

Rating Action: Moody's assigns Aaa rating to the City of Brookhaven, GA's contract-backed revenue bonds; outlook stable

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New York, February 02, 2023 -- Moody's Investors Service has assigned a Aaa rating to the Brookhaven Urban Redevelopment Agency, GA's \$85 million Revenue Bonds, Series 2023A. Moody's has also affirmed the City of Brookhaven, GA's Aaa issuer rating, the Aaa rating on the city's general obligation unlimited tax bonds, and the Aaa rating on the city's contract-backed revenue bonds issued through the City of Brookhaven Public Facilities Authority, GA. Following the Series 2023A issuance, the city will have approximately \$148 million of debt outstanding. The outlook is stable.

RATINGS RATIONALE

The Aaa issuer rating reflects the city's exceptionally strong financial position that is supported by a rapidly growing and affluent tax base, competitive location within the dynamic Atlanta (Aa1 stable) metropolitan area, and prudent budget management. These strengths are expected to carry forward, helping offset the city's above-median long-term liabilities ratio and fixed costs ratio.

The Aaa rating on the city's contract-backed revenue bonds issued by Brookhaven Urban Redevelopment Agency is placed at the same level as the city's issuer rating because the city has pledged, via an intergovernmental contract to levy an ad valorem property tax, unlimited as to rate, on all taxable property located within the city's special service district. The special service district's tax base encompasses approximately 40% of the city's total tax base and consists primarily of all non-residential property in the city. The absolute scale, growth trend, and economic importance of the special service district's tax base to the city are all supporting considerations in placing the rating at the same level as the issuer rating.

The Aaa rating on the city's contract-backed revenue bonds issued by the City of Brookhaven Public Facilities Authority is placed at the same level as the city's issuer rating because the city has pledged, via an intergovernmental contract, to levy an ad valorem property tax on all taxable property within the city, up to the city's 3.35 mill limit prescribed by the city charter. The city has the unilateral authority to override this 3.35 millage cap without voter approval. The bonds are backed solely by payments made by the city.

The Aaa rating on the city's general obligation unlimited tax bonds is placed at the same level as the issuer rating to reflect the city's pledge to levy an ad valorem tax, unlimited as to rate or amount, on all taxable property within the city.

RATING OUTLOOK

The stable outlook reflects the expectation that the city's strong financial performance and economic base will continue to support the Aaa rating for the foreseeable future, offsetting the rise in leverage in 2023 associated with a new debt issuance.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- 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 2023

LEGAL SECURITY

The revenue bonds issued through the Urban Redevelopment Agency 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 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.

The 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.

USE OF PROCEEDS

The bonds will finance a variety of projects that include (but are not limited to) a new city hall and road, sidewalk, bridge and streetscape improvements.

PROFILE

The city is centrally located within the Atlanta 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 reported in the governmental funds, though it has a relatively small stormwater fund that is reported as a proprietary fund.

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moodys.com/api/rmc-documents/386953>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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