



RATING ACTION COMMENTARY

Fitch Affirms Macon-Bibb County, GA's Ratings at 'AA-'; Outlook Stable

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Fitch Ratings - New York - 01 Dec 2020: Fitch Ratings has affirmed the following ratings of Macon-Bibb County, GA at 'AA-':

--Issuer Default Rating (IDR);

--GO sales tax bonds;

--Macon-Bibb County Urban Development Authority (UDA) revenue bonds;

--Macon-Bibb Industrial Authority (Bass Pro and Sofkee Park Projects) revenue bonds.

The Rating Outlook is Stable.

SECURITY

The GO sales tax bonds are general obligations of the consolidated government of Macon-Bibb County, for which its full faith and credit and unlimited taxing power are irrevocably pledged.

The revenue bonds are special obligations of the respective authorities, payable from installment payments made by the county to which the county has pledged its full faith credit and unlimited taxing power. The county's obligation to make installment payments is absolute and unconditional, and not subject to appropriation or abatement.

ANALYTICAL CONCLUSION

The affirmation of the county's 'AA-' IDR and Stable Outlook reflects Fitch's expectation that the county will continue to maintain a superior level of budgetary flexibility throughout the current and future downturns. The county retains a broad independent legal ability to raise revenues and control spending, which will help support its ability to maintain financial flexibility. Long-term liabilities are expected to remain low, with no additional debt planned, very rapid amortization of outstanding debt, and manageable capital needs and pension liabilities.

ECONOMIC RESOURCE BASE

Macon-Bibb County is located in central Georgia, 80 miles south of Atlanta and 160 miles west of Savannah. The city of Macon serves as the seat of the consolidated government and is the center of population in the county. The city of Macon and Bibb County were consolidated in 2014. The estimated population in 2019 was 153,195, or a 1.5% decline from the 2010 census.

KEY RATING DRIVERS

Revenue Framework: 'a'

Historically weak tax base trends and revenue growth constrain the revenue framework assessment. Recent trends have been healthier aided by an improved housing market and several new development projects, and the implementation of a new marketplace facilitator tax by the state in April 2020 augments sales tax revenues. The county's independent legal ability to raise property taxes without limitation provides flexibility to offset periods of revenue contraction.

Expenditure Framework: 'a'

Fitch believes the natural pace of spending would outpace revenue trends absent offsetting policy action given the stagnant revenue growth outlook. Flexibility to adjust spending is solid as fixed carrying costs for debt and retiree liabilities are expected to remain at a manageable level. The county retains significant ability to control workforce costs in the absence of collective bargaining.

Long-Term Liability Burden: 'aaa'

The long-term liability burden for debt and pensions is a low 5% of personal income. About 60% of the burden is made up of the combined net pension liability of the county's three defined benefit plans, all of which are now closed to new hires. Fitch does not expect the county's pension plans or current debt plans to pressure the long-term liability burden assessment in the foreseeable future. The county does not have any plans for new debt, as capital needs will be funded from a voter approved special purpose local option sales tax on a pay-as-you-go basis.

Operating Performance: 'aa'

The county's fiscal performance has been uneven in recent years. Available reserves dropped significantly over a several year period following the city and county government consolidation to a low 3.5% of spending in fiscal 2018. Active budget management since then helped to restore reserves to an adequate level providing additional financial flexibility consistent with the 'aa' operating performance assessment as the county entered the current economic downturn.

ESG- Governance: The county has an ESG relevance score of '4' for Governance due to the financial strain and recent challenges associated with the consolidation of city and county government in 2014, which had a negative impact on the rating in combination with other factors.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--A sustained improvement in revenue growth performance equal to or above inflation, supporting an alignment of revenue and expenditure trends over time;

--Sustained improvement in financial resilience, demonstrated by stability in unrestricted general fund operating results and fiscal resources to support a higher operating performance assessment.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--A return to deficit operations and an erosion of the city's fiscal resources and gap-closing capacity;

--A continued rise in fixed cost spending associated with debt service and retiree benefits to a level that exceeds 20% of total government spending.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit [<https://www.fitchratings.com/site/re/10111579>].

CURRENT DEVELOPMENTS

Sector-wide Coronavirus Implications

The outbreak of coronavirus and related government containment measures worldwide have created an uncertain global environment for U.S. state and local governments and

related entities. Fitch's ratings are forward-looking in nature, and Fitch will monitor the severity and duration of the budgetary impact on state and local governments and incorporate revised expectations for future performance and assessment of key risks.

While the initial phase of economic recovery has been faster than expected, GDP in the U.S. is projected to remain below its 4Q19 level until at least 4Q21. In its baseline scenario, Fitch assumes continued strong GDP growth in 3Q20 followed by a slower recovery trajectory from 4Q20 onward amid persisting social distancing behavior and restrictions, high unemployment and a further pullback in private-sector investment. Additional details, including key assumptions and implications of the baseline scenario and a downside scenario, are described in the report "Fitch Ratings Coronavirus Scenarios: Baseline and Downside Cases - Update", published on Sept. 8, 2020, and "Fitch Ratings Updates Coronavirus Scenarios for U.S. State and Local Tax-Supported Issuers", published on Oct. 1, 2020 on www.fitchratings.com.

County Financial Impact

Fiscal 2020 (June 30 YE) revenues and expenditures performed better than budget driven by increases in title ad valorem tax, local option sales tax and insurance premium tax revenues, while expenditures were lower due to sizeable personnel vacancies, reduced work hours and closure of some public facilities. As a result, the general fund balance is expected to grow by \$14 million to approximately \$33 million or 21% of spending. The county received \$8 million of the state's allocation of the Coronavirus Aid, Relief, and Economic Security Funding (CARES) for eligible reimbursable expenses, of which approximately \$2.4 million was utilized in fiscal 2020.

The fiscal year 2021 adopted general fund budget is balanced with a \$5.5 million use of reserves. If utilized, the resultant fund balance would remain at a solid level and Fitch would expect the county to rely on structural measures to address any budget gap in fiscal 2022 in order to limit risk to a reoccurrence of the sharp decline in financial resilience from fiscal 2015-2018. The budget incorporates a 10% reduction in total general fund revenues, and does not adjust the property tax millage rate (property taxes are the largest general fund source at about 50% of budget). The budget assumes savings from employee furloughs, the elimination of non-public safety vacant positions, and reduction in recreation programs. The adopted budget incorporates a 18% reduction in sales tax revenues, which account for approximately 16% of general fund revenue, however, county management indicate that YTD results have not shown a material decline. The budget also includes a new marketplace facilitator tax that was implemented by the state on April 1, 2020 - this sales tax applies to third-party distributors such as Amazon, Walmart, and Etsy.

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Macon-Bibb County (GA) [General Government]: Rule of Law, Institutional & Regulatory Quality, Control of Corruption: 4

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

RATING ACTIONS

ENTITY/DEBT	RATING	PRIOR
Macon-Bibb County (GA) [General Government]	LT AA- Rating Outlook Stable IDR	Affirmed AA- Rating Outlook Stable

ENTITY/DEBT	RATING	PRIOR
● Macon-	LT AA- Rating Outlook Stable	Affirmed
		AA- Rating

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APPLICABLE CRITERIA

[U.S. Public Finance Tax-Supported Rating Criteria \(pub. 27 Mar 2020\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

FAST States & Locals - Fitch Analytical Stress Test Model, v2.4.0 (1)

ADDITIONAL DISCLOSURES

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Macon-Bibb County (GA)	EU Endorsed
Macon-Bibb County Urban Development Authority (GA)	EU Endorsed
Macon-Bibb Industrial Authority (GA)	EU Endorsed

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