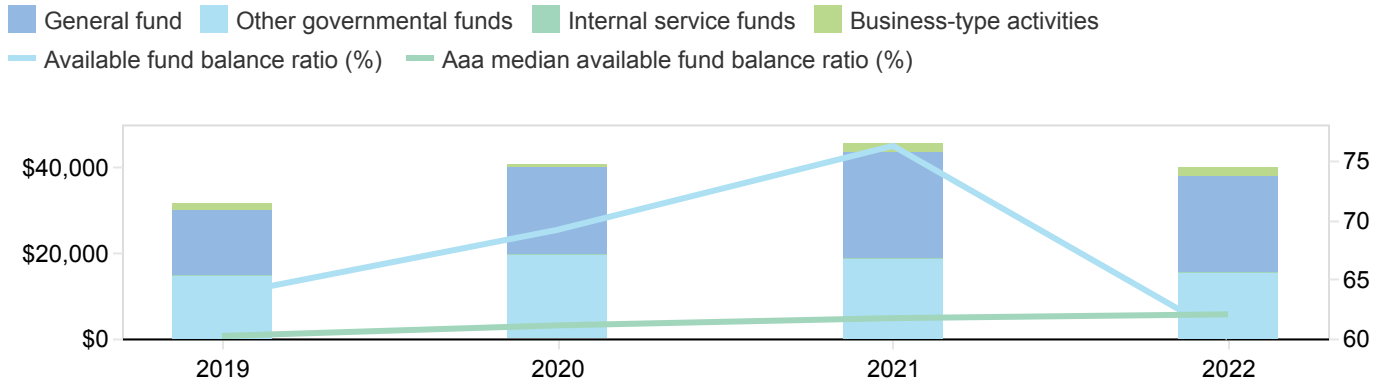
The economic momentum, coupled with prudent budget management, will continue to support the city's strong financial position. As of December 31, 2022, the city's available fund balance and net unrestricted current assets totaled \$39.8 million, an amount equal to a very healthy 60% of revenue. These fund balance metrics remained stable over the previous five years.

Based on preliminary unaudited figures, the city's general fund (which accounts for the bulk of core operating costs) will record a \$2.6 million draw on fund balance in fiscal 2023, which includes a one-time transfer out of the general fund for \$11 million for capital projects. Before the transfer, the city was structurally balanced. Adopted budget for 2024 shows recurring expenses matching recurring revenue.

Property taxes generate the single largest source of income (37% of total revenue). Property taxes have grown rapidly over the last five years, despite the city's operating millage being held flat over this time. While state law does not cap municipal operating levies, the City of Brookhaven's charter caps the city's operating millage at 3.35 mills. This cap can be overridden by the City Council and an override does not require voter approval. The city's operating millage is currently set at 2.74 mills.

Special purpose local option sales tax (SPLOST) is the city's second largest source of revenue, accounting for about 15% of total income. SPLOST is approved by voters for specific capital projects and is used by the city to both pay annual debt service on a portion of its general obligation bonds and cash fund capital needs. Recently, the residents voted in favor of its SPLOST II, authorizing projected collections of \$69 million over a six-year period beginning on April 1, 2024.

Exhibit 3
Fund Balance

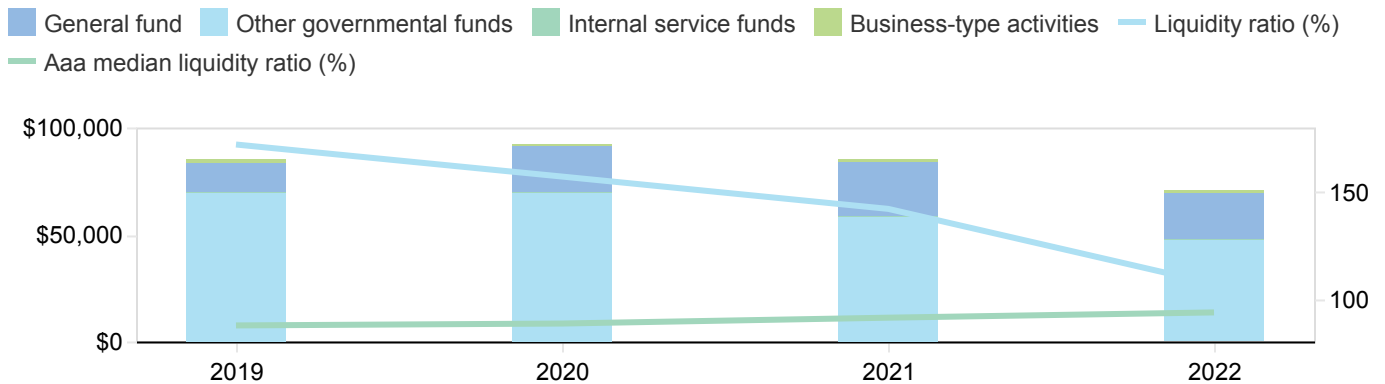


Source: Moody's Investors Service

Liquidity

The city ended fiscal 2022 with an \$70.9 million cash balance, an amount equal to 106.9% of annual revenue. The city's cash balance is significantly higher than its fund balance because approximately \$27 million of the cash balance in the SPLOST and capital projects funds held in restricted fund balance for specific capital projects. The city plans to spend down these restricted reserves in the coming years on approved projects and liquidity is likely to more closely approximate fund balance.

Exhibit 4
Cash



Left-hand side is in thousands
Source: Moody's Investors Service

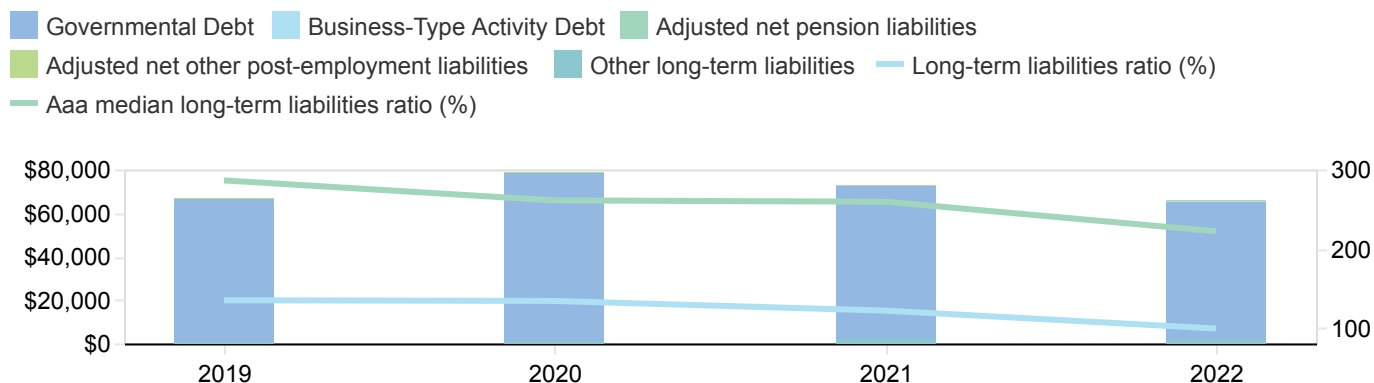
Leverage

The city's long-term liabilities primarily consist of long-term debt, which will grow in 2024 due to a new \$50 million bond issuance. Inclusive of the new debt, the city's long-term liabilities will be approximately \$194 million, an amount equal to around 300% of revenue. The new issuance, along with the above mentioned spend down of restricted cash, are expected to address the bulk of the city's capital needs and city officials report there are no additional borrowing plans over the next five years.

Positively, the city does not offer defined pension or retiree healthcare benefits.

The city's fixed costs ratio will grow to around 20% after incorporating the new debt.

Exhibit 5

Total Primary Government - Long Term Liabilities

Left-hand side is in thousands
Source: Moody's Investors Service

Legal security

The General Obligation Sales Tax Bonds, Series 2024 are secured first by sales tax revenues and ultimately backed by the general obligation of the city. The outstanding general obligation bonds are direct and general obligations of the city, backed by an ad valorem tax, unlimited as to rate or amount, which may be levied upon all taxable property located within the city.

The revenue bonds issued through the Urban Redevelopment Agency (URA) are special limited obligations of the agency payable solely from contract payments made by the City of Brookhaven pursuant to an intergovernmental contract. Under the contract, the city has agreed to levy an unlimited ad valorem tax on all taxable property located within the Special Service District. The Special Service District essentially encompasses all non-residential property located within the city.

The revenue bonds issued through the Public Facilities Authority (PFA) are special limited obligations of the authority payable solely from contract payments made by the City of Brookhaven pursuant to an intergovernmental contract. Under the contract, the city has agreed to levy an ad valorem tax on all taxable property located within the city, within the 3.35 mill limit prescribed by the Charter of the City, or within such greater millage as may hereafter be prescribed by applicable law.

Debt structure

All of the city's debt is fixed rate and long term.

The city has \$3.5 million of general obligation debt that is backed by an unlimited property tax levy but serviced with the city's SPLOST. Approximately \$36.5 million of the city's outstanding debt consists of general obligation unlimited tax bonds that are serviced by an unlimited property tax levy.

The \$88.5 million revenue bonds issued through the URA are backed by the city's pledge to levy an unlimited property tax within a special service district (SSD) that essentially consists of the city's commercial, industrial, and mixed-use properties. The SSD's tax base was fully valued at about \$4.1 billion as of 2022, an amount equal to roughly 40% of the city's overall tax base. The SSD base consists of approximately 580 parcels, 61% of which are commercial, 16% multi-family residential, 14% industrial, and 5% vacant. The top ten taxpayers account for roughly 27% of the SSD's tax base, though several of the top ten consist of multi-tenant buildings.

Debt-related derivatives

The city is not party to any debt-related derivatives.

Pensions and OPEB

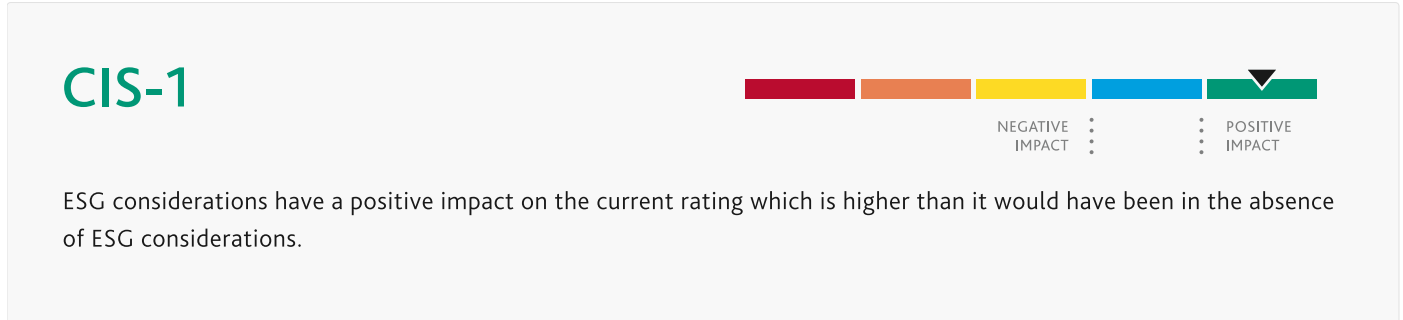
The city does not offer defined benefit pensions or OPEBs. The city offers two defined contribution retirement plans.

ESG considerations

Brookhaven (City of) GA's ESG credit impact score is CIS-1

Exhibit 6

ESG credit impact score

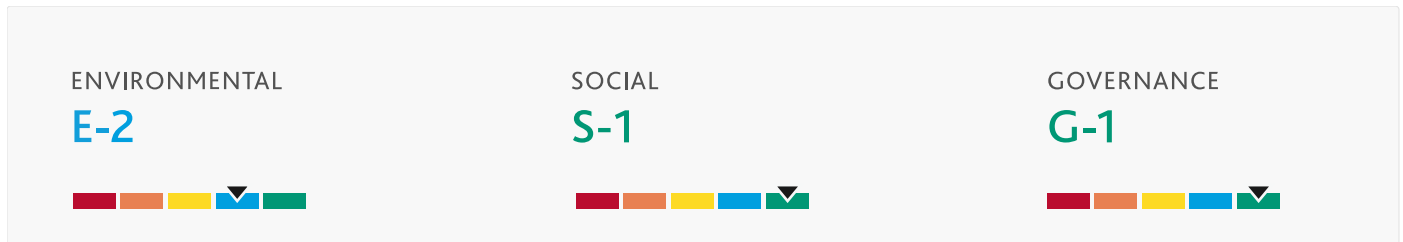


Source: Moody's Investors Service

The city's ESG Credit Impact Score is positive (**CIS-1**), reflecting positive exposure to governance and social considerations, which support the city's credit rating, resilience and capacity to respond to shocks. The CIS also considers the city's neutral to low exposure to environmental risks.

Exhibit 7

ESG issuer profile scores



Source: Moody's Investors Service

Environmental

The city's overall E issuer profile score is neutral to low (**E-2**), which reflects neutral to low exposure to environmental risks across all categories, including physical climate risk, natural capital, and waste and pollution.

Social

The city's S issuer profile score is positive (**S-1**) and reflects a favorable location within the Atlanta MSA, strong population growth, relatively high labor force participation and employment growth trends, and exceptionally high educational attainment rate. These positive considerations are balanced against neutral to low risks associated with housing, health, safety and access to basic services.

Governance

The city's G issuer profile score is positive (**G-1**), reflecting strengths in the institutional structure and management's track record of maintaining balanced operations and very healthy reserves (policy credibility and budget management considerations). The city has average transparency and disclosure considerations.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The US Cities and Counties Rating Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 8

Brookhaven (City of) GA

	Measure	Weight	Score
Economy			
Resident income ratio	154.2%	10.0%	Aaa
Full value per capita	212,213	10.0%	Aaa
Economic growth metric	0.6%	10.0%	Aaa
Financial Performance			
Available fund balance ratio	60.1%	20.0%	Aaa
Liquidity ratio	106.9%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aaa	10.0%	Aaa
Leverage			
Long-term liabilities ratio	98.9%	20.0%	Aaa
Fixed-costs ratio	7.7%	10.0%	Aaa
Notching factors			
Potential for significant change in leverage	1.0		
Scorecard-Indicated Outcome			Aaa
Assigned Rating			Aaa

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Atlanta-Sandy Springs-Alpharetta, GA Metropolitan Statistical Area to the five-year CAGR of real GDP for the US

Sources: US Census Bureau, Brookhaven's financial statements and Moody's Investors Service

Appendix

Exhibit 9

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
Financial performance		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
Leverage		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
Fixed costs		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US City and Counties Methodology](#).

Source: Moody's Investors Service

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