May 16, 2018

Nisha Rajan
Associate Lead Analyst
Moody's Investors Service
Via email: Nisha.rajan@moodys.com

RE: Issuer Comment – 14 May 2018: State of Georgia – Proposed de-annexation of Stockbridge, Georgia, is potential blow to municipalities in the state.

Dear Ms. Rajan,

The continued dissemination of inaccurate and misleading financial information related to the ongoing financial viability of the city of Stockbridge if a portion of its citizens, primarily the assessed property value that belongs to them, is de-annexed has created public hysteria. Financial professionals from respected institutions have jumped in and are perpetuating this illusion of financial distress. I believe that understanding the specifics of this situation would quiet some of the emotional unrest and dispel the fiscal desperation created by incorrect information. I feel it is of particular importance, as publicity of inaccurate financial information appears to be undermining the credit worthiness of our entire state.

I am in a unique position to discuss the Stockbridge's credit and the City's financial position. I remember the underwriting of the GEFA loan that Stockbridge representatives erroneously profess that will not be repaid should the City of Eagle's Landing be formed. I reside within the boundaries of the proposed city of Eagle's Landing in the portion that is unincorporated Henry County. If I were not actively involved in this effort, I would not be attuned to the specifics of this legislation nor the accuracy of the commentary surrounding it. Because of this experience, going forward I am making a personal commitment to be more engaged in the legislative process where it pertains to financial viability of municipalities in the State.

Background and Experience

My name is Allison Halron. I worked as the Finance Director of the Georgia Environmental Finance Authority (GEFA) from April 2010 through July 2014. While at GEFA, I either personally underwrote or provided oversight of the underwriting for $900M in new loans. I personally updated, or provided oversight of, annual financial reviews for more than 780 loans to over 300 various Georgia municipalities in a $2B credit portfolio. Loan programs during my tenure included ARRA funding with communities receiving "principal forgiveness" and the Governor's Water Supply Program.

During my tenure, the Georgia Environmental Loan Corporation (GELAC) issued two bonds. I was an active participant in this "first of its kind" obligation with a front seat to the entire process; the creation of GELAC, the structure of the instruments, the underwriting process, the monthly debt service analysis, and the annual compliance requirement of posting audited financial statements of the municipalities whose loans served as collateral for the repayment of the GELAC bonds.

Through an intragovernmental arrangement, I underwrote loans for another State Authority, the State Road and Tollway Authority (SRTA), to fund projects to multiple Georgia cities and quasi-governmental entities such as Community Improvement Districts (CIDs).

The revenue streams for each Georgia municipality can vary significantly. The enabling legislation of a governmental organization can also add language that can affect sources of revenue or use of funds. These factors necessitate that each entity be evaluated and that a standard template of analysis and repayment will not yield an optimal result.

Analysis Summary of Stockbridge

LOST is Local Option Sales Tax. It accounts for 1% of the 7% Sales Tax collected in Henry County. The amount collected is sent to the State from retailers and restaurants throughout the County. The exact location where specific sales tax dollars are collected is not known. The allocation of this 1% to every city in Henry was not based on population or property value but on the negotiating ability of the city officials at the time. To standardize this comparison with other operating revenue sources, population will be the metric used.

LOST is the primary source of funding for the **OPERATING** budget of Stockbridge. The City's next two largest revenue streams come from Insurance Premium Fees and Franchise Fees collected on utility and insurance bills paid by the citizens within its boundaries. The table below shows the percentage each form of revenue contributes to total revenue collected by the General Fund. *(Adjustments required to adapt audited General Fund revenue to Schedule of General Fund Revenues used in the Stockbridge commissioned fiscal impact report completed by the University of Georgia's Carl Vinson Institute of Government – [UGA].)*

General Fund Revenue	Amount	% of Total
Sales Taxes - Local Option Sales Tax (LOST) - County	$ 3,785,414	42%
Property Taxes - Personal Property - Tax Title Ad	124,284	1%
Franchise Fees	1,480,642	16%
Alcoholic Beverage and Excise Taxes	711,402	8%
Business and Occupation Taxes	601,511	7%
Insurance Premimum Taxes	1,642,740	18%
Other Taxes	103,613	1%
Adjustment in taxes for modified Accrual	*(47,552)*	*-1%*
Licenses and Permits	258,637	3%
Intergovernmental	182,603	2%
Fines and Forfeitures	539,215	6%
Charges for Services	5,590	0%
Interest Income	1,381	0%
Other Revenues	161,623	2%
Subtracted to get to fiscal impact report's beginning General Fund Revenue	*(488,215)*	*-5%*
	$ 9,062,888	100%

SPLOST is Special Purpose Local Option Sales Tax. It is used to fund specific **CAPITAL** Projects that all of Henry County voters approve when they vote to approve that 1% SPLOST.

Because property taxes are not levied, all discussion about assessed property value is relatively insignificant (0 mill rate times assessed property value equals $0). Assessed property value is insignificant if there is no property tax collected by a city. Ad valorem tax (collected on vehicles each year- called TAVT) would produce the only revenue for a city in Henry. Last year, $124K was collected and TAVT has averaged around $214K annually.

Operating Budget Impact Detail

Stockbridge's commissioned de-annexation fiscal study by UGA states on page 7 that the only funds impacted by the de-annexation are its General Fund and its Hotel/Motel Tax Fund. Excerpt from study can be found here: *Exhibit 3 – De-annexation Report states "No Impact on Debt Repayment"*

The operating revenues for the impacted Stockbridge funds are presented below. The adjustments were made to the summary based on starting revenue balance given in the UGA fiscal impact study and to reconcile the summary in the study with the Stockbridge audit.

City of Stockbridge - Annual Financial Report
December 31, 2016

			Actual
General Fund Revenues			**$ 9,551,103**
Sales Taxes - Local Option Sales Tax (LOST) - County		$ 3,785,414	
Property Taxes - Personal Property - Tax Title Ad	124,284		
Franchise Fees	1,480,642		
Alcoholic Beverage and Excise Taxes	711,402		
Business and Occupation Taxes	601,511		
Insurance Premimum Taxes	1,642,740		
Other Taxes	103,613		
Adjustment in taxes for modified Accrual	*(47,552)*		
Other Taxes		4,616,640	
Taxes			$ 8,402,054
Licenses and Permits			258,637
Intergovernmental			182,603
Fines and Forfeitures			539,215
Charges for Services			5,590
Interest Income			1,381
Other Revenues			161,623
			$ 9,551,103
Subtracted to get to fiscal impact report's beginning General Fund Revenue			*(488,215)*
			$ 9,062,888

The table below estimates the change in population based on the de-annexation of the portion of Stockbridge residents within the Eagle's Landing boundaries and the annexation of the residents currently in unincorporated Henry. The map of the areas to be annex can be found at *Exhibit 4 – Map of Area to be Annexed into Stockbridge*.

Table 2.1 Estimated Population and Household Size (UGA -CVIOG); adjusted

	Current Population	**w/o annex**	**annex**	**Net Gain (Loss)**	**After EL**	***% chg***
Population	28,677	-9,267	3,404	-5,863	22,814	*-20%*
Households	10,098	-3,263	1,199	-2,064	8,033	*-20%*
People per Household	2.84					

Because Stockbridge **does not levy property tax**, assessed property value is not the appropriate metric to use but rather population – per capita. The largest operating revenue streams for Stockbridge are LOST, Insurance Premium Fees and Franchise Fees. These are based on population or household. The net estimated change in population is a decrease of 20%. Applying a 20% reduction to Operating Revenues received by the General Fund in 2016, revenues would be reduced by $1,812,578.

City of Stockbridge - Annual Financial Report
December 31, 2016

			Actual	20% Reduction		Projected Revenue
General Fund Revenues			**$ 9,551,103**			
Sales Taxes - Local Option Sales Tax (LOST) - County		$ 3,785,414			$ 3,028,331	
Property Taxes - Personal Property - Tax Title Ad	124,284			99,427		
Franchise Fees	1,480,642			1,184,514		
Alcoholic Beverage and Excise Taxes	711,402			569,122		
Business and Occupation Taxes	601,511			481,209		
Insurance Premimum Taxes	1,642,740			1,314,192		
Other Taxes	103,613			82,890		
Adjustment in taxes for modified Accrual	*(47,552)*			*(38,042)*		
Other Taxes		4,616,640			3,693,312	
Taxes			$ 8,402,054			$ 6,721,643
Licenses and Permits			258,637			206,910
Intergovernmental			182,603			146,082
Fines and Forfeitures			539,215			431,372
Charges for Services			5,590			4,472
Interest Income			1,381			1,105
Other Revenues			161,623			129,298
			$ 9,551,103			**$ 7,640,882**
Subtracted to get to fiscal impact report's beginning General Fund Revenue			*(488,215)*			*(390,572)*
			$ 9,062,888			**$ 7,250,310**

Stockbridge's financial viability has been tested at similar metrics. During 2009 and 2010, the area (and nation) were in the middle of the economic downturn touted as the worst since the Great Depression. Stockbridge's General Fund had about the same revenues, same population and same number of employees as estimated if SB 262/263 passes. The City generated $2M more than it expended. Its Fund Balance increased. In addition, the debt service payments were made for the same private placement bonds issued to the Urban Redevelopment Agency (2005 and 2006) and for the GEFA loan.

General Fund	**2009**	**2010**	**2016**
Revenues	$ 6,975,484	$ 7,331,334	$ 9,551,103
Expenditures	4,606,865	5,190,083	5,445,702
Excess of Revenues over Expenditures	$ 2,368,619	$ 2,141,251	$ 4,105,401
Population	22,000	25,636	28,677
Active Employees (from Pension Footnote)	64	66	66
General Fund - Fund Balance			
Reserved	$ 92,510	$ 87,869	
Unreserved	7,800,835	8,318,250	
Nonspendable			$ 4,605,760
Assigned for purchases			58,937
Unassigned			11,326,184
Total Fund Balance	**$ 7,893,345**	**$ 8,406,119**	**$ 15,990,881**

Capital Budget Impact Detail

Stockbridge's commissioned de-annexation fiscal study by UGA states on page 7 that the only funds impacted by the de-annexation are its General Fund and its Hotel/Motel Fund. Excerpt from study can be found here: *Exhibit 3 – De-annexation Report states "No Impact on Debt Repayment"*

The primary responsibility of a credit underwriter is determining the strength and predictability of repayment; evaluating the "5 C's of credit - **character, capacity, capital, collateral and conditions".** I agree that the collateral (source of repayment) stays with the debt. In this situation, it does.

Stockbridge **does not levy taxes** on real (real estate) property (and has not for at least 40 years). (*Exhibit 1 - Property Taxes*) Because property taxes are not levied, all discussion about assessed property value is relatively insignificant (0 mill rate times assessed property value divided by 1,000 equals $0). The largest revenue stream funding the City's operating budget comes from Local Option Sales Tax (LOST). The majority of the City's capital budget (capital projects) comes from Special Purpose Local Option Sales Tax (SPLOST). Georgia law (O.C.G.A. 48-8-121 Use of Proceeds) protects the use of SPLOST funding. This law requires that revenues received from SPLOST be used for the construction of the projects approved by Henry County voters, or for the repayment of debt issued to expedite the projects. When SPLOST funds are received for the approved project, it is held as a restricted amount in Fund Balance. (*Exhibit 2 – Restricted Fund Balance* and *SPLOST II* and *SPLOST III* and *SPLOST IV*). At December 31, 2016, Stockbridge had a Restricted Fund Balance for capital projects of $16.6M and an Unrestricted Fund Balance of $11.3M.

GEFA Loan

Typically, water and sewer funds are responsible for the repayment of GEFA loans. As part of the credit analysis, the *General Fund* of the municipality is reviewed for credit strength and the amount of its transfers between it and the water and sewer fund. Because Stockbridge's water and sewer system is relatively small, about 3,000 customers, **repayment of this loan was secured by SPLOST funding**.

The repayment of this loan was based on the strength of Henry County's ability to collect sales tax from businesses throughout the entire county. If there was an unexpected shortfall, the cash flow generated by the water and sewer system would be sufficient to assist in repayment. Stockbridge has a relatively small general fund budget of about $9M currently and was about $7M at the time the loan was approved.

The water and sewer system projects that were financed by the GEFA loan **are not within the boundaries** of the proposed City of Eagle's Landing and the system **does not provide water or sewer service to the citizens** within the proposed area.

SPLOST funding remains with the projects that voters approved and both the projects and the citizens it serves remain within the city limits of Stockbridge. The collateral (source of repayment) is staying with the debt. Repayment of this debt is not impacted by the proposed de-annexation. *(Exhibit 2 – Restricted Fund Balance and Exhibit 3 – De-annexation Report states "No Impact on Debt Repayment")*

Private Placement Bonds

Stockbridge's other long-term debt is private placement ***revenue*** bonds issued through the Urban Redevelopment Agency of the City of Stockbridge to acquire property and to construct its Town Center. Bonds are titled with their primary form of repayment and the Wells Fargo/Capital One Bonds are named ***revenue bonds***, not ***general obligation bonds*** (full taxing power). The debt agreement is not public but it is probable that a large portion of the repayment is based on SPLOST funding in conjunction with lease or rental fees generated by the buildings constructed by the project. This assumption is made due to the amount of debt borrowed along with the regular funding of nearly all Stockbridge's capital projects by SPLOST.

These private placement bonds with Capital One act more like loans than bonds because there is only one investor. These types of bonds differ from publicly offered bonds in three key areas: 1) the design of bond covenants, 2) credit monitoring (done by institutional lender with the in-house expertise to monitor the credit versus a trustee and a rating agency like S&P or Moody's), and 3) the relative ease of renegotiation (one lender, one borrower). Stockbridge has no publicly traded bonds; therefore, **no** bond rating.

The debt agreement states that *should* the primary repayment sources be insufficient to cover debt service payments, Stockbridge pledges its **full taxing power** (meaning it promises to levy real property tax on all assessed property within its boundaries) to serve as a secondary source of repayment. Stockbridge **does not** levy a tax on real property. (*Exhibit 1- Property Taxes*)

A letter dated March 30, 2018 from Chapman and Cutler LLP on behalf of Capital One advises the City of Stockbridge that it *may* be in violation of their debt agreement with Capital One if SB262/263 does not add a pledge of the assessed property value for the portion the City of Eagle's Landing that is de-annexed from Stockbridge. The letter states that Capital One relied upon the full tax base of the city, including portions of the tax base that could potentially be de-annexed from Stockbridge to repay its bonds.

The exhibits referenced below are excerpts from Stockbridge's audit for the fiscal year ended December 31, 2016. The 2016 audit lists Wells Fargo as the bondholder. Sometime in 2017, the debt was refinanced with Capital One. This means that the ***transaction took place during the time SB 262/263 and HB 638/639*** were active and known by the lender and should have been considered as part of the underwriting process.

The letter further describes how SB262/263 infringes Capital One's constitutional rights under the Contracts Clause of both the U.S. Constitution and the Georgia Constitution by taking away a **significant source** of the security and repayment for the Bonds.

Bonds are titled with their primary form of repayment and the Wells Fargo/Capital One Bonds are named ***revenue bonds***, not ***general obligation bonds*** (full taxing power). If repayment of this debt was secured by the full taxation of all assessed property, an underwriter would have noticed that Stockbridge collects only Title Ad Valorem Taxes (TAVT). The table below shows the Ad Valorem revenue collected by Stockbridge for the years 2011 through 2016. On March 1, 2013, a new method of taxing motor vehicles became effective (*O.C.G.A. 48-5C-1*).

Stockbridge Property Taxes/Ad Valorem Tax	2016	2015	2014	2013	2012	2011
Property Taxes						
Real & Personal Property	$ -	$ -	$ -	$ -	$ -	$ -
Public Utilities	-	-	-	-	-	-
Motor Vehicle/Title Ad Valorem Tax (TAVT)	124,284	226,911	271,113	231,993		
Mobile Home	-	-	-	-	-	-
Rail Road Equipment	-	-	-	-	-	-
Penalties & Interest on Delinquent Taxes	-	-	-	-	-	-
Total Property Taxes	**$ 124,284**	**$ 226,911**	**$ 271,113**	**$ 231,993**	**$ -**	**$ -**

The language used in this agreement must be "boiler-plate" and is as a blanket lien to provide an abundance of protection for the lender. The City of Stockbridge does not levy taxes on real property and has an average annual collection of $214,000 from only TAVT that may provide additional repayment assistance but would not be considered a significant source of security as would traditional real and personal property taxes.

In summary:

- Primary source of repayment is revenue from SPLOST, leasing fees from the property, or other revenue – wherever it's been coming from since the bonds were originally issued – ***titles of issues are Revenue Bonds not General Obligation Bonds***
- Primary repayment responsibility of long-term debt repayment is in Water and Sewer Fund and Urban Redevelopment Agency. Stockbridge's commissioned study states that the only funds impacted by the de-annexation are its General Fund and its Hotel/Motel Tax Fund.
- By Georgia Law, ***SPLOST funds are restricted for projects*** and purpose approved by voters and are held in ***Restricted Fund Balance*** and are available for repayment. Additional unrestricted fund balance of $11.3M can be used to supplement repayment, if necessary.

- Transaction with Capital One took place during 2017 when Senate and House Bills were expected to be ***known to underwriter***
- Stockbridge has ***not levied taxes on real property in 40 years*** and its only form of Ad Valorem or Property Taxes are Title Ad Valorem Tax (TAVT) and was ***known by underwriter***

SPLOST funding and leasing fees of the buildings financed with the bond remains with the projects. The projects remain within the city limits of Stockbridge for the benefit of the Stockbridge citizens. Repayment of this debt is not impacted by the proposed de-annexation. *(Exhibit 2 – Restricted Fund Balance and Exhibit 3 – De-annexation Report states "No Impact on Debt Repayment")*

The last concern expressed in the final paragraph of the **Issuer Comment** was how Stockbridge and Henry County would be affected if de-annexation proceeded and there is a shortfall in sales tax collected so significant that Stockbridge's portion of debt service of the County's bond could not be paid. This is highly improbable and the 2016 Stockbridge audit states that is not a concern. (*Exhibit 6 – SPLOST Revenue Collections*)

If this had been a general obligation bond, the repayment (and collateral) the legislation would have addressed it. The financial strength of the State of Georgia is iconic and its economic development successes are superior and unmatched.

In general, it has been disappointing to see the lack of research and effort asserted before offering credit commentary by all financial professionals concerning the financial viability of Stockbridge. Attention given this situation by financial professionals and institutions, like Moody's, has perpetuated, even embellished an already exaggerated and false distress. It is incredible how much time, energy, money, consideration, anxiety, emotion, and even "threatens the financial well-being of the State of Georgia and its municipalities" **over a $9M general fund**!

Respectfully,

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Referenced Excerpts

Exhibit 1 – Property Taxes:

Stockbridge Audit – December 31, 2016; page 37:

NOTES TO FINANCIAL STATEMENTS

NOTE 4. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. The City, when applicable, obtains the services of Henry County to bill and collect the City's property taxes. The County remits taxes collected to the City on a bi-monthly basis. Property taxes are levied approximately October 1 of each year and are due 60 days after issuance. A local option sales tax is in force. Proceeds from the tax are remitted to the City monthly and are utilized to give property tax owners tax relief. No property taxes were levied for the year ended December 31, 2016. There were no property taxes receivable as of December 31, 2016.

Exhibit 2 – Restricted Fund Balance:

Special Purpose Local Option Sales Tax Schedules for each relevant series is provided below.

Stockbridge Audit – December 31, 2016; page 9:

Financial Analysis of the Government's Funds

As noted earlier, the City of Stockbridge uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The purpose of the City's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the city's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2016 the City's governmental funds reported combined ending fund balances of $32,748,613, an increase of $9,140,867 in comparison to the prior year. Of this amount, $11,326,184 (34.6 percent) is unassigned fund balance, which is available for spending at the government's discretion. Additionally, $16,752,135 is restricted by third parties for 1) capital items most of which is funded by the proceeds of the Special Purpose Local Option Sales Tax ($16,557,661); 2) Perpetual Care of the City's cemetery ($7284); and 3) tourism. The General Fund's increase of $1,374,560 from a decrease in revenue from court fines and a decrease in amounts paid to Henry County for police services.

The General Fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was $11,326,184. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 208.0 percent of the total general fund expenditures, while total fund balance represents 293.6 percent of that same amount.

SPLOST II Schedule

The SPLOST series has been closed and is not in the 2016 audit. The schedules show the cost of the project and the percent of the project completed. Highlighted projects are a few of the ones that may be relevant to the repayment of long-term obligations in question.

Stockbridge Audit – December 31, 2015; page 62:

CITY OF STOCKBRIDGE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - SPLOST II FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

Project	Original Estimated Cost	Current Estimated Cost	Expenditures Beginning of Year	Expenditures Current Year	Expenditures To Date	Estimated Percent Complete
Roads, streets, curbs, gutters, sidewalks and bridges	$ 4,011,703	$ 4,068,250	$ 4,068,250	$ -	$ 4,068,250	100.00%
Water and sewer improvements, and the repayment of debt incurred to acquire and construct water and sewer improvements	1,700,000	2,033,303	2,033,303	-	2,033,303	100.00%
Parks and recreation	200,000	338,122	338,122	-	338,122	100.00%
Acquire land and buildings, including the payment of debt service relating thereto	1,800,000	1,702,348	1,702,348	-	1,702,348	100.00%
Totals	$ 7,711,703	$ 8,142,023	$ 8,142,023	$ -	$ 8,142,023	100.00%

SPLOST III Schedule

Stockbridge Audit – December 31, 2012; page 58:

CITY OF STOCKBRIDGE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - SPLOST III FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

Project	Original Estimated Cost	Current Estimated Cost	Expenditures Beginning of Year	Expenditures Current Year	Expenditures To Date	Estimated Percent Complete
Roads, bridges, sidewalks and transportation facilities	$ 3,060,000	$ 3,060,000	$ 950,622	$ 564,049	$ 1,514,671	49.50%
Public safety facilities and equipment	2,000,000	3,146,129	2,551,386	-	2,551,386	81.10%
Public works facilities and equipment	17,097,500	17,097,500	2,394,625	35,932	2,430,557	14.22%
Construction and renovation of municipal buildings	10,700,000	10,700,000	2,643,182	642,226	3,285,408	30.70%
Totals	$ 32,857,500	$ 34,003,629	$ 8,539,815	$ 1,242,207	$ 9,782,022	28.77%

SPLOST IV Schedule

The schedule of the latest SPLOST series provides an additional example found in the Stockbridge audit.

Stockbridge Audit – December 31, 2016:

CITY OF STOCKBRIDGE, GEORGIA

SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - SPLOST IV
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

Project	Original Estimated Cost	Current Estimated Cost	Expenditures Beginning of Year	Expenditures Current Year	Expenditures To Date	Estimated Percent Complete
Roads, bridges, sidewalks and transportation facilities	$ 1,500,000	$ 5,550,000	$ 365,221	$ 15,714	$ 380,935	6.86%
Public safety facilities and equipment	4,180,000	150,000	9,943	-	9,943	6.63%
Public works facilities and equipment	19,000,000	12,250,000	39,717	100,636	140,353	1.15%
Parks and recreation	2,000,000	1,550,000	222,844	29,557	252,401	16.28%
Totals	$ 26,680,000	$ 19,500,000	$ 637,725	$ 145,907	$ 783,632	4.02%

Exhibit 3 – De-annexation Report states "No Impact on Debt Repayment":

This is an excerpt from the Stockbridge commissioned report by UGA's Carl Vinson Institute of Government (CVIOG): *STOCKBRIDGE DE-ANNEXATION FISCAL ANALYSIS*. The Long-term debt for Stockbridge belongs to the Water and Sewer Fund (GEFA loan) and the Urban Redevelopment Agency (private placement bonds).

Stockbridge De-Annexation Fiscal Analysis; page 7:

Other Governmental and Proprietary Funds

We anticipate one proprietary fund, the Hotel & Motel Fund, will be impacted by the proposed de-annexation as the hotels will no longer be in Stockbridge. The reduced revenues from this fund are -$205,026.11 and are incorporated in the Revenue loss shown above. We discuss the de-annexation's impact more fully in Chapter 6.

Stockbridge has several other governmental and proprietary funds we do not expect to be impacted by de-annexation. The Water & Sewer Fund will not be impacted. Stockbridge has a sanitation fund but it has been privatized. The city's remaining proprietary funds: Storm water, Merle Manders Conference Center, and the Ted Strickland Community Center would not be financially impacted from the de-annexation. Finally, we do not anticipate these other governmental funds: Capital Projects Fund, SPLOST II, SPLOST III, SPLOST IV, and Urban Redevelopment Agency to be affected by de-annexation.

Stockbridge Audit – December 31, 2016; page 41:

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

The City's General Fund is typically used to liquidate all governmental activity long-term liabilities. However, proceeds from any asset sales relative to the Urban Redevelopment project will be used to liquidate the related revenue bond obligation.

The Water and Sewer Enterprise Fund is used to liquidate all of the business-type activity long-term liabilities.

Urban Redevelopment Revenue Bonds. The City entered into an agreement with a financial institution that provided for the issuance of revenue bonds for the purchase of land and construction of structures and improvements for the New Town Center. Various bond issues were used by the City during the purchase and construction phases. Some of the issues were nontaxable while others were taxable issues. All of the remaining outstanding bonds are nontaxable. During the year ended December 31, 2016, the City repaid various bond issues in the amount of $595,000. Amounts outstanding at year-end of $13,025,000 reflect total drawdowns to date net of repayments, if any.

Urban Redevelopment Fund long-term liabilities outstanding at December 31, 2016, are as follows:

Series 2005 B Revenue bonds payable to Wells Fargo Bank, in the total amount of $7,330,000, interest at 4.45%, matures 2/1/31	$ 5,545,000
Series 2006 A Revenue bonds payable to Wells Fargo Bank, in the total amount of $4,795,000, current interest at 4.58%, matures 2/1/31	3,650,000
Series 2006 C Revenue bonds payable to Wells Fargo Bank, in the total amount of $5,000,000, current interest at 4.865%, matures 2/1/31	3,830,000
Total	$ 13,025,000

Exhibit 4 – Map of Area to be Annexed into Stockbridge:

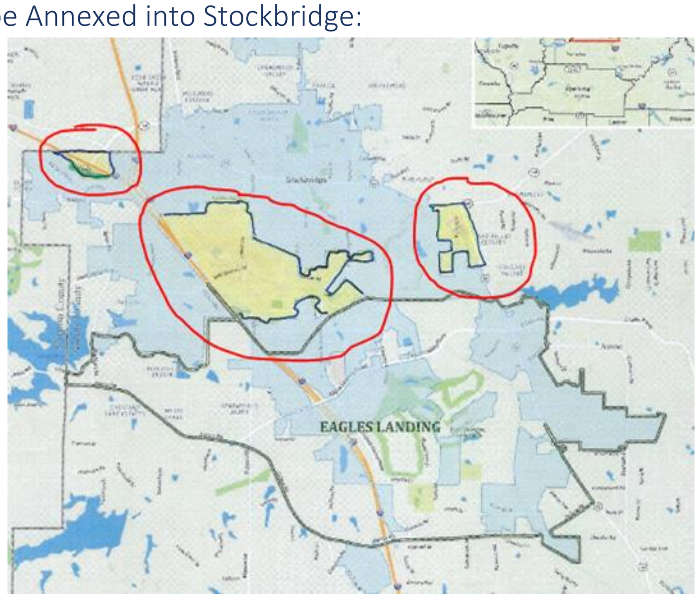

Exhibit 5 – Hotel/Motel Tax Fund

Stockbridge Audit – December 31, 2016; page 50:

NOTE 13. HOTEL/MOTEL TAX

The City levies an 8% hotel/motel tax in accordance with the provisions of OCGA 48-13-51. In order to comply with the expenditure requirements of this code section, the City remits 40% of the monies from the first 5% collected under this provision to the Henry County Chamber of Commerce. The Henry County Chamber of Commerce also receives 50% of the additional 3%. Total collections for year ended December 31, 2016 were $222,993. The amount remitted to the Chamber totaled $97,219.

Exhibit 6 – SPLOST Revenue Collections

Stockbridge Audit – December 31, 2016; page 50:

NOTES TO FINANCIAL STATEMENTS

NOTE 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

In 2014, the citizens of Henry County voted to approve a special purpose local option sales tax to help finance the acquisition and construction of major capital equipment and facilities. In relation to this, the City entered into an intergovernmental agreement with Henry County and the other cities inside the County whereby Henry County would issue revenue bonds to finance some of the SPLOST projects in advance of the SPLOST tax collections. The City of Stockbridge received $6,000,000 from the County under this agreement in fiscal year 2015.

The revenue bonds are in the name of Henry County and are not a direct liability of the City of Stockbridge. However, under the terms of the intergovernmental agreement, Henry County will retain all of the first SPLOST revenue collections for each year in amounts that will satisfy the annual debt service requirements. The agreement also requires the City of Stockbridge to pay its share of debt service requirements should the SPLOST revenue collections not be sufficient to satisfy the debt service requirements under the bond issue. Management believes the SPLOST revenue collections will be sufficient to satisfy all debt service requirements under the bond ordinance.