S&P Global
Ratings

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Summary:

Brookhaven, Georgia; General Obligation; General Obligation Equivalent Security

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Summary:

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Credit Profile		
US$50.0 mil GO sales tax bnds ser 2024 due 07/01/2030		
Long Term Rating	AAA/Stable	New
Brookhaven GO bnds		
Long Term Rating	AAA/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to Brookhaven, Ga.'s approximately $50 million series 2024 general obligation (GO) sales tax bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the city's outstanding GO debt.
- The outlook is stable.

Security

The series 2024 bonds are a direct and general obligation of the city, payable first from the city's portion of a 1% special purpose local option sales and use tax (SPLOST). To the extent that the proceeds of the sales and use tax are insufficient to make such payments, the principal and interest on the bonds are payable from an ad valorem tax, unlimited as to rate or amount.

Bond proceeds will finance various capital projects and land acquisition.

Credit overview

Brookhaven's general creditworthiness is characterized by strong financial practices and cautious budgeting, which have allowed the city to maintain generally balanced operations and very strong reserves despite recent drawdowns for one-time purposes. In fiscal 2022, the city budgeted $4.6 million in reserves to purchase a building for municipal use, largely driving a $2.9 million decrease in fund balance. Management expects available fund balance to decrease further in fiscal 2023 to $17.7 million, or 38% of expenditures, due largely to one-time transfers out to fund capital projects ($2 million) and vehicle maintenance ($2 million). It utilized its $8.5 million American Rescue Plan Act (ARPA) allocation to recover lost revenue during the pandemic, and subsequently used a portion of the funds for one-time capital purchases. The 2024 operating budget is balanced and totals $35.5 million, with no additional drawdowns planned during the outlook period. We expect Brookhaven to maintain balanced-to-positive operations in 2024, driven by its cautious budgeting practices, which should enable it to maintain its fund balance at levels greater than its 25% reserve target. We do not view its privately placed series 2018 and series 2020 SPLOST issuances as a contingent liability risk.

Debt service costs will likely increase to $17 million-$18 million annually from fiscals 2025-2030, a jump from the

$11.8 million anticipated in fiscal 2024. The city has no additional medium-term debt plans. Management projects that SPLOST revenue will total $68.6 million through March 2030, which we view as realistic given management's reasonable growth assumptions and sufficient to cover debt service on this issuance, which management projects at $60 million. We believe Brookhaven can manage the increased carrying charges without pressuring operations, especially given the series 2024 bonds' dedicated revenue source and the city's lack of pension or other postemployment benefit (OPEB) liabilities. However, we could negatively revise our view of the debt profile if Brookhaven's carrying charges increased through additional issuances.

Substantial assessed value growth has continued in Brookhaven, driven by significant commercial and mixed-use construction and single-family rebuilds. Management cites the city's location near interstates 85 and 285 as attractive to prospective residents and employers and expects a large employer to expand its presence in the city. While we believe that developments may moderate somewhat in the near term, we expect Brookhaven's income and wealth metrics to remain stable. Our "projected per capita effective buying income (EBI) percentage of U.S." metric in the data table is for DeKalb County; the U.S. Census Bureau estimated Brookhaven's per capita income as 182% of the U.S. average, as of July 1, 2023.

The rating further reflects our view of Brookhaven's:

- Rapid economic development driven by desirable location north of Atlanta, including the almost-completed $1.5 billion Children's Healthcare of Atlanta campus, adding 3,000 jobs to the city in the last year, the ongoing buildout of the Emory Executive Park, with more than 1,000 combined multiply residential units under construction in three mixed-use developments, and robust single-family construction/renovation.
- Stable operations, with balanced-to-positive operations expected during the outlook period due to generally predictable operating revenue from property taxes (39%), business taxes (21%), and licenses and permits (15%) and cautious budgeting practices, enabling it to maintain very strong reserves despite recent planned drawdowns;
- Well-embedded financial management policies and practices, including monthly budget-to-actual and investment reports provided to the city council, a multi-year financial plan that includes revenue and expenditure projections for the current year plus four budget years, a rolling five-year capital improvement plan that identifies project costs and potential funding sources, a debt policy limiting non-SPLOST debt to 1.75% of full value, and 15% of operating expenditures, comprehensive investment and reserve policies, steps to mitigate cyber risk, and a very strong institutional framework; and
- $194.1 million in direct debt following this issuance, significantly increasing carrying charges, and a defined contribution retirement plan offered to city employees, but no other postemployment benefits (OPEB).

Environmental, social, and governance

We evaluated Brookhaven's environmental, social, and governance (ESG) risks relative to its economy, budgetary outcomes, management, and debt and long-term liability profile, and view them as neutral in our credit analysis.

Outlook

The stable outlook reflects our expectation that Brookhaven will maintain roughly balanced results during the next two years, with no additional plans to spend down its available fund balance or issue additional near-term debt.

Downside scenario

We could lower the rating if the city's reserves deteriorated, due to either budgetary imbalance or a one-time drawdown, without a plan to restore them, or if the city's debt burden meaningfully increases and pressures operations.

Rating above the sovereign

The bonds are eligible to be rated above the sovereign because we believe that Brookhaven can maintain better credit characteristics than the U.S. in a stress scenario. The city has predominately locally derived revenue sources, as well as independent taxing authority and treasury management from the federal government.

Brookhaven, Georgia--key credit metrics

	Most recent	Historical information		
		2022	2021	2020
Very strong economy				
Projected per capita EBI % of U.S.	104			
Market value per capita ($)	202,110			
Population		56,343	55,366	55,554
County unemployment rate(%)		3.1		
Market value ($000)	11,387,488	10,355,773	10,621,881	10,377,460
Ten largest taxpayers % of taxable value	9.9			
Strong budgetary performance				
Operating fund result % of expenditures		(7.1)	16.6	19.5
Total governmental fund result % of expenditures		0.7	(0.5)	6.1
Very strong budgetary flexibility				
Available reserves % of operating expenditures		50.1	75.7	69.1
Total available reserves ($000)		21,056	24,995	20,519
Very strong liquidity				
Total government cash % of governmental fund expenditures		64	94	109
Total government cash % of governmental fund debt service		440	576	756
Very strong management				
Financial Management Assessment	Strong			
Weak debt & long-term liabilities				
Debt service % of governmental fund expenditures		14.5	16.2	14.4
Net direct debt % of governmental fund revenue	309			
Overall net debt % of market value	2.0			
Direct debt 10-year amortization (%)	41			
Required pension contribution % of governmental fund expenditures		N.A.	N.A.	N.A.
OPEB actual contribution % of governmental fund expenditures		N.A.	N.A.	N.A.
Very strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits. N.A.--Not available. Data points and ratios may reflect analytical adjustments.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of February 5, 2024)		
Brookhaven Public Facilities Authority, Georgia		
Brookhaven, Georgia		
Brookhaven Pub Facs Auth (Brookhaven) rev bnds (Peachtree Creek Greenway Proj)		
Long Term Rating	AAA/Stable	Affirmed
Urban Redevelopment Agency of The City of Brookhaven, Georgia		
Brookhaven, Georgia		
Urban Redevelopment Agency of The City of Brookhaven rev bnds		
Long Term Rating	AAA/Stable	Affirmed

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.