S&P Global
Ratings

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Summary:

Sandy Springs Public Facilities Authority, Georgia
Sandy Springs; General Obligation; General Obligation Equivalent Security

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Sandy Springs Pub Facs Auth rev bnds (Sandy Springs)		
Long Term Rating	AAA/Stable	Upgraded
Sandy Springs Pub Facs Auth taxable rfdg rev bnds (Sandy Springs)		
Long Term Rating	AAA/Stable	Upgraded
Sandy Springs Pub Facs Auth (Sandy Springs) rev bnds (Sandy Springs City Ctr Proj) ser 2015 due 05/01/2046		
Long Term Rating	AAA/Stable	Upgraded

Credit Highlights

- S&P Global Ratings raised its long-term rating on the Sandy Springs Public Facilities Authority, Ga.'s general obligation (GO) equivalent debt, issued for Sandy Springs, to 'AAA' from 'AA+'.
- The outlook on the rating is stable.
- The rating reflects the city's general creditworthiness; the upgrade reflects the city's continued economic growth and consistent positive financial performance, both of which have demonstrated resilience amid macroeconomic pressures, coupled with adherence to formalized financial long-term policies and planning.

Security

The authority's bonds are limited obligations of the authority and secured through a lease agreement between the authority and the city. Under the contract, the city has agreed to levy an annual tax on all taxable property within its corporate limits, at such rates not to exceed 4.731 mills per dollar (or such greater amount as may hereafter be recommended by the mayor and city council and approved by a majority of the eligible voters by referendum), as may be necessary to make the payments required by the contract. The city's obligation to make such payments is absolute and unconditional, and the rating on these obligations therefore reflects our view of its general creditworthiness.

Credit overview

Sandy Springs has demonstrated fiscal prudence and economic resilience, while continuing to leverage its large, diverse, growing tax base over its 15-year life as a city, producing consistently strong financial results and growing its very strong financial position. The management team's adherence to its formal long-term planning and policies, most recently adopted in 2020, further strengthens its credit profile, along with a manageable debt burden and a robust pay-go capital program, which we believe will hold the city's debt profile stable. Despite some softening of the broader US economy, we believe Sandy Springs will continue to exhibit economic and financial strength, with the fiscal capacity and forward-looking financial management strategies to absorb budgetary pressures, should any arise. Please see "Looking Forward: How Economic Volatility Could Affect U.S. State And Local Government Ratings" published August 4, 2022 for more information.

The 'AAA' long-term rating reflects our view of the city's:

- Consistent and sustainable economic growth, and benefits from access to a broad and diverse metropolitan statistical area (MSA);
- Formalized financial management practices and conservative practices facilitate financial and overall credit stability and very strong institutional framework score;
- Positive financial results over the last 8 fiscal years, with year-over-year growth in fund balance, demonstrates established fiscal strength and prudence; and
- Manageable debt burden with a focus on pay-go capital financing and no near-term debt plans.

Environmental, social, and governance

We view the city's adoption of additional long-term planning and debt management policy as a governance opportunity that we believe facilitate sustained strong budgetary performance. We also believe its robust population growth, at an annual rate of about 1.7%, constitutes a social opportunity to complement its already-strong demographic profile. In terms of environmental risk, the city is on the Chattahoochee River and its geographic region occasionally experiences tornados. However, a series of dams manages flood control and residual flooding is minimal. The city has strategically organized its municipal operations locations to mitigate the potential effect of disasters on its ability to provide municipal services. Additionally, it maintains sizable reserves to cover emergency expenses and conducts tabletop disaster recovery exercises annually. We believe these practices help mitigate environmental risk.

Outlook

The stable outlook reflects our view of the city's strong economic metrics, established robust financial profile, and continued conservative budgeting practices with no plans for near-term debt, all of which we expect will be sustained over at least the medium term.

Downside scenario

Should the city's debt burden increase to the extent it creates budgetary pressure, or should the city post sustained negative financial performance leading to a material reduction in fund balance, we could revise the rating.

Credit Opinion

Wealthy and growing economy with direct access to Atlanta MSA

The city, measuring about 38 square miles, is in Fulton County north of Atlanta, in the Atlanta-Sandy Springs-Roswell MSA, which we consider to be broad and diverse. It benefits from direct access to Interstate 285 and Georgia Route 400, as well as being serviced by MARTA rapid transit providing access to Buckhead and Midtown Atlanta. This transportation infrastructure also gives it access to Atlanta's Hartsfield Jackson-International Airport, as well as providing port and rail access. Home to a total of 30 national and regional headquarters, including UPS, COX Enterprises, and Mercedes-Benz USA headquarters, the city has a sizable commercial presence at about 42% of assessed values; the management team notes that corporate leaders have committed to maintain their presence, with private employees increasingly returning to working in the office. In addition to private businesses, it is also home to a large nonprofit health care sector with 40% of the hospital beds of the Atlanta MSA located there, including Northside Hospital, Emory St. Joseph's Hospital, and Children's Healthcare of Atlanta. Management touts its access to a talented workforce as well as quality public and private educational system as keys to its success. The city's population and assessed values continue to grow, with actual full value growing 34.5% between 2017 and 2021, totaling $26.6 billion in 2021.

Formalized financial management policies reinforce trend of fiscally prudent practices

We revised our assessment of the city's financial management policies and practices to strong from good following receipt of additional policies and planning documentation. Highlights include:

- Finances are supported by conservative budgeting practices using performance-based budgeting and at least five years of historical data.
- Budgetary performance of budget-to-actual data is reviewed monthly by the mayor and city council with the ability to amend throughout the year.
- The city annually produces a detailed five-year long-term financial plan that incorporates revenue and expense trends as well as year-to-year conditions and external consultations.
- The city annually produces a detailed five-year long-term capital plan that identifies aggregate spending, slated projects, responsible departments, and funding sources.
- The city has a formal cash and investment policy with monthly reporting of investment earnings and holdings.
- As of 2020, the city adopted a debt management policy, identifying conditions and maximum thresholds for long-term general obligation debt.
- The city maintains a minimum general fund balance reserve policy of maintaining 25% of operating expenditures (about three months of operating expenditures) with excess fund balances over reserve requirements used in subsequent periods for pay-as-you-go capital projects and one-time nonrecurring expenditures.

The institutional framework score for Georgia cities with a population greater than 1,500 or expenditures greater than $300,000 is very strong.

Positive year-over-year operating performance continues to bolster financial flexibility

The city has produced general fund surpluses in each of the past eight audited fiscal years despite also transferring a significant amount of funds to capital projects on an annual basis. These transfers are recurring annually budgeted expenditures that we do not necessarily consider one-time in nature, but can be halted upon the city's discretion. Officials attribute the city's consistent positive operating results to conservative budgeting, tight spending controls within departments, and tax base growth providing strong property tax revenues; the city's revenue growth has steadily outpaced its growth in expenditures.

The fiscal 2021 budget totaled $91.5 million, a 21.3% decrease from the previous year, with no use of fund balance.

The city's positive results are a result of its conservative approach to revenues and expenditures in response to COVID-19; the city instituted a hiring freeze for all nonpublic safety positions, implemented a furlough for city positions with reduced workload, and transitioned much of its workforce to remote work. At the end of fiscal 2021, the city's fund balance totaled 61.4%, or $68 million.

The city's fiscal 2022 budget totaled $107.3 million, in line with its fiscal 2020 budget. Expected year-end results are also more in line with the city's overall performance trend. Unaudited results show the city transferred out a total of $48 million in fund balance, of which nearly $35 million was allocated to capital projects and stormwater funding. It's fiscal 2023 budget totals $130.6 million, which incorporate larger than usual capital outlay expenditures as well as contingencies for inflationary pressures, including increased fuel and labor costs. Given the city's positive year-end result in fiscal 2021, which contributed to fund balance in combination with another positive performance year estimated for fiscal 2022, we expect the city's fund balance to remain materially unchanged from fiscal 2021. In addition, Sandy Springs also maintains a sizable capital projects fund balance, which totaled $48.9 million at fiscal year-end 2021, or 60% of general fund expenditures at fiscal year-end 2021.

Property taxes are the city's primary revenue source, accounting for 40.6% of general fund revenue. Sales taxes contributed 25.4% in fiscal 2021, with franchise and businesses taxes contributing, 7.8% and 8.7%, respectively. Intergovernmental revenue is limited, at less than 1% of revenues. Since 2016, the city has collected a 0.75% transportation special-purpose local option sales tax (TSPLOST) to fund various transportation capital projects. These revenues and expenditures are reported outside the general fund. In 2021, the special tax raised $20 million. Given the city's history of conservative budgeting practices and exceeding revenue projections, we generally expect it will exhibit strong operating performance and financial flexibility over the long term.

Manageable debt and long-term liabilities with no near-term debt plans

We calculate that the city will have approximately $239 million in outstanding direct debt. Despite its rapid growth, it has been able to keep debt relatively low by supporting its infrastructure needs through pay-as-you-go capital spending. The city has no plans to issue additional after this issuance.

Pension and other postemployment benefits:

- We do not view pension and other postemployment benefit (OPEB) liabilities as a credit pressure because the city does not offer defined-benefit plans.
- The city administers a single-employer defined-contribution plan and does not provide OPEBs. It is current on all payments for retirement benefits.

Rating above the sovereign

Sandy Springs' GO bonds are eligible for a rating above the sovereign because we think the city can maintain better credit characteristics than the nation in a stress scenario. Under our criteria, titled "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions," published Nov. 19, 2013, the city has a predominately locally derived revenue source with local taxes generating 89% of general fund revenue. The city also has independent taxing authority and treasury management from the federal government.

Sandy Spring City, Georgia Key Credit Metrics				
	Most recent	**Historical information**		
		2021	**2020**	**2019**
Very strong economy				
Projected per capita EBI % of U.S.	217			
Market value per capita ($)	205,642			
Population		109,165	107,723	106,866
County unemployment rate(%)		4.7		
Market value ($000)	22,448,932	22,448,932	21,998,500	
Ten largest taxpayers % of taxable value	7.4			
Strong budgetary performance				
Operating fund result % of expenditures		14.7	3.6	1.6
Total governmental fund result % of expenditures		4.9	13.8	11.8
Very strong budgetary flexibility				
Available reserves % of operating expenditures		61.4	51.7	43.3
Total available reserves ($000)		68,563	49,504	46,233
Very strong liquidity				
Total government cash % of governmental fund expenditures		123	108	92
Total government cash % of governmental fund debt service		1373	1183	952
Strong management				
Financial Management Assessment	Good			
Adequate debt & long-term liabilities				
Debt service % of governmental fund expenditures		9.0	9.1	9.7
Net direct debt % of governmental fund revenue	164			
Overall net debt % of market value	1.2			
Direct debt 10-year amortization (%)	38			
Required pension contribution % of governmental fund expenditures		0.0		
OPEB actual contribution % of governmental fund expenditures		0.0		
Very strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits. 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

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.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.