

CREDIT OPINION

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Oconee County, GA

Update following upgrade to Aaa

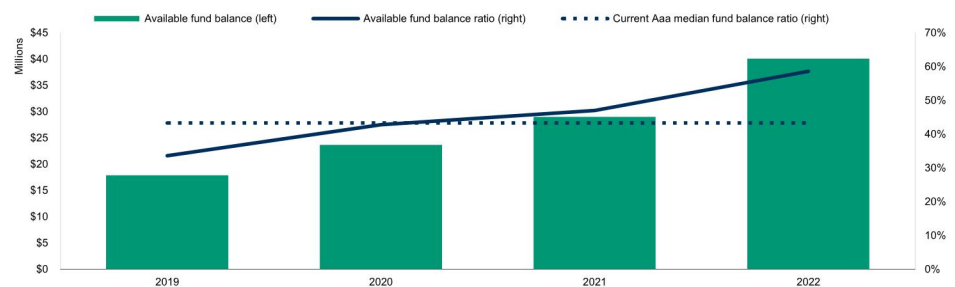
Summary

[Oconee County, GA's](#) (Aaa stable) credit quality is supported by a long track record of strong budget management and maintenance of exceptionally high reserve levels. The county's credit profile also benefits from a healthy, affluent, and growing economic base that is part of the [Athens-Clarke County](#) (Aa1) metro area. A rising population and ongoing development activity are helping drive robust revenue growth, offsetting budget headwinds associated with rising personnel costs. Should revenue growth subside, the county maintains significant revenue raising flexibility and has demonstrated a history of prudent budget management.

Exhibit 1

Fund balance is rising, exceeds Aaa median

Available fund balance



Source: Oconee County, GA' Moody's Investors Service

On July 12, 2023, Moody's upgraded Oconee County, GA's issuer and GOULT ratings to Aaa from Aa1. Moody's also assigned a Aaa to the county-backed \$11.4 million Revenue Bonds (Oconee-Hard Labor Creek Reservoir Project), Series 2023 that is being issued through the Walton County Water and Sewerage Authority, GA.

Credit strengths

- » Healthy financial position supported by prudent budget management and substantial revenue raising flexibility
- » Ongoing economic development, very strong resident incomes and full value per capita

Credit challenges

- » Competitive labor market are driving up personnel costs
- » Debt levels are rising but remain in line with comparably rated peers

Rating outlook

The stable outlook reflects the expectation that prudent budget management and a substantial amount of revenue raising flexibility will help mitigate the potential budget headwinds associated with rising personnel costs and other inflationary pressures.

Factors that could lead to an upgrade

- » Not applicable

Factors that could lead to a downgrade

- » Trend of imbalanced operations and/or material decline in reserves
- » Material increase in long-term liabilities ratio and/or fixed-costs ratio

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.moody.com> for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Oconee (County of) GA

	2019	2020	2021	2022	Aaa Medians
Economy					
Resident income ratio (%)	159.3%	162.0%	162.9%	N/A	122.6%
Full Value (\$000)	\$5,615,348	\$6,129,703	\$6,619,461	\$7,056,983	\$56,143,782
Population	38,132	39,194	41,006	N/A	411,102
Full value per capita (\$)	\$147,261	\$156,394	\$161,427	N/A	\$134,157
Economic growth metric (%)	N/A	0.1%	-0.1%	N/A	-0.1%
Financial Performance					
Revenue (\$000)	\$53,193	\$55,219	\$61,701	\$68,365	\$512,430
Available fund balance (\$000)	\$17,878	\$23,638	\$28,993	\$40,087	\$189,383
Net unrestricted cash (\$000)	\$27,279	\$32,143	\$43,118	\$55,449	\$343,404
Available fund balance ratio (%)	33.6%	42.8%	47.0%	58.6%	39.4%
Liquidity ratio (%)	51.3%	58.2%	69.9%	81.1%	70.0%
Leverage					
Debt (\$000)	\$66,928	\$65,463	\$61,269	\$87,995	\$394,307
Adjusted net pension liabilities (\$000)	\$23,292	\$30,529	\$35,729	\$32,613	\$526,820
Adjusted net OPEB liabilities (\$000)	\$6,280	\$8,600	\$8,969	\$8,251	\$97,045
Other long-term liabilities (\$000)	\$907	\$951	\$953	\$962	\$27,899
Long-term liabilities ratio (%)	183.1%	191.1%	173.3%	189.9%	207.0%
Fixed costs					
Implied debt service (\$000)	\$5,343	\$4,880	\$4,688	\$4,297	\$27,046
Pension tread water contribution (\$000)	\$1,222	\$1,400	N/A	\$1,311	\$14,911
OPEB contributions (\$000)	\$144	\$180	\$174	\$214	\$2,818
Implied cost of other long-term liabilities (\$000)	\$59	\$66	\$68	\$67	\$1,585
Fixed-costs ratio (%)	12.7%	11.8%	10.3%	8.6%	8.9%

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 Economic Growth metric cited above compares the five-year CAGR of real GDP for Athens-Clarke County, GA Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Oconee (County of) GA's financial statements and Moody's Investors Service, US Bureau of Economic Analysis

Profile

Oconee County provides routine municipal services that include judicial, public safety, public works, parks and recreation, housing and development, water and sewer utilities, and other general governmental services.

Detailed credit considerations

Economy: affluent base exhibiting steady growth

Oconee County's economy will likely continue to benefit from gradual population growth and ongoing residential development. The county is part of the Athens-Clarke County metro area, the economic mainstay of which is the [University of Georgia's](#) (Aa2 stable) flagship campus with over 40,000 students and 9,000 staff. Economic growth in the region has largely tracked the nation over the last five years, and Moody's Analytics forecasts the region's GDP growth to slightly outpace the nation in the coming years.

Oconee has its own manufacturing, health care, and retail industries; however, it largely serves as a more affluent bedroom community for neighboring Athens. This is partially indicated by the county's high resident income and full value per capita metrics, both of which far exceed the median for Aaa-rated counties nationwide.

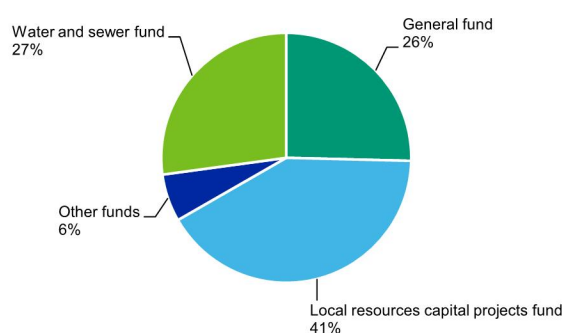
The county's population of around 41,000 has increased at an average annual rate of 3.2% over the last five years and is up 25% over the last decade. The growth is contributing to appreciating home values as well as new residential construction, which in turn are driving tax base growth. The county's full value, which is predominantly residential, has grown by over 35% in the last five years. Commercial property accounts for just 16% of assessed value.

Financial operations: balanced operations and strong reserves

Revenue growth and prudent budget management will help mitigate possible headwinds associated with inflation and rising personnel costs. The county's general fund recorded consistent operating surpluses in the ten years through fiscal 2022 and county officials expect another small surplus in fiscal 2023 (ended June 30). As of fiscal 2022, the county's overall available fund balance totaled \$40.1 million, an amount equal to 58.6% of revenue. Exhibit 3 below illustrates the county's available fund balance composition. The Local Resources Capital Projects (LRCP) fund was first established in fiscal 2022 with a sizeable transfer out of the general fund. County officials report no plans to spend down any available reserves, and they expect to routinely transfer general fund balances in excess of 30% of expenditures to the LRCP fund.

Exhibit 3

Available fund balance by fund Fiscal 2022



Source: Audited financial statements

The county's revenue mix is relatively diverse, with primary revenues consisting of property taxes (30% of total revenue), various sales taxes (27%), and water and sewer utility charges (19%). All of these major revenue streams have exhibited strong trends in recent years.

Like most [Georgia](#) (Aaa stable) counties, Oconee's property tax is not subject to any limitations. The county has not utilized this substantial revenue raising flexibility in recent years because strong tax base growth has yielded organic property tax revenue growth. The county has historically levied a local option sales tax (LOST) and a special purpose local option sales tax (SPLOST), which have collectively grown at an average annual rate of 9% in the last five years. In 2023, the county received voter approval to implement a third sales tax (called a transportation SPLOST) that will help fund transportation-related capital projects.

Liquidity

The county will continue to maintain very strong liquidity. In fiscal 2022, the county's reported cash balance (\$55.4 million) was higher than its available fund balance (\$40.1 million). This disparity is the result of available cash reserves being listed as restricted fund balances. Specifically, the county had \$9.8 million of cash in its SPLOST fund and \$4.8 million of cash in its ARPA fund that are not included in available fund balance. These cash balances will likely be spent down in the coming years, and the county's liquidity ratio is expected to more closely resemble its available fund balance ratio.

Leverage: moderate leverage and low fixed costs

Dedicated revenue streams to pay-go capital needs and strong pension contribution practices will help keep the county's long-term liabilities in line with sector medians. Including its 2023 borrowings, the county's long-term liabilities ratio is estimated to be around 210% of revenue. These liabilities primarily consist of debt (about \$119 million), followed by Moody's adjusted net pension liability (\$32.6 million), and Moody's adjusted net OPEB liability (\$8.3 million). Officials report the county does not have any additional borrowing plans and that it expects to fund capital projects with its SPLOST and new TSPLOST collections for the foreseeable future.

Legal security

The GOULT revenue bonds are limited obligations of the issuer (Walton County Water and Sewerage Authority, GA) and backed solely by contract payments made by the county. Pursuant to an intergovernmental contract, the county has agreed to levy an unlimited ad valorem tax on all taxable property in the county in order to make contract payments.

The GOULT bonds are general obligations of the county backed by the county's pledge to levy an unlimited ad valorem tax on all taxable property within the county for repayment of the bonds.

Debt structure

The county's debt portfolio consists of long-term, fixed rate debt. Most of the county's debt consists of contract-backed general obligation unlimited tax (GOULT) bonds issued by various conduits. This includes the county's roughly 20% share of the [Upper Oconee Basin Water Authority's](#) (Aa2) pooled financing as well as various GEFA loans. The county's debt portfolio also includes approximately \$16 million of unrated limited obligation revenue bonds that were issued in 2022 by the Industrial Development Authority. These bonds are backed solely by payments made by the county in an amount equal to the LOST collections generated at a single Costco.

Debt-related derivatives

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

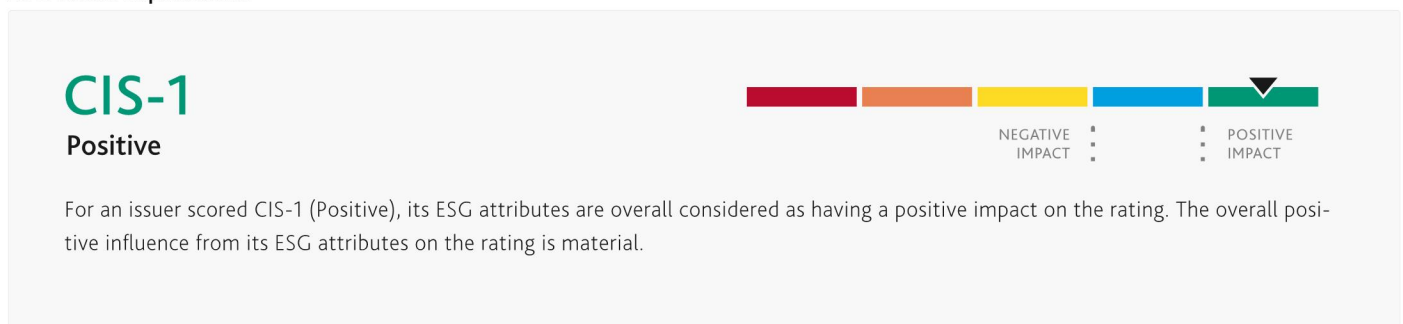
Pensions and OPEB

The county participates in an agent multiple-employer defined benefit pension plan. The defined benefit plan's current discount rate is 7.0%, whereas the discount rate used by Moody's was 2.8% as of the measurement date of the plan as reported in the county's financial statements. These adjustments are intended to improve comparability between Moody's-rated entities. Contributions to the plans are set as a share of annual payroll and are paid by the employer and employee alike. County contributions are based on actuarially determined amounts less employee contributions. The county's contribution to the plan has comfortably exceeded the tread water amount for four consecutive years. The tread water amount is the amount needed to forestall growth in unfunded liabilities per the plan's own assumptions.

The county closed its single-employer OPEB plan for new employees that began after January 1, 2018. The county funds its outstanding OPEB liabilities on a pay-as-you-go basis.

ESG considerations**Oconee (County of) GA's ESG Credit Impact Score is Positive CIS-1**

Exhibit 4

ESG Credit Impact Score

Source: Moody's Investors Service

Oconee County's ESG Credit Impact Score is a 1, driven by strong social considerations that are bolstering the county's revenue base and economic momentum. Governance considerations also positively influence the CIS and reflect strong revenue raising flexibility and a history of proactive budget management such as implementing dedicated revenue sources as infrastructure needs grow.

Exhibit 5

ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

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

Social

The county's S issuer profile score is **S-1** and reflects strong rates of in-migration that is contributing to population gains, above average employment growth and labor force participation, and very competitive educational attainment rates. The score also incorporates above average life expectancy and relatively low crime rates, access to basic services and average housing considerations.

Governance

The county's G issuer profile score is **G-1**, reflecting strengths in the institutional structure that include broad legal ability to increase revenues and control costs. The IPS also considers the county's strong policy credibility, transparency, and management and budgeting practices. For example, the county's general fund has recorded consistent operating surpluses over the last decade, routinely outperforms budgets, and maintains very strong reserve levels. The county has also proactively identified new revenue sources to accommodate ongoing growth and development. The county's policy credibility is also indicated by its ability to regularly receive voter approval for new or renewed special purpose sales taxes.

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 6

Oconee (County of) GA

	Measure	Weight	Score
Economy			
Resident income ratio	162.9%	10.0%	Aaa
Full value per capita	171,812	10.0%	Aa
Economic growth metric	-0.1%	10.0%	Aa
Financial Performance			
Available fund balance ratio	58.6%	20.0%	Aaa
Liquidity ratio	81.1%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aaa	10.0%	Aaa
Leverage			
Long-term liabilities ratio	189.9%	20.0%	Aa
Fixed-costs ratio	8.6%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa1
Assigned Rating			Aaa

The complete list of outstanding ratings assigned to the Oconee (County of) GA is available on their [issuer page](#). Details on the current ESG scores assigned to the Oconee (County of) GA are available on their [ESGView page](#).

Sources: US Census Bureau, Oconee (County of) GA's financial statements and Moody's Investors Service

Appendix

Exhibit 7

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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