

# RatingsDirect®

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**Summary:**

## Forsyth County, Georgia; General Obligation; General Obligation Equivalent Security

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## Summary:

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### Credit Profile

US\$95.055 mil GO sales tax bnds ser 2025 due 03/01/2031

*Long Term Rating* AAA/Stable New

Forsyth Cnty GO

*Long Term Rating* AAA/Stable Affirmed

### Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to Forsyth County, Ga.'s series 2025 \$95.055 million general obligation (GO) sales tax bonds.
- At the same time, we affirmed our 'AAA' ratings on the county's GO debt outstanding, as well as our 'AAA' ratings on the Forsyth County Water Sewerage Authority's (the authority) revenue bonds outstanding
- The outlook is stable.
- The rating reflects the application of its criteria, "Methodology For Rating U.S. Governments," published Sept. 9, 2024, on RatingsDirect.

### Security

The county's sales tax bonds are first payable from proceeds of a countywide special-purpose local option sales tax (SPLOST), which voters approved in November 2024 for the 2025 bonds, and in November 2018 for the 2019 bonds. The SPLOST is a 1% sales tax dedicated to certain capital projects shared by the county and city of Cumming. The current SPLOST expires June 30, 2025, and the next six-year cycle will begin July 1, 2025. Under an intergovernmental agreement, the county will receive 93.78% of the proceeds. Officials plan to use the revenue to finance debt service on the bonds; thus, we rate to the GO pledge. Additional revenue above debt service requirements will cash-fund various capital projects. The 2025 proceeds will finance road, street, bridge, and sidewalk repairs, as well as parks and recreation projects.

The county's full faith and credit pledge and its agreement to levy ad valorem property taxes without limitation as to rate or amount, secure its GO bonds.

The revenue bonds are special limited obligations of the authority payable solely from and secured by a first-priority pledge of and lien on the revenue from the county to the authority, whereby the authority leases the system to the county. The county is obligated under the lease to make certain timely payments to the authority in an amount sufficient to pay the principal of, premium, if any, and interest the bonds. Under the agreement, the obligations are secured by a pledge to the authority of the net revenue of the system and by a pledge of the county's full faith and credit and taxing power within the special tax district, without limitation as to rate or amount, to meet contract

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payments should system revenue be insufficient. The special tax district makes up 73% of the county and 96% of the assessed value (AV), which we do not view as a materially narrower tax base. As a result, we rate the bonds on par with the county's general creditworthiness. Additionally, the contract extends through the life of the bonds and is not subject to annual renewal.

### Credit overview

The rating reflects Forsyth County's economy and robust financial position, which benefits from broader regional growth. Its policies and practices enable it to maintain balanced operations, supporting its high reserves. Although growth and investment in services necessitate significant capital investments, Forsyth County manages its long-term liabilities responsibly, and we do not anticipate future needs will affect its creditworthiness.

Credit fundamentals include our opinion of Forsyth County's:

- Status as an affluent county which continues to grow;
- Track record of positive operating results that support high fund balances;
- Well-integrated policies and practices; and
- Very low total debt load with capital needs financed through dedicated SPLOST program funding, and limited pension pressures.
- Georgia counties have a predictable operating framework and substantial statutory ability to raise local-source revenue for operations. For more information on our institutional framework assessment for Georgia counties, see "Institutional Framework Assessment: Georgia Local Governments," published Sept. 10, 2024.

### Environmental, social, and governance

We have assessed the county's environmental, social, and governance factors; we view them all as neutral within the credit analysis.

### Rating above the sovereign

Forsyth County's GO bonds are eligible to be rated above the sovereign because we believe the county can maintain better credit characteristics than the U.S. in a stress scenario. Under our criteria, "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions" (published Nov. 19, 2013), U.S. local governments are considered to have moderate sensitivity to country risk. Forsyth County's GO pledge is the primary source of security on the debt, which severely limits the possibility of negative sovereign intervention in the county's payment of debt or operations. The county has independent treasury management, and the U.S. has no history of negative federal intervention relating to a local government's revenue. Revenues from property and local sales taxes made up about 65% of county revenues.

## Outlook

The stable outlook reflects S&P Global Ratings' view that Forsyth County will likely maintain balanced operations during the two-year outlook, supported by its growing economy and conservative budgeting practices.

## **Downside scenario**

We could lower the rating if the county were to experience weakening finances that results in the material reduction of reserves with no plan to restore.

## **Credit Opinion**

### **Economy**

Forsyth County is a rapidly growing economy 37 miles north of Atlanta. The economy benefits from regional labor opportunities, as reflected in its incomes which exceed the U.S. average. While economic output metrics lag the nation, the tax base is diverse across industries and AVs continue to grow, which, in our view, continues to support the county's revenue-generating ability. Its digest continues to increase and is expected to rise by at least 5% in 2025. Notable projects include a mixed-use development made up of 1,940 residential units, a hotel, 1.6 million square feet of office and retail space and an arena that may house a hockey league expansion. In addition, the county continues to attract investments, including \$30 million for a water meter manufacturing company that is expected to generate 60 new jobs, a 114,000-square-foot electric vehicle charging facility (125 new jobs), and a \$10 million life science research facility (80). Given its location, regional growth projections, and project pipeline, we expect the local economy to remain robust.

### **Financial Performance, Reserves, and Liquidity**

Strong revenue and prudent management continue to support the county's operating surpluses through fiscal 2023, resulting in maintenance of available reserves at above 45% of revenue. General fund revenue consists primarily of property taxes (36%), sales taxes (29%), and charges for services (16%). Tax collections generally exceed 99% and are collected in November, funding the fiscal year that begins Jan. 1 of the following year, minimizing any cash-flow delays from the county's largest revenue source. The 2024 budget totaled \$196 million and included a lower bond millage rate which was repurposed as a fire millage rate. Based on unaudited results, the county expects another surplus in fiscal 2024 of approximately \$11.5 million, which it plans to add to fund balance. The 2025 budget totals \$215.5 million, a 9.9% increase compared to the prior year to account for salary adjustments. It does not have any plans to materially spend down reserves over the next few years. As a result, we expect its financial profile to remain robust.

### **Management**

Forsyth County's policies and practices support its ability to manage operations in a manner that typically produces surplus results, allowing it to maintain its strong financial position. Highlights include:

- The use of historical trends, regional analysis, and forward-looking projections to build conservative budget assumptions, as well as robust budget monitoring, with monthly budget reports shared with department heads and quarterly budget-to-actual reporting to the board of commissioners, with the ability and willingness to amend the budget during the year to maintain balanced operations; the county posts its reports online;

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- A comprehensive five-year capital improvement plan (CIP) which it updates annually as part of its budget process and is shared on its website and which it includes breakdowns by department and identifies funding sources; it also informally maintains five-year budget projections with adjusted revenue and expenditure assumptions for each year as well as projected use of fund balance;
- Formalized policies across investment management, with quarterly reporting on holdings and earnings, a debt management policy with covenants including net direct debt to net revenue not exceeding 1.75% of full value and debt service to not exceed 15% of expenditures, and a formal reserve policy to maintain three months of general fund budget (approximately 25%) in unassigned fund balance. The county continues to adhere to its policies.

## Debt and Liabilities

Forsyth County's debt profile is a credit strength, supporting the current rating, due to its availability of SPLOST revenue for debt service and limited near-term capital needs. Including this issuance, the county has \$440.542 million debt outstanding, of which \$222.35 million is self-supported water and sewer debt. It has approximately \$5 million in authorized but unissued debt as part of its 2024 referendum, which management does not anticipate issuing. In addition, subject to approval for the NHL expansion, the county may borrow up to \$225 million for the new arena, in addition to any additional debt it may need in line with its CIP; however, the majority will likely be supported through dedicated SPLOSTs and we do not expect the additional debt to materially impair the county's debt profile.

In addition, limited retirement liabilities make up a negligible portion of the budget, resulting in no per capita liability. Similarly, the county has legal flexibility to alter its other postemployment benefits (OPEBs), which we view positively; the liability as of fiscal 2023 totaled \$38 million. Overall, we do not view the pension and OPEB liabilities as a credit pressure.

**Table 1**

Forsyth County, Georgia--Credit summary	
Institutional framework (IF)	1
Individual credit profile (ICP)	1.94
Economy	3.0
Financial performance	2
Reserves and liquidity	1
Management	1.70
Debt and liabilities	2.00

**Table 2**

Forsyth County, Georgia--Key credit metrics				
	Most recent	2023	2022	2021
<b>Economy</b>				
Real GCP per capita % of U.S.			67	67
County PCPI % of U.S.			121	116
Market value (\$000s)		50,713,898	41,698,665	39,426,237
Market value per capita (\$)		187,106	158,982	154,006
Top 10 taxpayers % of taxable value		2.5	2.8	2.7

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**Table 2**

Forsyth County, Georgia--Key credit metrics (cont.)				
	Most recent	2023	2022	2021
County unemployment rate (%)		2.5	2.4	2.5
Local median household EBI % of U.S.		151	151	154
Local per capita EBI % of U.S.		129	130	137
Local population		271,043	262,285	256,005
<b>Financial performance</b>				
Operating fund revenues (\$000s)		206,649	186,222	177,602
Operating fund expenditures (\$000s)		157,950	144,894	132,495
Net transfers and other adjustments (\$000s)		(41,307)	(38,916)	(34,342)
Operating result (\$000s)		7,392	2,412	10,765
Operating result % of revenues		3.6	1.3	6.1
Operating result three-year average %		3.6	5.7	6.3
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues		46.8	48.0	48.9
Available reserves (\$000s)		96,653	89,417	86,921
<b>Debt and liabilities</b>				
Debt service cost % of revenues		12.4	10.2	10.6
Net direct debt per capita (\$)	1,623	1,407	1,630	1,749
Net direct debt (\$000s)	439,955	381,280	427,640	447,877
Direct debt 10-year amortization (%)	69			
Pension and OPEB cost % of revenues		1.0	1.0	1.0
NPLs per capita (\$)			6	
Combined NPLs (\$000s)			1,566	

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

### Ratings Detail (As Of March 6, 2025)

#### **Forsyth County Water & Sewage Authority, Georgia**

Forsyth County, Georgia

Forsyth Cnty Wtr & Swg Auth (Forsyth Cnty) GO

<i>Long Term Rating</i>	AAA/Stable	Affirmed
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Forsyth Cnty Wtr & Swg Auth (Forsyth Cnty) GO

<i>Long Term Rating</i>	AAA/Stable	Affirmed
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Forsyth Cnty Wtr & Swg Auth (Forsyth Cnty) GOEQUIV

<i>Long Term Rating</i>	AAA/Stable	Affirmed
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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](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://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](http://www.spglobal.com/ratings).

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